# CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2018, 2017 and 2016

## REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
**Century Peak Metals Holdings Corporation and Subsidiaries**
1403-1404 BDO-Equitable Bank Tower
8751 Paseo de Roxas
Makati City

### Report on the Audit of the Consolidated Financial Statements

*Opinion*

We have audited the consolidated financial statements of Century Peak Metals Holdings Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRSs).

*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.

KPMG

*Emphasis of Matter*

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

*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.

Aside from the matter described in the Emphasis of Matter section, we have not identified any other key audit matter that needs to be communicated in our report.

*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, 2018, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 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 audit 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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

KPMG

*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 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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. 1574-A, Group A, valid until August 11, 2019
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 7333641
Issued January 3, 2019 at Makati City

April 15, 2019
Makati City, Metro Manila

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# REPORT OF INDEPENDENT AUDITORS

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April 15, 2019
Makati City, Metro Manila

## CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | December 31 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | *4* | **P72,783,595** | P41,511,164 |
| Inventories | *5* | **201,392,446** | 79,827,452 |
| Other current assets - net | *6* | **59,469,566** | 28,177,609 |
| **Total Current Assets** | | **333,645,607** | 149,516,225 |
| **Noncurrent Assets** | | | |
| Investment properties | *7* | **397,116,526** | 21,385,768 |
| Property and equipment - net | *8* | **910,044,246** | 948,597,903 |
| Explored mineral resources - net | *9* | **1,652,192,295** | 1,667,832,110 |
| Deferred exploration costs | *10* | **44,671,548** | 149,509,242 |
| Deferred tax assets - net | *17* | **8,534,853** | 7,980,151 |
| Other noncurrent assets - net | *11* | **97,094,621** | 93,468,766 |
| **Total Noncurrent Assets** | | **3,109,654,089** | 2,888,773,940 |
| | | **P3,443,299,696** | P3,038,290,165 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Accounts payable and other current liabilities | *12* | **P159,615,719** | P73,779,150 |
| Due to related parties | *19* | **635,300,084** | 204,205,781 |
| Income tax payable | | **93,098** | 14,042,863 |
| **Total Current Liabilities** | | **795,008,901** | 292,027,794 |
| **Noncurrent Liability** | | | |
| Provision for site rehabilitation | *13* | **15,199,945** | 13,703,365 |
| **Total Liabilities** | | **810,208,846** | 305,731,159 |
| **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 | | **(178,942,488)** | (83,138,071) |
| **Total Equity Attributable to Equity Holders of the Parent** | | **2,643,319,512** | 2,739,123,929 |
| **Noncontrolling Interest** | | **(10,228,662)** | (6,564,923) |
| **Total Equity** | | **2,633,090,850** | 2,732,559,006 |
| | | **P3,443,299,696** | P3,038,290,165 |

*See Notes to the Consolidated Financial Statements.*

## CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2018** | 2017 | 2016 |
| **REVENUES** | *14* | **P36,762,232** | P324,570,659 | P419,226,495 |
| **COST AND EXPENSES** | | | | |
| Cost of sales | *15* | **(33,932,956)** | (204,707,991) | (333,595,448) |
| Operating expenses | *16* | **(85,584,169)** | (92,249,777) | (63,806,834) |
| Depletion of explored mineral resources | *9* | **(15,639,815)** | (69,199,789) | (67,348,965) |
| Loss on inventory write-down | *5* | **-** | (2,336,269) | - |
| **LOSS BEFORE OTHER INCOME (CHARGES)** | | **(98,394,708)** | (43,923,167) | (45,524,752) |
| **OTHER INCOME (CHARGES)** | | | | |
| Interest expense | *8, 13* | **(1,551,132)** | (1,300,956) | (1,160,871) |
| Foreign exchange loss | *20* | **(35,552)** | (563,789) | (162,448) |
| Interest income | *4* | **51,632** | 31,472 | 10,539 |
| | | **(1,535,052)** | (1,833,273) | (1,312,780) |
| **LOSS BEFORE INCOME TAX** | | **(99,929,760)** | (45,756,440) | (46,837,532) |
| **INCOME TAX EXPENSE (BENEFIT)** | *17* | | | |
| Current | | **93,098** | 15,338,594 | 8,592,605 |
| Deferred | | **(554,702)** | (4,194,202) | (551,818) |
| | | **(461,604)** | 11,144,392 | 8,040,787 |
| **NET LOSS/TOTAL COMPREHENSIVE LOSS** | | **(P99,468,156)** | (P56,900,832) | (P54,878,319) |
| **Total Comprehensive Loss Attributable to:** | | | | |
| Equity holders of the parent company | | **(P95,804,417)** | (P57,879,890) | (P55,801,493) |
| Noncontrolling interest | *18* | **(3,663,739)** | 979,058 | 923,174 |
| | | **(P99,468,156)** | (P56,900,832) | (P54,878,319) |
| **Loss Per Share** | | | | |
| Basic/diluted | *21* | **(P0.0339)** | (P0.0205) | (P0.0198) |

*See Notes to the Consolidated Financial Statements.*

# CENTURY PEAK METALS HOLDINGS CORPORATION
## AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
## FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

| | Equity Attributable to Equity Holders of the Parent | | | | | |
|---|---|---|---|---|---|---|
| | Capital Stock | Additional Paid-in Capital | Retained Earnings (Deficit) | Total | Noncontrolling Interest | Total Equity |
| Balance at January 1, 2016 | P2,820,330,450 | P1,931,550 | P30,543,312 | P2,852,805,312 | (P8,467,155) | P2,844,338,157 |
| Net loss/total comprehensive loss for the year | - | - | (55,801,493) | (55,801,493) | 923,174 | (54,878,319) |
| Balance at December 31, 2016 | 2,820,330,450 | 1,931,550 | (25,258,181) | 2,797,003,819 | (7,543,981) | 2,789,459,838 |
| Net loss/total comprehensive loss for the year | - | - | (57,879,890) | (57,879,890) | 979,058 | (56,900,832) |
| Balance at December 31, 2017 | 2,820,330,450 | 1,931,550 | (83,138,071) | 2,739,123,929 | (6,564,923) | 2,732,559,006 |
| 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** | **P2,820,330,450** | **P1,931,550** | **(P178,942,488)** | **P2,643,319,512** | **(P10,228,662)** | **P2,633,090,850** |

*See Notes to the Consolidated Financial Statements.*

# CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2018** | 2017 | 2016 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Loss before income tax | | **(P99,929,760)** | (P45,756,440) | (P46,837,532) |
| Adjustments for: | | | | |
| Depreciation, amortization and depletion | *8, 9* | **37,663,761** | 138,326,065 | 108,924,383 |
| Interest expense | *8, 13* | **1,551,132** | 1,300,956 | 1,160,871 |
| Interest income | *4* | **(51,632)** | (31,472) | (10,539) |
| Unrealized foreign exchange loss (gain) | | **35,552** | (7,728) | 162,448 |
| Provision for impairment loss on advances to third parties | *6* | **-** | 12,165,560 | - |
| Loss on inventory write-down | *5* | **-** | 2,336,269 | - |
| Operating income (loss) before working capital changes | | **(60,730,947)** | 108,333,210 | 63,399,631 |
| Decrease (increase) in: | | | | |
| Trade receivables | | **-** | - | 63,776,444 |
| Inventories | | **(77,116,870)** | (18,478,558) | 120,960,256 |
| Other current assets | | **(31,291,957)** | 17,842,737 | (32,336,139) |
| Increase (decrease) in accounts payable and other current liabilities | | **85,836,568** | (18,359,720) | (29,503,419) |
| Net cash generated from (used in) operations | | **(83,303,206)** | 89,337,669 | 186,296,773 |
| Income taxes paid | | **(14,042,862)** | (9,888,336) | (46,931) |
| Interest paid | | **(54,552)** | (50,006) | (24,375) |
| Interest received | | **51,632** | 31,472 | 10,539 |
| Net cash provided by (used in) operating activities | | **(97,348,988)** | 79,430,799 | 186,236,006 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Acquisition of property and equipment | *8* | **(27,918,413)** | (73,321,581) | (54,995) |
| Decrease (increase) in: | | | | |
| Investment properties | | **(270,533,365)** | - | - |
| Deferred exploration costs | *10* | **(359,699)** | (87,179,564) | (30,710,826) |
| Other noncurrent assets | | **(3,625,855)** | (3,388,935) | (29,050,147) |
| Net cash used in investing activities | | **(302,437,332)** | (163,890,080) | (59,815,968) |

*Forward*

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | **Years Ended December 31** | | |
| **CASH FLOWS FROM A FINANCING ACTIVITY** | | | | |
| Increase (decrease) in due to related parties | | **P431,094,303** | P77,007,685 | (P87,648,788) |
| **NET INCREASE (DECREASE) IN CASH** | | **31,307,983** | (7,451,596) | 38,771,250 |
| **EFFECT OF EXCHANGE RATE CHANGES IN CASH** | | **(35,552)** | 7,728 | (162,448) |
| **CASH AT BEGINNING OF YEAR** | | **41,511,164** | 48,955,032 | 10,346,230 |
| **CASH AT END OF YEAR** | 4 | **P72,783,595** | P41,511,164 | P48,955,032 |

*See Notes to the Consolidated Financial Statements.*

## 1. Corporate Information

Century Peak Metals Holdings Corporation (CPMHC or the "Parent Company"), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 30, 2003.

On April 14, 2008, the SEC approved the amendment of the Parent Company's Articles of Incorporation changing its primary purpose to include promoting, operating, managing, holding, acquiring or investing in corporations or entities that are engaged in mining activities or mining-related activities. The Parent Company further expanded its primary purpose by including investing in real estate development and energy. The amended Articles of Incorporation was approved by the SEC on March 18, 2010.

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.*
*[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 1403-1404 BDO-Equitable Bank Tower, 8751 Paseo de Roxas, 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 and 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, chromites, 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. |

*Forward*

| | |
|---|---|
| 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, chromites, 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 is still under final evaluation with the Mines and Geosciences Bureau (MGB) Central Office as at December 31, 2018.

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. CPMHC or any of its subsidiaries is not included in the mentioned report.

*DENR Adverse Findings on the Cement and Limestone Project*
On December 14, 2016, the DENR issued a Notice of Adverse Findings (NAF) with regards to CPC's ECC-CO-1505-0017 for the proposed Cement and Limestone project (the "Project") in Pinamungahan, Cebu.

On a letter dated December 23, 2016, CPC responded to the issued NAF by the DENR indicating that the Project's ECC should not be cancelled nor suspended as CPC has substantively complied with the conditions set forth in the ECC.

CPC has not received any formal letter from the DENR pertaining to their reply on the NAF.

<u>The Smelting Plant Project</u>
*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, chromites, 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).

By virtue of its PEZA registration, CHGSI is entitled, among other incentives, to four (4) years income tax holiday (ITH), which shall be reckoned upon its start of commercial operations, as well as tax and duty free importation of its capital equipment and raw materials, subject to its compliance with the terms and conditions of its registration. As of December 31, 2018, CHGSI is non-operating.

*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, 2018, CSSI has not yet started with its commercial operation.

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

There are two Geologic Resource Evaluation Reports 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, 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 3.5 million tons of iron and 90,000 tons of pure nickel and 3.8 million tons of iron for the Casiguran Nickel Project and Rapid City Parcel II Prospect, respectively, subject to mining plans and metal recovery parameters.

Management 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 11, 2016, CPC filed an application for renewal for MPSA No. 010-92-X at the MGB Regional Office No. XIII, set to expire on May 6, 2017.

In response to the initial filing for renewal, MGB Regional Office No. XIII has directed CPC last January 11, 2017 to submit certain requirements. CPC subsequently refiled its application for renewal on August 15, 2017.

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.

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 P7.0 million for the taxable years ended December 31, 2016 to 2018, which is still subject for settlement of CPC. As of April 1, 2019, the said assessment has not been paid by CPC.

As of April 1, 2019, outstanding requirements for submission to MGB include Local Government Unit (LGU) project approval/endorsement in the form of a resolution from the Sangguniang Bayan of Loreto, Dinagat Islands. Currently, CPC is in the process of obtaining the required endorsements from the Sangguniang Bayan of Loreto through the settlement of its outstanding municipal business tax obligation with the Municipality of Loreto, Dinagat Islands.

Based on management's discussions with the Municipality of Loreto, Dinagat Islands, management is certain that the full payment of the municipal business tax would cause the issuance of the required endorsement from the Municipality of Loreto, Dinagat Islands. MPSA renewal would depend on the approval of MGB.

Nevertheless, MGB issued a certification dated February 1, 2019, stating that CPC is the holder/operator of the valid and subsisting mining tenements subject for renewal. Given these conditions, 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.

*Registration of CPCMC with the BOI*

On January 22, 2018, CPCMC was registered with the 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.

*CSCI*
On December 8, 2011, CSCI was registered with the Maritime Industry Authority with Certificate No. DSO-2006-003-086 (2014) under Marina Circular 2006-003, which is valid until December 7, 2017.

## 2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), 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 April 1, 2019.

This is the first set of the Group's consolidated financial statements in which PFRS 15, *Revenue from Contracts with Customers* and PFRS 9, *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 3 to the consolidated financial statements.

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.

<u>Noncontrolling Interest</u>
Noncontrolling interest represents the interests not held by the Parent Company in its subsidiaries.

<u>Use of Estimates and Judgments</u>
The preparation of the consolidated financial statements in conformity with PFRSs 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 of 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.

*<u>Judgments</u>*
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, that have the most significant effect on the amounts recognized in the consolidated financial statements:

*Determining whether an Arrangement Contains a Lease*
The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Group.

*Operating Lease - The Group as Lessee*
The Group has entered into various arrangements covering the lease of its warehouse, equipment and residence of officers. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

a. the ownership of the asset does not transfer at the end of the lease term;

b. there is no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;

d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and

e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

The Group has determined that the lessors retain all the significant risks and rewards of ownership of the properties and, as such, accounts for the agreements as operating leases.

*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 construction in progress in relation with the Cement and Limestone Project in Cebu as investment properties (see Note 7), while the land held for the construction of the smelting plant and cement plant is classified under property and equipment (see Note 8).

*Classifying Financial Instruments*
Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group classifies financial assets by evaluating, among others, both the business model in which the financial asset is managed and whether the cash flows from the financial asset represent, on specified date, solely payment of principal and interest (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.

The Group classifies its financial assets into the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVOCI) - debt investment, FVOCI - equity investment, or financial assets measured at fair value through profit or loss (FVPL). The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

*Estimates and Assumptions of Uncertainties*
The key assumptions and estimation uncertainties concerning the future and other key sources of estimation uncertainty as of 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 of Inventories*
In determining the net realizable value 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 net realizable value 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 net realizable values. 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 P201.4 million and P79.8 million as at December 31, 2018 and 2017, respectively. The loss on inventory write-down amounted to nil, P2.3 million and nil for the years ended December 31, 2018, 2017 and 2016, respectively (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 P362.0 million and P366.1 million as at December 31, 2018 and 2017, respectively (see Note 8).

The carrying amount of explored mineral resources amounted to P1,652.2 million and P1,667.8 million, as at December 31, 2018 and 2017, 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, 2018 and 2017, the provision for site rehabilitation costs amounted to P15.2 million and P13.7 million, respectively (see Note 13).

*Estimating Allowance for Impairment Losses on Advances to Third Parties 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 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 and input VAT amounting to P19.6 million and P21.3 million as at December 31, 2018 and 2017, respectively. The carrying amount of advances to third parties amounted to P57.3 million and P23.7 million as at December 31, 2018 and 2017, respectively (see Note 6). The carrying amount of input VAT as at December 31, 2018 and 2017 amounted to P52.3 million and P51.9 million, 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 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 estimated useful life of any property and equipment and intangible asset with definite useful life would increase the recorded operating expenses and decrease noncurrent assets.

In 2016, CPC changed the estimated useful life (EUL) of transportation and field equipment from 4-10 years to 4-15 years due to the limited equipment usage and dedicated maintenance implemented by CPC. There was no change in the EUL of the Group's property and equipment in 2018 and 2017.

The carrying amount of property and equipment as at December 31, 2018 and 2017, amounted to P910.0 million and P948.6 million, respectively (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, 2018 and 2017, management assessed that there are no impairment indicators relating to the Group's nonfinancial assets. Accordingly, the Group did not recognize any impairment losses on its nonfinancial assets in 2018 and 2017.

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

| | **2018** | 2017 |
|---|---|---|
| Investment properties | **P397,116,526** | P21,385,768 |
| Property and equipment - net | **910,044,246** | 948,597,903 |
| Explored mineral resources - net | **1,652,192,295** | 1,667,832,110 |
| Deferred exploration costs | **44,671,548** | 149,509,242 |
| | **P3,004,024,615** | P2,787,325,023 |

*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 P8.5 million and P8.0 million as at December 31, 2018 and 2017, respectively (see Note 17).

*Provision and Contingencies*
The Group is involved in certain claims, which arise in the normal course of business. The management believes that the claims lack legal basis and will contest any future proceedings. The estimate of the probable costs for the resolution of these possible claims is based upon an analysis of potential results. Currently, the Group does not believe these claims will have a material adverse effect on the Group's consolidated financial statements. It is possible that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 22).

## 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 amendments to standards and new interpretation starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS, 18 *Revenue*, IFRIC-13, *Customer Loyalty Programmes*, IFRIC-18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*.

  The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price. Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Group's performance, or at a point in time, when control of the goods or services is transferred to the customer.

  The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRSs, then the guidance on separation and measurement contained in other PFRSs takes precedence.

  *<u>Timing of Revenue Recognition</u>*
  The Group concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of nickel ores is currently recognized when the goods are delivered to the customers, which is taken to be point in time at which control over the goods is transferred.

  The Group has adopted PFRS 15 using the full retrospective approach, with the effect of initially applying this standard recognized at the date of the comparative period ended December 31, 2017. The information presented in 2017 has not been restated. Additionally, the disclosure requirements in PFRS 15 have generally been applied to comparative information.

- PFRS 9, *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement,* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss (ECL) model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  *Classification and Measurement of Financial Instruments*
  PFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVPL. The classification of financial assets under PFRS 9 is generally based on business model in which a financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held to maturity, loans and receivables and available for sale.

  Financial assets that were previously classified as loans and receivables were all classified at amortized cost as the Group intends to hold these assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

  The Group has not designated any financial liabilities at FVPL.

  There are no changes in classification and measurement of the Group's financial liabilities.

  *Impairment of Financial Asset*
  PFRS 9 replaces the 'incurred loss' model in PAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than PAS 39.

  The impact of ECL model for the year ended December 31, 2018 did not result in a restatement of Group's results as it is not material.

  *Hedge Accounting*
  With respect to the adoption of the new general hedge accounting model under PFRS 9, the Group has no hedging transactions in which to apply the said model.

- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following is the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018:

  - *Measuring an associate or joint venture at fair value* (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

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.

*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, solely payment of principal and interest (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.

As at December 31, 2018 and 2017, the Group does not have any financial assets and financial liabilities at FVPL.

*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 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 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.

The Group's investment in equity securities not held for control or significant influence over the investee is included in this category.

After initial recognition, these financial assets 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).

*Impairment of Financial Assets*
PFRS 9 replaces the 'incurred loss' model in PAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECL is the probability-weighted estimate of credit losses over the expected life of the financial instrument, representing the present value of expected cash shortfalls. The Group applies either a 12-month ECL or a lifetime ECL. Lifetime ECL applies to the financial assets that have experienced a significant increase in credit risk or are already credit-impaired. The Group's approach to ECL measurement are described in Note 20.

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 forward-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;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- Significant changes in the expected performance and behavior of the debtor, including changes in the payments status of debtor and changes in the operating results of the debtor.

Regardless of the analysis above, a significant risk in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due. 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 or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- 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 loan or receivable for write off when a debtor fails to make payments or when it is no longer probable that the receivable will be collected. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in 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 profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in 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.

<u>Derecognition of Financial Assets and Liabilities</u>
*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 profit or loss.

<u>Determination of Fair Values</u>
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 net realizable value (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 and amortization incurred in converting materials to finished products.

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. Subsequent to initial recognition, investment properties are carried at cost less 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 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 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.

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

| | Number of Years |
|---|---|
| Transportation and field equipment | 4 - 15 |
| Office equipment | 3 - 5 |
| Office space and improvements | 25 |

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 profit or loss.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. 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. 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.

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 profit or loss for the cement project since the project has not yet reached commercial mining operations.

Impairment

*Nonfinancial Assets*

The carrying amounts of the Group's nonfinancial assets, such as property and equipment, deferred exploration costs, explored mineral resources, investment properties and other noncurrent assets, 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 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 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.

Equity
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 cost 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.

Retained earnings or deficit represents the accumulated income (losses) of the Group.

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. Control is transferred at the time of delivery of the goods to the customers. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, sale of goods is measured at fair value of the consideration received or receivable, net of taxes, such as VAT (if applicable).

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 is recognized in profit or loss on the date that minerals are delivered to the customer. Revenue is the fair value of the consideration received or receivable, net of taxes, such as VAT (if applicable).

*Incentive Revenue*
Incentive revenue is recognized upon delivery of goods to the customer and when amount is fixed and determinable.

*Interest Income*
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.

Taxes
Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or in other comprehensive income.

*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 unused net operating loss carryover (NOLCO), if any, and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax. 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 profit or loss; temporary differences related 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 taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for carryforward tax benefits of unused NOLCO, unused tax credits from excess MCIT and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

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

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.
*VAT*

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the Group's consolidated statements of financial position.

*Final Tax*
Final tax represents tax on interest income derived from bank deposits. Final tax is recognized in profit or loss in the same period when the related interest income is recognized and is withheld by the depository bank for remittance to the taxing authority.

Segment Reporting
An operating segment is a component of an entity that: (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

The Group's operating business is organized and managed according to the nature of the products provided. Since there is only one segment representing a strategic business unit that offers the same product for the sale of nickel ores, financial information on business segment is no longer presented in the consolidated financial statements.

Earnings (Loss) Per Share
Basic earnings (loss) per share is computed by dividing the profit (loss) applicable to common stock by the weighted average number of common shares outstanding during the period, with retroactive adjustments for any stock dividends declared.

Diluted earnings (loss) per share is calculated by dividing the profit (loss) attributable to common equity holders by the weighted average number of common shares outstanding during the year, adjusted for the effects of any potentially dilutive common shares.

Foreign Currency Transactions
The functional and presentation currency of the Group is the Philippine peso. Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated into Philippine peso using the prevailing exchange rate at the reporting date. Exchange gains or losses arising from translation of foreign currency denominated items at rate different from those at which they were previously recorded are recognized in profit or loss.

Interest Expense
Interest expense comprises interest expense on bank deposit, net foreign currency gains on asset and liabilities and dividend income. Interest expense is recognized in statements of comprehensive as it accrues, using the effective interest method and is presented net of final tax. Dividend income, if any, is recognized in statements of comprehensive income on the date that the Group's right to receive payment is established.

Interest expense comprises interest expense on borrowings and net foreign currency loss on financial assets and liabilities. All interest expense are recognized in profit or loss as they accrue.

Provisions
A provision is a liability of uncertain timing or amount. It is recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the statements of comprehensive income.

*Provision for Site Rehabilitation*
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mine assets. Overtime, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. However, the Group has not applied 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 January 1, 2019*

- *PFRS 16, Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019 with several transition approaches and individual options and practical expedients that can be elected independently of each other. Earlier application is permitted for entities that apply PFRS 15, *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

  The Group has assessed the potential impact of the new standard. The actual impact of applying PFRS 16 on the consolidated financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at January 1, 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

  As of December 31, 2018, there is no lease agreement beyond one year, hence the Group does not expect significant impact on the adoption of this accounting standard.

- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group's chosen tax treatment. If it is not probable that the tax authority will accept the Group's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The interpretation can be initially applied retrospectively applying PAS 8, if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

The interpretation was approved by the FRSC on July 12, 2017 but is still subject to the approval by the BOA.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle.* This cycle of improvements contains amendments to four standards:

    - *Previously held interest in a joint operation (Amendments to PFRS 3, Business Combinations and PFRS 11, Joint Arrangements).* The amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

      The amendments apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

    - *Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12, Income Taxes).* The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, OCI or equity.

      The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

    - *Borrowing costs eligible for capitalization (Amendments to PAS 23, Borrowing Costs).* The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

      The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The amendments are applied to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies the amendments.

*Effective January 1, 2020*

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, 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; and

- 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 International Accounting Standards Board (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.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *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:

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

  - including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

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

  - clarifying the explanatory paragraphs accompanying the definition; and

  - aligning the wording of the definition of material across PFRS Standards and other publications.

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

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

## 4. Cash

| | 2018 | 2017 |
|---|---|---|
| Cash in banks | **P72,738,595** | P41,466,164 |
| Cash on hand | **45,000** | 45,000 |
| | **P72,783,595** | P41,511,164 |

Cash in banks earns interest at the prevailing bank deposit rates. Interest income earned amounted to P51,632, P31,472 and P10,539 in 2018, 2017 and 2016, respectively.

The Group's exposures to credit risk and foreign currency risk are disclosed in Note 20 to the consolidated financial statements.

## 5. Inventories

Inventories of nickel ores are valued at cost amounting to P201.4 million as at December 31, 2018 and valued at NRV amounting to P79.8 million as at December 31, 2017.

Inventories with cost of P82.1 million as at December 31, 2017 were written down to their NRV of P79.8 million. The loss on inventory write-down to NRV amounted to P2.3 million in 2017.

In 2018, 2017 and 2016, the cost of inventories recognized in profit or loss amounted to P33.9 million, P204.7 million and P333.6 million respectively (see Note 15).

## 6. Other Current Assets

| | **2018** | 2017 |
|---|---|---|
| Advances to: | | |
| Third parties | **P69,429,491** | P35,875,070 |
| Employees | **204,701** | 2,392,900 |
| Prepaid expenses | **2,000,934** | 2,075,199 |
| | **71,635,126** | 40,343,169 |
| Allowance for impairment loss on advances to third parties | **(12,165,560)** | (12,165,560) |
| | **P59,469,566** | P28,177,609 |

Advances to third parties include operations costs incurred, the cost of which will be deducted against billings. The Group has recognized provision for impairment loss on its advances to third parties amounting to P12.2 million in 2017 due to the management's assessment as to the recoverability of such accounts.

Prepaid expenses primarily consist of prepaid taxes, insurance, supplies and various items that are individually immaterial.

## 7. Investment Properties

This account consists of:

| | **Land** | **Construction in Progress** | **Total** |
|---|---|---|---|
| **Cost** | | | |
| December 31, 2017 | P21,385,768 | P - | P21,385,768 |
| Additions | - | 375,730,758 | 375,730,758 |
| **December 31, 2018** | **P21,385,768** | **P375,730,758** | **P397,116,526** |

Additions during the year are composed of construction in progress amounting to P270.5 million and reclassification from Deferred Exploration Costs amounting to P105.2 million due to the management's intention for the use of the property.

Investment properties consist of two parcels of land with carrying amount of P21.4 million as at December 31, 2018 and 2017. Fair values, which represent the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date on March 11, 2019, amounted to P56.4 million.

The non-recurring fair values of land as investment properties are determined by the Group through an independent property appraiser using the market data approach. In this approach, the values of the parcels of land are based on the following consideration:

- extent, character and utility of the properties;
- comparable properties which have been sold recently, plus current asking prices;
- zoning and current land usage in the locality; and
- highest and best use of the property

As at December 31, 2018 and 2017, land is idle and did not earn any income nor incur any related expenses, except for real property tax amounting to P0.02 million in 2018, 2017 and 2016.

Construction in progress represents the construction and other direct costs incurred in relation with the Cement Plant located in Cebu and other facilities under construction.

## 8. Property and Equipment

Movements of this account are presented below:

| | Land | Mine Site Development Cost | Transportation and Field Equipment | Office Space and Improvements | Office Equipment | Construction In Progress | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| January 1, 2017 | P40,221,355 | P421,154,027 | P871,110,639 | P39,652,804 | P8,530,904 | P211,613,630 | P1,592,283,359 |
| Additions | 51,162,612 | - | 21,490,270 | - | 668,699 | - | 73,321,581 |
| December 31, 2017 | 91,383,967 | 421,154,027 | 892,600,909 | 39,652,804 | 9,199,603 | 211,613,630 | 1,665,604,940 |
| Additions | 12,984,771 | - | 13,166,504 | - | 1,767,138 | - | 27,918,413 |
| **December 31, 2018** | **104,368,738** | **421,154,027** | **905,767,413** | **39,652,804** | **10,966,741** | **211,613,630** | **1,693,523,353** |
| **Accumulated Depreciation, Amortization and Depletion** | | | | | | | |
| January 1, 2017 | - | 37,187,101 | 387,323,351 | 10,651,466 | 7,580,131 | - | 442,742,049 |
| Depreciation, amortization and depletion | - | 17,888,922 | 56,266,351 | 2,247,842 | 842,118 | - | 77,245,233 |
| December 31, 2017 | - | 55,076,023 | 443,589,702 | 12,899,308 | 8,422,249 | - | 519,987,282 |
| Depreciation, amortization and depletion | - | 4,043,788 | 59,380,994 | 1,889,283 | 1,158,005 | - | 66,472,071 |
| **December 31, 2018** | **-** | **59,119,811** | **502,970,696** | **14,788,591** | **9,580,254** | **-** | **586,459,352** |
| **Allowance for Impairment Loss as at December 31, 2016 and 2017** | - | - | - | - | 146,932 | 196,872,823 | 197,019,755 |
| **Carrying Amount** | | | | | | | |
| December 31, 2017 | P91,383,967 | P366,078,004 | P449,011,207 | P26,753,496 | P630,422 | P14,740,807 | P948,597,903 |
| **December 31, 2018** | **P104,368,738** | **P362,034,216** | **P402,796,717** | **P24,864,213** | **P1,239,555** | **P14,740,807** | **P910,044,246** |

In 2018, 2017 and 2016, depreciation and amortization expense allocated to inventories amounted to P47.9 million, P19.8 million and P7.6 million, respectively.

In 2017, the Group has purchased transportation equipment on installment payment basis. Interest expense incurred in 2018 and 2017 amounted to P54,552 and P50,006, respectively.

*Allowance for Impairment Losses on Property and Equipment*
The Group has recognized provision for impairment losses on its property and equipment amounting to P197.0 million in 2013, following the impairment of some equipment, construction in progress and parcels of land of CHGSI in Leyte caused by typhoon Yolanda in November 2013.

## 9. Explored Mineral Resources

| | 2018 | 2017 |
|---|---|---|
| Cost | **P2,016,756,977** | P2,016,756,977 |
| Allowance for accumulated depletion | **(364,564,682)** | (348,924,867) |
| | **P1,652,192,295** | P1,667,832,110 |

The movements in the allowance for accumulated depletion as at December 31 are as follows:

| | 2018 | 2017 |
|---|---|---|
| Balance at beginning of year | **P348,924,867** | P279,725,078 |
| Depletion for the year | **15,639,815** | 69,199,789 |
| Balance at end of year | **P364,564,682** | P348,924,867 |

Explored mineral resources are part of the group of assets that CPC acquired in 2008, in exchange for shares of stock of the Parent Company. At acquisition date, these explored mineral resources were measured based on the expected cash flows from the explored area of about 400.0 hectares or 42.0% of total area covered by the MPSA.

The financial model yielded an expected net present value (NPV) on CPC's group of assets amounting to P2.0 billion using an investment hurdle rate of 36.6%. The NPV computation assumed an average selling price of USD 27,500.0 per metric ton of pure nickel, which considered a 16.2% discount to London Metal Exchange quoted prices; a 15-year production and selling period with a maximum annual production yield of 2.0 million metric tons; and an average production cost of USD 6.4 per wet metric ton. The valuation was prepared by Asian Alliance Investment Corporation (AAIC), an independent financial advisor. Subsequently, the Parent Company appointed Multinational Investment Bancorporation (MIB), another independent financial advisor, to render fairness opinion to the valuation. The result of MIB's report dated April 9, 2008 fairly approximated that of AAIC's report.

For purposes of computing the NPV using discounted cash flow method, the valuation of intangible assets involves the extraction of non-replaceable resource.

The assumptions used in the valuation included a number of market factors that are subject to market risk, such as commodity risk and currency risk. Significant changes in the commodity prices and foreign exchange rates would affect the fair value of the explored mineral resource.

## 10. Deferred Exploration Costs

Deferred exploration costs pertain to expenditures related to exploration for economic mineral deposits. This includes, among others, costs of exploration and mining rights acquisition, geological, geochemical and geophysical surveys, drilling, labor, materials and supplies, professional fees, community relations, and environmental management expenditures attributable to the cement project.

As at December 31, 2018 and 2017, the expenditures of the Group amounted to P44.7 million and P149.5 million, respectively. Exploration activities are covered by a Joint Operating Agreement entered by the Group through CPC (see Note 22).

## 11. Other Noncurrent Assets

| | 2018 | 2017 |
|---|---|---|
| Input VAT | **P57,444,465** | P50,314,952 |
| Deferred input VAT | **2,332,232** | 10,721,153 |
| Allowance for impairment losses on input VAT | **(7,479,805)** | (9,128,237) |
| | **52,296,892** | 51,907,868 |
| Rehabilitation funds | **43,297,729** | 40,060,898 |
| Investment in equity securities | **1,500,000** | 1,500,000 |
| | **P97,094,621** | P93,468,766 |

Deferred input VAT pertains to the unamortized input VAT from purchase of field and transportation equipment.

Rehabilitation funds were set up by the Group to ensure availability of financial resources for the satisfactory compliance with and performance of activities of its Environmental Protection and Enhancement Program during the specific phases of its mining projects. The funds also include a Social Development Management Program fund under a Memorandum of Agreement with the Development Bank of the Philippines (DBP).

The Group's rehabilitation funds are deposited with DBP and earn interest at the respective bank deposit rates. The fund balance is compliant with the required balance of MGB as at December 31, 2018 and 2017.

Investment in equity securities pertain to the Parent Company's ownership interest in Century Peak Property Development, Inc. (CPPDI) representing 15,000 shares at P100.00 par value, which is measured at fair value.

## 12. Accounts Payable and Other Current Liabilities

This account consists of:

| | 2018 | 2017 |
|---|---|---|
| Accounts payable | **P150,609,353** | P65,355,324 |
| Accrued contractors' fees | **8,071,106** | 8,071,106 |
| Others | **935,260** | 352,720 |
| | **P159,615,719** | P73,779,150 |

The Group's accounts payable are usually paid within one year.

Accrued contractors' fees pertain to outstanding payables to previously engaged contractor. Such amount is being negotiated by both parties.

The Group's exposure to liquidity risk is disclosed in Note 20 to the consolidated financial statements.

## 13. Provision for Site Rehabilitation

The movements in this account are as follows:

| | **2018** | 2017 |
|---|---|---|
| Balance at beginning of year | **P13,703,365** | P12,452,415 |
| Accretion of interest | **1,496,580** | 1,250,950 |
| Balance at end of year | **P15,199,945** | P13,703,365 |

A provision is recognized for the estimated rehabilitation costs of the Group's mine site upon termination of the MPSA, which is 25 years. The provision is calculated by the Group's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 9.93% as the effective interest rate. The accretion of interest is recognized as part of "Interest expense" account in profit or loss.

## 14. Revenues

| | **2018** | 2017 | 2016 |
|---|---|---|---|
| Sale of nickel ore | **P36,762,232** | P324,570,659 | P403,549,720 |
| Incentive revenue from sale of nickel ore | **-** | - | 15,676,775 |
| | **P36,762,232** | P324,570,659 | P419,226,495 |

In 2016, the Group has entered into an incentive revenue agreement with a customer, whereas the customer agreed to give incentive in the form of additional payment for shipping and documentation assistance and shipping nickel ore with better quality as stipulated in the sales and purchase contract. Such agreement has not been renewed in 2017 and 2018.

## 15. Cost of Sales

This account consists of:

| | *Note* | **2018** | 2017 | 2016 |
|---|---|---|---|---|
| Depreciation, depletion and amortization | *8* | **P11,243,481** | P66,780,640 | P91,278,766 |
| Contractors' fees | | **10,283,837** | 28,191,729 | 81,561,662 |
| Labor cost | | **3,673,072** | 24,336,335 | 19,306,026 |
| Fuel and oil | | **3,001,134** | 28,364,930 | 61,247,961 |
| Rental | | **2,254,454** | 36,769,349 | 49,541,383 |
| Materials | | **894,033** | 10,724,037 | 14,982,234 |
| Utilities | | **189,162** | 1,469,470 | 2,040,720 |
| Taxes and licenses | | **-** | 593,173 | 1,132,609 |
| Transportation expense | | **-** | 485,354 | 1,088,651 |
| Other charges | | **2,393,783** | 6,992,974 | 11,415,436 |
| | | **P33,932,956** | P204,707,991 | P333,595,448 |

Rental expenses consist of various lease agreements with third parties with terms of less than one (1) year.

Other charges include survey fees, repairs and maintenance, and various items that are individually immaterial.

## 16. Operating Expenses

This account consists of:

| | *Note* | **2018** | 2017 | 2016 |
|---|---|---|---|---|
| Salaries, wages and employee benefits | | **P23,861,577** | P14,196,338 | P8,247,604 |
| Taxes and licenses | | **21,501,653** | 18,816,700 | 1,087,036 |
| Depreciation and amortization | *8* | **10,780,465** | 2,345,636 | 2,347,613 |
| Service fee | | **4,718,139** | 2,841,663 | 4,274,203 |
| Professional fees | | **2,333,428** | 7,468,949 | 4,386,528 |
| Office supplies | | **2,174,381** | 3,580,346 | 2,111,473 |
| Royalty tax | | **1,779,492** | 16,228,533 | 23,903,434 |
| Excise tax | | **1,421,138** | 7,294,078 | 8,263,157 |
| Repairs and maintenance | | **1,233,544** | 170,943 | 237,200 |
| Utilities | | **1,233,499** | 851,226 | 736,317 |
| Transportation and travel | | **1,165,962** | 704,039 | 772,621 |
| Association dues | | **965,451** | 1,125,920 | 965,451 |
| Representation | | **774,128** | 1,064,001 | 623,970 |
| Insurance | | **40,738** | 62,671 | 89,338 |
| Fuel and oil | | **3,362** | 61,153 | 36,765 |
| Provision for impairment loss on advances to third parties | *6* | **-** | 12,165,560 | - |
| Others | | **11,597,212** | 3,272,021 | 5,724,124 |
| | | **P85,584,169** | P92,249,777 | P63,806,834 |

Others include allowances to contractual workers, bank charges and various items that are individually immaterial.

## 17. Income Taxes

The reconciliation of income tax expense (benefits) computed at the statutory tax rates to income tax expense (benefits) recognized in profit or loss is summarized as follows:

| | **2018** | 2017 | 2016 |
|---|---|---|---|
| Loss before income tax | **(P99,929,760)** | (P45,756,440) | (P46,837,532) |
| Income tax expense computed at statutory tax rates of 30% | **(P29,978,928)** | (P13,726,932) | (P14,051,260) |
| Income tax effects of: | | | |
| Change in unrecognized deferred tax assets | **29,117,076** | 2,007,982 | 22,007,910 |
| Nondeductible expenses | **415,736** | 584,000 | 87,299 |
| Interest income subjected to final tax | **(15,488)** | (9,442) | (3,162) |
| | **(P461,604)** | (P11,144,392) | P8,040,787 |

The components of the Group's deferred tax assets recognized in the consolidated statements of financial position are as follows:

| **2018** | **January 1** | **Recognized in Profit or Loss** | **December 31** |
|---|---|---|---|
| Provision for site rehabilitation - net | **P4,111,010** | **P448,974** | **P4,559,984** |
| Unrealized foreign exchange loss | **219,473** | **12,630** | **232,103** |
| Provision for impairment loss | **3,649,668** | **-** | **3,649,668** |
| Excess MCIT over RCIT | **-** | **93,098** | **93,098** |
| **Deferred Tax Asset** | **P7,980,151** | **P554,702** | **P8,534,853** |

| 2017 | January 1 | Recognized in Profit or Loss | December 31 |
|---|---|---|---|
| Provision for site rehabilitation - net | P3,735,725 | P375,285 | P4,111,010 |
| Unrealized foreign exchange loss | 50,224 | 169,249 | 219,473 |
| Provision for impairment loss | - | 3,649,668 | 3,649,668 |
| Deferred Tax Asset | P3,785,949 | P4,194,202 | P7,980,151 |

Deferred tax asset arising from NOLCO of other entities in the Group totaling P137.5 million and P31.3 million as at December 31, 2018 and 2017, respectively has not been recognized as management believes that it is not probable that sufficient taxable income will be available against which these may be utilized.

As at December 31, 2018, the Group has NOLCO which can be claimed as deduction against future taxable income as follows:

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---|---|---|---|---|---|
| 2018 | P97,056,920 | P - | P - | P97,056,920 | 2023 |
| 2017 | 11,164,820 | - | - | 11,164,820 | 2022 |
| 2016 | 8,882,120 | - | - | 8,882,120 | 2021 |
| 2015 | 11,239,366 | - | - | 11,239,366 | 2020 |
| 2014 | 9,167,936 | - | - | 9,167,936 | 2019 |
| | P137,511,162 | P - | P - | P137,511,162 | |

Under Section 244 of National Internal Revenue Code of 1997, the net operating loss of a business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income, shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss. Provided, that for mines other than oil and gas wells, a net operating loss without benefits of incentives provided for under Executive Order No. 226, As Amended, incurred in any of the first ten (10) years of operation may be carried over as a deduction from taxable income for the next five (5) years immediately following the year of such loss. Following this NIRC, CPC could carry over its NOLCO for five (5) years, while the other subsidiaries of the Group could carry over its NOLCO for three (3) years.

## 18. Equity

*Capital Stock*

| | **Number of Shares** | **Amount** |
|---|---|---|
| Authorized, P1.0 par value | **3,575,000,000** | **P3,575,000,000** |
| Issued and outstanding | **2,820,330,450** | **P2,820,330,450** |

On June 5, 2008, CPMHC filed with the PSE an application for listing by way of introduction of up to a total of 2,820,330,450 common shares of the capital stock of CPMHC. The listing application was approved by the PSE on July 22, 2009. No offer price has been set since no initial public offering of shares to be conducted as the subject shares sought to be registered will be listed by way of introduction.

CPMHC has 225 and 224 holders of common equity securities as at December 31, 2018 and 2017, respectively.

CPMHC is compliant with the minimum public float of 10% that is required by the PSE, where CPMHC's shares are traded.

*Noncontrolling Interest (NCI)*
The following table summarizes the information relating to the Group's subsidiaries:

| | 2018 | | |
|---|---|---|---|
| | **CHGSI** | **CSSI** | **CSCI** |
| NCI percentage | **45%** | **40%** | **20%** |
| Current assets | **P1,750,693** | **P207,756,421** | **P80,167,896** |
| Noncurrent assets | **54,740,974** | **-** | **138,355,428** |
| Current liabilities | **186,697,715** | **87,802,019** | **212,976,911** |
| Net assets (liabilities) | **(P130,206,048)** | **P119,954,402** | **P5,546,413** |
| Carrying amount of NCI | **(P58,592,722)** | **P47,981,761** | **P1,109,282** |
| Revenue | **P -** | **P -** | **P3,400,000** |
| Net loss/total comprehensive loss | **(P2,699,560)** | **(P24,693)** | **(P12,194,024)** |
| Net loss/total comprehensive loss allocated to NCI | **(P1,214,802)** | **(P9,877)** | **(P2,438,805)** |
| Cash flows from operating activities | **(P601)** | **(P796)** | **P -** |
| Cash flows from a financing activity | **600** | **-** | **-** |
| Net decrease in cash | **(P1)** | **(P796)** | **P -** |

| | 2017 | | |
|---|---|---|---|
| | CHGSI | CSSI | CSCI |
| NCI percentage | 45% | 40% | 20% |
| Current assets | P1,751,294 | P207,757,217 | P76,431,736 |
| Noncurrent assets | 54,740,974 | - | 144,101,980 |
| Current liabilities | 183,998,756 | 87,778,122 | 202,896,280 |
| Net assets (liabilities) | (P127,506,488) | P119,979,095 | P17,637,436 |
| Carrying amount of NCI | (P57,377,920) | P47,991,638 | P3,527,487 |
| Revenue | P - | P - | P15,300,000 |
| Net income (loss)/total comprehensive income (loss) | (P17,061) | (P23,519) | P4,980,717 |
| Net income (loss)/total comprehensive income (loss) allocated to NCI | (P7,677) | (P9,408) | P996,143 |
| Cash flows from operating activities | P - | (P23,519) | P - |
| Cash flows from a financing activity | - | 15,481 | - |
| Net decrease in cash | P - | (P8,038) | P - |

## 19. Related Party Transactions

The following are the significant related party transactions and balances:

| Category/Transaction | Year | Note | Amount of the Transaction | Outstanding Balance Due to Related Parties | Terms | Conditions |
|---|---|---|---|---|---|---|
| ***Stockholder*** | | | | | | |
| Advances | **2018** | *a* | **P431,094,303** | **P635,300,084** | **Due on demand** | **Unsecured** |
| | 2017 | | 77,007,685 | 204,205,781 | Due on demand; noninterest-bearing | Unsecured |
| ***Key Management Personnel*** | | | | | | |
| Short-term benefits | **2018** | | **-** | **-** | | |
| | 2017 | | 1,444,565 | - | | |
| **TOTAL** | **2018** | | | **P635,300,084** | | |
| TOTAL | 2017 | | | P204,205,781 | | |

a. Noninterest-bearing cash advances from stockholders were used by the Group to finance its working capital requirements.

Reconciliation of Opening and Closing Balances

| | **Amount** |
|---|---|
| Opening balance | **P204,205,781** |
| Advances received during the year | **431,094,303** |
| Ending balance | **P635,300,084** |

Outstanding balance of due to stockholders are to be settled through cash.

b. On April 14, 2016, the Board of Directors executed a Memorandum of Agreement whereby the Group has committed to legally transfer and/or assign its payables and receivables from entities under common control to the stockholder.

As at December 31, 2018 and 2017, the total receivables and payables eliminated amounted to P1.0 billion and P908.8 million, respectively.

## 20. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management

*Overview*

The Group's financial instruments consist of cash in banks, rehabilitation funds, investment in equity securities, due to related parties and accounts payable and other current liabilities. The main purpose of these financial instruments is to finance the Group's current operations. The main risks arising from the use of these financial instruments are credit risk, liquidity risk and market risk.

*Risk Management Framework*

The BOD and management have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There were no changes in the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk from previous year.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank deposits and is monitored on an ongoing basis. The objective is to reduce the risk of loss through default by counterparties. The risk is managed by spreading financial transactions, including bank deposits, across an approved list of high quality banks.

*Exposure to Credit Risk*

The carrying amounts of financial assets, which are classified as financial assets measured at amortized cost, represent the maximum credit exposure. Credit risk at the reporting date is as follows:

| | *Note* | **2018** | 2017 |
|---|---|---|---|
| Cash in banks | *4* | **P72,738,595** | P41,466,164 |
| Rehabilitation funds | *11* | **43,297,729** | 40,060,898 |
| | | **P116,036,324** | P81,527,062 |

The Group's exposure to credit risk arises principally from the credit risk that arises from default by counterparties.

The table below shows aging analysis of financial assets as at December 31, 2018 and 2017:

| | **2018** | | | | |
|---|---|---|---|---|---|
| | **Neither Past Due nor Impaired** | **Past Due but not Impaired** | | | |
| | | **1 - 180 Days** | **Over 180 Days** | **Subtotal** | **Total** |
| Cash in banks | **P72,738,595** | **P -** | **P -** | **P -** | **P72,738,595** |
| Rehabilitation funds | **43,297,729** | **-** | **-** | **-** | **43,297,729** |
| | **P116,036,324** | **P -** | **P -** | **P -** | **P116,036,324** |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Neither Past Due nor Impaired | Past Due but not Impaired | | | |
| | | 1 - 180 Days | Over 180 Days | Subtotal | Total |
| Cash in banks | P41,466,164 | P - | P - | P - | P41,466,164 |
| Rehabilitation funds | 40,060,898 | - | - | - | 40,060,898 |
| | P81,527,062 | P - | P - | P - | P81,527,062 |

The Group believes that the these financial assets that are neither past due nor impaired are collectible, based on historic payment behavior and extensive analysis of customers counterparties credit risk.

Cash in banks and rehabilitation funds are of high grade quality. High grade cash in banks and rehabilitation funds are invested and deposited in reputable local banks. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The credit qualities of cash in banks and rehabilitation funds that were neither past due nor impaired are based on the credit standing or rating of the counterparty.

As at December 31, 2018 and 2017, the Group does not expect any counterparty to fail to meet its obligations, thus, related risk is deemed to be insignificant.

*Cash in Banks and Rehabilitation Funds*
The Group assessed that the credit risks for cash in banks have not increased significantly since initial recognition as they are held with reputable commercial banking institutions. Impairment of cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.

The credit risks for rehabilitation funds are assessed to have not increased significantly since initial recognition as the counterparties have strong financial position and there are no past due amounts. The Group uses similar approach for assessment of ECLs for refundable deposits to those used for cash in banks.

The Group has assessed that the impact of providing ECL for cash in banks and rehabilitation funds are immaterial, thus did not recognize loss allowance.

Liquidity Risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources. Cash balances are managed with two main objectives: maintain maximum liquidity and minimize the cost of borrowing.

*Exposure to Liquidity Risk*
The following tables summarize the maturity of the Group's financial liabilities as at December 31, 2018 and 2017 based on contractual repayment arrangements:

| | | **2018** | |
|---|---|---|---|
| | **Carrying Amount** | **Contractual Cash Flows** | **Within One Year** |
| Accounts payable and other current liabilities* | **P158,680,459** | **P158,680,459** | **P158,680,459** |
| Due to related parties | **635,300,084** | **635,300,084** | **635,300,084** |
| | **P793,980,543** | **P793,980,543** | **P793,980,543** |

**Excludes non-financial liabilities amounting to P0.9 million.*

| | 2017 | | |
|---|---|---|---|
| | Carrying Amount | Contractual Cash Flows | Within One Year |
| Accounts payable and other current liabilities* | P73,426,430 | P73,426,430 | P73,426,430 |
| Due to related parties | 204,205,781 | 204,205,781 | 204,205,781 |
| | P277,632,211 | P277,632,211 | P277,632,211 |

**Excludes non-financial liabilities amounting to P0.4 million.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Exposures to Foreign Currency Risk*

The Group's currency exposure relates mainly to foreign currency transactions in which trade receivables have to be collected and paid.

The following table shows the Group's significant foreign currency-denominated monetary assets and liabilities and their U.S. dollar equivalents as at December 31, 2018 and 2017:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **U.S. Dollar** | **Philippine Peso** | U.S. Dollar | Philippine Peso |
| Cash in banks | **$11,342** | **P596,362** | $36,288 | P1,837,207 |

*Sensitivity Analysis*

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in the foreign currency rates, with all variables held constant.

| | **2018** | | 2017 | |
|---|---|---|---|---|
| **Currency** | **Strengthening (Weakening) of PHP** | **Increase (Decrease) in Income before Income Tax** | Strengthening (Weakening) of PHP | Increase (Decrease) in Income before Income Tax |
| USD | **(1%)** | **P5,964** | (1%) | P18,372 |
| | **1%** | **(5,964)** | 1% | (18,372) |

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

The following are the significant exchange rates applied during the year:

| | **As at December 31, 2018** | | As at December 31, 2017 | |
|---|---|---|---|---|
| | **Average Rate** | **Closing Rate** | Average Rate | Closing Rate |
| USD | **52.56** | **52.58** | 49.95 | 49.93 |

For the years ended December 31, 2018, 2017 and 2016, foreign exchange loss recognized in profit or loss amounted to P0.04 million, P0.6 million and P0.2 million, respectively.

For the years ended December 31, 2018, 2017 and 2016, foreign exchange loss recognized in profit or loss amounted to P0.04 million, P0.6 million and P0.2 million, respectively.

Capital Management

The primary objective of the Group's capital management is to maximize the value of its capital for the benefit of its shareholders and other stakeholders. In order to achieve the objective, the management of the Group reviews its operations and financial performance with the forecasts on a regular basis to ensure that appropriate measures can be taken on a timely and effective manner. In addition, management of the Group also meets regularly to review the Group's capital requirement and the reasonableness of the level of its capital to be maintained.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities. Total equity comprises all components of equity including capital stock, additional paid-in capital and retained earnings (deficit).

| | **2018** | 2017 |
|---|---|---|
| Total liabilities | **P810,208,846** | P305,731,159 |
| Total equity | **2,633,090,850** | 2,732,559,006 |
| Debt-to-equity ratio at December 31 | **0.31:1** | 0.11:1 |

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally-imposed capital requirements.

Fair Values

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash in Banks and Rehabilitation Funds*

The carrying amounts approximate fair values considering that these instruments are subject to an insignificant risk of change in value.

*Due to Related Parties, and Accounts Payable and Other Current Liabilities*

The carrying amounts approximate fair values due to the short-term nature of such instruments. Management believes that the effect of discounting cash flows from these instruments using the prevailing market rate is not significant.

*Investment in Equity Securities*

Fair values of unquoted equity investments approximate carrying amounts due to the unpredictable nature of future cash flows and lack of suitable methods of arriving at reliable fair value.

## 21. Loss Per Share Computation

The following table presents information necessary to calculate earnings per share:

| | **2018** | 2017 | 2016 |
|---|---|---|---|
| Loss attributable to equity holders of the Parent Company (a) | **(P95,804,417)** | (P57,879,890) | (P55,801,493) |
| Weighted average number of common shares outstanding (b) | **2,820,330,450** | 2,820,330,450 | 2,820,330,450 |
| Basic/diluted loss per share (a/b) | **(P0.0339)** | (P0.0205) | (P0.0198) |

The Parent Company has no dilutive shares for the years ended December 31, 2018, 2017 and 2016.

## 22. Commitments and Contingencies

*Contingencies*
CPC is currently involved in certain claims by regulatory agencies. The management believes that the claims lack legal basis and will contest any future proceedings. The estimate of the probable costs for the resolution of these possible claims is based upon an analysis of potential results. Management does not believe that such assessment will have material adverse effect on the Group's consolidated financial statements. It is possible, however, that future financial performance could be affected by changes in the estimates or in the effectiveness of the strategies relating to this assessment.

*Joint Operating Agreement with Philippine Mining Development Corporation (PMDC)*
On November 18, 2010, CPC entered into a joint operating agreement with the PMDC, whereby CPC will act as the operator in the exploration, development, mining operation and utilization of the limestone and associated mineral deposits in Toledo and Pinamungahan, Cebu owned by PMDC. The mineral deposit has a total area of 4,795 hectares and is covered by MPSA-045-96-VII and MPSA-046-96-VII.

The agreement has a term of 25 years and will entitle PMDC to a fixed annual royalty rate of 3% of gross sales from the limestone project, whereas CPC shall be entitled to all the risks and rewards in the mining operations. By virtue of the Agreement, CPC shall not acquire any title or ownership over the contract nor the mining area.

The pre-operation and exploration activities are ongoing as at December 31, 2018.

*Time Charter Agreement*
In 2014, CPC entered into a charter agreement with Century Summit Carrier Incorporated, subsidiary company. The charter agreement shall be effective from April 1, 2014 to August 31, 2014, subject to renewal on a monthly basis, unless a different period is agreed upon by the parties.

On April 1, 2016, the charter agreement was subsequently renewed for a period of five years.

Rental expense amounting to P3.8 million, P15.3 million and P15.3 million is recognized in the consolidated statements of comprehensive income in 2018, 2017 and 2016, respectively.

# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

**SEC Registration Number**

CS200324966

**COMPANY NAME**

CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

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

1403-1404 BDO-Equitable Bank Tower
8751 Paseo de Roxas
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 |
|---|---|---|
| acting.century@gmail.com | (02) 856-0999 | 09195661987 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 225 | 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) 856-0999 | 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.***

KPMG

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## REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and Board of Directors
**Century Peak Metals Holdings Corporation and Subsidiaries**
1403-1404 BDO-Equitable Bank Tower
8751 Paseo de Roxas
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Century Peak Metals Holdings Corporation and Subsidiaries (the "Group") as at and for the years ended December 31, 2018 and 2017, included in this Form 17-A, and have issued our report thereon dated April 15, 2019.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E
- Reconciliation of Retained Earnings Available for Dividend Declaration

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

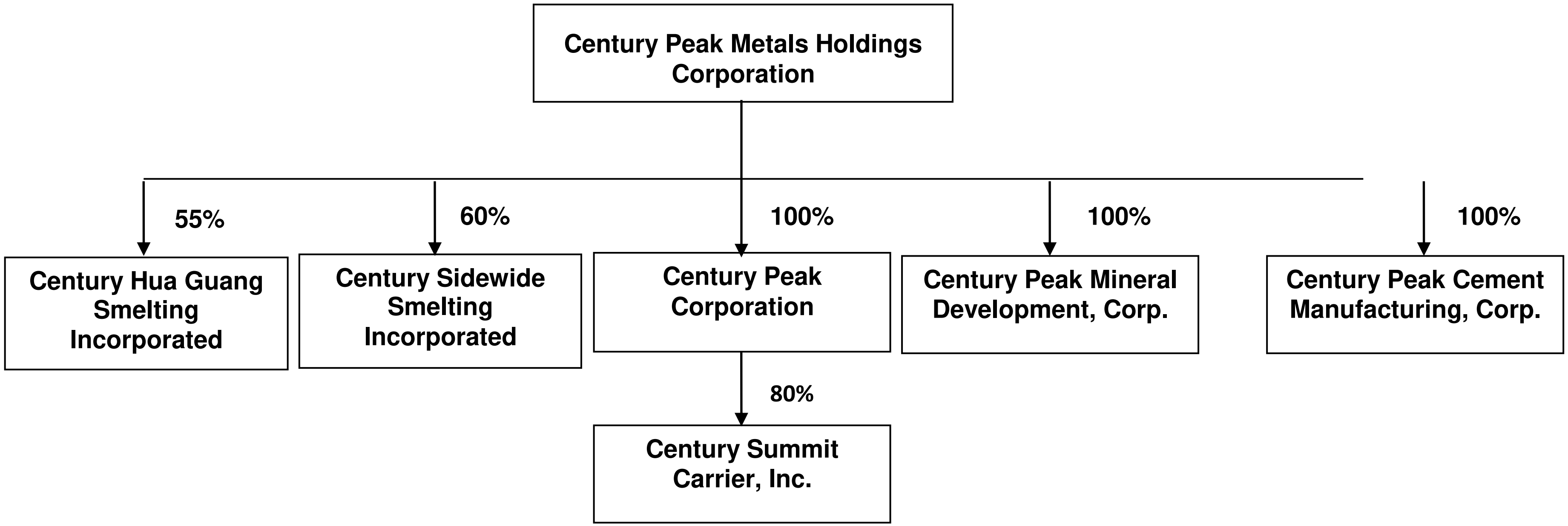
VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-35-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333641
Issued January 3, 2019 at Makati City

April 15, 2019
Makati City, Metro Manila

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**Company Structure**

**As at December 31, 2018**




A. Century Sidewide Smelting Incorporated has been incorporated on September 6, 2011
B. Century Summit Carrier, Inc. has been incorporated on September 29, 2011
C. Century Peak Mineral Development, Corp. has been incorporated on September 17, 2015
D. Century Peak Cement Manufacturing, Corp. has been incorporated on September 17, 2015

## Century Peak Metals Holdings Corporation and Subsidiaries

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | - | - | ✓ |
| | Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | - | - | ✓ |
| | Amendments to PFRS 1: Additional Exemptions for First-time Adopters | - | - | ✓ |
| | Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters | - | - | ✓ |
| | Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters | - | - | ✓ |
| | Amendments to PFRS 1: Government Loans | - | - | ✓ |
| | Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1 | - | - | ✓ |
| | Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption | - | - | ✓ |
| | Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply | - | - | ✓ |
| | Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters | - | - | ✓ |
| **PFRS 2** | Share-based Payment | - | - | ✓ |
| | Amendments to PFRS 2: Vesting Conditions and Cancellations | - | - | ✓ |
| | Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions | - | - | ✓ |
| | Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of ‘vesting condition’ | - | - | ✓ |
| | Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions | - | - | ✓ |
| **PFRS 3 (Revised)** | Business Combinations | - | - | ✓ |
| | Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration | - | - | ✓ |
| | Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements | - | - | ✓ |
| | Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation | - | - | ✓ |
| | Amendments to PFRS 3: Definition of a Business | - | - | ✓ |
| **PFRS 4** | Insurance Contracts | - | - | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | - | - | ✓ |
| | Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts | - | - | ✓ |
| **PFRS 5** | Non-current Assets Held for Sale and Discontinued Operations | - | - | ✓ |
| | Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal | - | - | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 6** | Exploration for and Evaluation of Mineral Resources | ✓ | - | - |
| **PFRS 7** | Financial Instruments: Disclosures | ✓ | - | - |
| | Amendments to PFRS 7: Transition | ✓ | - | - |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | - | - |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | - | - |
| | Amendments to PFRS 7: Improving Disclosures about Financial Instruments | ✓ | - | - |
| | Amendments to PFRS 7: Disclosures - Transfers of Financial Assets | ✓ | - | - |
| | Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities | ✓ | - | - |
| | Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures | ✓ | - | - |
| | Annual Improvements to PFRSs 2012 - 2014 Cycle: ‘Continuing involvement’ for servicing contracts | - | - | ✓ |
| | Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements | - | - | ✓ |
| **PFRS 8** | Operating Segments | ✓ | - | - |
| | Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments | ✓ | - | - |
| **PFRS 9** | Financial Instruments (2014) | ✓ | - | - |
| | Amendments to PFRS 9: Prepayment Features with Negative Compensation | - | - | ✓ |
| **PFRS 10** | Consolidated Financial Statements | ✓ | - | - |
| | Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | ✓ | - | - |
| | Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities | - | - | ✓ |
| | Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | - | ✓ | - |
| | Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception | - | - | ✓ |
| **PFRS 11** | Joint Arrangements | - | - | ✓ |
| | Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | - | - | ✓ |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | - | - | ✓ |
| | Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation | - | - | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | - | - |
| | Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | ✓ | - | - |
| | Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities | - | - | ✓ |
| | Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception | - | - | ✓ |
| | Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard | ✓ | - | - |
| PFRS 13 | Fair Value Measurement | ✓ | - | - |
| | Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables | ✓ | - | - |
| | Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception | - | - | ✓ |
| PFRS 14 | Regulatory Deferral Accounts | - | - | ✓ |
| PFRS 15 | Revenue from Contracts with Customers | ✓ | - | - |
| PFRS 16 | Leases | - | ✓ | - |
| PFRS 17 | Insurance Contracts | - | - | ✓ |
| **Philippine Accounting Standards** | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | - | - |
| | Amendment to PAS 1: Capital Disclosures | ✓ | - | - |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | - | - | ✓ |
| | Amendments to PAS 1: Presentation of Items of Other Comprehensive Income | ✓ | - | - |
| | Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements | ✓ | - | - |
| | Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes | - | - | ✓ |
| | Amendments to PAS 1: Disclosure Initiative | ✓ | - | - |
| | Amendments to PAS 1 and PAS 8: Definition of Material | - | ✓ | - |
| PAS 2 | Inventories | ✓ | - | - |
| PAS 7 | Statement of Cash Flows | ✓ | - | - |
| | Amendments to PAS 7: Disclosure Initiative | ✓ | - | - |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | - | - |
| | Amendments to PAS 1 and PAS 8: Definition of Material | - | ✓ | - |
| PAS 10 | Events after the Reporting Period | ✓ | - | - |

## Century Peak Metals Holdings Corporation and Subsidiaries

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 12** | Income Taxes | ✓ | - | - |
| | Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets | ✓ | - | - |
| | Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses | ✓ | - | - |
| | Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity | - | ✓ | - |
| **PAS 16** | Property, Plant and Equipment | ✓ | - | - |
| | Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment | ✓ | - | - |
| | Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38) | - | - | ✓ |
| | Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | ✓ | - | - |
| | Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants | - | - | ✓ |
| **PAS 17** | Leases | ✓ | - | - |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | - | - |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | - | - | ✓ |
| | Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone | - | - | ✓ |
| | Amendments to PAS 19: Plan Amendment, Curtailment or Settlement | - | - | ✓ |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | - | - | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | - | - |
| | Amendment: Net Investment in a Foreign Operation | - | - | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | ✓ | - | - |
| | Annual Improvements to PFRSs 2015-2017 Cycle: Amendments to PAS 23 - Borrowing costs eligible for capitalization | - | ✓ | - |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | - | - |
| | Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of ‘related party’ | ✓ | - | - |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | - | - | ✓ |
| **PAS 27 (Amended)** | Separate Financial Statements | - | - | ✓ |
| | Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities | - | - | ✓ |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | - | - | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 28 (Amended)** | Investments in Associates and Joint Ventures | - | - | ✓ |
| | Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | - | ✓ | - |
| | Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception | - | - | ✓ |
| | Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value | - | - | ✓ |
| | Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures | - | ✓ | - |
| **PAS 29** | Financial Reporting in Hyperinflationary Economies | - | - | ✓ |
| **PAS 32** | Financial Instruments: Disclosure and Presentation | ✓ | - | - |
| | Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation | - | - | ✓ |
| | Amendment to PAS 32: Classification of Rights Issues | - | - | ✓ |
| | Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities | ✓ | - | - |
| | Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions | ✓ | - | - |
| **PAS 33** | Earnings per Share | ✓ | - | - |
| **PAS 34** | Interim Financial Reporting | ✓ | - | - |
| | Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities | ✓ | - | - |
| | Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information “elsewhere in the interim financial report’ | ✓ | - | - |
| **PAS 36** | Impairment of Assets | ✓ | - | - |
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | - | - |
| **PAS 37** | Provisions, Contingent Liabilities and Contingent Assets | ✓ | - | - |
| **PAS 38** | Intangible Assets | ✓ | - | - |
| | Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38) | - | - | ✓ |
| | Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | ✓ | - | - |

## Century Peak Metals Holdings Corporation and Subsidiaries

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 39** | Financial Instruments: Recognition and Measurement | ✓ | - | - |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | - | - |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | - | - | ✓ |
| | Amendments to PAS 39: The Fair Value Option | - | - | ✓ |
| | Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts | - | - | ✓ |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets | ✓ | - | - |
| | Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition | ✓ | - | - |
| | Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives | - | - | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | - | - | ✓ |
| | Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | - | - | ✓ |
| **PAS 40** | Investment Property | ✓ | - | - |
| | Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40) | ✓ | - | - |
| | Amendments to PAS 40: Transfers of Investment Property | - | - | ✓ |
| **PAS 41** | Agriculture | - | - | ✓ |
| | Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants | - | - | ✓ |
| **Philippine Interpretations** | | | | |
| **IFRIC 1** | Changes in Existing Decommissioning, Restoration and Similar Liabilities | ✓ | - | - |
| **IFRIC 2** | Members' Share in Co-operative Entities and Similar Instruments | - | - | ✓ |
| **IFRIC 4** | Determining Whether an Arrangement Contains a Lease | ✓ | - | - |
| **IFRIC 5** | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | ✓ | - | - |
| **IFRIC 6** | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | - | - | ✓ |
| **IFRIC 7** | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | - | - | ✓ |
| **IFRIC 10** | Interim Financial Reporting and Impairment | ✓ | - | - |
| **IFRIC 12** | Service Concession Arrangements | - | - | ✓ |
| **IFRIC 14** | PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | - | - | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | - | - | ✓ |
| **IFRIC 16** | Hedges of a Net Investment in a Foreign Operation | - | - | ✓ |
| **IFRIC 17** | Distributions of Non-cash Assets to Owners | - | - | ✓ |
| **IFRIC 19** | Extinguishing Financial Liabilities with Equity Instruments | - | - | ✓ |
| **IFRIC 20** | Stripping Costs in the Production Phase of a Surface Mine | - | - | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **IFRIC 21** | Levies | - | - | ✓ |
| **IFRIC 22** | Foreign Currency Transactions and Advance Consideration | ✓ | - | - |
| **IFRIC 23** | Uncertainty over Income Tax Treatments | - | ✓ | - |
| **SIC-7** | Introduction of the Euro | - | - | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | - | - | ✓ |
| **SIC-15** | Operating Leases - Incentives | ✓ | - | - |
| **SIC-25** | Income Taxes - Changes in the Tax Status of an Entity or its Shareholders | - | - | ✓ |
| **SIC-27** | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | - | - | ✓ |
| **SIC-29** | Service Concession Arrangements: Disclosures. | - | - | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | - | - | ✓ |
| **Philippine Interpretations Committee Questions and Answers** | | | | |
| **PIC Q&A 2006-01** | PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts | - | - | ✓ |
| **PIC Q&A 2006-02** | PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements | - | - | ✓ |
| **PIC Q&A 2007-02** | PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates | - | - | ✓ |
| **PIC Q&A 2007-03** | PAS 40.27 - Valuation of bank real and other properties acquired (ROPA) | - | - | ✓ |
| **PIC Q&A 2008-01-Revised** | PAS 19.78 - Rate used in discounting post-employment benefit obligations | - | - | ✓ |
| **PIC Q&A 2009-01** | Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern | - | - | ✓ |
| **PIC Q&A 2010-02** | PAS 1R.16 - Basis of preparation of financial statements | ✓ | - | - |
| **PIC Q&A 2010-03** | PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan | - | - | ✓ |
| **PIC Q&A 2011-02** | PFRS 3.2 - Common Control Business Combinations | - | - | ✓ |
| **PIC Q&A 2011-03** | Accounting for Inter-company Loans | ✓ | - | - |
| **PIC Q&A 2011-04** | PAS 32.37-38 - Costs of Public Offering of Shares | - | - | ✓ |
| **PIC Q&A 2011-05** | PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost | - | - | ✓ |
| **PIC Q&A 2011-06** | PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination? | - | - | ✓ |
| **PIC Q&A 2012-01** | PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements | - | - | ✓ |
| **PIC Q&A 2012-02** | Cost of a New Building Constructed on the Site of a Previous Building | - | - | ✓ |
| **PIC Q&A 2013-02** | Conforming Changes to PIC Q&As - Cycle 2013 | - | - | ✓ |

## Century Peak Metals Holdings Corporation and Subsidiaries

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PIC Q&A 2013-03 (Revised)** | PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law | - | - | ✓ |
| **PIC Q&A 2015-01** | Conforming Changes to PIC Q&As - Cycle 2015 | - | - | ✓ |
| **PIC Q&A 2016-01** | Conforming Changes to PIC Q&As - Cycle 2016 | - | - | ✓ |
| **PIC Q&A 2016-02** | PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity | - | - | ✓ |
| **PIC Q&A 2016-03** | Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporations | - | - | ✓ |
| **PIC Q&A 2016-04** | Application of PFRS 15 “Revenue from Contracts with Customers” on Sale of Residential Properties under Pre-Completion Contracts | - | - | ✓ |
| **PIC Q&A 2017-01** | Conforming Changes to PIC Q&As - Cycle 2017 | - | - | ✓ |
| **PIC Q&A 2017-02** | PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building | - | - | ✓ |
| **PIC Q&A 2017-03** | PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures | - | - | ✓ |
| **PIC Q&A 2017-04** | PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder | ✓ | - | - |
| **PIC Q&A 2017-05** | PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures | ✓ | - | - |
| **PIC Q&A 2017-06** | PAS 2, 16 and 40 - Accounting for Collector’s Items | - | - | ✓ |
| **PIC Q&A 2017-07** | PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures | - | - | ✓ |
| **PIC Q&A 2017-08** | PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture | - | - | ✓ |
| **PIC Q&A 2017-09** | PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees | - | - | ✓ |
| **PIC Q&A 2017-10** | PAS 40 - Separation of property and classification as investment property | - | - | ✓ |
| **PIC Q&A 2017-11** | PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control | - | - | ✓ |
| **PIC Q&A 2017-12** | Subsequent Treatment of Equity Component Arising from Intercompany Loans | - | - | ✓ |
| **PIC Q&A 2018-01** | Voluntary changes in accounting policy | ✓ | - | - |
| **PIC Q&A 2018-02** | Non-controlling interests and goodwill impairment test | ✓ | - | - |
| **PIC Q&A 2018-03** | Fair value of PPE and depreciated replacement cost | ✓ | - | - |
| **PIC Q&A 2018-04** | Inability to measure fair value reliably for biological assets within the scope of PAS 41 | - | - | ✓ |
| **PIC Q&A 2018-05** | Maintenance requirement of an asset held under lease | ✓ | - | - |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PIC Q&A 2018-06** | Cost of investment in subsidiaries in SFS when pooling is applied | - | - | ✓ |
| **PIC Q&A 2018-07** | Cost of an associate, joint venture, or subsidiary in separate financial statements | - | - | ✓ |
| **PIC Q&A 2018-08** | Accounting for the acquisition of non-wholly owned subsidiary that is not a business | - | - | ✓ |
| **PIC Q&A 2018-09** | Classification of deposits and progress payments as monetary or non-monetary items | - | - | ✓ |
| **PIC Q&A 2018-10** | Scope of disclosure of inventory write-down | - | - | ✓ |
| **PIC Q&A 2018-11** | Classification of land by real estate developer | - | - | ✓ |
| **PIC Q&A 2018-12** | PFRS 15 implementation issues affecting the real estate industry | - | - | ✓ |
| **PIC Q&A 2018-13** | Conforming Changes to PIC Q&As - Cycle 2018 | - | - | ✓ |
| **PIC Q&A 2018-14** | PFRS 15 - Accounting for Cancellation of Real Estate Sales | - | - | ✓ |
| **PIC Q&A 2018-15** | PAS 1- Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current | ✓ | - | - |
| **PIC Q&A 2018-16** | PFRS 13 - Level of fair value hierarchy of government securities using Bloomberg's standard rule on fair value hierarchy | - | - | ✓ |
| **PIC Q&A 2019-01** | Accounting for service charges under PFRS 15, Revenue from Contracts with Customers | ✓ | - | - |
| **PIC Q&A 2019-02** | Accounting for cryptographic assets | - | - | ✓ |

***Legend*:**

***Adopted*** *- means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

***Not Adopted*** *- means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

***Not Applicable*** *- means the standard or interpretation is not relevant at all to the operations of the entity.*

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE A. FINANCIAL ASSETS**

| Name of Issuing entity and association of each issue (i) | Number of shares or principal amount of bonds and notes | Amount shown in the balance sheet (ii) | Valued based on market quotation at balance sheet date (iii) | Income received and accrued |
|---|---|---|---|---|
| Century Peak Property Development, Inc. | 15,000 shares | P1,500,000 | Not applicable | Nil |
| Development Bank of the Philippines | P43,297,729 | 43,297,729 | Not applicable | Nil |
| Unionbank | 4,494,690 | 4,494,690 | Not applicable | Nil |
| Security Bank | 113,830 | 113,830 | Not applicable | Nil |
| Asia United Bank | 545,623 | 545,623 | Not applicable | Nil |
| Banco De Oro | 67,093,085 | 67,093,085 | Not applicable | Nil |
| Bank of China | 473,145 | 473,145 | Not applicable | Nil |
| Sterling Bank of Asia | 18,222 | 18,222 | Not applicable | Nil |
| **Totals** | | **P117,536,324** | | |

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).**

| Name and Designation of debtor (i) | Balance at beginning of period | Additions | Amounts collected (ii) | Amounts written off (iii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|

**NOT APPLICABLE**

## CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

**SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected (i) | Amounts written off (ii) | Current | Not Current | Balance at end of period |
|---|---|---|---|---|---|---|---|
| Century Peak Corporation | P337,353,791 | P39,332,725 | P - | P - | P376,686,516 | P - | P376,686,516 |
| Century Peak Metals Holdings Corporation | 219,799,598 | 5,011,519 | - | - | 224,811,117 | - | 224,811,117 |
| Century Summit Carrier, Inc. | 166,415,792 | 44,140,836 | - | - | 210,556,628 | - | 210,556,628 |
| Century Hua Guang Smelting Incorporated | 182,901,679 | 2,699,561 | - | - | 185,601,240 | - | 185,601,240 |
| Century Sidewide Smelting Inc. | 76,710 | 23,897 | - | - | 100,607 | - | 100,607 |
| Century Peak Minerals Development Corp. | 2,049,239 | - | (156,184) | - | 1,893,055 | - | 1,893,055 |
| Century Peak Cement Manufacturing Corp. | 219,080 | 435,244 | - | - | 654,324 | - | 654,324 |
| **Totals** | **P908,815,889** | **P91,643,782** | **(P156,184)** | **P -** | **P1,000,303,487** | **P -** | **P1,000,303,487** |

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS**

| Description (i) | Beginning balance | Additions at cost (ii) | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) (iii) | Ending balance |
|---|---|---|---|---|---|---|
| Explored Mineral Resources | P1,667,832,110 | P - | P15,639,815 | P - | P - | P1,652,192,295 |
| **Totals** | **P1,667,832,110** | **P -** | **P15,639,815** | **P -** | **P -** | **P1,652,192,295** |

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE E. LONG TERM DEBT**

| Title of Issue and type of obligation (i) | Lender | Outstanding Balance | Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii) | Amount shown under caption "Long-Term Debt" in related balance sheet (iii) | Interest Rates | Number of Periodic Installments | Final Maturity |
|---|---|---|---|---|---|---|---|

**NOT APPLICABLE**

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)**

| Name of Related Parties (i) | Balance at beginning of period | Balance at end of period (ii) |
|---|---|---|

**NOT APPLICABLE**

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS**

| Name of issuing entity of securities guaranteed by the company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding (i) | Amount owned by person for which statement is filed | Nature of guarantee (ii) |
|---|---|---|---|---|

**NOT APPLICABLE**

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE H. CAPITAL STOCK**

| Title of Issue (2) | Number of Shares authorized | Number of shares issued and outstanding at shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | Number of shares held by affiliates (3) | Directors, officers and employees | Others |
|---|---|---|---|---|---|---|
| Common Shares | 3,575,000,000 | 2,820,330,450 | - | - | 1,695,657,502 | 1,124,672,948 |
| **Totals** | **3,575,000,000** | **2,820,330,450** | **-** | **-** | **1,695,657,502** | **1,124,672,948** |

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

| | December 31 | |
|---|---|---|
| | **2018** | **2017** |
| **ASSETS** | | |
| Current ratio (Current assets over current liabilities) | **0.42:1.00** | **0.51:1.00** |
| Solvency ratio (Net income plus depreciation, depletion, amortization and loss on inventory write-down over total liabilities) | **- .08:1.00** | **0.27:1.00** |
| Debt-to-equity ratio (total liabilities over total equity) | **0.31:1.00** | **0.11:1.00** |
| Asset-to-equity ratio (Total assets over total equity) | **1.31:1.00** | **1.11:1.00** |
| Interest rate coverage ratio (Earnings before interest and taxes over interest expense) | **- 62.68:1.00** | **- 34.17:1.00** |
| Operating profit margin (Operating income over net sales) | **- 272%** | **- 14%** |
| Net profit margin (Net income over net sales) | **- 271%** | **- 18%** |

## CENTURY PEAK METALS HOLDINGS CORPORATION

## SCHEDULE OF RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

### For the Year Ended December 31, 2018

| | |
|---|---|
| **Unappropriated Retained Earnings (Deficit), as adjusted, January 01, 2018** | **(P165,492,625)** |
| **Net Loss for the current year based on the face of Audited Financial Statements** | **(9,364,061)** |
| **Less: Non-actual/unrealized income net of tax** | |
| Deferred tax benefit | - |
| Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) | - |
| Fair value adjustment of Investment Property resulting to gain | - |
| Adjustment due to deviation from PFRS/GAAP - gain | - |
| Equity in net income of associate/joint venture | - |
| Fair value adjustments (M2M gains) | - |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | - |
| **Add: Non-actual losses** | |
| Deferred tax expense | - |
| Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents) | - |
| Loss on fair value adjustment of investment property (after tax) | - |
| Adjustment due to deviation from PFRS/GAAP - loss | - |
| Depreciation on revaluation increment (after tax) | - |
| **Net Profit Actual/Realized** | **(9,364,061)** |
| Add (Less): | |
| Dividend declaration during the period | - |
| Appropriation of Retained Earnings during the period | - |
| Reversal of appropriations | - |
| Effect of prior period adjustments | - |
| Treasury shares | - |
| **TOTAL RETAINED EARNINGS (DEFICIT) AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2018** | **(P174,856,686)** |