Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

PHILIPPINE MINING DEVELOPMENT CORPORATION
RECEIVED
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May 12, 2022

Atty. ALBERTO B. SIPACO
Chairman of the Board, President and Chief Executive Officer
Philippine Mining Development Corporation
Unit 3001-B West Tower
Tektite Towers (formerly Philippine Stock Exchange Center)
Exchange Road, Ortigas Center, Pasig City

Dear President and Chief Executive Officer SIPACO:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith the Auditor's Report on the results of the audit of the accounts and transactions of the **Philippine Mining Development Corporation (PMDC)** for the years ended December 31, 2021 and 2020.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Years' Recommendations, and the Annex.

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the PMDC for the years ended December 31, 2021 and 2020.

The observations on the audit of Gender and Development (GAD) funds together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 12, 2022 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' partially implemented audit recommendations embodied in Part III of the Report.

We respectfully request that the recommendations contained in Part II and Part III of the Report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus, facilitating the completion of the Report.

Very truly yours,

COMMISSION ON AUDIT

By:

MAY LINDA M. VEGAFRIA
Director III
OIC-Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Bureau of the Treasury
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Commission on Good Government
The National Library
The UP Law Center

Republic of the Philippines

PHILIPPINE MINING DEVELOPMENT CORPORATION

Creating Wealth. Enriching Lives.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Philippine Mining Development Corporation (PMDC) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

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

The PMDC Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Philippine Mining Development Corporation (PMDC) in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

Atty. Alberto B. Sipaco, Jr.
Chairman of the Board, President and Chief Executive Officer

Mary Ann P. Zarcilla
Manager, Finance and Accounting

Signed this 3rd day of May, 2022

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	95,674,908	25,372,515
Trade and other receivables, net	6	15,038,075	202,645
Inventories	7	3,571,827	3,571,827
Other current assets	8	15,040,524	26,200,307
Total Current Assets		**129,325,334**	**55,347,294**
Non-current Assets			
Property, plant and equipment, net	9	170,432,156	171,863,919
Intangible assets	10	875,176	1,012,613
Other non-current financial assets	11	1,537,788	1,833,273
Total Non-current Assets		**172,845,120**	**174,709,805**
TOTAL ASSETS		**302,170,454**	**230,057,099**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	15,995,346	19,629,826
Other payables	13	56,577,776	56,577,776
Total Current Liabilities		**72,573,122**	**76,207,602**
Non-current Liabilities			
Financial liabilities	14	56,660,401	56,660,401
Deferred credits/unearned income	15	10,500,000	8,000,000
Total non-current Liabilities		**67,160,401**	**64,660,401**
TOTAL LIABILITIES		**139,733,523**	**140,868,003**
EQUITY	24		
Share capital		125,000,000	125,000,000
Revaluation surplus		10,005,948	10,005,948
Retained earnings / (Deficit)		27,430,983	(45,816,852)
TOTAL EQUITY		**162,436,931**	**89,189,096**
TOTAL LIABILITIES AND EQUITY		**302,170,454**	**230,057,099**

The Notes on pages 9 to 49 form part of these Financial Statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
Revenue			
Service and business income	16	158,201,086	229,363
Gain on foreign exchange (FOREX)	17	703,192	-
Other non-operating income	16.2	625	-
Total Revenue		**158,904,903**	**229,363**
Expenses			
Personnel services	18	54,393,097	60,058,432
Maintenance and other operating expenses	19	27,345,218	47,289,639
Non-cash expenses	20	3,509,451	3,675,441
Finance costs	21	10,634	4,497
Total Expenses		**85,258,400**	**111,028,009**
Profit/(Loss) before tax		**73,646,503**	**(110,798,646)**
Income tax expense	22	915,185	131
Net income/(loss)		**72,731,318**	**(110,798,777)**
Other comprehensive income/(loss) for the period			
Gain/(Loss) on FOREX - unrealized	17	**516,517**	**(120,201)**
COMPREHENSIVE INCOME/(LOSS)		**73,247,835**	**(110,918,978)**

The Notes on pages 9 to 49 form part of these Financial Statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Share capital Note 24.1	Revaluation surplus Note 24.2	Retained earnings/ (Deficit) Note 24.3	Total
BALANCE AT JANUARY 1, 2020	**125,000,000**	**10,005,948**	**96,289,298**	**231,295,246**
CHANGES IN EQUITY FOR 2020				
Add/(Deduct):				
Net loss	-	-	(110,918,978)	(110,918,978)
Dividends	-	-	(31,187,172)	(31,187,172)
BALANCE AT DECEMBER 31, 2020	**125,000,000**	**10,005,948**	**(45,816,852)**	**89,189,096**
CHANGE IN EQUITY FOR 2021				
Add/(Deduct):				
Net income	-	-	73,247,835	73,247,835
BALANCE AT DECEMBER 31, 2021	**125,000,000**	**10,005,948**	**27,430,983**	**162,436,931**

The Notes on pages 9 to 49 form part of these Financial Statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/revenue		157,586,146	-
Collection of receivables		349,292	287,550
Trust receipts		1,970,923	278,311
Other receipts		3,313,798	630,788
Total cash inflows		163,220,159	1,196,649
Cash outflows			
Payment of expenses		73,679,244	70,838,344
Grant of cash advances		7,205,820	30,480,986
Remittance of personnel benefit contributions and mandatory deductions		10,448,539	11,212,085
Other disbursements		-	132,282
Total cash outflows		91,333,603	112,663,697
Net cash provided by/(used in) operating activities		**71,886,556**	**(111,467,048)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		14,090	220,662
Proceeds from return on investments		41,510	-
Total cash inflows		55,600	220,662
Cash outflows			
Purchase/construction of property, plant and equipment		1,940,251	919,693
Purchase of intangible assets		-	33,801
Total cash outflows		1,940,251	953,494
Net cash used in investing activities		**(1,884,651)**	**(732,832)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends		-	7,000,000
Total cash outflows		-	7,000,000
Net cash used in financing activities		-	**(7,000,000)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**70,001,905**	**(119,199,880)**
Effects of exchange rate changes on cash and cash equivalents	17	300,488	(120,201)
CASH AND CASH EQUIVALENTS, JANUARY 1		**25,372,515**	**144,692,596**
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	**95,674,908**	**25,372,515**

The Notes on pages 9 to 49 form part of these Financial Statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020
(All amounts in Philippine Peso unless otherwise stated)

1. CORPORATE INFORMATION

The **PHILIPPINE MINING DEVELOPMENT CORPORATION** (PMDC, or the Company, or the Corporation), formerly Natural Resources Mining Development Corporation (NRMDC), is a 100 per cent wholly-owned corporation of the National Government. Its original principal stockholders were the Natural Resources Development Corporation (NRDC), the corporate arm of the Department of Environment and Natural Resources (DENR), which held 55 per cent of the total capital stock, and the Philippine National Oil Corporation-Energy Development Corporation (PNOC-EDC), for the remaining 45 per cent. The PMDC was incorporated as an attached agency of DENR and registered with the Securities and Exchange Commission (SEC) on July 4, 2003 with Registration No. CS200314923 based on the authorization of the President of the Republic of the Philippines as contained in a Memorandum dated April 9, 2003. Upon the recommendation of the Secretary of DENR, the PMDC was authorized by the President of the Philippines, in a Memorandum dated June 9, 2005, to increase its capital stock from P100 million to P125 million. This resulted in a revised equity structure for PMDC where DENR-NRDC, PNOC-EDC, and National Development Company (NDC) held 44 per cent, 36 per cent and 20 per cent, respectively. The PNOC-EDC holdings of 36 per cent (P45 million) were subsequently turned over to the PNOC, the parent firm of PNOC-EDC sometime in Calendar Year (CY) 2006 due to PNOC-EDC's Initial Public Offering (IPO). Also, said Memorandum authorized PMDC to increase the number of its Board of Directors (BOD) from nine to 11.

Pursuant to DENR Administrative Order No. 2003-038 and by virtue of a Memorandum of Agreement (MOA) executed among DENR, PMDC (then NRMDC), and NRDC, PMDC was designated/appointed as the new implementing arm of DENR in undertaking the mining and mineral processing operations in the 8,100 hectares Diwalwal Mineral Reservation Area (DMRA) located in the Municipality of Monkayo, Davao de Oro. Based on the Agreement, the Diwalwal Direct State Development Project was turned over from NRDC to then NRMDC, now PMDC, and as such, collection of the 15 per cent government share from the ores extracted by the small-scale miners was later managed by the latter. In partial compliance, NRDC initially transferred the amount of P4.289 million to PMDC, with subsequent turnover of fund balance from the project and the documents related thereto. The Office of the President, however, returned said collection function to NRDC in February 2005. Such decision was based on the need for PMDC to focus on exploration and mining rather than the regulatory function of collection of the 15 per cent share from the small-scale miners.

PMDC was primarily created to conduct and carry on the business of exploring, developing, mining, concentrating, converting, smelting, treating, and otherwise developing, producing and dealing in gold, silver, copper, iron, and any and all kinds of minerals, mineral deposits, substances, and mineral resources.

The Corporation's registered business address is at 3001 B & C West Tower, Tektite Towers (formerly Philippine Stock Exchange Center), Exchange Road, Ortigas Center, Pasig City, Metro Manila. It has a current workforce of 53 filled up organic plantilla and 33 project employees.

The financial statements of the Corporation as of and for the year ended December 31, 2021 (including the comparative financial statements as of and for the year ended December 31, 2020) were authorized for issue by the Corporation's BOD on February 11, 2022.

Mining Property

On May 28, 2007, the DENR transferred to PMDC, through Department Memorandum Order (DMO) No. 2007-05, all the non-performing mining tenements already cancelled, pursuant to DMO Nos. 2005-13 and 2005-03. The said DMOs contained the 93 cancelled tenements wherein 65 of these were cancelled as final and executory. PMDC shall dispose, develop, or operate the subject tenements by itself or in partnership or in joint venture with qualified party or contractor.

The mining properties are then evaluated by PMDC to know their potential and feasibility through review and evaluation of the technical data, due diligence in the area, and coordination with other government agencies. PMDC may undertake the direct development of the mining assets; however, due to financial constraints, it opted to offer the said mining properties to interested entities through competitive public bidding, which is governed by the provisions of the Government Procurement Reform Act. The highest responsive bid shall be selected for award, which will be approved by the PMDC Management and its BOD.

The National Government considered PMDC as a vehicle for re-starting and re-opening of mining projects presently with the Department of Finance – Privatization and Management Office (DOF-PMO). Of the six projects initially listed, only the North Davao and Batong Buhay mining projects are identified for commercial development and consequently transferred to PMDC.

The mining assets of the North Davao Mining Corporation have been transferred to PMDC to facilitate their promotion as investment target. These assets are the subject of a preliminary evaluation and assessment by the Mines and Geosciences Bureau (MGB) for copper/gold potentials, which was covered by a MOA.

The mining asset of the Batong Buhay Mining Corporation is located at the Municipality of Pasil, Kalinga, Apayao Province.

2. STATUS OF OPERATIONS

The Change in Corporate Business Model

Shortfalls in equity requirements due to inability of PMDC shareholders to increase current equity level required by Development Bank of the Philippines (DBP) before a loan can be drawn necessitated the creation of a supplementary business model - the royalty business scheme.

The royalty business model enables PMDC to earn from marketing of mining areas even as it is still in assessment of whether it should pursue the traditional miner and gold refiner option. Currently, PMDC is compensated by commitment fees, i.e., upfront fees based on performance milestones as agreed prior to bidding process. The fees represent the payment for privilege to explore/study potentials of the mineral area. Upon commercial operation, PMDC is compensated over the life of the mine by agreed percentage of gross revenues of the partner from their sales of minerals or end-products of the minerals/ores extracted/processed.

Subsequently, PMDC monitors the conduct of the evaluation and later development and operations of the partners by way of required submissions of technical and financial reports, augmented from time to time by periodic visits by PMDC project officers and staff. The monitoring activity is a continuing effort by the PMDC technical staff on the activities of the partner-operators, as required under the contract as well as International Standards Organization (ISO) quality procedures.

Thus, from CY 2010 onwards, PMDC's corporate efforts were on the continuation of the offering and awards of the mineral tenements earlier transferred to it by the DENR-MGB.

Strategic Plans and Initiatives

PMDC has continued to carry out its responsible mining advocacies and activities thru corporate social responsibility afforded to mining communities as well as linkages with both the national and the local governments. It was also able to maintain and improve peace and order and environment protection in these areas.

Accomplishments/Highlights for CY 2021

Hereunder are PMDC's major corporate accomplishments, grouped accordingly, during the year.

I. Project monitoring and operations, including disclosures on exports of ores

a. The Corporation had been monitoring all the awarded projects by assigned technical personnel, including the provision of technical and support assistance to partners/operators.

Of the 28 awarded projects covered by Joint Operating Agreements (JOAs) executed between CYs 2006 to 2010, only three are in the development/operating stage, namely: the Dinagat Nickel Chromite Parcel 1 *(Loreto, Dinagat Islands)*, Dinagat Parcel 2B *(Libjo, Basilisa, Dinagat Islands)*, and Pinamungahan Limestone Project *(Cebu)*. The Dinagat Nickel-Chromite Parcels 1 and 2B resumed their shipment operations for the year. There was a total of seven shipments comprised of five shipments from Dinagat Parcel 1 and two shipments from Dinagat Parcel 2B. Pinamungahan Limestone is under development stage and there is still no reported production for CY 2021.

Due to violation of certain terms of the JOA, and/or non-performance and abandonment of mining project areas, four of the awarded projects, namely: *the Toledo Copper, Palawan Silica, Lagonoy Chromite, and Itogon Gold,* were served cancellation notices and referred to the Office of the Government Corporate Counsel (OGCC) for possible judicial JOA cancellation. The JOA Evaluation Committee, formed by Management to review and evaluate the other 20 projects which remained undeveloped, non-operational, and non-performing for 10 years or more, had served letters to the partner-operators thereof, directing them to show cause why their respective JOAs should not be cancelled. Management eventually served "Cancellation Notices" to partners/operators of 13 JOAs, while seven of them were retained upon evaluation of the JOA Committee. The operator of Opol Gold Project, one of the seven projects retained, voluntarily withdrew from the JOA claiming that the project is not feasible for mining operation.

b. PMDC also bid out the Rogongon-Copper Gold and Dinagat Parcel 2A Nickel-Chromite Projects and were successfully awarded to Rogongon Resources, Inc. (RRI), in partnership with Due East Construction & Equipment, Inc. (Due East), and Napnapan Mineral Resources, Inc. (NMRI), respectively. The projects are covered by a Financier/Service Provider Agreement, wherein PMDC is the direct mining operator of the projects and RRI and Due East, and NMRI are the Financier/Service Providers in their respective projects.

c. The North Davao Mining Project was publicly bid out on October 19, 2009, but the winning bidder, Asia Alliance Mining Resources Corporation (AAMRC), refused to execute the JOA and pay its bid and even questioned in the RegionalTrial Court (RTC) of Pasig the PMDC's declaration of default against it. The RTC granted AAMRC's prayer for the issuance of a Temporary Restraining Order and/or Preliminary Injunction enjoining PMDC to award the contract to the next highest bidder or to conduct another bidding or to give effect to the declaration of default. PMDC assailed the granting of the injunctive relief with the Court of Appeals and with the Supreme Court. Later on, the Supreme Court remanded the case to the Court of Appeals for resolution thereof on the merits. In the meantime, PMDC and AAMRC have agreed to enter into a Compromise Agreement in order to end this litigation. PMDC is presently obtaining the approval of the Privatization Council (PrC) to the Compromise Agreement. PMDC urged the PrC to approve the same as soon as possible justifying that the project had been unproductive since CY 2009, hence Government had suffered opportunity losses as a result; the approval will generate for the Government substantial amount of revenues; and the potential job opportunities to be created in the area. However, another issue arose with respect to the area coverage of the mining property. The area was tremendously reduced from 20,237 hectares to 8,645 hectares considering the no mining go zone areas covered by Letter of Instruction 917, Mainit Hot Spring National Park and the proposed Mt. Tangub-Kampalili Range Protected Landscape. With this, PMDC coordinated with the concerned government agencies and officially sent a letter to DENR to review and re-evaluate the excised area. In October 2021, the DENR issued the Order partially granting PMDC's request. PMDC is waiting for the issuance of the updated Area Status Clearance to resume the stalled activities involving the signing of the Compromise Agreement between PMDC and AAMRC.

d. The Batong Buhay Gold Project was awarded to Balatoc Indigenous Cultural Community (ICC), represented by the Balatok Kalinga Tribe, Inc. (BKTI) and Balatoc Tribal Exploration and Management Corporation, through execution of a JOA in November 2009. BKTI then entered into a MOA with Carrascal Nickel Corporation (CNC) in CY 2010 as the Tribes Financial and Technical partner in the exploration, development, mining and milling operation, marketing, and utilization for commercial purposes of copper/gold and other associated mineral deposits existing in the contract area. CNC subsequently assigned its rights in favor of CNC Faratuk Mining, Inc.

Aside from the internal squabble among the tribal members, the ICC is likewise embroiled in litigation with its financial and technical partner. A Writ of Injunction was issued by the National Commission on Indigenous People (NCIP) in September 2013 citing that CNC failed to meet its obligation under the agreement.

In July 2019, the BKTI requested PMDC to withdraw and cancel its previous approval issued in favor of CNC as the ICC's partner for the development of the project. PMDC then sent a letter to CNC as to this effect, but CNC responded that it will not honor the withdrawal, revocation, and cancellation of the agreement until its expenses have been paid. However, the community claimed that there was no substantial set of community development projects as per agreed in the contract. There is now an ongoing arbitration proceeding to settle this dispute.

e. In the Diwalwal Mineral Reservation Area (DMRA), PMDC continues its work to clean up and develop the area in response to the call of President Rodrigo Roa Duterte. The DMRA was proliferated with illegal small-scale miners who continue to pollute the Naboc River and its tributaries. PMDC continues all its work to protect the environment. The following were the activities done in DMRA:

   i. Continue the relocation of the ball mill operators and Carbon-in-Pulp plant owners near the Mabatas Tailings Dam; and

   ii. Continue the construction works in the facilities related to the Mabatas Tailings Dam. The sub-facilities of the Mabatas Tailings Storage Facility are the interim dam, spillway, tailings launder, decant tower, water system and sources, and water cyanide recycling tank. An additional water system, Matangad Water System, was constructed to support the operations of the small-scale miners in the area.

II. The recent pandemic has affected PMDC's revenues. However, Management does not see such disruption to continue and persist, hence, will not in any way impact the Company's going concern status. PMDC's operations will not be hampered in the foreseeable future and will still be able to acquire assets and pay its liabilities and commitments in the normal course of business.

For CY 2021, PMDC was able to generate revenues from the shipment of nickel ores in Dinagat Projects and successful bidding of the Dinagat Parcel 2A Nickel-Chromite and Rogongon Copper-Gold Projects.

As a government owned and controlled corporation (GOCC) without budgetary subsidy/appropriation from the Government, PMDC has been exhausting all efforts to boost its revenue generating capacity. The operating expenses of PMDC are sourced out from the royalties due from the production of its Partner/Operator in operating projects – Dinagat Parcels 1 and 2B Nickel – Chromite Projects, and Commitment Fees on bidding of other PMDC Mining Properties.

PMDC Management has been laying down its plan to generate its revenue-generating capacity to support the operating expenses. For CY 2022, PMDC is bidding out at least five mining properties of which, two properties have received an intent from a private entity to participate in the bidding. The settlement of the compromise agreement between PMDC and AAMRC in connection with the North Davao Mining Property will also be one of significant sources of revenue for PMDC. In addition, PMDC will continue to aggressively bid out its mining properties. The gradual shifting of PMDC's business model of royalty-based business to directly operate the mining property together with a financial/service provider to increase the revenue sharing of PMDC had already started in CY 2021. This business model will also enhance the technical expertise of PMDC in direct mining operations. In addition, PMDC requested to transfer certain mining projects with the DENR as another avenue or opportunity of revenue source.

PMDC will continue to review its contracts with Partners/Operators to ensure that the work program is on track. Any violations in the contract by the Partners/Operators will be considered for the imposition of sanctions depending on the gravity of violations. This will ensure that all projects of PMDC are in consonance with its objective to fast track the development of mining projects to eventually provide PMDC another source of revenue.

Aside from boosting the revenue-generating capacity of PMDC, Management decided to cut down its operating expenses, such as capital expenditure and other personnel expenses. PMDC shall prioritize the implementation of any facilitiesto be constructed in DMRA. The improvement/repair of the decantation tower will push through; however, other facilities/projects shall be put on hold. PMDC shall continue its cost-cutting measures to address the financial issues of the Company.

III. Community-support

PMDC continued to implement its Corporate Social Responsibility (CSR) agenda that focused on providing support to the direct stakeholders of DMRA in Monkayo, Davao de Oro.

For CY 2021, PMDC provided monthly rice and food subsidy to the Mt. Diwata Health Center, Philippine National Police (PNP), and Armed Forces of the Philippines (AFP) stationed at DMRA. The partnership with PMDC and the two forces continues to strengthen as they partner in maintaining DMRA's holistic growth and development.

PMDC has donated basic medicines and medical supplies and equipment to four barangays in DMRA. Through its Depot office in Upper Ulip, PMDC responded to several requests of the barangays in the DMRA which included provision of financial assistance to certain barangay activities.

To support the local government unit (LGU) on the solid waste management and environment protection, PMDC established solid waste management recovery facility drop-off units in DMRA. PMDC distributed assorted seedlings and gardening kits to puroks in DMRA to promote home gardening.

Lastly, PMDC provided support to 11 primary and secondary schools in their Brigada Eskwela Program thru donation of supplies and materials. Another initiative of the PMDC-CSR under its Health, Education, Rural Infrastructure and Opportunities to Earn (HERO) Program for Education was the Support to Basic Education Learning Continuity Plan of the Department of Education (DepEd), by providing materials for Modular Production. This was to aid the schools in DMRA as they implement the newly developed mode of learning to continually provide education to the children in the community. PMDC was able to donate reams of bond papers and bottles of liquid inks to the six primary and four secondary schools in DMRA.

IV. Corporate systems development and ISO Certification

In December 2021, PMDC successfully passed the audit for the Certification of ISO 9001:2015 – Quality Management System.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented unless otherwise stated.

3.1 Basis for the Preparation of Financial Statements

a. *Statement of Compliance with Philippine Financial Reporting Standards (PFRSs) and Revised Chart of Accounts*

The accompanying financial statements of PMDC as of and for the years ended December 31, 2021 and 2020 have been prepared in accordance with PFRSs as prescribed for adoption in Commission on Audit (COA) Circular No. 2017-004 dated December 13, 2017. In addition, COA Circular No. 2020-002 dated January 28, 2020 is likewise adopted for the Updated Revised Chart of Accounts for Government Corporations (2019).

The term PFRS, in general, includes, all applicable PFRSs, Philippine Accounting Standards (PAS), and Standing Interpretations Committee(SIC)/International

Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) and approved by the Financial Reporting Standards Council (FRSC) for adoption in the Philippines.

The Company has continued to adopt the full PFRSs as its Financial Reporting Framework despite the decline in threshold required under the SEC Revised Securities Regulation Code Rule 68 Part I-2 dated October 13, 2019. However, it will assess if such decline will continue significantly for a minimum of two years before transitioning to PFRSs for Small and Medium-Sized Entities (SMEs).

b. ***Presentation of Financial Statements***

The financial statements are presented in accordance with PAS 1, Presentation of Financial Statements. PMDC presents all items of income and expenses in a comparative Statements of Comprehensive Income (SCI).

c. ***Functional and Presentation Currency***

These financial statements are presented in Philippine pesos, the Corporation's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Corporation are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Corporation operates.

3.2 Adoption of New and Amended PFRS

a. ***New standards and amendments effective in CY 2021 that are Relevant to the Corporation***

- Amendments to PFRS 16, Leases - COVID-19 Related Rent Concessions beyond June 30, 2021

As a result of the COVID-19 pandemic, rent concessions have beengranted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. Amendment to PFRS 16 *Leases* provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions asvariable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contractsto which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.

The relief was originally limited to reduction in lease payments thatwere due on or before June 30, 2021. It was subsequently extended to June 30, 2022.

If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment.

However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

Rent concessions entered into by the Company that are primarily operating leases were not affected by the said amendment.

b. ***New Standards effective in CY 2021 that are not relevant or applicable to the Corporation***

- Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, and PFRS 16) – Effective for annual periods beginning on or after January 1, 2021.

  In August 2020, the FRSC made amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4, and PFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of interbank offered rate (IBOR) reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.

- The hedge accounting reliefs will allow most PAS 39 or PFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

- Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

- Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

c. ***New and amended Standards and Interpretations issued but not yet effective***

Pronouncements issued but not yet effective or are not mandatory for annual reporting period ending on December 31, 2021 are listed below. These are classified into two: (1) standards relevant to the Corporation; and (2) standards irrelevant to the Corporation.

- **Standards relevant to the Corporation**

  The Corporation intends to adopt the following pronouncements in the recognition, measurement, classification, and reporting of affected financial statement accounts when they become effective and will apply to the Company's transactions:

  Effective for annual periods beginning on or after January 1, 2022.

  - PFRS 3: Amendments to PFRS 3 - Definition of a Business

    The amendments help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

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

    The amendments prohibit an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

    It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

    Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

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

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRS Standards 2018–2020 Cycle

  - PFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10 per cent test for derecognition of financial liabilities.

  - PFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to avoid any confusion about the treatment of lease incentives.

Effective for annual periods beginning on or after January 1, 2023.

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

  The narrow-scope amendments to PAS 1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what PAS 1 means when it refers to the 'settlement' of a liability.

  The amendments could affect the classification of liabilities, particularly for entities that previously considered Management's intentions to determine classification and for some liabilities that can be converted into equity.

  They must be applied retrospectively in accordance with the normal requirements in PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

- **Standards irrelevant to the Corporation**

The Corporation does not expect that the future adoption of the following pronouncements to have a significant impact on its financial statements:

Effective for annual periods beginning on or after January 1, 2023.

- PFRS 17- Insurance Contracts

  This standard replaces PFRS 4, *Insurance Contracts*, which currently permits a wide variety of practices in accounting for insurance contracts. PFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- Annual Improvements to PFRS 2018 to 2020 Cycle

  Among the improvements, the following amendments are irrelevant to the Corporation:

- PFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books also to measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same PFRS 1 exemption.

Effective for annual periods beginning on or after January 1, 2022.

- PAS 41 *Agriculture* – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value of biological asset under PAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

- Amendments to PFRS 4, Extension of the Temporary Exemption from Applying PFRS 9

  The amendments change the fixed expiry date for the temporary exemption in PFRS 4 *Insurance Contracts* from applying PFRS 9 *Financial Instruments*, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.

3.3 Financial Assets

The Corporation recognizes a financial asset in the Statements of Financial Position (SFP) when it becomes a party to the contractual provisions of the instrument. The Corporation classifies its financial assets as follows:

a. *Classification, Measurement, and Reclassification of Financial Assets in accordance with PFRS 9*

Under PFRS 9, the classification and measurement of financial assets are driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within the Corporation's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and

- The contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

  Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method.

  The Corporation's financial assets at amortized cost are presented in the SFP as Cash and cash equivalents, and Trade and other receivables. *(See Notes 5 and 6)*

  For purposes of cash flows reporting and presentation, Cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits, and short-term, highly liquid investments readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

  Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the SCI as part of Finance income.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

The Corporation accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Corporation for trading or as mandatorily required to be classified as Fair Value Through Profit or Loss (FVTPL).

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of the Revaluation surplus account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation surplus account is not reclassified to profit or loss but is reclassified directly to Retained earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the SCI as part of Finance income.

Financial Assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. In addition, equity securities are classified as financial assets at FVTPL, unless the Corporation designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Corporation's financial assets at FVTPL include equity securities, which are held for trading purposes or designated as at FVTPL.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Finance income in the SCI. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments is included in the net fair value gains (losses) on these assets presented as part of Finance income in the SCI.

b. ***Impairment of Financial Assets***

From January 1, 2018, the Corporation assesses its expected credit loss (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. Recognition of credit losses is no longer dependent on the Corporation's identification of a credit loss event.

Instead, the Corporation considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The key elements used in the calculation of ECL are as follows:

- Probability of default – It is an estimate of likelihood of default over a given time horizon.
- Loss given default – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Corporation would expect to receive, including the realization of any collateral.
- Exposure at default – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

c. ***Derecognition of Financial Assets***

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Corporation recognizes its retained interest in the asset and an associated liability for amount it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. (PFRS 7 and PFRS 9)

3.4 Inventories

Inventories are electrical supplies and other materials valued at the lower of cost and net realizable value applying PAS 1 and PAS 2. Pursuant to COA Circular No. 2016-006 dated December 29, 2016, tangible assets below the capitalization threshold of P15,000 are classified as inventories before these are issued to end-users. *(See Note 7)*

3.5 Other Assets

Other assets pertain to other resources controlled by the Corporation as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Corporation and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Corporation beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets in accordance with PAS 1. *(See Notes 8 and 11)*

3.6 Property, Plant and Equipment (PPE)

PPE are measured at cost less any subsequent accumulated depreciation, amortization, and any impairment in value. The initial cost of PPE consists of its purchase price and other directly attributable costs of bringing the asset to its working condition and location for its intended use as provided in PAS 1 and PAS 16. *(See Note 9)*

Subsequent expenditures relating to an item of PPE that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Corporation.

All other expenses relating to an item of PPE that is described as repairs and maintenance are reflected in the SCI during the year in which they are incurred.

Depreciation is computed on a straight-line method based on the following estimated useful life of the property, net of five per cent salvage value, pursuant to Paragraph 6.3.e of COA Circular No. 2017-004 dated December 13, 2017:

Infrastructure assets	25 years
Buildings and other structures	10 years
Machinery and equipment	2-10 years
Transportation equipment	5 years
Leased assets improvement	2- 5 years

The estimated useful lives, residual values, and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect new expectations.

An item of PPE, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year the item is derecognized.

Incomplete construction is stated at cost and is depreciated only when the assets are already completed and/or put into operational use.

3.7 Exploration and Evaluation Assets

These are initially carried at acquisition cost subject to revaluation after conducting an assessment for impairment of the assets, which is dependent on the result of exploratory drilling indicating sufficient data from which technical feasibility and commercial viability can be determined.

The assets are consequently carried at replacement cost retrospective as at November 15, 2007 after the appraisal made by a reputable independent appraiser using the replacement cost as basis of valuation. In CY 2018, an independent appraisal of said properties was undertaken wherein the fair value method has been applied. *(See Notes 9 and 24.2)*

Lease-to-purchase mining equipment is carried at "exercise price" or future value at the end of the rental period or two years, net of interest at the rate of 11 per cent, which is charged to operations.

PMDC also has a Jumbo Drill, tunnel-boring equipment, included in its exploration and evaluation assets. Said idle and intended for sale equipment has been depreciated and appraised in accordance with PFRS 6, PAS 16, and PAS 36. *(See Note 9)*

3.8 Intangible Assets

Intangible assets include acquired licenses, franchises, and internally developed software, which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives up to 10 years, as the lives of these intangible assets are considered finite in accordance with PAS 1 and PAS 38. *(See Note 10)*

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

3.9 Financial Liabilities

Financial liabilities, which include trade and other payables (excluding tax-related liabilities) and loans payable, are recognized when the Corporation becomes a party to the contractual terms of the instrument. These payables are stated at nominal values. All interest-related charges incurred on financial liability are recognized as expense in profit or loss under finance income (costs)-net in the SCI as required in PAS 1 and PFRS 9. *(See Notes 12, 13 and 14)*

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer) or the Corporation does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the SFP only when the obligations are extinguished either through discharge, cancellation, or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized as profit or loss in the SCI.

3.10 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the SFP when the Corporation currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period; that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments (PAS 32).

3.11 Provisions and Contingencies

Provisions are recognized when the Corporation has a present legal or constructive obligation 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 (PAS 1 and PAS 37).

In CYs 2021 and 2020, the Corporation set up a provision for unused vacation and sick leave credits of the employees accumulated at the end of the year. *(See Notes 12.1 and 18.4)*

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

3.12 Revenue and Expense Recognition

Revenue is recognized by applying PFRS 15 to all contracts that have the following attributes *(See Note 16)*:

a. Parties to the contract has approved it and are committed to perform;
b. Each party's rights to the goods/services transferred are identified;
c. The payment terms are identified;
d. The contract has a commercial substance; and
e. It is probable that an entity will collect the consideration – there is a need to evaluate the customer's ability and intention to pay.

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. General and administrative expenses are generally recognized when the services are used, or the expenses arise while interest and other finance charges are accrued in the appropriate period. *(See Notes 18, 19, 20 and 21)*

3.13 Leases

The Corporation assesses whether a contract is or contains a lease, at inception of the contract. Should it be applicable, the Corporation shall recognize a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets.

For short-term leases and leases of low value assets, the Corporation recognizes the lease payments as an operating expense on a straight-line basis over the lease term in profit or loss section of the SCI in accordance with PAS 1 and PAS 17 unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Corporation's CYs 2021 and 2020 lease transactions as lessee fall under either short-term leases or leases of low-value assets. *(See Notes 19.13 and 25.1)*

3.14 Foreign Currency Transactions and Translations

The Corporation converts into local currency its foreign currency-denominated transactions using actual foreign exchange rate prevailing during the month and date of transaction, respectively. Monetary assets and liabilities that are denominated in foreign currencies are restated using the closing exchange rate at reporting date. Foreign exchange (FOREX) gains and losses arising from foreign currency fluctuations are recognized in profit or loss section of the SCI for the period as provided in PAS 21 and PFRS 9. *(See Note 17)*

3.15 Impairment of Non-Financial Assets

The Corporation assesses at each reporting date whether there is an indication that PPE may be impaired. If any of such indication exists or when annual impairment testing for a non-financial asset is required, the Corporation makes an estimate of the non-financial asset's recoverable amount. Recoverable amount is the higher of a non-financial asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the non-financial asset does not generate cash inflows that are largely independent of those from other or groups of non-financial assets (PAS 1 and PAS 36).

When the carrying amount of a non-financial asset exceeds its recoverable amount, the non-financial asset is considered impaired and is written down to its recoverable amount. An impairment loss is charged against operations in the year in which it arises.

An impairment assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exists or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in the SCI. For PPE, after such reversal, the depreciation 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. *(See Notes 9 and 10)*

3.16 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale (PAS 1 and PAS 23).

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. The Corporation has not incurred any borrowing costs in the prior year and during the reporting period.

3.17 Income Taxes

The Income tax expense represents the amount of tax currently payable (PAS 1 and PAS 12).

Under PAS 12, income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in Other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends, if applicable.

The tax currently payable is based on the taxable profit for the year. Taxable income differs from Profit for the Year as reported in the SCI because of items of income or expense that are taxable or deductible in other years and items that are neither taxable nor deductible. The Corporation's liability for current tax is calculated using the tax rates and tax laws applicable to the periods to which it relates. *(See Note 22)*

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is 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. 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, associates, and joint arrangements to the extent that the Corporation is able to control the timing of the reversal of the temporary differences and 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 unused tax losses, unused tax credits, 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.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.18 Related Party Transactions and Relationships

A related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely on the legal form as provided in PAS 1. *(See Note 23)*

3.19 Equity

Share capital represents the nominal value of shares that have been issued. Revaluation surplus represents appraisal increment of exploration and evaluation assets (PAS 32).

Retained earnings represent all current and prior period results of operations as reported in the profit or loss section of the SCI less any dividends declared. *(See Note 24)*

3.20 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Corporation's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material (PAS 10).

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing these financial statements, Management has made judgments and estimates that affect the application of the Corporation's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Below is one of Management's significant judgments and/or estimates that have the most significant effect in the preparation of the financial statements for the current period:

Fair value measurements and valuation processes

The Corporation has engaged the services of a third-party valuation company to conduct the appraisal of the Exploration and Evaluation Assets at Mt. Diwalwal, Monkayo, Davao de Oro. The decrease in property valuation (impairment loss) has been treated as a reduction in the Revaluation surplus account. *(See Note 24.2)*

Classification of Financial Instruments

The Corporation classifies and measures a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability, or an equity instrument. *(See Notes 3.3 and 3.9)*

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2021	2020
Cash on hand	107,000	91,270
Cash in bank-local currency	90,165,273	23,113,910
Cash in bank-foreign currency	5,402,635	2,167,335
	95,674,908	**25,372,515**

Cash in bank earns interest at floating rates based on daily bank deposit rates. The dollar deposits amounting to US$106,405.54 and US$45,131.18, as at December 31, 2021 and 2020, respectively, were translated in Philippine Peso based on the Bangko Sentral ng Pilipinas (BSP) exchange rate of P50.774 and Philippine Dealing System (PDS) closing rate of P48.023 to US$1 prevailing at the end of said years, respectively. Unrealized exchange gain and loss of P300,488 and P120,201, as at December 31, 2021 and 2020, respectively, were recognized. *(Note 17)*

On November 24, 2021, PMDC placed treasury bills arranged by the Land Bank of the Philippines (LBP) amounting to P49,963,471 with term of 35 days at 1.0685 per cent yield. This was collected on December 29, 2021. No placement was made in CY 2020.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	2021	2020
Loans and receivables	14,961,405	-
Inter-agency receivables	-	126,486
Other receivables	76,670	76,159
	15,038,075	**202,645**

In CYs 2021 and 2020, the Company did not record any accounts receivable on commitment fees earned from its Partner/Operator. For CY 2021, receivable from royalty fees has been accrued.

6.1 Loans and Receivables Account

	2021	2020
Accounts receivable	14,961,405	-
	14,961,405	**-**

Accounts receivable represents royalty earned from AAM-Phil Natural Resources Exploration and Development Corporation's (AAM-PHIL) completed shipments. A total of US$294,666.66 was translated in Philippine Peso resulting in unrealized foreign exchange gain of P216,029. Translation was based on the BSP exchange rate of P50.774 to US$1 prevailing as at December 31, 2021.

6.2 Inter-Agency Receivables

	2021	2020
Due from government corporations	-	126,486
	-	**126,486**

Due from government corporations were receivables from Social Security System (SSS) for the maternity benefit paid by PMDC to its employees in CY 2020. These were fully collected in CY 2021.

6.3 Other Receivables

	2021	2020
Due from officers and employees	116,830	117,111
Other receivables	72,617	71,825
	189,447	188,936
Less: Allowance for impairment	112,777	112,777
	76,670	**76,159**

Due from officers and employees consists mainly of receivables from retired/resigned employees of PMDC since CY 2006 amounting to P112,777, which were found to be uncollectible, hence, provided with 100 per cent impairment. No impairment was recognized in CYs 2021 and 2020.

7. INVENTORIES

This account consists of the following:

	2021	2020
Other supplies and materials inventory	3,571,827	3,571,827
	3,571,827	**3,571,827**

Inventories held for consumption consist mainly of consumable materials and supplies kept at the PMDC's Depot Office in Davao City. These were subjected to physical count last December 2021. From the results of the physical count, ocular inspection, and reconciliation, no materials were issued during the year. *(See also Note 3.4)*

8. OTHER CURRENT ASSETS

This account consists of:

	2021	2020
Advances to special disbursing officer	26,153	6,025,790
Advances to officers and employees	20,016	20,016
Creditable input tax	429,865	4,671,570
Other prepayments	14,564,490	15,482,931
	15,040,524	**26,200,307**

Other prepayments include income tax credit carried forward to succeeding taxable period amounting to P14,551,990 and P15,467,175 for CY 2021 and CY 2020, respectively. *(See also Note 22)*

9. PROPERTY, PLANT AND EQUIPMENT

This account consists of the following:

	Infrastructure assets	Buildings and other structures	Machinery and equipment	Transportation equipment	Land improvements	Leased assets improvements	Mabatas Interim Dam	Construction in progress	Total
Year Ended December 31, 2021									
Balances at January 1	40,159,745	1,776,311	1,770,774	2,834,053	689,681	199,582	8,658,872	2,968,801	59,057,819
Additions	1,373,822	-	111,532	-	-	-	-	454,897	1,940,251
Adjustments-cost	3,107,553	-	-	-	-	-	-	(3,107,553)	-
Depreciation for the year	(1,735,667)	(241,144)	(431,476)	(422,712)	(27,065)	-	-	-	(2,858,064)
Carrying amounts	**42,905,453**	**1,535,167**	**1,450,830**	**2,411,341**	**662,616**	**199,582**	**8,658,872**	**316,145**	**58,140,006**
At December 31, 2021									
Cost	47,141,664	5,598,118	10,461,057	13,000,830	712,235	3,991,635	8,658,872	316,145	89,880,556
Accumulated depreciation	(4,236,211)	(4,062,951)	(9,010,227)	(10,589,489)	(49,619)	(3,792,053)	-	-	(31,740,550)
Carrying amounts	**42,905,453**	**1,535,167**	**1,450,830**	**2,411,341**	**662,616**	**199,582**	**8,658,872**	**316,145**	**58,140,006**

	Infrastructure assets	Buildings and other structures	Machinery and equipment	Transportation equipment	Land improvements	Leased assets improvements	Mabatas Interim Dam	Construction in progress	Total
Year Ended December 31, 2020									
Balances at January 1	41,384,316	2,064,327	2,183,725	3,286,492	-	213,465	8,658,872	316,144	58,107,341
Additions	397,779	154,192	29,464	-	712,235	-	-	2,806,849	4,100,519
Adjustments-cost	-	-	-	-	-	-	-	(154,192)	(154,192)
Depreciation for the year	(1,622,350)	(442,208)	(442,415)	(452,439)	(22,554)	(13,883)	-	-	(2,995,849)
Carrying amounts	**40,159,745**	**1,776,311**	**1,770,774**	**2,834,053**	**689,681**	**199,582**	**8,658,872**	**2,968,801**	**59,057,819**
At December 31, 2020									
Cost	42,660,289	5,598,118	10,349,525	13,000,830	712,235	3,991,635	8,658,872	2,968,801	87,940,305
Accumulated depreciation	(2,500,544)	(3,821,807)	(8,578,751)	(10,166,777)	(22,554)	(3,792,053)	-	-	(28,882,486)
Carrying amounts	**40,159,745**	**1,776,311**	**1,770,774**	**2,834,053**	**689,681**	**199,582**	**8,658,872**	**2,968,801**	**59,057,819**

In CY 2021, PMDC recorded the following completed projects under infrastructure assets:

a. Matangad Water Source Pipe laying at Depot, Brgy. Upper Ulip, Monkayo, Davao de Oro amounting to P2,628,855;

b. Decant Tower Improvement of P452,066;

c. Additional Latrine Waterline Connection of P26,632; and

d. Slope Protection Works Gabion Project at Mabatas Industrial Complex amounting to P1,373,822.

Construction in progress includes the North Davao Sub-office renovation work of P242,023 and Depot Storage under construction of P74,122.

Construction of the Mabatas Interim Dam Facility amounting to P8,658,872 was started in CY 2003 in consonance with the thrust of DENR to ensure environmental protection and non-recurrence of high mercury levels.

Also included in the Property, Plant and Equipment account are the exploration and evaluation assets itemized below:

	2021	2020
Victory tunnel and mining equipment	112,211,000	112,211,000
Quasar jumbo drill	1,827,000	1,827,000
Accumulated depreciation	(1,541,850)	(1,027,900)
Accumulated impairment loss	(204,000)	(204,000)
	112,292,150	**112,806,100**

The acquisition of the Victory tunnel and mining equipment for use in conducting and expediting core drilling at the 600-meter-level of the DMRA was covered by a MOA executed on December 23, 2003 by and between PMDC (then NRMDC) and JB Management Mining Corporation (JBMMC). As a result of a JOA entered into by and between PMDC and Paraiso Consolidated Mining Corporation (PACOMINCO) on October 20, 2017, the Victory tunnel has been undergoing intensive rehabilitation for eventual exploration and production.

The Quasar jumbo drill is a tunnel boring equipment designed to facilitate industrial level drilling of holes and enlarging physical openings in support of tunnel construction and accessing underground minerals. The equipment is intended to be sold by Management, following public bidding requirements, due to lack of plans to utilize such in the near- term. The equipment was appraised at fair value of P1,623,000 in CY 2018. An allowance for impairment of P204,000 was provided for this purpose.

Based on the appraisal conducted in CY 2018, the Exploration and Evaluation Assets posted a fair value of P112,211,000. *(See also Note 24.2)*

10. INTANGIBLE ASSETS

This account consists of:

	2021	2020
Computer software	2,648,078	2,648,078
Computerized accounting system	982,143	982,143
ArcGIS software	223,214	223,214
	3,853,435	3,853,435
Less: Accumulated amortization	(2,978,259)	(2,840,822)
	875,176	**1,012,613**

11. OTHER NON-CURRENT FINANCIAL ASSETS

This account consists of:

	2021	2020
Other deposits	1,537,788	1,833,273
	1,537,788	**1,833,273**

Other deposits are guarantees made on account of contractual obligations.

12. TRADE AND OTHER PAYABLES

This account consists of:

	2021	2020
Payables	6,738,476	12,004,500
Inter-agency payables	1,212,302	1,460,109
Trust liabilities	8,044,568	6,165,217
	15,995,346	**19,629,826**

12.1 Payables

	2021	2020
Accounts payable	6,688,144	11,944,762
Due to officers and employees	50,332	59,738
	6,738,476	**12,004,500**

Accounts payable consists of unreleased checks to different suppliers amounting to P249,023, accrued liabilities of P4,668,546, which is inclusive of unused vacation and sick leave credits of the employees, hazard and gratuity pay or work order employees, and P1,770,575 retention payable to the Mabatas project contractors.

12.2 Inter-agency payables

	2021	2020
Due to Bureau of Internal Revenue (BIR)	1,010,178	1,270,560
Due to Pag-IBIG	45,689	49,040
Due to PhilHealth	57,064	50,645
Due to SSS	98,300	88,820
Value-added tax (VAT) payable	1,071	1,044
	1,212,302	**1,460,109**

12.3 Trust Liabilities (TL)

	2021	2020
Performance bonds	3,636,437	3,636,437
Tailings maintenance	1,887,064	180,584
Vested rights	496,661	496,661
Bids and Award Committee (BAC) honoraria	201,700	184,700
Tailings storage fee-environmental monitoring fund	99,216	4,486
Tailings storage fee-environmental guarantee fund	63,384	2,243
Indigenous payable	16,129	16,129
TL – others	1,643,977	1,643,977
	8,044,568	**6,165,217**

This account represents performance bonds for awarded contracts, bid security from qualified bidders, sale of bid documents, and others trust funds, which will be used to fund the BAC honoraria. Other trust liabilities from maintenance, tailings storage fees, and royalty allocation for any claimants are also included in the account.

Royalty allocation consists of one per cent allocated to any claimants who may later establish their vested rights out of the 15 per cent government share and service fee of service contractors in connection with the Diwalwal Direct State Development Project, including any incidental production from the Victory tunnel.

13. OTHER PAYABLES

	2021	2020
Dividends payable	56,577,776	56,577,776
	56,577,776	**56,577,776**

Although the request for downward adjustment of dividends on CY 2018 net earnings is still pending approval, the Company, with the recommendation of the COA, has recognized in its books of accounts a Dividends payable for CY 2019 equivalent to 50 per cent of the said net earnings. CY 2020 dividends payable, on the other hand, includes the remaining unpaid balance of dividends on CY 2019 net earnings declared during the year. *(See also Note 24.3)*

To put this in context, the following events in CY 2020 led to PMDC's decision to declare 25 per cent instead of 50 per cent dividends based on CY 2019 earnings:

The DOF, in its letter dated April 13, 2020, enjoined PMDC to declare and remit at least 50 cent of its net earnings to the Bureau of the Treasury (BTr) by April 20, 2020 as the government was implementing emergency measures to contain the spread of COVID-19 and to "cushion the impact of the severe disruption of economic activities".

Indubitably, the DOF at that time already felt the pinch of the pandemic and was seeing the worse that could come nationally. The same circumstance happened in the PMDC. For this reason, the Company wrote the DOF in reply requesting for a 25 per cent dividend downward adjustment because it was also experiencing uncertainties particularly in its operations due to the health crisis. This was expounded in PMDC's letter to the DOF. The Company provided them with Cash flow projection for the year to initially support the request. Based on the said projection, the Company was then anticipating a year-end net loss in its financial operation that would eventually bring negative Retained Earnings (Deficit). In order to temper such deficit, the BOD approved the declaration of the 25 per cent dividend as recommended by Management.

True enough and based on the CY 2020 Unaudited Financial Statements that the Company submitted to the COA, PMDC posted a Net loss of P110,918,978 and a deficit in the Statement of Changes in Equity of P30,223,266 (computed based on 25 per cent dividend). PMDC's declaration of 25 per cent dividend based on CY 2019 net earnings was therefore warranted.

14. NON-CURRENT FINANCIAL LIABILITIES

	2021	2020
Loans payable - NDC	56,660,401	56,660,401
	56,660,401	**56,660,401**

The account pertains to the loan covered by the revised loan agreement between PMDC and NDC. The balance presented is as of February 28, 2019, inclusive of the current portion. *(See also Note 23)*

The loan contract also provided for P54,611,477 penalties payable in 3.25 years, which payment will commence in July 2023. The amount was not yet recognized in the books. *(See also Note 23-a.3)*

The loan itself is the very issue of the litigation and the Company is in doubt as to its validity. It has then suspended its monthly loan amortization payments to NDC starting with March 2019 billing and has not accrued the interest expense and payable thereof.

Due to the circumstances surrounding the PMDC's complaint against the NDC filed before the OGCC Arbitration Tribunal, which negotiation is still ongoing and considering the gravity of PMDC's defense on the matter, any presumptions (in this case, the accrual of interest payable) would tantamount to pre-empting the case's resolution in favor of NDC and such action would be detrimental and disadvantageous to PMDC. Thus, PMDC cannot at this point accrue the interest in the amount of P14,032,590 as of December 31, 2021 based on the Loan Restructuring Agreement as the validity thereof is being questioned.

On February 17, 2020, the OGCC Arbitration Tribunal issued an Order furnishing the NDC a copy of PMDC's complaint and was given a period of 20 days within which to file its Comment. On September 28, 2020, the NDC filed its Comment and was received by PMDC on December 21, 2020 only via registered mail.

On January 5, 2021, PMDC filed a Motion for Extension to File its Reply and PMDC had up to January 20, 2021 within which to file the same. On the said date, PMDC filed its Reply to the OGCC. Counsel on record inquired on the status of the aforementioned case and the same was referred to the handling lawyers of OGCC. The Company is awaiting updates on the matter.

15. NON-CURRENT DEFERRED CREDITS/UNEARNED INCOME

	2021	2020
Other deferred credits	8,000,000	8,000,000
Unearned revenue/income	2,500,000	-
	10,500,000	**8,000,000**

The Other deferred credits account includes a balance of P3,000,000 representing advances from the Pacific Nickel Corporation (Parcel 2A Dinagat Nickel-Chromite Project), while the remaining balance of P5,000,000 emanates from the advance royalties paid in CY 2013 by a Cagayan-based developer with its intent on dredging a part of the Cagayan coastline. The proposed project's contractual arrangements are currently being worked out by the concerned parties.

Unearned revenue/income pertains to commitment fee from Rogongon Resources Inc. in joint venture with Due East Construction and Equipment Inc. The P2,500,000 shall be deducted in installments at the rate of not more than 20 per cent per annum against the PMDC share of 10 per cent in the gross income.

16. SERVICE AND BUSINESS INCOME

16.1 Service and Business Income

This account consists of the following:

	2021	2020
Royalty fees	66,627,630	-
Interest income (net)	55,599	220,662
Penalty-business income	-	8,701
Other business income-commitment fee	91,517,857	-
	158,201,086	**229,363**

In CY 2021, PMDC derived its revenues on commitment fees from the awarded mining tenements and royalties from the Dinagat Nickel-Chromite project. Commitment fee was generated by virtue of the Project Financing/Service Provider (PFSP) Agreements with

16.2 Other Non-Operating Income

	2021	2020
Miscellaneous income	625	-
	625	**-**

17. GAIN/LOSS ON FOREIGN EXCHANGE (FOREX)

This account consists of the following:

	2021	2020
Operating income		
Gain on FOREX – realized	**703,192**	-
Other Comprehensive Income/(Loss)		
Gain (loss) on FOREX – unrealized: exchange rate changes on foreign currency denominated account	300,488	(120,201)
Exchange rate changes on accounts receivable	216,029	-
	516,517	**(120,201)**

18. PERSONNEL SERVICES

This account is composed of the following:

	2021	2020
Salaries and wages	37,023,352	41,148,430
Other compensation	12,170,436	12,780,660
Personnel benefits contributions	2,086,048	1,990,721
Other personnel benefits	3,113,261	4,138,621
	54,393,097	**60,058,432**

18.1 Salaries and Wages

	2021	2020
Salaries and wages-regular	28,561,551	31,536,503
Salaries and wages-casual/contractual	8,461,801	9,611,927
	37,023,352	**41,148,430**

18.2 Other Compensation

	2021	2020
Year-end bonus	6,508,556	7,306,313
Personnel economic relief allowance	1,413,269	1,411,909
Representation allowance	766,045	905,750
Transportation allowance	766,045	905,750
Directors and committee members' fees	560,000	603,000
Clothing/uniform allowance	474,000	510,000
Hazard pay	444,000	259,000
Productivity incentive allowance	403,000	434,000
Overtime and night pay	36,521	193,471
Other bonuses and allowances	799,000	251,467
	12,170,436	**12,780,660**

18.3 Personnel Benefits Contributions

	2021	2020
Retirement and life insurance premiums	1,536,883	1,393,520
PhilHealth contributions	434,445	475,771
Pag-IBIG contributions	92,700	97,400
Employees compensation insurance premiums	22,020	24,030
	2,086,048	**1,990,721**

18.4 Other Personnel Benefits

	2021	2020
Pension benefits	-	1,318,631
Other personnel benefits	3,113,261	2,819,990
	3,113,261	**4,138,621**

Other personnel benefits are unused sick leave and vacation leave which are monetized for accrual purposes. *(See also Note 12.1)*

19. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2021	2020
Confidential, intelligence, and extraordinary expenses	5,653,880	6,447,564
General services	5,280,878	19,420,482
Professional services	4,423,916	5,251,429
Repairs and maintenance	1,642,561	1,010,888
Supplies and materials expenses	1,470,020	1,261,441
Taxes, insurance premiums, and other fees	1,197,270	5,275,710
Utility expenses	676,444	708,797
Communication expenses	349,124	328,002
Traveling expenses	295,379	837,444
Training and scholarship expenses	55,995	10,500
Financial assistance/subsidy/contribution	30,000	38,000
Survey, research, exploration, and development expenses	-	372,074
Other maintenance and operating expenses	6,269,751	6,327,308
	27,345,218	**47,289,639**

19.1 Confidential, Intelligence, and Extraordinary Expenses

	2021	2020
Confidential expenses	5,632,296	6,395,000
Extraordinary and miscellaneous expenses	21,584	52,564
	5,653,880	**6,447,564**

19.2 General Services

	2021	2020
Security services	3,298,200	16,706,919
Environment/sanitary services	100,315	88,549
Other general services	1,882,363	2,625,014
	5,280,878	**19,420,482**

19.3 Professional Services

	2021	2020
Auditing services	4,337,556	4,604,553
Legal services	3,810	589,143
Consultancy services	82,550	57,733
	4,423,916	**5,251,429**

19.4 Repairs and Maintenance

	2021	2020
Repairs and maintenance-buildings and other structures	1,319,586	654,285
Repairs and maintenance-transportation equipment	296,788	286,346
Repairs and maintenance-machinery and equipment	25,703	42,744
Repairs and maintenance-furniture and fixtures	-	12,450
Repairs and maintenance-other property, plant and equipment	484	15,063
	1,642,561	**1,010,888**

19.5 Supplies and Materials Expenses

	2021	2020
Fuel, oil, and lubricants expenses	885,076	615,142
Office supplies expense	148,474	206,879
Semi-expendable machinery and equipment expenses	119,339	40,647
Non-accountable forms expenses	11,900	17,926
Drugs and medicines expenses	629	40,002
Other supplies and material expenses	304,602	340,845
	1,470,020	**1,261,441**

19.6 Taxes, Insurance Premiums, and Other Fees

	2021	2020
Fidelity bond premiums	606,638	517,013
Taxes, duties, and licenses	202,973	4,276,937
Insurance expenses	387,659	481,760
	1,197,270	**5,275,710**

19.7 Utility Expenses

	2021	2020
Electricity expenses	409,159	456,145
Water expenses	10,284	14,362
Other utility expenses	257,001	238,290
	676,444	**708,797**

19.8 Communication Expenses

	2021	2020
Internet subscription expenses	161,082	128,239
Telephone expenses	150,888	165,818
Postage and courier services	37,154	33,945
	349,124	**328,002**

19.9 Traveling Expenses

	2021	2020
Traveling expenses-local	295,379	837,444
	295,379	**837,444**

19.10 Training and Scholarship Expenses

	2021	2020
Training expenses	55,995	10,500
	55,995	**10,500**

19.11 Financial Assistance/Subsidy/Contribution

	2021	2020
Financial assistance/subsidy/contribution-others	30,000	38,000
	30,000	**38,000**

19.12 Survey, Research, Exploration, and Development Expenses

	2021	2020
Research, exploration, and development expenses	-	372,074
	-	**372,074**

19.13 Other Maintenance and Operating Expenses

	2021	2020
Rent/lease expenses	3,881,270	3,787,532
Subscription expenses	227,196	187,238
Representation expenses	196,382	27,959
Printing and publication expenses	59,396	71,928
Major events and conventions expenses	42,300	-
Donations	25,625	3,000
Membership dues and contributions to organizations	3,500	2,000
Advertising, promotional, and marketing expenses	-	10,000
Other maintenance and operating expenses	1,834,082	2,237,651
	6,269,751	**6,327,308**

20. NON-CASH EXPENSES

This account consists of the following:

	2021	2020
Depreciation-infrastructure assets	1,735,667	1,622,350
Depreciation-machinery and equipment	431,476	442,415
Depreciation-transportation equipment	422,712	452,439
Depreciation-buildings and other structures	241,144	442,208
Depreciation-land improvements	27,065	22,554
Depreciation-leased assets improvements	-	13,883
Depreciation-other property, plant and equipment	513,950	513,949
	3,372,014	**3,509,798**
Amortization-intangible assets	137,437	165,643
	3,509,451	**3,675,441**

21. FINANCE COSTS

	2021	2020
Bank charges	10,634	4,497
	10,634	**4,497**

22. INCOME TAX EXPENSE AND INCOME TAX PAYABLE

The computation for the Income tax expense is shown below:

	2021	2020
Pre-tax income(loss)	73,646,503	(110,798,646)
Add(Deduct):		
Interest income already subjected to final tax	(55,599)	(220,662)
Royalty fees	(66,627,630)	-
Realized FOREX (gain)loss	(703,192)	-
Net operating loss carry over (NOLCO)	(6,260,082)	-
Taxable income, BIR basis	-	(111,019,308)
Regular Corporate Income Tax (RCIT) using BIR rate of 25 per cent	-	-
Gross income, BIR basis	91,518,482	8,701
Minimum Corporate Income Tax (MCIT) using BIR rate of 1 per cent in CY 2021 and 1.5 per cent in CY 2020	915,185	131
Tax due (higher between RCIT and MCIT)	915,185	131
Creditable withholding tax	-	-
Prior year's excess credits	(15,467,175)	(15,467,306)
Income tax credit carried forward to succeeding taxable period	**(14,551,990)**	**(15,467,175)**

Based on the recent BIR Revenue Memorandum Circular No. 50-2021 dated April 8, 2021, the MCIT rate transitioned from 1.5 per cent to 1 per cent for December 31, 2021.

PMDC recognized in CY 2020 a NOLCO, pursuant to Section 4 of Bayanihan II as implemented under BIR Revenue Regulations (RR) No. 25-2020 dated September 30, 2020, of which P6,260,082 was applied in CY 2021.

Year Incurred	Year of Expiry	NOLCO	NOLCO Applied Current Year	NOLCO Unapplied
2020	2023	111,019,308	6,260,082	104,759,226
		111,019,308	**6,260,082**	**104,759,226**

23. RELATED PARTY TRANSACTIONS

The Company's transactions with its related parties involve its stockholders and the Company's key management personnel.

a. On May 28, 2013, the PMDC and NDC Management agreed on the restructuring of the two loan agreements granted in August 2005 (P25,000,000) and November 2006 (P25,000,000) with consideration on the following terms *(See also Note 14)*:

a.1 Consolidation of the principal of P50,000,000 and interest of P47,768,000 (composed of interest as of December 31, 2012 and total interest for the period January - December 2013), a total of P97,768,000, which would be the basis of the settlement;

a.2 Agreement on a 10-year period settlement with revised fixed monthly payments of P1,402,687 inclusive of 12 per cent annual interest rate. Payment would commence in July 2013 up to June 2023.

a.3 Subsequent to the settlement of the restructured loan of P97,768,000 is the settlement of the accrued penalties on the original loans amounting to P54,611,477 for a period of 39 months. Payments of P1,400,000 will be made monthly commencing in July 2023 up to June 2026.

b. Key management personnel compensation which is included under salaries and other compensation amounted to P15,479,503 and P16,208,007 in CYs 2021 and 2020, respectively. *(See Notes 18.1 and 18.2)*

24. EQUITY

24.1 Share Capital

The initial 100,000 shares of stock (par value of P1,000 per share) were fully subscribed by PNOC-EDC and DENR-NRDC. As at December 31, 2003, PNOC-EDC had fully paid its 45,000 shares worth P45,000,000, while DENR-NRDC had fully paid P55,000,000 worth of subscribed stocks on April 20, 2007. The PNOC-EDC shares were turned over to PNOC, the parent firm of PNOC-EDC, in CY 2006.

In CY 2005, the Corporation's shares of stock were increased to 125,000 with NDC acquiring the additional 25,000 shares equivalent to P25,000,000 duly subscribed and paid for. NDC's subscription, which was approved by its BOD under Resolution Nos. 02-05-19 and 02-05-23, was covered by a Subscription Agreement dated March 22, 2005.

24.2 Revaluation Surplus

This account represents the projected appraisal increment in the value of the Victory tunnel and mining equipment in the amount of P144,415,500, between the acquisition cost of P80,000,000 and the replacement cost of P224,415,500, retrospective as at November 15, 2007.

In CY 2018, an appraisal of the exploration and evaluation assets (Victory Tunnel and Mining Equipment) was made. Corresponding impairment of the asset amounting to P134,409,552 was deducted to the previously recorded revaluation surplus of P144,415,500 bringing the CY 2018 balance to P10,005,948. *(See also Note 9)*

24.3 Retained Earnings

Changes in retained earnings were primarily due to net earnings posted in CYs 2021 and 2020, as well as, dividends.

For CY 2018 dividends declaration and remittance, the Company's BOD thru Board Resolution No. BD 08-19, s. 2019 has authorized Management to remit the appropriate amount of either 50 per cent or 15 per cent of net earnings depending on the result of its appeal for downward adjustment to the Office of the President.

Pending the resolution of PMDC appeal for reduction, the Company recognized in CY 2019 a Dividends payable of P32,390,606 representing 50 per cent of CY 2018 net earnings. A reversal of the related accounts shall be made should the 15 per cent adjustment be granted. *(See also Note 13)*

Similarly, for CY 2019 dividends, the BOD, thru Board Resolution No. BD 26-20, s. 2020, approved and confirmed the Company's request to the DOF for 25 per cent to P15.6 million downward adjustment on CY 2019 net earnings. The same amount was also declared for remittance. A partial remittance of P7 million was made to the BTr on April 21, 2020.

The BOD during its regular meeting on August 13, 2021 approved Management's recommendation to amend the 25 per cent dividend declaration on CY 2019 net earnings to 50 per cent. Should the DOF approve PMDC's request for 25 per cent downward adjustment, the difference shall be reversed. *(See also Note 13)*

25. COMMITMENTS AND CONTINGENCIES

25.1 Lease

The Corporation has a number of lease agreements covering office spaces, parking slots, and warehouses that are accounted for as operating lease with periods ranging from six months to one year.

Operating lease expense recognized in the SCI amounted to P3,881,270 and P3,787,532 in CYs 2021 and 2020, respectively. *(See Note 19.13)*

26. RISK MANAGEMENT OBJECTIVES AND POLICIES

26.1 Market Risk

a. Foreign Currency Risk

The Corporation is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Corporation's functional currency. Significant fluctuations in the exchanges rates could significantly affect the Corporation's financial position.

The carrying amounts of the Corporation's foreign currency denominated monetary assets and liabilities at reporting date are as follows:

	2021		2020	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash and cash equivalents	$ 106,405.54	5,402,635	$ 45,131	2,167,335
Accounts receivable	294,666.66	14,961,405	-	-
Net exposure	**$ 401,072.20**	**20,364,040**	**$ 45,131**	**2,167,335**

Converted to Philippine peso at US$1.00: P50.774 as at December 31, 2021 and US$1.00: P48.023 as at December 31, 2020

26.2 Credit Risk

Credit risk is the risk that counterparties may not be able to settle their obligations as agreed. To manage this risk, the Corporation periodically assesses the financial reliability of customers.

The table below shows the gross maximum exposure to credit risk of the Corporation as at December 31, 2021 and 2020.

	Gross Maximum Exposure	
	2021	2020
Cash and cash equivalents*	95,567,908	25,281,245
Trade and other receivables	15,038,075	315,422
	110,605,983	**25,596,667**

**excludes Cash on hand*

To cushion PMDC's exposure to credit risk, funds are channeled thru short-term Treasury Bills guaranteed by the Philippine Government.

Trade and other receivables are accounts with its customer, national government agencies, and due from employees.

The credit quality of the Corporation's assets as at December 31, 2021 and 2020 is as follows:

	December 31, 2021				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash and cash equivalents	95,567,908	-	-	-	95,567,908
Trade and other receivables	-	14,925,298	-	112,777	15,038,075
	95,567,908	**14,925,298**	**-**	**112,777**	**110,605,983**

	December 31, 2020				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Past due and Impaired	Total
Cash and cash equivalents	25,281,245	-	-	-	25,281,245
Trade and other receivables	-	202,645	-	112,777	315,422
	25,281,245	**202,645**	**-**	**112,777**	**25,596,667**

High-grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in LBP and DBP.

Standard grade accounts are active accounts that are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

26.3 Liquidity Risk

Liquidity risk is the risk that the Corporation will encounter difficulty in raising funds to meet its contractual obligations and commitments. The seasonality of revenue generation exposes the Corporation to shortage of funds during slack season and may result in payment defaults of financial commitments.

The Corporation manages its liquidity profile to: (i) ensure that adequate funding is available at all times; (ii) meet commitments as they arise without incurring unnecessary costs; (iii) be able to access funding when needed at the least possible cost, and (iv) maintain an adequate time spread of financing maturities.

The following table summarizes the maturity profile of the Corporation's financial liabilities as at December 31, 2021 and 2020.

	December 31, 2021				
	On demand	Less than 3 months	3 to 12 months	>1 to 5 years	Total
Accounts payable and accrued expenses*	4,917,569	-	1,770,575	-	6,688,144
Loans payable - NDC	-	-	-	56,660,401	56,660,401
	4,917,569	**-**	**1,770,575**	**56,660,401**	**63,348,545**

	December 31, 2020				
	On demand	Less than 3 months	3 to 12 months	>1 to 5 years	Total
Accounts payable and accrued expenses*	8,975,036	2,969,726	-	-	11,944,762
Loans payable - NDC	-	-	-	56,660,401	56,660,401
	8,975,036	**2,969,726**	**-**	**56,660,401**	**68,605,163**

*Excluding Due to officers and employees

27. OTHER SIGNIFICANT AND RELEVANT INFORMATION

The Corporation is involved as a party litigant in several lawsuits still pending for resolution:

CASE TITLE	NATURE	STATUS
Carrascal Nickel Corporation and CNC Faratuk Mining, Inc. vs.Hon. Guillermo C. Kadatar, in his capacity as the Lead Regional Hearing Officer of the NCIP-CAR Region (Cluster 1) and the Balatoc Sub-tribe of Kalinga represented by Victor Gumisa CA- GR SP134945	Violation of RA No. 8371	The Motions for Reconsideration filed by both Petitioners are denied. Compliance filed on 28 January 2019.

CASE TITLE	NATURE	STATUS
Indigenous Cultural Community of Monkayo, Compostela Valley through Unified Tribal Council of Elders/Leaders vs. Natural Resources Mining Development Corporation, now PMDC, represented by its President/CEO Atty. Alberto B. Sipaco, Jr. and National Commission on Indigenous Peoples (NCIP) represented by its Chairperson, Leonor T. Oralde Quintayo Civil Case 21-2018 MNK RTC Branch 56, Compostela Valley	Declaration of Nullity of MOA and/or Rescission and/or Reformation with Damages and Attorney's fees	Mediation
Masada Resources and Mining Corporation vs. Philippine Mining Development Corporation, Atty. Alberto B. Sipaco, Jr. and any and all persons acting for, in behalf or in lieu of, under their control and supervision or direction Civil Case No. R-PSG-20-02105-CV	Declaration of Nullity of the Cancellation of the Joint Operating Agreement (JOA) with Prayer for Temporary Restraining Order and/or Preliminary Injunction	The TRO was denied on 06 October 2020. Masada filed a MR, the MR was denied in the Order dated 24 June 2021. The Court suspended the proceedings until an Arbitration has been made among the parties in accordance with the terms of the Arbitration Clause in the JOA.
Pacific Nickel Philippines, Inc. (PNPI) represented by its President Horacio C. Ramos vs. Philippine Mining Development Corporation, represented by its Chairman, President & CEO, Atty. Alberto B. Sipaco, Jr.	Interim Measure of Protection with Extremely Urgent Application for Ex-parte Temporary Order of Protection (TOP)	The TOP was denied on 25 October 2021. However, PNPI filed a MR on 2 November 2021. The hearing for the MR was held on 04 November 2021. The MR was denied on 06 November 2021. PNPI filed a Petition for Certiorari before the CA on 09 November 2021.
PMDC vs. Iglesia Ni Kristo	Permanent Injunction with Application for TRO, WPI and Others	Monitored case
PMDC vs. The Commissioner of Internal Revenue and the OIC-Assistant Commissioner, Large Taxpayers Service, in their Official capacities as officers of the Bureau of Internal Revenue CTA Case No. 9292 Court of Tax Appeals Quezon City	BIR Deficiency Tax Assessments for the CY 2006 and CY 2007	Filed Memorandum on 21 November 2018
PMDC vs. National Development Company	Complaint to declare the option granted to NDC to treat the equity payment of Php25M as loan	Arbitration before OGCC Pre-trial Conference Order was issued on 22 April 2022 directing the parties to file their respective comment.

CASE TITLE	NATURE	STATUS
Giant Stone Mining Corporation	Dispute on the Joint Operating Agreement (JOA)	Referred to Arbitration
Asia Alliance Mining Resources Corporation vs. PMDC RTC Branch 167, Pasig City	Specific Performance, Injunction & Damages with Prayer for the Issuance of TRO and WPI	Cross examination of Witness on 03 June 2022

28. SUPPLEMENTARY INFORMATION AS REQUIRED UNDER BIR REVENUE REGULATION (RR) NO. 15-2010

In compliance with the requirements set forth by BIR RR No.15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued during the taxable years of 2021 and 2020.

a. The Corporation is VAT-registered with VAT output tax declarations of P10,982,218 and P1,044 taken from output tax deferral and based on the amounts reflected in the revenues of the Corporation of P91,518,482 and P8,701 for CYs 2021 and 2020, respectively. These were reported to BIR based on the Quarterly VAT forms submitted on various dates in CYs 2021 and 2020.

b. PMDC has no zero-rated/exempt revenues for the taxable year.

c. The amount of VAT input taxes claimed are broken down as follows:

	2021	2020
Current year's purchases:		
On purchases of capital goods:		
Exceeding P1 million	72,643	72,643
Not exceeding P1 million	-	89,084
Domestic purchases of goods other than capital goods	248,091	605,953
Domestic purchases of services	967,378	726,550
	1,288,112	**1,494,230**

d. Royalty fees/income of P66,627,630 are net of final tax.

e. There were no importations made by the Corporation during the taxable year.

f. PMDC incurred a total amount of P5,078,540 and P9,063,242 on rentals, insurance, taxes, fees, and licenses for CYs 2021 and 2020, respectively. The insurance expense for CY 2021 amounted to P387,659, while for CY 2020 it amounted to P481,760.

Details are summarized below:

	2021	2020
Rentals; fees/dues/other charges for parking space; insurance costs and rentals of motor vehicle and microcomputers and office equipment	4,268,929	4,269,292
Fidelity bond and premiums	606,638	517,013
	4,875,567	4,786,305
Taxes, fees, and licenses:		
Motor vehicle registration	30,264	31,192
Notarial and legal fees	18,050	19,406
SEC listing and registration/BIR fees	1,000	1,000
Documentary stamp tax	4,079	110
Business taxes, business permits and barangay clearance, and other fees	149,580	4,225,229
	202,973	4,276,937
	5,078,540	**9,063,242**

The amount of withholding taxes paid/accrued for the year amounted, as follows:

	2021	2020
Income taxes withheld on compensation	5,085,883	6,015,156
Creditable income taxes withheld (expanded)	361,285	414,576
Withholding VAT	427,458	672,899
	5,874,626	**7,102,631**

g. Certificates of Approval for the Corporation's application for abatement/ cancellation of penalties were received for the following taxable years (TY):

Date of Approval	TY	Tax Type	Amount Cancelled
June 2, 2016	2007	VAT/WC/WE/WG/EX/DST	641,116
March 1, 2016	2010	VAT	6,477,706
March 1, 2016	2011	VAT	951,328
			8,070,150

For CY 2006 deficiency income tax assessment of P8,177,213, the BIR issued a Notice of Denial dated January 28, 2016 for P6,594,527 (net of the previous payment of P1,582,686). Management, noting that the BIR, in the exchange of communications from the time of the assessment, did not consider that PMDC had not realized any revenue from the procurement of the goods and services, which the BIR incorrectly deduced as intended for sales, contested the BIR's position with the help of the OGCC. PMDC filed an appeal with the Court of Tax Appeals (CTA), with CTA Case No. 9292 docket forwarded to Litigation Division by BIR Large Taxpayer on March 31, 2016. A memorandum was filed in November 2018. (*See Note 27)*