REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY

**CORPORATE GOVERNMENT AUDIT SECTOR**
**Cluster 5 – Agriculture and Natural Resources**

June 2, 2023

PHILIPPINE MINING DEVELOPMENT CORPORATION
RECEIVED
DATE: JUN 02 2023 TIME:
BY:
CRI-0623-0213

**THE BOARD OF DIRECTORS**
Philippine Mining Development Corporation
Unit 3001-B West Tower
Tektite Towers (formerly Philippine Stock Exchange Centre)
Exchange Road, Ortigas Center, Pasig City

**GENTLEMEN:**

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 our 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, 2022 and 2021.

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

The Auditor rendered an unmodified opinion on the fairness of the presentation of the financial statements of the PMDC as at and for the years ended December 31, 2022 and 2021.

The significant audit observations and recommendations that need immediate action are as follows:

1. In Calendar Year (CY) 2022, expenses in obtaining permits and approval of the Exploration Work Plan (ExWP) in the amounts of P1.941 million and P0.641 million for the exploration, development, and operation of the Dinagat Parcel 2A Nickel-Chromite Project and the Rogongon Copper-Gold Project, respectively, were incurred, despite the absence of the annual Budget Utilization Schedules (BUSs) containing a list of initial projected disbursements/expenses and the budget utilization date, contrary to Section 3.2.2.d of the Project Financing/Service Providers (PFSPs) Agreements between the PMDC and the PFSPs concerned. Hence, there was no proper guidance to be observed by the parties in the allocation of costs and timelines in the execution of exploration activities.

1.1. We recommended that Management require the Project Management Department (PMD), moving forward, to:

a. Prepare the annual BUS and submit the same to Management Committee (ManCom) for approval in compliance with Section 3.2.2.d of the PFSP Agreement, and coordinate closely with the Mines and Geosciences Bureau (MGB) to fast track the approval of the ExWP of Rogongon Project; and

b. Furnish the Audit Team with copies of the approved BUS and the ExWP of the Projects for audit purposes.

1.2. We further recommended that Management in coordination with its Legal Department, consider amending the provision in the PFSP Agreement, particularly the timeline set in the submission of the BUS, taking into consideration the conditions and timetable prescribed by the regulatory authorities in the approval of the ExWP.

2. The operational efficiency of the PMDC is at risk as the revenue/income earned from royalty and commitment fees, excluding other income, in the total amount of P39.337 million in CY 2022 was not sufficient to cover its operating expenses of P94.383 million (net of non-cash expenses), hence incurred a loss in operations of P55.046 million. Likewise, as shown in the Statement of Comprehensive Income for the year ended December 31, 2022, the PMDC incurred comprehensive loss in the amount of P66.105 million, which if not promptly addressed could have an adverse effect in its ability to continue as a going concern entity.

2.1 We recommended that Management, in order to generate stable and sufficient income for PMDC's continuous operation:

a. Develop viable strategies in partnership with the Joint Operating Agreement (JOA) partner/PFSP to expedite the completion of the exploration activities of the awarded mining properties/tenements so that these could be placed into commercial operation; and

b. Fast track the bidding out of the remaining mining properties/tenements transferred by the DENR-MGB to the PMDC based on agreed terms advantageous to both parties.

The observations 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 May 19, 2023 are discussed in detail in Part II of the report. We also invite your attention to the prior years' partially and unimplemented audit recommendations embodied in Part III of the report.

In our transmittal letter of even date, we request the President and Chief Executive Officer of the PMDC to implement the recommendations contained in the Report and to inform this Commission of the actions taken thereon within 60 days from receipt of the Report.

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 IV
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
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

# ANNUAL AUDIT REPORT

## on the

# PHILIPPINE MINING DEVELOPMENT CORPORATION (PMDC)

For the Years Ended December 31, 2022 and 2021

# EXECUTIVE SUMMARY

## INTRODUCTION

The Philippine Mining Development Corporation (PMDC), 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 Company-Energy Development Corporation (PNOC-EDC), for the remaining 45 per cent. The PMDC was incorporated as an attached agency of the 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 former Secretary of the DENR, in a Memorandum dated June 9, 2005, the PMDC was authorized by the President of the Philippines to increase its capital stock from P100 million to P125 million. This resulted in a revised equity structure for PMDC where the DENR-NRDC, the PNOC-EDC, and the 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, this authorized the 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, Compostela Valley Province. Based on the MOA, 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, the 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. This collection function, however, was returned to NRDC in February 2005 by the Office of the President of the Philippines. 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.

Primarily, the PMDC was 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 all kinds of minerals, mineral deposits, substances, and mineral resources.

The members of the PMDC BOD for CY 2022 are as follows:

| | | |
|---|---|---|
| 1. Atty. Alberto B. Sipaco, Jr. | Chairman | President and Chief Executive Officer (PCEO) of PMDC |
| 2. Mr. Jessie L. Casalda | Member | Private Sector |
| 3. Mr. Sony Y. David | Member | Private Sector |
| 4. Mr. Amador T. Tabuga, Jr. | Member | Private Sector |
| 5. Atty. Francis A. Calatrava | Member | Private Sector |
| 6. Mr. Rolando C. Manalo | Member | Private Sector |
| 7. Mr. Reynan P. Calderon | Member | Private Sector |

As of December 31, 2022, the PMDC had a current workforce of 52 organic and plantilla personnel and 45 project employees.

The Corporation's registered office is located at 3001 B & C West Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City 1605, Philippines.

The financial statements of the PMDC as at and for the years ended December 31, 2022 and 2021 were authorized for issue by the BOD on May 19, 2023.

**FINANCIAL HIGHLIGHTS (In Philippine Pesos)**

**I. Comparative Financial Position**

| | 2022 | 2021 | Increase/ (Decrease) |
|---|---|---|---|
| Total assets | 419,541,543 | 302,170,454 | 117,371,089 |
| Total liabilities | 370,530,456 | 139,733,523 | 230,796,933 |
| Equity | 49,011,087 | 162,436,931 | (113,425,844) |

**II. Comparative Results of Operations**

| | 2022 | 2021 | Increase/ (Decrease) |
|---|---|---|---|
| Revenue | 44,039,819 | 158,904,903 | (114,865,084) |
| Personnel services | 68,489,213 | 54,393,097 | 14,096,116 |
| Maintenance and operating expenses | 25,894,097 | 27,345,218 | (1,451,121) |
| Non-cash expenses | 15,171,273 | 3,509,451 | 11,661,822 |
| Finance costs | 15,080 | 10,634 | 4,446 |
| Profit/(Loss) before income tax | (65,529,844) | 73,646,503 | (139,176,347) |
| Income tax expense | 54,977 | 915,185 | (860,208) |
| Net income/(loss) | (65,584,821) | 72,731,318 | (138,316,139) |
| Other comprehensive income/(loss) | (520,092) | 516,517 | (1,036,609) |
| **Total comprehensive income/(loss)** | **(66,104,913)** | **73,247,835** | (139,352,748) |

## SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts and financial transactions of the PMDC for the period January 1 to December 31, 2022 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of the presentation of the financial statements for the years ended December 31, 2022 and 2021. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

## AUDITOR'S OPINION

We rendered an unmodified opinion on the fairness of the presentation of the financial statements of the PMDC for the years ended December 31, 2022 and 2021.

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

The significant audit observations and recommendations that need immediate action are as follows:

1. In Calendar Year (CY) 2022, expenses in obtaining permits and approval of the Exploration Work Plan (ExWP) in the amounts of P1.941 million and P0.641 million for the exploration, development, and operation of the Dinagat Parcel 2A Nickel-Chromite Project and the Rogongon Copper-Gold Project, respectively, were incurred, despite the absence of the annual Budget Utilization Schedules (BUSs) containing a list of initial projected disbursements/expenses and the budget utilization date, contrary to Section 3.2.2.d of the Project Financing/Service Providers (PFSPs) Agreements between the PMDC and the PFSPs concerned. Hence, there was no proper guidance to be observed by the parties in the allocation of costs and timelines in the execution of exploration activities.

   2.1 We recommended that Management require the Project Management Department (PMD), moving forward, to:

      a. Prepare the annual BUS and submit the same to Management Committee (ManCom) for approval in compliance with Section 3.2.2.d of the PFSP Agreement, and coordinate closely with the Mines and Geosciences Bureau (MGB) to fast track the approval of the ExWP of Rogongon Project; and

      b. Furnish the Audit Team with copies of the approved BUS and the ExWP of the Projects for audit purposes.

   2.2 We further recommended that Management in coordination with its Legal Department, consider amending the provision in the PFSP Agreement, particularly the timeline set in the submission of the BUS, taking into consideration the conditions and timetable prescribed by the regulatory authorities in the approval of the ExWP.

2. The operational efficiency of the PMDC is at risk as the revenue/income earned from royalty and commitment fees, excluding other income, in the total amount of P39.337 million in CY 2022 was not sufficient to cover its operating expenses of P94.383 million (net of non-cash expenses), hence incurred a loss in operations of P55.046 million. Likewise, as shown in the Statement of Comprehensive Income for the year ended December 31, 2022, the PMDC incurred comprehensive loss in the amount of P66.105 million, which if not promptly addressed could have an adverse effect in its ability to continue as a going concern entity.

2.1. We recommended that Management, in order to generate stable and sufficient income for PMDC's continuous operation:

a. Develop viable strategies in partnership with the Joint Operating Agreement (JOA) partner/PFSP to expedite the completion of the exploration activities of the awarded mining properties/tenements so that these could be placed into commercial operation; and

b. Fast track the bidding out of the remaining mining properties/tenements transferred by the DENR-MGB to the PMDC based on agreed terms advantageous to both parties.

**SUMMARY OF AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS**

As of December 31, 2022, unsettled audit disallowances in the total amount of P1.376 million were appealed by Management, the details and status are presented in **Annex A** of this Report. Meanwhile, there were no unsettled audit suspension and audit charge at year-end.

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Of the five audit recommendations embodied in the prior years' Annual Audit Reports, one was fully implemented and four were partially implemented. Details are presented in Part III of this Report.

# PART I - AUDITED FINANCIAL STATEMENTS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY

# INDEPENDENT AUDITOR'S REPORT

**THE BOARD OF DIRECTORS**
Philippine Mining Development Corporation
Unit 3001-B West Tower
Tektite Towers (formerly Philippine Stock Exchange Centre)
Exchange Road, Ortigas Center, Pasig City

***Report on the Audit of the Financial Statements***

**Opinion**

We have audited the accompanying financial statements of the **Philippine Mining Development Corporation (PMDC)**, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the PMDC as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

**Basis for Opinion**

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the PMDC in accordance with the Revised Code of Conduct and Ethical Standards for the Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropritate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to Note 14 to financial statements which stated that the PMDC has suspended its monthly loan amortization payments to the National Development Company (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 Office of the Government Corporate Counsel (OGCC) Arbitration

Tribunal, which negotiation is still ongoing and considering the gravity of the 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 the NDC and such action would be detrimental and disadvantageous to the PMDC. Thus, the 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. Our opinion is not modified in respect of this matter.

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

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PMDC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PMDC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PMDC to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable related safeguards.

***Report on Other Legal and Regulatory Requirements***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 28 to financial statements is prescribed for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management of the PMDC.

**COMMISSION ON AUDIT**

mcdecena
**MARIA LINDA C. DECENA**
Supervising Auditor
Audit Group E – Natural Resources and Technology Group
Cluster 5 - Agriculture and Natural Resources
Corporate Government Audit Sector

May 26, 2023

# STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **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, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

The Commission on Audit, through its authorized representative, has examined the financial statements of the PMDC pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions and the auditor, in its report to the Board of Directos, has expressed its opinion on the fairness of presentation upon completion of such audit.

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

**Mary Ann P. Zarcilla**
Manager, Finance and Accounting

Signed this 19th day of May 2023.

**PHILIPPINE MINING DEVELOPMENT CORPORATION**
**STATEMENTS OF FINANCIAL POSITION**
**As at December 31, 2022 and 2021**
*(In Philippine Peso)*

| | Note | 2022 | 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 5 | 236,464,069 | 95,674,908 |
| Trade and other receivables, net | 6 | 11,562,473 | 15,038,075 |
| Inventories | 7 | 2,806,005 | 3,571,827 |
| Other current assets | 8 | 15,901,050 | 15,040,524 |
| **Total Current Assets** | | **266,733,597** | **129,325,334** |
| **Non-current Assets** | | | |
| Property, plant and equipment, net | 9 | 150,554,003 | 170,432,156 |
| Intangible assets | 10 | 763,461 | 875,176 |
| Other non-current financial assets | 11 | 1,490,482 | 1,537,788 |
| **Total Non-current Assets** | | **152,807,946** | **172,845,120** |
| **TOTAL ASSETS** | | **419,541,543** | **302,170,454** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 76,710,267 | 15,995,346 |
| Other payables | 13 | 63,512,612 | 56,577,776 |
| **Total Current Liabilities** | | **140,222,879** | **72,573,122** |
| **Non-current Liabilities** | | | |
| Financial liabilities | 14 | 56,660,401 | 56,660,401 |
| Deferred credits/unearned income | 15 | 173,647,176 | 10,500,000 |
| **Total non-current Liabilities** | | **230,307,577** | **67,160,401** |
| **TOTAL LIABILITIES** | | **370,530,456** | **139,733,523** |
| **EQUITY** | 24 | | |
| Share capital | | 125,000,000 | 125,000,000 |
| Revaluation surplus | | 1,349,850 | 10,005,948 |
| Retained earnings / (deficit) | | (77,338,763) | 27,430,983 |
| **TOTAL EQUITY** | | **49,011,087** | **162,436,931** |
| **TOTAL LIABILITIES AND EQUITY** | | **419,541,543** | **302,170,454** |

*The notes on pages 9 to 53 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**
**STATEMENTS OF COMPREHENSIVE INCOME**
**For the Years Ended December 31, 2022 and 2021**
*(In Philippine Peso)*

| | Note | 2022 | 2021 |
|---|---|---|---|
| **Revenue** | | | |
| Service and business income | 16.1 | 39,465,126 | 158,201,086 |
| Other non-operating income | 16.2 | 131,474 | 625 |
| Gain on foreign exchange (FOREX) | 17 | 4,443,219 | 703,192 |
| **Total Revenue** | | **44,039,819** | **158,904,903** |
| **Expenses** | | | |
| Personnel services | 18 | 68,489,213 | 54,393,097 |
| Maintenance and other operating expenses | 19 | 25,894,097 | 27,345,218 |
| Non-cash expenses | 20 | 15,171,273 | 3,509,451 |
| Finance costs | 21 | 15,080 | 10,634 |
| **Total Expenses** | | **109,569,663** | **85,258,400** |
| **Profit/(loss) before tax** | | **(65,529,844)** | **73,646,503** |
| Income tax expense | 22 | 54,977 | 915,185 |
| **Net income/(loss)** | | **(65,584,821)** | **72,731,318** |
| **Other comprehensive income/(loss) [OCI/(OCL)] for the period** | | | |
| Gain/(loss) on FOREX - unrealized | 17 | (1,869,942) | 516,517 |
| Revaluation surplus | 24.2 | 1,349,850 | - |
| **Total OCI/(OCL) for the period** | | **(520,092)** | **516,517** |
| **COMPREHENSIVE INCOME/(LOSS)** | | **(66,104,913)** | **73,247,835** |

*The notes on pages 9 to 53 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**
**STATEMENTS OF CHANGES IN EQUITY**
**For the Years Ended December 31, 2022 and 2021**
*(In Philippine Peso)*

| | Share capital | Revaluation surplus | Retained earnings/ (deficit) | Total |
|---|---|---|---|---|
| | Note 24.1 | Note 24.2 | Note 24.3 | |
| **BALANCE AT JANUARY 1, 2021** | **125,000,000** | **10,005,948** | **(45,816,852)** | **89,189,096** |
| **CHANGES IN EQUITY FOR 2021** | | | | |
| Add/(Deduct): | | | | |
| Comprehensive income | - | - | 73,247,835 | 73,247,835 |
| **BALANCE AT DECEMBER 31, 2021** | **125,000,000** | **10,005,948** | **27,430,983** | **162,436,931** |
| **CHANGE IN EQUITY FOR 2022** | | | | |
| Add/(Deduct): | | | | |
| Comprehesive loss | - | - | (67,454,763) | (67,454,763) |
| Dividends | - | - | (36,365,659) | (36,365,659) |
| Revaluation Surplus (OCI) | - | 1,349,850 | - | 1,349,850 |
| Prior period adjustments | - | (10,005,948) | (949,324) | (10,955,272) |
| **BALANCE AT DECEMBER 31, 2022** | **125,000,000** | **1,349,850** | **(77,338,763)** | **49,011,087** |

*The notes on pages 9 to 53 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**
**STATEMENTS OF CASH FLOWS**
**For the Years Ended December 31, 2022 and 2021**
*(In Philippine Peso)*

| | Note | 2022 | 2021 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash inflows | | | |
| Trust receipts remitted to the Bureau of the Treasury | 15 | 1,431,834,300 | - |
| Receipt of advance commitment fee | 15 | 163,092,700 | 2,500,000 |
| Receipt of performance bond | 12.3 | 59,459,664 | - |
| Collection of income/revenue/receivables | | 44,593,953 | 157,935,438 |
| Other receipts | | 1,488,908 | 2,784,721 |
| Total cash inflows | | 1,700,469,525 | 163,220,159 |
| Cash outflows | | | |
| Payment of expenses | | 68,913,753 | 73,679,244 |
| Remittance of mandatory contributions | | 14,638,048 | 10,448,539 |
| Grant of cash advances | | 8,269,825 | 7,205,820 |
| Payment of other deposits | | 119,700 | - |
| Prepayments | | 105,000 | - |
| Purchase of inventories | | 35,336 | - |
| Total cash outflows | | 1,525,116,139 | 91,333,603 |
| **Cash provided by operating activities** | | **175,353,386** | **71,886,556** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Cash inflows | | | |
| Proceeds from return on investments | | 86,895 | 41,510 |
| Receipt of interest earned | | 14,229 | 14,090 |
| Total cash inflows | | 101,124 | 55,600 |
| Cash outflows | | | |
| Purchase/construction of property, plant and equipment | | 4,050,297 | 1,940,251 |
| Purchase of intangible assets | | 35,282 | - |
| Total cash outflows | | 4,085,579 | 1,940,251 |
| **Net cash used in investing activities** | | **(3,984,455)** | **(1,884,651)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Cash outflows | | | |
| Payment of cash dividends | 24.3 | 29,430,824 | - |
| Total cash outflows | | 29,430,824 | - |
| **Cash used in financing activities** | | **(29,430,824)** | **-** |
| | | | |
| **INCREASE IN CASH AND CASH EQUIVALENTS** | | **141,938,107** | **70,001,905** |
| Effects of exchange rate changes on cash and cash equivalents | 17 | (1,148,946) | 300,488 |
| **CASH AND CASH EQUIVALENTS, JANUARY 1** | | **95,674,908** | **25,372,515** |
| **CASH AND CASH EQUIVALENTS, DECEMBER 31** | 5 | **236,464,069** | **95,674,908** |

*The notes on pages 9 to 53 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**
*(Formerly Natural Resources Mining Development Corporation)*
**NOTES TO FINANCIAL STATEMENTS**
December 31, 2022 and 2021
*(All amounts in Philippine Peso unless otherwise stated)*

## 1. CORPORATE INFORMATION

The **PHILIPPINE MINING DEVELOPMENT CORPORATION** (PMDC 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 corporation of the 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 the PMDC, where the 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 the PMDC to increase the number of its Board of Directors (BOD) from nine to 11.

Pursuant to DENR Administrative Order (AO) No. 2003-038 and by virtue of a Memorandum of Agreement (MOA) executed among DENR, PMDC (then NRMDC), and NRDC, the PMDC was designated/appointed as the new implementing arm of the 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 of the Philippines, 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.

The 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 Centre), Exchange Road, Ortigas Center, Pasig City, Metro Manila. It has a current workforce of 52 filled up regular plantilla positions and 45 project employees.

The financial statements of the Corporation as at and for the year ended December 31, 2022 (including the comparative financial statements as at and for the year ended December 31, 2021) were authorized for issue by the Corporation's BOD on May 19, 2023.

**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. The 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 the 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 the 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 the PMDC.

The mining assets of the North Davao Mining Corporation have been transferred to the 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 the PMDC shareholders to increase current equity level required by the 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 the 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, the 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, the 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.

The gradual shifting of the 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 the PMDC had already started in CY 2021. This business model will also enhance the technical expertise of the PMDC in direct mining operations.

Subsequently, the 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 the 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, the 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**

The PMDC has continued to carry out its responsible mining advocacies and activities through Corporate Social Responsibility (CSR) 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 2022**

Hereunder are the 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 Parcel 1 had three (3) shipments this year, while Dinagat Parcel 2B was under care and maintenance program. Pinamungahan

Limestone is under development stage and there is still no reported production for CY 2022.

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 Evaluation 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. The PMDC also bid out the Cagayan De Oro (CDO) Gold Property and was successfully awarded to Due East Construction & Equipment, Inc. (Due East). The project is covered by a Financier/Service Provider Agreement, wherein the PMDC is the direct mining operator of the project and Due East is the Financier/Service Provider (FSP).

c. The PMDC and its respective FSPs for the Rogongon Copper-Gold and Dinagat Parcel 2A Nickel-Chromite Projects, continues its relevant activities in connection with permit processing and exploration activities in the project areas. With the issuance of the Authority to Verify Minerals (ATVM) to Dinagat Parcel 2A Nickel-Chromite Project, series of information, education, and communication (IEC) campaigns were held in all host barangays of the said project. To date, all four (4) work and development programs were given certificates of approvals by the MGB, and the Certificate of Non-Overlap was issued by National Commission on Indigenous People (NCIP) to the project, as well. The Rogongon Copper-Gold Project is awaiting for the issuance of the ATVM and/or the Exploration Permit (EP) before the PMDC can proceed with the exploration works.

d. 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 Regional Trial 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 (TRO) and/or Preliminary Injunction enjoining the PMDC to award the contract to the next highest bidder or to conduct another bidding or to give effect to the declaration of default. The 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, the PMDC and the AAMRC have agreed to enter into a Compromise Agreement in order to end this litigation. The PMDC is presently obtaining the approval of the Privatization Council (PrC) to the Compromise Agreement. The PMDC urged the PrC to approve the same as soon as possible justifying that the project had been unproductive since CY 2009, hence the 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, the PMDC coordinated with the concerned government agencies and officially sent a letter to the DENR to review and re-evaluate the excised area. In October 2021, the DENR issued the Order partially granting the PMDC's request. The updated area status clearance was then issued on February 10, 2022 covering 19,135.12 hectares of the said property. With this development, the PMDC and the AAMRC resumed its stalled activities involving the signing of the Compromise Agreement, and subsequently, the JOA was executed on December 6, 2022.

e. 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 NCIP in September 2013 citing that CNC failed to meet its obligation under the agreement.

   In July 2019, the BKTI requested the PMDC to withdraw and cancel its previous approval issued in favor of CNC as the ICC's partner for the development of the project. The 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.

f. In the DMRA, the PMDC continues its work to clean up and develop the area in response to the call of then President Rodrigo Roa Duterte. The DMRA was proliferated with illegal small-scale miners who continue to pollute the Naboc River and its tributaries. The 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. For CY 2022, the construction of the gate and fence, the improvement of launder system, and the establishment of the Materials Recovery Facility (MRF) were the added sub-facilities in the Mabatas Complex.

II. The recent pandemic has affected the PMDC's revenues. However, Management does not see such disruption to continue and persist, hence, will not in any way impact the Corporation's going concern status. The 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.

On top of that, the PMDC has working functional areas (Operations and Corporate Services) that enable it to plan and implement strategies aim at improving its financial capability and serving its host mining communities through CSR. These strategies are laid down in its annual Performance Scorecard that is deliberated during the Technical Panel Meeting with the Governance Commission for Government Owned or Controlled Corporations (GCG). The Corporation's top-line goal of increasing its revenue sources is achieved by tapping and exploring a business model other than the royalty-based scheme such as the FSP sharing, which setup is geared towards direct mining venture.

The Corporation has been also continually coordinating with the DENR and its staff bureaus, the Local Government Units (LGUs), national government agencies and non-government organizations in mobilizing its mining ventures and advocacies.

For CY 2022, the PMDC was able to generate revenues from the shipment of nickel ores in Dinagat Parcel 1 Project and successful bidding of the CDO Opol Gold Property.

As a government-owned and controlled corporation (GOCC) without budgetary subsidy/appropriation from the Government, the PMDC has been exhausting all efforts to boost its revenue generating capacity. The operating expenses of the 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. In addition, the PMDC had finally settled the 13 year-long pending award of the North Davao Mining Property, thereby, generating USD28.5 million as first advance commitment fee, upon signing of the JOA, for the government. Ninety per cent (90%) of the aforementioned amount was successfully remitted to the Bureau of the Treasury (BTr) last December 19, 2022. The PMDC retained the remaining ten per cent (10%) management fee as provided in the Trust Agreement between the PMDC and the PrC.

The PMDC Management has been laying down its plan to generate its revenue-generating capacity to support its operating expenses. For CY 2023, the PMDC will be bidding out at least nine (9) mining properties of which, six (6) properties have received an intent from private entities to participate in the bidding. The PMDC will continue to aggressively bid out its mining properties. In addition, the PMDC requested to transfer certain mining projects with the DENR as another avenue or opportunity of revenue source.

The 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 the PMDC are in consonance with its objective to fast track the development of mining projects to eventually provide the PMDC another source of revenue.

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

III. Community-support

The PMDC continued to implement its CSR agenda, which focused on assisting DMRA's direct stakeholders in Monkayo, Davao de Oro.

For CY 2022, the 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 the PMDC and the two forces continues to strengthen as they partner in maintaining the DMRA's holistic growth and development.

The PMDC, through its depot office in Upper Ulip, responded to several requests of the barangays in the DMRA which included provision of financial assistance for particular barangay activities.

For the Environment program, in collaboration with the LGU in the DMRA, organized a clean-up drive activity and planted 450 trees at the Mabatas area. Campaigns for IEC were also conducted at the Rogongon Copper-Gold Project and Dinagat Parcel 2A.

Lastly, the PMDC provided four (4) DMRA high schools with various materials and supplies (facemask, alcohol, paint, paint brush, emergency kits, brooms, and dust pan). The provision of school supplies to nine (9) elementary schools in the DMRA is another initiative of PMDC CSR under its HERO program for education.

IV. Corporate systems development and ISO Certification

In December 2022, the PMDC successfully passed the follow-up 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 the PMDC as at and for the years ended December 31, 2022 and 2021 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.

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

The financial statements are presented in accordance with PAS 1, *Presentation of Financial Statements*. The 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 PFRSs

### a. *New standards and amendments effective in CY 2022 that are Relevant to the Corporation*

- Amendments to PFRS 3 – *Reference to the Conceptual Framework - 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 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 Property, Plant and Equipment (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.

  The amendments had no impact on the Corporation's year-end financial statements.

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

  PAS 37 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

  The amendment clarifies that the costs relating directly to the contract consist of both:

  a) The incremental costs of fulfilling that contract- e.g., direct labor and material; and

b) An allocation of other costs that relate directly to fulfilling contracts-e.g., allocation of depreciation charge on PPE used in fulfilling the contract.

The Corporation did not have any onerous contracts prior to the implementation of the amendment and current implementation will not in any way affect existing contractual obligations.

- Annual Improvements to PFRS Standards 2018–2020 Cycle

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

  - PFRS 16 *Leases* – The amendment removes the illustration of the reimbursement of leasehold improvements.

b. ***New Standards effective in CY 2022 that are not relevant or applicable to the Corporation***

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

- Annual Improvements to PFRS 2018 to 2020 Cycle

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

  - PFRS 1 *Subsidiary as First-time Adopter* – The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences.

  - 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.

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, 2022 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 Corporation's transactions:

  Effective for annual periods beginning on or after January 1, 2024.

  - 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.

## 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/(deficit) 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. 2022-004 dated May 31, 2022, tangible assets below the capitalization threshold of P50,000 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)*

PPE recognition as to acquisition cost was also based on COA Circular No. 2022-004 which sets the threshold of PPE capitalization from P15,000 to P50,000. *(See Note 24.3)*

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 accumulated 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 PPE 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 2022, 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 2022 and 2021, 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 12.4 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 2022 and 2021 lease transactions as lessee fall under either short-term leases or leases of low-value assets. *(See Notes 19.12 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 Note 9)*

### 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/(deficit) 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:

| | 2022 | 2021 |
|---|---|---|
| Cash on hand | 107,000 | 107,000 |
| Cash in bank-local currency | 52,805,570 | 90,165,273 |
| Cash in bank-foreign currency | 183,551,499 | 5,402,635 |
| | **236,464,069** | **95,674,908** |

Cash in bank earns interest at floating rates based on daily bank deposit rates. The dollar deposits amounting to US$3,270,697 and US$106,405, as at December 31, 2022 and 2021, respectively, were translated in Philippine Peso based on the Bangko Sentral ng Pilipinas (BSP) exchange rate of P56.12 and P50.774 to US$1 prevailing at the end of said years, respectively. Unrealized exchange loss and gain of P1,148,946 and P300,488, as at December 31, 2022 and 2021, respectively, were recognized. *(See Note 17)*

In CY 2022, the PMDC placed treasury bills arranged by the Land Bank of the Philippines (LBP) amounting to P49,970,771 with term of 27 days at 0.9750 per cent yield and P49,942,333 with term of 77 days at 0.6750 per cent yield. These were all collected on the same year.

## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

| | 2022 | 2021 |
|---|---|---|
| Loans and receivables | 11,317,384 | 14,961,405 |
| Inter-agency receivables | 15,800 | - |
| Other receivables | 229,289 | 76,670 |
| | **11,562,473** | **15,038,075** |

### 6.1 Loans and Receivables Account

| | 2022 | 2021 |
|---|---|---|
| Accounts receivable | 11,317,384 | 14,961,405 |
| | **11,317,384** | **14,961,405** |

Accounts receivable represents royalty earned from AAM-Phil Natural Resources Exploration and Development Corporation's (AAM-PHIL) completed shipment. A total of US$201,664 was translated in Philippine Peso resulting in unrealized foreign exchange loss of P720,996. Translation was based on the BSP exchange rate of P56.12 to US$1 prevailing as at December 29, 2022.

### 6.2 Inter-Agency Receivables

| | 2022 | 2021 |
|---|---|---|
| Due from other government corporations | 15,800 | - |
| | **15,800** | **-** |

Due from other government corporations consist of Social Security System (SSS) maternity benefit paid by the PMDC to its employee in CY 2022 and receivables from the

Philippine Health Insurance Corporation (PhilHealth) for overpayment of the November 2022 contribution.

### 6.3 Other Receivables

| | 2022 | 2021 |
|---|---|---|
| Due from officers and employees | 179,544 | 116,830 |
| Other receivables | 162,522 | 72,617 |
| | 342,066 | 189,447 |
| Less: Allowance for impairment | 112,777 | 112,777 |
| | **229,289** | **76,670** |

Due from officers and employees account consists mainly of receivables from retired/resigned employees of the PMDC since CY 2006 amounting to P112,777, which were found to be uncollectible, hence, provided with 100 per cent allowance for impairment. No impairment loss was recognized in CYs 2022 and 2021.

## 7. INVENTORIES

This account pertains to inventories held for consumption and consists of the following:

| | 2022 | 2021 |
|---|---|---|
| Construction materials inventory | 35,336 | - |
| Electrical supplies and materials inventory | 80,829 | - |
| Other supplies and materials inventory | 3,489,655 | 3,571,827 |
| | 3,605,820 | 3,571,827 |
| Less: Allowance for impairment - other supplies and materials inventory | (799,815) | - |
| | **2,806,005** | **3,571,827** |

Inventories held for consumption consist mainly of consumable materials and supplies kept at the PMDC's Depot Office in Diwalwal, Monkayo, Davao de Oro. These were subjected to physical count last December 2022. Based on the physical count, ocular inspection, and reconciliation, materials amounting to P1,343 were issued during the year. *(See also Note 3.4)*

As recommended by the COA, evaluation of the spare parts and materials was made at lower of cost or net realizable value. An amount of P799,815 was recorded to recognize the impairment on the value of the inventories. *(See Note 20.3)*

## 8. OTHER CURRENT ASSETS

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Creditable input tax | 1,259,324 | 429,865 |
| Prepaid rent | 105,000 | - |
| Advances to officers and employees | 20,017 | 20,016 |
| Advances to contractors | 13,500 | - |
| Advances to special disbursing officer | 6,196 | 26,153 |
| Other prepayments | 14,497,013 | 14,564,490 |
| | **15,901,050** | **15,040,524** |

Prepaid rent pertains to the advance rental paid to Amberland Corporation for lease of COA office situated at the 7th floor of The Tycoon Centre Office Condominium, Pearl Drive, Ortigas Center, Pasig City.

Other prepayments include income tax credit carried forward to succeeding taxable period amounting to P14,497,013 and P14,551,990 for CYs 2022 and 2021, 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, 2022* | | | | | | | | | |
| Balances at January 1 | 42,905,453 | 1,535,167 | 1,450,830 | 2,411,341 | 662,616 | 199,582 | 8,658,872 | 316,145 | 58,140,006 |
| Additions | 366,863 | - | 758,739 | 2,665,178 | - | - | - | 890,860 | 4,681,640 |
| Adjustments-cost | - | (19,401) | (3,722,114) | - | - | - | - | (796,365) | (4,537,880) |
| Depreciation for the year | (1,797,986) | (237,595) | (220,874) | (693,989) | (27,065) | - | - | - | (2,977,509) |
| Adjustments-accumulated depreciation | - | 18,431 | 2,840,215 | - | - | - | - | - | 2,858,646 |
| **Carrying amounts** | **41,474,330** | **1,296,602** | **1,106,796** | **4,382,530** | **635,551** | **199,582** | **8,658,872** | **410,640** | **58,164,903** |
| At December 31, 2022 | | | | | | | | | |
| Cost | 47,508,527 | 5,578,717 | 7,497,682 | 15,666,008 | 712,235 | 3,991,635 | 8,658,872 | 410,640 | 90,024,316 |
| Accumulated depreciation | (6,034,197) | (4,282,115) | (6,390,886) | (11,283,478) | (76,684) | (3,792,053) | - | - | (31,859,413) |
| **Carrying amounts** | **41,474,330** | **1,296,602** | **1,106,796** | **4,382,530** | **635,551** | **199,582** | **8,658,872** | **410,640** | **58,164,903** |

| | 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** |

In CY 2022, entries were made to record an amount of P796,365 adjustments from Construction in Progress to the following General Ledger (GL) accounts:

a. Improvement of Launder System Project amounting to P205,884 and gate & perimeter fence at Interim Dam Project of P160,979 were completed and transferred to Infrastructure Assets;

b. Unused materials purchased for the improvement of Launder System Project of P167,066 were returned back to Construction Materials Inventory;

c. Expenditures related to the upkeep of the North Davao Sub-Office amounting to P242,023 was adjusted as prior period expenses; and

d. Completion of the mobile gazebo tent with an amount of P20,413 was transferred to Maintenance and Other Operating Expenses (MOOE) under Semi-Expendable Expenses.

Construction in Progress includes the MRF Project of P316,107, solar lighting installation in Mabatas of P20,411 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 the DENR to ensure environmental protection and non-recurrence of high mercury levels.

Also included in the PPE account are the exploration and evaluation assets itemized below:

| | 2022 | 2021 |
|---|---|---|
| Victory tunnel and mining equipment | 90,958,100 | 112,211,000 |
| Quasar jumbo drill | 1,431,000 | 1,827,000 |
| Accumulated depreciation | - | (1,541,850) |
| Accumulated impairment loss | - | (204,000) |
| | **92,389,100** | **112,292,150** |

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 the PMDC (then NRMDC) and the 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 P1,431,000 in CY 2022. A reversal of accumulated depreciation and accumulated impairment losses was recorded while a revaluation surplus amounting to P1,349,850 was provided as the fair value of the asset is greater than the carrying amount.

In the same appraisal report, the Exploration and Evaluation Assets posted a fair value of P90,958,100. *(See Note 24.2)*

## 10. INTANGIBLE ASSETS

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Computer software | 2,683,360 | 2,648,078 |
| Computerized accounting system | 982,143 | 982,143 |
| ArcGIS software | 223,214 | 223,214 |
| | 3,888,717 | 3,853,435 |
| Less: Accumulated amortization | (3,125,256) | (2,978,259) |
| | **763,461** | **875,176** |

## 11. OTHER NON-CURRENT FINANCIAL ASSETS

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Other deposits | 1,490,482 | 1,537,788 |
| | **1,490,482** | **1,537,788** |

Other deposits are guarantees made on account of contractual obligations.

## 12. TRADE AND OTHER PAYABLES

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Financial liabilities - payables | 2,172,615 | 2,739,900 |
| Inter-agency payables | 1,502,893 | 1,212,302 |
| Trust liabilities | 68,165,409 | 8,044,568 |
| Provisions | 4,869,350 | 3,998,576 |
| | **76,710,267** | **15,995,346** |

The balance of Leave Benefits Payable of P3,998,576 as at December 31, 2021 was reclassified from Accounts Payable – Payables to Provisions *(See Note 12.4).*

### 12.1 Financial Liabilities - Payables

| | 2022 | 2021 |
|---|---|---|
| Accounts payable | 2,121,166 | 2,689,568 |
| Due to officers and employees | 51,449 | 50,332 |
| | **2,172,615** | **2,739,900** |

Accounts payable consists mostly of unreleased checks to different suppliers amounting to P276,145, accrued liabilities of P445,812, and P1,399,209 retention payable to the Mabatas project contractor.

### 12.2 Inter-agency payables

| | 2022 | 2021 |
|---|---|---|
| Due to Bureau of Internal Revenue (BIR) | 1,058,864 | 1,010,178 |
| Due to Government Service Insurance System (GSIS) | 256,887 | - |
| Due to Pag-IBIG | 54,486 | 45,689 |
| Due to PhilHealth | 78,675 | 57,064 |
| Due to SSS | 53,981 | 98,300 |
| Value-added tax (VAT) payable | - | 1,071 |
| | **1,502,893** | **1,212,302** |

12.3 Trust Liabilities

| | 2022 | 2021 |
|---|---|---|
| Performance bonds | 63,096,102 | 3,636,437 |
| Tailings maintenance | 2,415,960 | 1,887,064 |
| Vested rights | 496,661 | 496,661 |
| Bids and Award Committee (BAC) honoraria | 304,100 | 201,700 |
| Tailings storage fees-environmental monitoring fund | 117,611 | 99,216 |
| Tailings storage fees-environmental guarantee fund | 72,583 | 63,384 |
| Indigenous payable | 16,130 | 16,129 |
| Indigenous Cultural Communities (ICC) | 2,285 | - |
| Trust liabilities – others | 1,643,977 | 1,643,977 |
| | **68,165,409** | **8,044,568** |

In CY 2022, the PMDC received performance bond in a form of cash, amounting to P59,459,665 from AAMRC.

The Trust liabilities account also represents 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, and royalty allocation for any claimants are also included in the account.

Royalty allocation consists of one per cent allocated to any claimant 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.

12.4 Provisions

| | 2022 | 2021 |
|---|---|---|
| Leave benefits payable | 4,869,350 | 3,998,576 |
| | **4,869,350** | **3,998,576** |

The account pertains to accrual of unused vacation and sick leave credits of the employees as of December 31, 2022. Changes in the account is affected by earned leave credits and monetization of the same during the subsequent year.

## 13. OTHER PAYABLES

This account pertains to:

| | 2022 | 2021 |
|---|---|---|
| Dividends payable | 63,512,612 | 56,577,776 |
| | **63,512,612** | **56,577,776** |

Although the request for downward adjustment of dividends on CY 2018 net earnings is still pending approval, the Corporation, with the recommendation of the COA, has recognized in its books of accounts, dividends payable for CY 2019 equivalent to 50 per cent of the said net earnings. On the other hand, the CY 2020 dividends payable, 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 the 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 the PMDC to declare and remit at least 50 per cent of its net earnings to the BTr by April 20, 2020 as the government was implementing emergency measures to contain the spread of Corona Virus Disease 2019 (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 Corporation 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 the PMDC's letter to the DOF. The Corporation provided them with Cash flow projection for the year to initially support the request. Based on the said projection, the Corporation 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 Corporation submitted to the COA, the 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). The PMDC's declaration of 25 per cent dividend based on CY 2019 net earnings was therefore warranted.

For Dividend Year 2021, the BOD amended the previous dividend declaration of P27,430,983 based on the audited Unappropriated Retained Earnings to P36,365,659 equivalent to 50 per cent of the audited Net Earnings in 2021. This is in compliance with the COA's recommendation to adjust the dividends due to the National Government for the particular year.

## 14. NON-CURRENT FINANCIAL LIABILITIES

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| 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 the PMDC and the 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 Corporation 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 the 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 the NDC and such action would be detrimental and disadvantageous to the PMDC. Thus, the 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 the PMDC on December 21, 2020 only via registered mail.

On January 5, 2021, the PMDC filed a Motion for Extension to File its Reply and it had up to January 20, 2021 within which to file the same. On the said date, the 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 the OGCC. The Corporation is awaiting resolution of the case. *(See also Note 27)*

## 15. NON-CURRENT DEFERRED CREDITS/UNEARNED INCOME

| | 2022 | 2021 |
|---|---:|---:|
| Unearned revenue/income | 165,592,700 | 2,500,000 |
| Other deferred credits | 8,054,476 | 8,000,000 |
| | **173,647,176** | **10,500,000** |

Unearned revenue/income pertains to the following:

a. In CY 2021, commitment fee was received by the PMDC 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's share of 10 per cent in the gross income;

b. In CY 2022, Due East Construction and Equipment, Inc. paid a commitment fee for the Cagayan De Oro Gold Property Project amounting to P4,000,000. This shall be deducted from the PMDC's share in gross income, provided that such shall not exceed 20 per cent of the total annual PMDC's share; and

c. In CY 2022, the PMDC received commitment fee derived from the North Davao Mining Property amounting to P159,092,700. This amount represents 10 per cent of the total commitment fee advanced by the AAMRC to PMDC by virtue of the Compromise Agreement, JOA and Deed of Assignment involving the North Davao Mining Corporation (NDMC) assets transferred to the PMDC by the National Government through the PrC. It is creditable/deductible from the future share of royalty of the PMDC during the commercial mining operation stage.

   The remaining 90 per cent of the total commitment fee advanced by the AAMRC and received in Trust by the PMDC amounting to P1,431,834,300 was remitted to the BTr on December 19, 2022. This is also creditable/deductible from the future share of royalty of the PMDC during the commercial mining operation stage as mentioned in the preceding paragraph.

| | 2022 |
|---|---|
| Trust receipts | 1,431,834,300 |
| Less: Trust receipts recouped in 2022 | - |
| | **1,431,834,300** |

The Other deferred credits account includes P54,476 accountability of lost laptop, 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.

## 16. SERVICE AND BUSINESS INCOME

### 16.1 Service and Business Income

This account consists of the following:

| | 2022 | 2021 |
|---|---|---|
| Royalty fees | 33,979,900 | 66,627,630 |
| Interest income, net | 119,045 | 55,599 |
| Penalty-business income | 9,038 | - |
| Other business income-commitment fee | 5,357,143 | 91,517,857 |
| | **39,465,126** | **158,201,086** |

In CY 2022, 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) Agreement with Due East Construction and Equipment, Inc. for the Cagayan De Oro property project.

### 16.2 Other Non-Operating Income

| | 2022 | 2021 |
|---|---|---|
| Miscellaneous income | 131,474 | 625 |
| | **131,474** | **625** |

## 17. GAIN/LOSS ON FOREIGN EXCHANGE (FOREX)

This account consists of the following:

| | 2022 | 2021 |
|---|---|---|
| *Operating income* | | |
| Gain on FOREX – realized | **4,443,219** | **703,192** |
| *Other Comprehensive Income/(Loss)* | | |
| Gain/(loss) on FOREX – unrealized: exchange rate changes on foreign currency denominated account | (1,148,946) | 300,488 |
| Exchange rate changes on accounts receivable | (720,996) | 216,029 |
| | **(1,869,942)** | **516,517** |

## 18. PERSONNEL SERVICES

This account is composed of the following:

| | 2022 | 2021 |
|---|---|---|
| Salaries and wages | 46,349,749 | 37,023,352 |
| Other compensation | 15,085,999 | 12,170,436 |
| Personnel benefits contributions | 3,987,013 | 2,086,048 |
| Other personnel benefits | 3,066,452 | 3,113,261 |
| | **68,489,213** | **54,393,097** |

### 18.1 Salaries and Wages

| | 2022 | 2021 |
|---|---|---|
| Salaries and wages-regular | 34,162,096 | 28,561,551 |
| Salaries and wages-casual/contractual | 12,187,653 | 8,461,801 |
| | **46,349,749** | **37,023,352** |

### 18.2 Other Compensation

| | 2022 | 2021 |
|---|---|---|
| Year-end bonus | 4,224,103 | 3,210,431 |
| Mid-year bonus | 3,717,512 | 2,897,125 |
| Personnel economic relief allowance | 1,380,836 | 1,413,269 |
| Representation allowance | 828,971 | 766,045 |
| Transportation allowance | 828,971 | 766,045 |
| Clothing/uniform allowance | 516,000 | 474,000 |
| Directors and committee members' fees | 514,000 | 560,000 |
| Cash gift | 467,000 | 401,000 |
| Productivity incentive allowance | 467,500 | 403,000 |
| Overtime and night pay | 21,966 | 36,521 |
| Hazard pay | - | 444,000 |
| Other bonuses and allowances | 2,119,140 | 799,000 |
| | **15,085,999** | **12,170,436** |

### 18.3 Personnel Benefits Contributions

| | 2022 | 2021 |
|---|---|---|
| Retirement and life insurance premiums | 3,118,990 | 1,536,883 |
| PhilHealth contributions | 715,583 | 434,445 |
| Pag-IBIG contributions | 100,600 | 92,700 |
| Employees compensation insurance premiums | 51,840 | 22,020 |
| | **3,987,013** | **2,086,048** |

### 18.4 Other Personnel Benefits

| | 2022 | 2021 |
|---|---|---|
| Other personnel benefits | 3,066,452 | 3,113,261 |
| | **3,066,452** | **3,113,261** |

Other personnel benefits are unused sick leave and vacation leave credits which are monetized for accrual purposes. *(See also Note 12.4)*

## 19. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

| | 2022 | 2021 |
|---|---|---|
| General services | 5,390,749 | 5,280,878 |
| Professional services | 4,446,171 | 4,423,916 |
| Supplies and materials expenses | 2,174,558 | 1,470,020 |
| Taxes, insurance premiums, and other fees | 1,330,980 | 1,197,270 |
| Repairs and maintenance | 1,211,293 | 1,642,561 |
| Traveling expenses | 1,127,004 | 295,379 |
| Utility expenses | 1,010,377 | 676,444 |
| Training and scholarship expenses | 374,039 | 55,995 |
| Communication expenses | 343,086 | 349,124 |
| Confidential, intelligence, and extraordinary expenses | 108,000 | 5,653,880 |
| Financial assistance/subsidy/contribution | - | 30,000 |
| Other maintenance and operating expenses | 8,377,840 | 6,269,751 |
| | **25,894,097** | **27,345,218** |

### 19.1 General Services

| | 2022 | 2021 |
|---|---|---|
| Security services | 3,312,000 | 3,298,200 |
| Environment/sanitary services | 82,106 | 100,315 |
| Other general services | 1,996,643 | 1,882,363 |
| | **5,390,749** | **5,280,878** |

### 19.2 Professional Services

| | 2022 | 2021 |
|---|---|---|
| Auditing services | 4,403,760 | 4,337,556 |
| Consultancy services | 42,411 | 82,550 |
| Legal services | - | 3,810 |
| | **4,446,171** | **4,423,916** |

### 19.3 Supplies and Materials Expenses

| | 2022 | 2021 |
|---|---|---|
| Fuel, oil, and lubricants expenses | 983,691 | 885,076 |
| Semi-expendable machinery and equipment expenses | 411,292 | 119,339 |
| Office supplies expense | 263,598 | 148,474 |
| Housekeeping/cleaning supplies expense | 110,705 | 66,985 |
| Semi-expendable furniture, fixtures and books expenses | 43,819 | - |
| Electrical supplies and materials expenses | 17,011 | 10,030 |
| Drugs and medicines expenses | 10,929 | 629 |
| Non-accountable forms expenses | 5,850 | 11,900 |
| Other supplies and material expenses | 327,663 | 227,587 |
| | **2,174,558** | **1,470,020** |

## 19.4 Taxes, Insurance Premiums, and Other Fees

| | 2022 | 2021 |
|---|---|---|
| Taxes, duties, and licenses | 525,312 | 202,973 |
| Insurance expenses | 420,028 | 387,659 |
| Fidelity bond premiums | 385,640 | 606,638 |
| | **1,330,980** | **1,197,270** |

## 19.5 Repairs and Maintenance

| | 2022 | 2021 |
|---|---|---|
| Repairs and maintenance-buildings and other structures | 941,060 | 1,319,586 |
| Repairs and maintenance-transportation equipment | 204,113 | 296,788 |
| Repairs and maintenance-machinery and equipment | 34,371 | 25,703 |
| Repairs and maintenance-furniture and fixtures | 11,300 | - |
| Repairs and maintenance-other PPE | 20,449 | 484 |
| | **1,211,293** | **1,642,561** |

## 19.6 Traveling Expenses

| | 2022 | 2021 |
|---|---|---|
| Traveling expenses-local | 1,127,004 | 295,379 |
| | **1,127,004** | **295,379** |

## 19.7 Utility Expenses

| | 2022 | 2021 |
|---|---|---|
| Electricity expenses | 552,429 | 409,159 |
| Water expenses | 7,326 | 10,284 |
| Other utility expenses | 450,622 | 257,001 |
| | **1,010,377** | **676,444** |

## 19.8 Training and Scholarship Expenses

| | 2022 | 2021 |
|---|---|---|
| Training expenses | 374,039 | 55,995 |
| | **374,039** | **55,995** |

## 19.9 Communication Expenses

| | 2022 | 2021 |
|---|---|---|
| Internet subscription expenses | 168,327 | 161,082 |
| Telephone expenses | 130,005 | 150,888 |
| Postage and courier services | 44,754 | 37,154 |
| | **343,086** | **349,124** |

## 19.10 Confidential, Intelligence, and Extraordinary Expenses

| | 2022 | 2021 |
|---|---|---|
| Extraordinary and miscellaneous expenses | 108,000 | 21,584 |
| Confidential expenses | - | 5,632,296 |
| | **108,000** | **5,653,880** |

### 19.11 Financial Assistance/Subsidy/Contribution

| | 2022 | 2021 |
|---|---|---|
| Financial assistance/subsidy/contribution-others | - | 30,000 |
| | - | 30,000 |

### 19.12 Other Maintenance and Operating Expenses

| | 2022 | 2021 |
|---|---|---|
| Rent/lease expenses | 4,123,437 | 3,881,270 |
| Subscription expenses | 1,273,116 | 227,196 |
| Major events and conventions expenses | 216,629 | 42,300 |
| Representation expenses | 137,471 | 196,382 |
| Documentary stamps expenses | 54,231 | - |
| Printing and publication expenses | 51,908 | 59,396 |
| Transportation and delivery expenses | 44,414 | - |
| Donations | - | 25,625 |
| Membership dues and contributions to organizations | - | 3,500 |
| Other maintenance and operating expenses | 2,476,634 | 1,834,082 |
| | **8,377,840** | **6,269,751** |

## 20. NON-CASH EXPENSES

This account consists of:

| | 2022 | 2021 |
|---|---|---|
| Impairment loss | 12,046,767 | - |
| Depreciation | 2,977,509 | 3,372,014 |
| Amortization | 146,997 | 137,437 |
| | **15,171,273** | **3,509,451** |

### 20.1 Impairment Loss

| | 2022 | 2021 |
|---|---|---|
| Impairment loss - inventories | 799,815 | - |
| Impairment loss – other PPE | 11,246,952 | - |
| | **12,046,767** | **-** |

### 20.2 Depreciation

| | 2022 | 2021 |
|---|---|---|
| Depreciation-infrastructure assets | 1,797,986 | 1,735,667 |
| Depreciation-machinery and equipment | 220,874 | 431,476 |
| Depreciation-transportation equipment | 693,989 | 422,712 |
| Depreciation-buildings and other structures | 237,595 | 241,144 |
| Depreciation-land improvements | 27,065 | 27,065 |
| Depreciation-other PPE | - | 513,950 |
| | **2,977,509** | **3,372,014** |

### 20.3 Amortization

| | 2022 | 2021 |
|---|---|---|
| Amortization-intangible assets | 146,997 | 137,437 |
| | **146,997** | **137,437** |

Impairment loss was recorded in CY 2022 as a result of the evaluation of consumable inventories and appraisal on the exploration and evaluation assets. *(See Notes 7, 9 and 24.2)*

## 21. FINANCE COSTS

| | 2022 | 2021 |
|---|---|---|
| Bank charges | 15,080 | 10,634 |
| | **15,080** | **10,634** |

## 22. INCOME TAX EXPENSE AND INCOME TAX PAYABLE

The computation for the Income tax expense is as follows:

| | 2022 | 2021 |
|---|---|---|
| Pre-tax income/(loss) | (65,529,844) | 73,646,503 |
| Add/(Deduct): | | |
| Interest income already subjected to final tax | (119,045) | (55,599) |
| Royalty fees subjected to final tax | (33,979,900) | (66,627,630) |
| Realized FOREX (gain)/loss | (4,443,219) | (703,192) |
| Impairment loss on inventories | 799,815 | - |
| Impairment loss on PPE | 11,246,952 | - |
| Net operating loss carry over (NOLCO) | - | (6,260,082) |
| Taxable income, BIR basis | (92,025,241) | - |
| **Regular Corporate Income Tax (RCIT) using BIR rate of 25 per cent** | - | - |
| Gross income, BIR basis | 5,497,655 | 91,518,482 |
| Minimum Corporate Income Tax (MCIT) using BIR rate of 1 per cent | 54,977 | 915,185 |
| Tax due (higher between RCIT and MCIT) | 54,977 | 915,185 |
| Creditable withholding tax | | - |
| Prior year's excess credits | (14,551,990) | (15,467,175) |
| **Income tax credit carried forward to succeeding taxable period** | **(14,497,013)** | **(14,551,990)** |

Based on the recent BIR Revenue Memorandum Circular No. 50-2021 dated April 8, 2021, the MCIT rate is one per cent (1%).

The PMDC recognized NOLCO in CY 2020 amounting to P111,019,308 of which P6,260,082 was applied in CY 2021. NOLCO was also recognized during the audit year that would expire in CY 2025.

| Year Incurred | Amount | NOLCO Applied Previous Year | NOLCO Expired | NOLCO Applied Current Year | NOLCO Unapplied |
|---|---|---|---|---|---|
| 2022 | 92,025,241 | - | - | - | 92,025,241 |
| 2020 | 111,019,308 | 6,260,082 | - | - | 104,759,226 |
| | **203,044,549** | **6,260,082** | **-** | **-** | **196,784,467** |

## 23. RELATED PARTY TRANSACTIONS

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

a. On May 28, 2013, the PMDC and the 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; and

   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 P18,020,119 and P15,479,503 in CYs 2022 and 2021, 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. The 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 2022, an appraisal of the exploration and evaluation assets (Victory Tunnel and Mining Equipment) was made. The fair value of the asset was established at P90,958,100, a reduction by P21,252,900 from the previous appraisal of P112,211,000. This brought the prior year's revaluation surplus to zero and an impairment loss of P11,246,952. *(See Note 20.3)*

A credit to appraisal increment amounting to P1,349,850 was also recorded as the fair value of the Quasar Jumbo Drill is greater than the carrying amount. *(See also Note 9)*

24.3 Retained Earnings/(Deficit)

Changes in Retained earnings/(deficit) account were due to net (loss)/earnings posted in CYs 2022 and 2021, dividends recognized for CY 2021, and prior period adjustments. The prior period adjustments consist of:

| Particulars | Amount |
|---|---|
| To record PPE items less than capitalization threshold of P50,000 to Retained earnings pursuant to COA Circular No. 2022-004 dated May 31, 2022 | (766,573) |
| Loss of laptop in CY 2021 | (39,296) |
| Reversion of expenses disallowed by COA, with issued Notice of Finality of Decision | 98,568) |
| Expenses on repair of North Davao Office previously taken up as Construction in Progress | (242,023) |
| | **(949,324)** |

For CY 2018 dividends declaration and remittance, the Corporation's BOD through 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 of the Philippines.

Pending the resolution of the PMDC's appeal for reduction, the Corporation recognized in CY 2019 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.

Similarly, for CY 2019 dividends, the BOD, through Board Resolution No. BD 26-20, s. 2020, approved and confirmed the Corporation's request to the DOF for 25 per cent or P15.6 million downward adjustment on the CY 2019 net earnings. The same amount was also declared for remittance. Partial remittances of P7,000,000 and P1,999,841 were made to the BTr on April 21, 2020 and December 20, 2022, respectively.

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 the PMDC's request for 25 per cent downward adjustment, the difference shall be reversed.

Pending the approval of both requests, declared dividends for CYs 2018 and 2019 shall subsist and will be paid accordingly.

In CY 2023, the PMDC's BOD approved to amend the dividends declared for CY 2021 from P27,430,983 to P36,365,659 as recommended by COA. The P27,430,983 was remitted to the BTr in CY 2022. *(See also Note 13)*

## 25. COMMITMENTS AND CONTINGENCIES

### 25.1 Lease

The Corporation has a number of lease agreements covering office spaces, parking slots, staff house 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 P4,123,437 and P3,881,270 in CYs 2022 and 2021, respectively. *(See Note 19.12)*

## 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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | US Dollar | Peso Equivalent | US Dollar | Peso Equivalent |
| Cash and cash equivalents | $ 3,270,697 | 183,551,499 | $ 106,405 | 5,402,635 |
| Accounts receivable | 201,664 | 11,317,384 | 294,667 | 14,961,405 |
| **Net exposure** | **$ 3,472,361** | **194,868,883** | **$ 401,072** | **20,364,040** |

*Converted to Philippine peso at US$1.00: P56.12 as at December 31, 2022 and US$1.00: P50.774 as at December 31, 2021*

### 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, 2022 and 2021.

| | Gross Maximum Exposure | |
|---|---|---|
| | 2022 | 2021 |
| Cash and cash equivalents* | 236,357,069 | 95,567,908 |
| Trade and other receivables | 11,562,473 | 15,038,075 |
| | **247,919,542** | **110,605,983** |

*Excludes cash on hand

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

Trade and other receivables are accounts with its customers, government corporations (GCs), and due from officers and employees.

The credit quality of the Corporation's assets as at December 31, 2022 and 2021 is as follows:

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Neither past due nor impaired | | | | |
| | High grade | Standard grade | Past due but not impaired | Past due and impaired | Total |
| Cash and cash equivalents | 236,357,069 | - | - | - | 236,357,069 |
| Trade and other receivables | - | 11,449,696 | - | 112,777 | 11,562,473 |
| | **236,357,069** | **11,449,696** | **-** | **112,777** | **247,919,542** |

| | 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** |

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: (a) ensure that adequate funding is available at all times; (b) meet commitments as they arise without incurring unnecessary costs; (c) be able to access funding when needed at the least possible cost; and (d) maintain an adequate time spread of financing maturities.

The following tables summarize the maturity profile of the Corporation's financial liabilities as at December 31, 2022 and 2021.

| | December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | On demand | Less than 3 months | 3 to 12 months | >1 to 5 years | Total |
| Accounts payable and accrued expenses* | 5,573,320 | - | - | 1,417,196 | 6,990,516 |
| Loans payable – NDC | - | - | - | 56,660,401 | 56,660,401 |
| | **5,573,320** | **-** | **-** | **58,077,597** | **63,650,917** |

| | 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 |

*Excluding due to officers and employees and including provision for leave benefits.

## 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 |
|---|---|---|
| Indigenous Cultural Community of Monkayo, Compostela Valley Through Unified Tribal Council of Elders/Leaders, represented by Datu Paulino T. Sebio, Chairman versus NRMDC, now renamed as PMDC, represented by its President/Chief Executive Officer (PCEO) Atty. Alberto B. Sipaco, Jr. and NCIP represented by its Chairperson, Leonor T. Oralde-Quintayo | Civil Case No. 21-2018<br>For: Declaration of Nullity of MOA and/or Rescission and/or Reformation with Damages and Attorney's Fees<br>(RTC Branch 56- Compostela)<br><br>Causes of Action:<br><br>1. Declaration of Nullity of Agreement Due to Lack of Consent and Authority of the Representatives of ICC's to give the required FPIC.<br>2. Rescission of MOA due to breach.<br>3. Rescission of MOA.<br>4. Damages and Attorney's Fees. | Pre-trial stage but parties were granted to explore further the possibility of settlement.<br><br>The July 19, 2022 hearing was cancelled as the Presiding Judge was on leave, said hearing was supposedly for giving of update on the status of the Compromise Agreement.<br><br>The hearing set on September 6, 2022 was postponed and moved to November 22, 2022 as the internet connection was poor and was unable to accept the request to participate by OGCC and Office of the Solicitor General (OSG). As per Atty. Rapista [counsel of Unified Tribal Council of Elders/Leaders (UTCEL)] he manifested in court that the Compromise Agreement was underway. Thus, the Court gave the parties ample time to finalize and submit the Compromise Agreement.<br><br>The November 22, 2022 hearing was postponed as the Judge was indispensable. Hearing date to be provided by the Court through an Order.<br><br>Hearing was held last 31 January 2023. Parties manifested that the Compromise Agreement was already reviewed by OGCC and is now with the NCIP for review of their Legal Affairs Office (LAO).<br><br>Next scheduled hearing is set on May 9, 2023. |

| Case Title | Nature | Status |
|---|---|---|
| PMDC versus NDC | Arbitration 2019-002 (OGCC)<br><br>Causes of Action -<br>On August 12, 2005, NDC and NRMDC executed an AGREEMENT covering NDC's advance to NRMDC in the amount of P25 million representing payment for additional subscription in NRMDC. In the said agreement, NDC was granted an option to acquire additional shares within six (6) months from signing of contract (or until February 12, 2006). In the event that NDC will not exercise the option, an appropriate loan agreement shall be executed.<br><br>On November 23, 2006, a LOAN AGREEMENT was executed and imposes 12% interest and 12% penalty.<br><br>For reasons of alleged failure of PMDC to pay when due, on February 13, 2014, a LOAN RESTRUCTURING AGREEMENT was forged. NDC charged complainant PMDC a straight 12% interest rate for the 1st and 2nd loan.<br><br>PMDC is praying for the declaration as null and void the option granted to NDC to treat the equity payment of P25 million as a loan for being violative of the Trust Fund Doctrine. Should, however, the Honorable Office nevertheless uphold the said option, to treat the P25 million as a loan effective on November 23, 2006 only; to cause recomputation of the total amount due on the 1st loan. Declaring the imposition of 12% per annum on the loans covered by the Loan Restructuring Agreement as unconscionable, to recompute PMDC's restructured obligations to 6% per annum in accordance with BSP-Monetary Board (MB) Resolution. | Both parties have submitted their respective Memoranda last July 06, 2022.<br><br>UNIFORM RULES ON DISPUTE RESOLUTION UNDER PRESIDENTIAL DECREE NO. 242, AS AMENDED, FOR GOVERNMENT AGENCIES AND INSTRUMENTALITIES, AND GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS<br><br>(Rule 5-Arbitration Resolution)<br>-Submission of respective Memoranda by the parties w/in 30 days after the termination of the proceedings.<br>-Arbitral Tribunal w/in 30 days from submission, prepare draft resolution.<br>- Transmittal to the Secretary of Justice of the draft resolution (together with the records of the case for final action within 10 days from the signing of the draft resolution. The Resolution signed by the Secretary of Justice is final and executory. No writ of execution is necessary for its enforcement.<br><br>(Rule 7 – Appeal)<br>-Office of the President only in cases wherein the amount of claim or value of property exceeds P1 million.<br>-Governed by AO No. 22, series 2011 "Prescribing rules and regulations governing appeals to the Office of the President of the Philippines", or any of its amendments. |

| Case Title | Nature | Status |
|---|---|---|
| Masada Resources and Mining Corporation versus PMDC, Atty. Alberto B. Sipaco, Jr., and any and all persons acting for, in behalf or in lieu of, or under their control, supervision or direction. | Case No. R-PSG-20-02105-CV For: Declaration of Nullity of the Cancellation of the Joint Operating Agreement with Prayer for TRO and/or Preliminary Injunction (RTC Branch 268 – Pasig City) | The prayer for TRO has been already denied with finality as cited in the December 10, 2021 Decision.<br><br>The proceeding in the case is deemed suspended until there is an arbitration among the parties. |
| Pacific Nickel Philippines, Inc., represented by its President Horacio C. Ramos versus PMDC, represented by its Chairman, PCEO, Atty. Alberto B. Sipaco, Jr. | Interim Measure of Protection with Extremely Urgent Application for Ex-Parte Temporary Order of Protection (RTC Branch 209, Mandaluyong). | The Ex-Parte Temporary Order of Protection was denied on October 21, 2021. |
| PNPI, Inc. versus Hon. Monique A. Quisumbing-Ignacio, Presiding Judge, RTC of Mandaluyong, Branch 209, and PMDC | Petition for Certiorari (With Extremely Urgent Application for the Issuance of a TRO and/or WPI<br>CA- G.R.S.P No. 170833<br>(Court of Appeals) | On November 21, 2021, PNPI filed a Petition for Certiorari (With Extremely Urgent Application for the Issuance of a TRO and/or Writ of Preliminary Injunction before the CA.<br><br>Court Resolution dated November 23, 2021 directing PNPI, Inc. to rectify defects as to the Certificate of Non-Forum Shopping.<br><br>Compliance was thereafter filed by PNPI.<br><br>Court Resolution dated March 29, 2022 directing PR to file Comment 10 days from receipt of notice, and for Petitioner to file Reply five (5) days from receipt of the Comment.<br><br>PMDC's Comment and Opposition dated April 29, 2022 was then filed. (As updated by Atty. Camile via email last September 5, 2022)<br><br>Court Resolution dated November 18, 2022. The court resolved and admitted Respondent's Memorandum dated October 4, 2022 and Petitioner's Memorandum dated October 3, 2022. The instant Petition for Certiorari with prayer for injunctive relief is SUBMITTED for DECISION. |

| Case Title | Nature | Status |
| --- | --- | --- |
| AAMRC versus PMDC | Specific Performance, Injunction and Damages with Prayer for the Issuance of TRO and WPI<br>Civil Case No. 72373-PSG (RTC Branch 167, Pasig City) | For continuation of cross-examination of its witness on September 9, 2022.<br><br>The last witness for AAMRC was presented during the September 9, 2022 hearing.<br><br>On November 10, 2022, the PMDC presented its own witness Atty. Bernadette B. Laza.<br><br>January 26, 2023 hearing was reset to February 9, 2023. |
| PMDC represented by Virgil C. Adan vs. Iglesia Ni Kristo | Injunction with Application for TRO, etc.<br><br>Civil Case No. (1238-2017) 18-2021. | Monitored case. |
| PMDC vs. COA | Disallowance-Membership Fees for Healthcare Programs for CY 2012 | PMDC filed its Motion for Reconsideration dated May 11, 2018 praying that COA Decision No. 2018-043 be reconsidered and set aside and another one be issued lifting the November 18, 2013 Notice of Disallowance (ND) No. 2013-001 (12).<br><br>Case is closed. Relief from accountability was filed and secured from the COA. Notice of Settlement of Suspension/ Disallowance/Charge (NSSDC) was received by the PMDC on December 19, 2022. |
| PMDC vs. the Commissioner of Internal Revenue and the OIC-Assistant Commissioner, Large Taxpayers Service, in their Official capacities as officers of the BIR | Court of Tax Appeals (CTA) Case No. 9292 (CTA, Quezon City)<br><br>BIR Deficiency Tax Assessments for the CYs 2006 and 2007 | Filed Memorandum on November 21, 2018.<br><br>Appealed the decision.<br><br>Decision is in favor of BIR. |
| Giant Stone Mining Corporation | Dispute on the JOA | Referred to Arbitration. |
| 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-Cordillera Administrative Region (CAR) (Cluster 1) and the Balatoc Sub-tribe of Kalinga represented by Victor Gumisa<br>CA – G.R. SP134945 | Violation of Republic Act (RA) No. 8371 | The Motions for Reconsideration filed by both Petitioners are denied.<br><br>Compliance filed on January 28, 2019. |

## 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 2022 and 2021.

a. The Corporation is VAT-registered with VAT output tax declarations of P659,719 and P10,982,218 taken from output tax deferral and based on the amounts reflected in the revenues of the Corporation of P5,497,655 and P91,518,482 for CYs 2022 and 2021, respectively. These were reported to the BIR based on the Quarterly VAT forms submitted on various dates in CYs 2022 and 2021.

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

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

| | 2022 | 2021 |
|---|---|---|
| Current year's purchases: | | |
| On purchases of capital goods: | | |
| Exceeding P1 million | 392,464 | 72,643 |
| Not exceeding P1 million | 62,377 | - |
| Domestic purchases of goods other than capital goods | 310,492 | 248,091 |
| Domestic purchases of services | 802,431 | 967,378 |
| | **1,567,764** | **1,288,112** |

d. Royalty fees/income of P33,979,900 are net of final tax.

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

f. The PMDC incurred total amounts of P5,508,648 and P5,078,540 on rentals, insurance, taxes, fees, and licenses for CYs 2022 and 2021, respectively. The insurance expense for CY 2022 amounted to P420,028, while for CY 2021 it amounted to P387,659.

Details are summarized below:

| | 2022 | 2021 |
|---|---|---|
| Rentals; fees/dues/other charges for parking space; insurance costs and rentals of motor vehicle and microcomputers and office equipment | 4,543,465 | 4,268,929 |
| Fidelity bond and premiums | 385,640 | 606,638 |
| | 4,929,105 | 4,875,567 |
| Taxes, fees, and licenses: | | |
| Motor vehicle registration | 28,736 | 30,264 |
| Notarial and legal fees | - | 18,050 |
| SEC listing and registration/BIR fees | 1,000 | 1,000 |
| Documentary stamp tax | 54,231 | 4,079 |
| Business taxes, business permits and barangay clearance, and other fees | 495,576 | 149,580 |
| | 579,543 | 202,973 |
| | **5,508,648** | **5,078,540** |

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

| | 2022 | 2021 |
|---|---|---|
| Income taxes withheld on compensation | 6,867,437 | 5,085,883 |
| Creditable income taxes withheld (expanded) | 462,772 | 361,285 |
| Withholding VAT | 624,000 | 427,458 |
| | **7,954,209** | **5,874,626** |

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

| Date of Approval | Taxable Years | 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** |

*WC- Withholding tax on compensation* *WE - Withholding tax – expanded*
*WG- Withholding tax - VAT and Other Percentage Taxes* *EX – Excise Tax*
*DST – Documentary Stamp Tax*

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 the 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. The PMDC filed an appeal with the 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)*