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

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 5 – Agriculture and Natural Resources

May 24, 2024

PHILIPPINE MINING DEVELOPMENT CORPORATION
RECEIVED
DATE: MAY 24 2024 TIME: 1:37
BY:
CRI-0524-0225

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

Dear Chairman and PCEO SIPACO JR.:

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, 2023 and 2022.

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, 2023 and 2022.

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

1. The PMDC incurred operating losses in the amounts of P12.474 million and P55.046 million for two (2) consecutive calendar years (CYs) 2023 and 2022, respectively, posing risk on its operational efficiency as the revenue/income earned from royalty and commitment fees for the said years, in the amounts of P80.987 million and P39.337 million were not sufficient to cover its operating expenses amounting to P93.461 million and P94.383 million, respectively, which if could not be promptly addressed would undermine the PMDC's ability to continue as a going concern entity.

1.1. We reiterated our previous year's recommendations that Management, in order to generate stable and sufficient income for PMDC's continuous operation:

a. Pursue viable strategies and exert all efforts, in partnership with the Joint Operating Agreement (JOA) partner/Project Finance Service Provider (PFSP), to expedite the completion of the exploration/assessment activities of the awarded Projects covering the mining properties/assets so that these could be placed into commercial operation; and

b. Fast track the bidding out of the remaining 37 Projects transferred to the PMDC for disposition, development or operation.

2. The Project Management Teams (PMTs) of the PMDC were not able to meet their CY 2023 targeted exploration/assessment activities, such as, desk studies and office-based research topographic survey, rock sampling, trenching/test pitting and scout drilling, among others, in the three (3) mining Projects that are covered by PFSP Agreements, namely, the Dinagat Parcel 2A Nickel-Chromite, the Rogongon Copper-Gold, and the Cagayan de Oro Gold Projects, which could be attributed to the delay in securing the necessary permits for the conduct of exploration/assessment activities and absence of procedures in the PMDC's Quality Procedure Manual on the exploration and development of mining properties upon the Corporation's gradual shift from its business model of royalty-based business to directly operate the mining property in accordance with its primary purpose. Thus, could delay the commercial operation/production and utilization of the minerals of the subject Projects.

2.1. We recommended that Management:

a. Closely coordinate with the Mines and Geosciences Bureau (MGB), National Commission on Indigenous Peoples (NCIP) and Bureau of Soils and Water Management (BSWM) to secure the necessary permits and documents to enable the PMDC and its Finance Service Provider (FSP) to perform the exploration/assessment activities in the three (3) Projects under the PFSP Agreement;

b. Direct the PMTs to exert all effort to meet the targeted exploration/assessment activities; and

c. Formulate procedures to cover the exploration and mining operations of Projects under the PFSP Agreements.

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 April 5, 2024 are discussed in detail in Part II of the Report. We also invite your attention to the unimplemented audit recommendations embodied in Part III of the Report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:

MAY LINDA M. VEGAFRIA
Director 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

(Name of the Agency and Address)

AGENCY ACTION PLAN and
STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 20XX
As of ______________

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Persons/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

______________________________ ____________

Name and Position of Agency Officer **Date**

Note: Status of Implementation may either be (a) Implemented and (b) Not Implemented

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, 2023 and 2022

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine Mining Development Corporation (PMDC), formerly the 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 the 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 the PNOC-EDC sometime in Calendar Year (CY) 2006 due to the PNOC-EDC's Initial Public Offering (IPO). Also, this authorized the PMDC to increase the number of its Board of Directors (BOD) from nine (9) to 11.

Pursuant to DENR Administrative Order No. 2003-038 and by virtue of a Memorandum of Agreement (MOA) executed among the DENR, then NRMDC (now PMDC), and the 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, Compostela Valley Province. Based on the MOA, the Diwalwal Direct State Development Project was turned over from the NRDC to then NRMDC, now the 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 the PMDC, with subsequent turnover of fund balance from the project and the documents related thereto. This collection function, however, was returned to the NRDC in February 2005 by the Office of the President of the Philippines. Such decision was based on the need for the 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 2023 are as follows:

1.	Atty. Alberto B. Sipaco, Jr.	Chairman	President and Chief Executive Officer (PCEO), PMDC
2.	Mr. Jessie L. Casalda	Member	Private Sector
3.	Mr. Sonny 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
8.	Mr. Leo E. Hernandez	Member	Private Sector

As of December 31, 2023, the PMDC had a current workforce of 55 organic and plantilla personnel and 49 project employees.

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

FINANCIAL HIGHLIGHTS (In Philippine Pesos)

I. Comparative Financial Position

	2023	2022	(Decrease)
Total assets	399,175,034	419,541,543	(20,366,509)
Total liabilities	367,858,270	370,530,456	(2,672,186)
Equity	31,316,764	49,011,087	(17,694,323)

II. Comparative Results of Operations

	2023	2022 As restated	Increase/ (Decrease)
Revenue	94,669,796	46,097,151	48,572,645
Expenses	111,446,715	113,496,937	(2,050,222)
Loss before income tax	(16,776,919)	(67,399,786)	50,622,867
Income tax expense	917,404	54,977	862,427
Net loss	(17,694,323)	(67,454,763)	49,760,440
Other comprehensive income	-	1,349,850	(1,349,850)
Comprehensive loss	**(17,694,323)**	**(66,104,913)**	48,410,590

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, 2023 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, 2023 and 2022. 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, 2023 and 2022.

AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

1. The PMDC incurred operating losses in the amounts of P12.474 million and P55.046 million for two (2) consecutive CYs 2023 and 2022, respectively, posing risk on its operational efficiency as the revenue/income earned from royalty and commitment fees for the said years, in the amounts of P80.987 million and P39.337 million were not sufficient to cover its operating expenses amounting to P93.461 million and P94.383 million, respectively, which if could not be promptly addressed would undermine the PMDC's ability to continue as a going concern entity.

1.1. We reiterated our previous year's recommendations that Management, in order to generate stable and sufficient income for PMDC's continuous operation:

a. Pursue viable strategies and exert all efforts, in partnership with the Joint Operating Agreement (JOA) partner/Project Finance Service Provider (PFSP), to expedite the completion of the exploration/assessment activities of the awarded Projects covering the mining properties/assets so that these could be placed into commercial operation; and

b. Fast track the bidding out of the remaining 37 Projects transferred to the PMDC for disposition, development or operation.

2. The Project Management Teams (PMTs) of the PMDC were not able to meet their CY 2023 targeted exploration/assessment activities, such as, desk studies and office-based research topographic survey, rock sampling, trenching/test pitting and scout drilling, among others, in the three (3) mining Projects that are covered by PFSP Agreements, namely, the Dinagat Parcel 2A Nickel-Chromite, the Rogongon Copper-Gold, and the Cagayan de Oro Gold Projects, which could be attributed to the delay in securing the necessary permits for the conduct of exploration/assessment activities and absence of procedures in the PMDC's Quality Procedure Manual on the exploration and development of mining properties upon the Corporation's gradual shift from its business model of royalty-based business to directly operate the mining property in accordance with its primary purpose. Thus, could delay the commercial operation/production and utilization of the minerals of the subject Projects.

2.1. We recommended that Management:

a. Closely coordinate with the Mines and Geosciences Bureau (MGB), National Commission on Indigenous Peoples (NCIP) and Bureau of Soils and Water Management (BSWM) to secure the necessary permits and documents to enable the PMDC and its Finance Service Provider (FSP) to perform the exploration/assessment activities in the three (3) Projects under the PFSP Agreement;

b. Direct the PMTs to exert all effort to meet the targeted exploration/assessment activities; and

c. Formulate procedures to cover the exploration and mining operations of Projects under the PFSP Agreements.

SUMMARY OF AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS

As of December 31, 2023, 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 11 audit recommendations embodied in the prior years' Annual Audit Reports, six (6) were fully implemented, 4 were not implemented, and one (1) was closed. Details are presented in Part III of this Report.

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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 3001B 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, 2023 and 2022, 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, 2023 and 2022, 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 appropriate 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 P16,279,324 as of December 31, 2023 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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

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

April 30, 2024

Republic of the Philippines
PHILIPPINE MINING DEVELOPMENT CORPORATION
Creating Wealth. Enriching Lives.

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, 2023 and 2022, 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 23rd day of April 2024.

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	5	217,606,027	236,464,069
Trade and other receivables, net	6	13,709,555	11,562,473
Inventories	7	2,892,846	2,806,005
Other current assets	8	14,898,885	15,901,050
Total Current Assets		**249,107,313**	**266,733,597**
Non-current Assets			
Property, plant and equipment, net	9	147,024,297	150,554,003
Intangible assets	10	1,167,230	763,461
Other non-current financial assets	11	1,876,194	1,490,482
Total Non-current Assets		**150,067,721**	**152,807,946**
TOTAL ASSETS		**399,175,034**	**419,541,543**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	80,550,693	76,710,267
Other payables	13	57,000,000	63,512,612
Total Current Liabilities		**137,550,693**	**140,222,879**
Non-current Liabilities			
Financial liabilities	14	56,660,401	56,660,401
Deferred credits/unearned income	15	173,647,176	173,647,176
Total non-current Liabilities		**230,307,577**	**230,307,577**
TOTAL LIABILITIES		**367,858,270**	**370,530,456**
EQUITY			
Share capital	24.1	125,000,000	125,000,000
Revaluation surplus	24.2	1,349,850	1,349,850
Retained earnings/(deficit)	24.3	(95,033,086)	(77,338,763)
TOTAL EQUITY		**31,316,764**	**49,011,087**
TOTAL LIABILITIES AND EQUITY		**399,175,034**	**419,541,543**

The notes on pages 9 to 58 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 As restated
Revenue			
Service and business income	16.1	84,942,536	39,465,126
Other non-operating income	16.2	350,913	131,474
Gain on foreign exchange (FOREX)	17	9,376,347	6,500,551
Total Revenue		**94,669,796**	**46,097,151**
Expenses			
Personnel services	18	67,931,060	68,489,213
Maintenance and other operating expenses	19	25,529,839	25,894,097
Non-cash expenses	20	17,898,292	19,098,547
Finance costs	21	87,524	15,080
Total Expenses		**111,446,715**	**113,496,937**
Loss before tax		**(16,776,919)**	**(67,399,786)**
Income tax expense	22	917,404	54,977
Net loss		**(17,694,323)**	**(67,454,763)**
Other comprehensive income			
Revaluation surplus	24.2	-	1,349,850
COMPREHENSIVE LOSS		**(17,694,323)**	**(66,104,913)**

The notes on pages 9 to 58 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Share capital Note 24.1	Revaluation surplus Note 24.2	Retained earnings/ (deficit) Note 24.3	Total
BALANCE AT JANUARY 1, 2022	**125,000,000**	**10,005,948**	**27,430,983**	**162,436,931**
CHANGES IN EQUITY FOR 2022				
Add/(Deduct):				
Comprehensive loss	-	-	(67,454,763)	(67,454,763)
Dividends	-	-	(36,365,659)	(36,365,659)
Revaluation of Jumbo Drill	-	1,349,850	-	1,349,850
Revaluation of Victory Tunnel	-	(10,005,948)	-	(10,005,948)
Adjustments on Retained earnings	-	-	(949,324)	(949,324)
BALANCE AT DECEMBER 31, 2022	**125,000,000**	**1,349,850**	**(77,338,763)**	**49,011,087**
CHANGE IN EQUITY FOR 2023				
Add/(Deduct):				
Comprehesive loss	-	-	(17,694,323)	(17,694,323)
BALANCE AT DECEMBER 31, 2023	**125,000,000**	**1,349,850**	**(95,033,086)**	**31,316,764**

The notes on pages 9 to 58 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Trust receipts remitted to the Bureau of the Treasury (BTr)	15	-	1,431,834,300
Collection of trust receipts - bid documents		265,000	-
Receipt of advance commitment fee	15	-	163,092,700
Receipt of performance bond	12.3	4,063,910	59,459,664
Collection of income/revenue/receivables		86,023,885	44,593,953
Other receipts		2,904,781	1,488,908
Total cash inflows		93,257,576	1,700,469,525
Cash outflows			
Payment of expenses		70,763,391	68,913,753
Remittance of mandatory contributions		15,352,497	14,638,048
Grant of cash advances		8,327,492	8,269,825
Prepayments		169,969	105,000
Payment of other deposits		100,000	119,700
Purchase of inventories		86,841	35,336
Remittance to the BTr	15	-	1,431,834,300
Other disbursements		9,506,379	1,200,177
Total cash outflows		104,306,569	1,525,116,139
Cash provided by (used in) operating activities		**(11,048,993)**	**175,353,386**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from return on investments		99,990,001	86,895
Receipt of interest earned		3,869,651	14,229
Total cash inflows		103,859,652	101,124
Cash outflows			
Purchase/construction of property, plant and equipment		2,532,048	4,050,297
Purchase/acquisition of investments		99,999,903	-
Purchase of intangible assets		538,482	35,282
Total cash outflows		103,070,433	4,085,579
Cash provided by (used in) investing activities		**789,219**	**(3,984,455)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends	24.3	6,512,612	29,430,824
Total cash outflows		6,512,612	29,430,824
Cash used in financing activities		**(6,512,612)**	**(29,430,824)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(16,772,386)**	**141,938,107**
Effects of exchange rate changes on cash and cash equivalents	5	(2,085,656)	(1,148,946)
CASH AND CASH EQUIVALENTS, JANUARY 1		**236,464,069**	**95,674,908**
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	**217,606,027**	**236,464,069**

The notes on pages 9 to 58 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
(Formerly Natural Resources Mining Development Corporation)
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022
(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 Company-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 then Secretary of the 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 the 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 the 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 the NRDC in February 2005. Such decision was based on the need for the 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 3001B West Tower, Tektite Towers (formerly Philippine Stock Exchange Centre), Exchange Road, Ortigas Center, Pasig City, Metro Manila. It has a current workforce of 55 filled up regular plantilla positions and 49 project employees.

The financial statements of the Corporation as at and for the year ended December 31, 2023 (including the comparative financial statements as at and for the year ended December 31, 2022) were authorized for issue by the PMDC's BOD on April 23, 2024.

Mining Property

On May 28, 2007, the DENR transferred to the 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. The 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 (NDMC) 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 offerings 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 2023

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. The Pinamungahan

Limestone has an estimated production of 519,000 metric tons (MT) of limestone as of November 2023.

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.

The Surigao Mineral Reservation Area (SMRA) is composed of the Dinagat Parcel 1 Nickel-Chromite, Dinagat Parcel 2A Nickel-Chromite and Dinagat Parcel 2B Nickel-Chromite Projects. The SMRA is part of a MOA between the DENR and the PMDC whereby the former designated the latter as the implementing arm for the management and administration for the said mining area for the exploration, development and utilization of the mineral resources therein.

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, Dinagat Parcel 2A Nickel-Chromite and CDO Gold Projects, continue their 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, drilling was conducted with a total of Three Hundred Twenty-Two (322) drillholes. An initial feasibility study and geologic report were crafted for the project. Activities related for the application of Environmental Compliance Certificate shall be conducted by next year. The Rogongon Copper-Gold Project conducted activities related to the Free, Prior and Informed Consent (FPIC) process to acquire the Certificate of Precondition to be issued by the National Commission on Indigenous Peoples (NCIP). For the CDO Gold Project, activities related to exploration permit process specifically joint ground validation by the Bureau of Soils and Water Management (BSWM) of the Department of Agriculture to validate the suitability of the area as Strategic Agriculture and Fisheries Development Zone (SAFDZ). Based on the result of the validation, only one per cent remained as SAFDZ; therefore, the rest of the SAFDZ area was cleared for the PMDC's application for exploration permit.

d. The North Davao Mining Project was subjected to public bidding on October 19, 2009. The winning bidder, Asia Alliance Mining Resources Corporation (AAMRC), proposed certain modifications to certain terms of the JOA for its signature. When the PMDC disapproved the same, the AAMRC refused to execute the JOA and to 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 the AAMRC's prayer for the issuance of a Temporary Restraining Order 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 end their litigation subject to the terms of a Compromise Agreement which was a product of a series of negotiation since CYs 2014 to 2022. Initially, the parties agreed to the payment in escrow of the bid offer of $28,500,000 in installments, which was a deviation from the lumpsum payment prescribed in the Terms of Reference (TOR) and the Privatization Council's (PrC) approval of the award to the AAMRC. For this reason, the PMDC had to request approval of the PrC. The AAMRC, however, later on, relented and agreed to pay its bid in one lumpsum consistent with the TOR and the PrC's approval. Although the payment issue was settled, another one supervened, this time with respect to the area coverage of the mining property as indicated in the Area Status Clearance issued by the DENR. The Project Area was drastically reduced from 20,237 hectares to 8,645 hectares considering the no mining go zone areas covered by Letter of Instruction (LOI) No. 917, Series of 1979, Mainit Hot Spring National Park and the proposed Mt. Tangub-Kampalili Range Protected Landscape. The AAMRC found this area reduction unacceptable. The PMDC thereby requested the DENR to review and re-evaluate the excised area. In October 2021, the DENR issued the Order partially granting the PMDC's request restoring some of the excised areas to the Project Area. Thus, an updated area status clearance was issued on February 10, 2022 covering 19,135.12 hectares of the said property. With this development, the PMDC and the AAMRC proceeded with the execution of the Compromise Documents and full payment of $28,500,000 in favor of the PMDC, on December 6, 2022. The AAMRC is processing all the requirements for application of the ATVM in order to conduct exploration activities on ground.

e. The Batong Buhay Gold Project was awarded to Balatoc Indigenous Cultural Community (ICC), represented by the Balatoc Kalinga Tribe, Inc. (BKTI) and Balatoc Tribal Exploration and Management Corporation which exercised their priority rights to explore and develop the area pursuant to the Indigenous People's Rights Act (IPRA) Law. The covering JOA between the PMDC and the ICC was executed in November 2009. The BKTI then entered into a MOA with Carrascal Nickel Corporation (CNC) in CY 2010 as their 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. The 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 the 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 the CNC as the ICC's partner for the development of the project. The PMDC then sent a letter to this effect to the CNC, but the latter responded that it will not honor the withdrawal, revocation, and cancellation of the agreement until its alleged substantial expenses incurred have been paid and threatened to start arbitration proceedings if such cancellation is pursued.

The application for Exploration Permit covering the project area is ongoing. The PMDC complied with the requirements of the MGB and awaiting review of the said application.

f. In the DMRA, the PMDC continues its work to clean up and develop the area. The DMRA was proliferated by 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, among others, were the activities done in the 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, materials recovery facility, water system and sources, and water cyanide recycling tank. A nursery was established last year to cater the demands for seedlings for reforestation and tree planting activities.

Recently, the PMDC operator, Paraiso Consolidated Mining Corporation (PACOMINCO), was prevented from resuming further exploration/drilling work in the 729 Area assigned to the PMDC because small-scale miners, allegedly led by the Municipal Mayor of Monkayo, Davao de Oro, forcibly took over the Project Area, particularly the Victory Tunnel. At present, the PACOMINCO had initiated legal actions in court against the said small-scale miners and other responsible Local Government Unit (LGU) officials so as to restore possession of the Victory Tunnel to the PACOMINCO/PMDC.

II. Current State and Ways Forward

The Coronavirus Disease (COVID) pandemic had affected the PMDC's revenue. However, Management views such disruption as temporary aberration and that the same will not adversely impact on the PMDC's financial condition and operations in the long term.

For CY 2023, the PMDC was able to generate revenue from the shipment of nickel ores in Dinagat Parcel 1 Project and successful bidding of the Hernani Chromite, Homonhon Chromite and Labo-Jose Panganiban Gold Properties.

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's Mining Properties. In addition, the PMDC had finally settled the 13 year-long pending award of the North Davao Mining Property, thereby, generating $28,500,000 as first Commitment Fee, upon signing of the JOA, for the government. The 90 per cent of the aforementioned amount was successfully remitted to the Bureau of the Treasury (BTr) in December 2022. The PMDC retained the remaining 10 per cent management fee as provided by the Trust Agreement between the PMDC and the PrC.

The PMDC Management has been aggressively bidding out its mining tenements in order to optimize its revenue-generating capacity in support of its operating expenses. For CY 2024, the PMDC is planning to bid out at least nine (9) mining properties of which, six (6) properties have received an intent from private entities to participate in the bidding. In addition, the PMDC will continue to aggressively bid out its mining properties. 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. 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 the DMRA's direct stakeholders in Monkayo, Davao de Oro.

For CY 2023, the PMDC continued to provide monthly rice and food subsidy to the Mt. Diwata Health Center, Philippine National Police (PNP) and Armed Forces of the Philippines (AFP) stationed at the DMRA. The partnership with the PMDC and the two forces continues to strengthen as they work together to ensure DMRA's holistic growth and development.

The PMDC, in collaboration with partners such as the 25th Infantry Battalion and volunteers, carried out Medical and Dental Missions and other health-related activities in four host barangays within the DMRA.

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

The PMDC also donated various supplies including gardening tools, paints, cement, trash bins, and more to four secondary schools in the area. This donation directly benefited 1,898 students and teachers, highlighting PMDC's dedication to improving the educational environment and opportunities within the community.

Furthermore, the PMDC actively engaged in programs such as Brigada Eskwela, donated supplies and materials to local schools. The Corporation also conducted Information, Education, and Communication (IEC) in the DMRA and other tenements and IEC campaigns as part of the Free, Prior, and FPIC process, ensuring dialogue and understanding with affected Indigenous communities.

Moreover, the PMDC provided monthly allowance to Citizen Armed Force Geographical Unit (CAFGU) Active Auxiliary Company (CAAC) II personnel ensuring security in the DMRA. In CY 2023, the PMDC's CSR initiatives surpassed its targets, benefiting over 8,500 individuals, reflecting its commitment to sustainable development and community welfare.

IV. Corporate systems development and ISO Certification

In December 2023, the PMDC successfully passed the 2nd 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

3.1.1. 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, 2023 and 2022 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), and COA Circular No. 2022-002 dated January 24, 2022 providing for Revised Description of Accounts, Additional Account, Modified Account Titles, and Guidelines in Implementation, as far as they are applicable to the Corporation.

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.

3.1.2. 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.

3.1.3. 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

3.2.1. New standards and amendments effective in CY 2023 that are Relevant to the Corporation

a. PAS 1 - *Disclosures of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2)*

The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The FRSC has also developed guidance and examples to explain and demonstrate the application of the "four-step materiality process" described in PFRS Practice Statement 2.

b. PAS 8 - *Definition of Accounting Estimates (Amendments to PAS 8- Accounting Policies, Changes in Accounting Estimates and Errors)*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

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

3.2.2. *New Standards effective in CY 2023 that are not relevant or applicable to the Corporation*

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

a. PFRS 17 – *Insurance Contracts (including the June 2020 and December 2021 Amendments to PFRS 17)*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4- *Insurance Contracts.*

The Standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Corporation does not have any contracts that meet the definition of an insurance contract under PFRS 17.

b. PAS 12 - *Income Taxes*

(*Amendments: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*)

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

(*Amendments: International Tax Reform—Pillar Two Model Rules*)

The FRSC amends the scope of PAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top up taxes described in those rules.

3.2.3. 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, 2023 are listed below. These are classified into two: (a) standards relevant to the Corporation; and (b) standards irrelevant to the Corporation.

a. 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 reporting periods beginning on or after January 1, 2024.

- Amendments to PAS 1 - *Presentation of Financial Statements* (*Classification of Liabilities as Current or Non-Current*)

  The amendments affect only the presentation of liabilities as current or non-current in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments further clarify that that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The FRSC has aligned the effective date with the 2022 amendments to International Accounting Standard (IAS) 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

- Amendments to PAS 1 - *Presentation of Financial Statements (Non-Current Liabilities with Covenants)*

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The FRSC specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The Corporation does not anticipate that the application of such amendments will have an impact on the financial statements of the future periods.

b. **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 reporting periods beginning on or after January 1, 2024.

- Amendments to PFRS 16 - *Leases* (*Lease Liability in a Sale and Leaseback*)

  The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

  The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in PFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

- Amendments to PAS 7 - *Statement of Cash Flows* and PFRS 7 - *Financial Instruments: Disclosures*- (*Supplier Finance Arrangements*)

  The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

  The term "supplier finance arrangements" is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. And to meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

  - The terms and conditions of the arrangements.
  - The carrying amount, and associated line items presented in the entity's Statement of Financial Position, of the liabilities that are part of the arrangements.
  - The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers.

- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement.
- Liquidity risk information.

3.3. Financial Assets

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

3.3.1. 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.

a. 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 Statements of Financial Position 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 Statements of Comprehensive Income as part of Service and business income.

b. 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 Statements of Comprehensive Income as part of Service and business income.

c. **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 Service and business income in the Statements of Comprehensive Income. 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 Service and business income in the Statements of Comprehensive Income.

3.3.2. *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:

a. Probability of default – It is an estimate of likelihood of default over a given time horizon.

b. 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.

c. 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.

3.3.3. 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.

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 Statements of Comprehensive Income 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.

The 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 costs in the Statements of Comprehensive Income as required in PAS 1 and PFRS 9. (See *Notes 12, 13, 14* and *21*)

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 Statements of Financial Position 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 Statements of Comprehensive Income.

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 Statements of Financial Position 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 2023 and 2022, 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 Statements of Comprehensive Income 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 2023 and 2022 lease transactions as lessee fall under either short-term leases or leases of low-value assets. (See *Notes 19.11* 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 Statements of Comprehensive Income for the period as provided in PAS 21 and PFRS 9. (See *Note 17* and *20.4*)

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 Statements of Comprehensive Income. 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 Statements of Comprehensive Income 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.

Retained earnings/(deficit) account represents all current and prior period results of operations as reported in the profit or loss section of the Statements of Comprehensive Income 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

In CY 2022, the Corporation 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) was treated as a reduction in the Revaluation surplus account. (See *Note 24.2*)

In CY 2023, the Corporation undertook an internal valuation of the three (3) of its Infrastructure Assets following the Restoration Cost Approach of the Government Accounting Manual (GAM), Volume 1 Item b-2. The corresponding impairment loss has been recognized in profit or loss as part of non-cash expenses. (See *Notes 3.15, 9* and *20.3*)

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:

	2023	2022
Cash on hand	107,000	107,000
Cash in bank-local currency	138,489,200	52,805,570
Cash in bank-foreign currency	79,009,827	183,551,499
	217,606,027	**236,464,069**

The Cash in bank earns interest at floating rates based on daily bank deposit rates. The dollar deposits amounting to United States (US) $1,421,883.98 and US$3,270,697, as at December 31, 2023 and 2022, respectively, were translated in Philippine Peso based on the Bangko Sentral ng Pilipinas (BSP) exchange rates of P55.567 and P56.12 to US$1 prevailing at the end of said years, respectively. Unrealized exchange loss, net of P2,085,656 (P7,713,152 – P5,627,496), and P1,148,946 (P3,206,278 – P2,057,332) as at December 31, 2023 and 2022, respectively, were recognized. (See *Notes 17* and *20.4*)

In CY 2023, the PMDC placed treasury bills and investment in High Yield Savings Account (HYSA) arranged by the Land Bank of the Philippines (LBP), which subsequently matured and collected within the year.

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Note	2023	2022
Loans and receivables	*6.1*	13,533,443	11,317,384
Inter-agency receivables	*6.2*	45,587	15,800
Other receivables	*6.3*	130,525	229,289
		13,709,555	**11,562,473**

6.1. Loans and Receivables

	2023	2022
Accounts receivable-AAM-Phil*	12,124,275	11,317,384
Accounts receivable-Century Peak**	1,409,168	-
	13,533,443	**11,317,384**

*AAM-Phil - AAM-Phil Natural Resources Exploration and Development Corporation
**Century Peak - Century Peak Mineral Development Corporation

Accounts receivable represents royalty earned from the AAM-Phil and the Century Peak completed shipments. A total of US$218,192 was translated in Philippine Peso resulting in unrealized foreign exchange loss of P159,552. Translation was based on the BSP exchange rate of P55.567 to US$1 prevailing as at December 29, 2023. (See *Note 20.4*)

6.2. Inter-Agency Receivables

Due from other government corporations account represents Social Security System (SSS) maternity benefits paid by the PMDC to its employees in the amounts of P45,587 and P15,800 for CYs 2023 and 2022, respectively.

6.3. Other Receivables

	2023	2022
Due from officers and employees	171,477	179,544
Other receivables	71,825	162,522
	243,302	342,066
Less: Allowance for impairment	112,777	112,777
	130,525	**229,289**

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 2023 and 2022.

7. INVENTORIES

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

	2023	2022
Construction materials inventory	122,177	35,336
Electrical supplies and materials inventory	80,829	80,829
Other supplies and materials inventory	3,489,655	3,489,655
	3,692,661	3,605,820
Less: Allowance for impairment - other supplies and materials inventory	(799,815)	(799,815)
	2,892,846	2,806,005

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 November 2023. Based on the physical count, ocular inspection, and reconciliation, no Electrical and Other supplies and materials were issued during the year. (See also *Note 3.4*)

In CY 2022, evaluation of the spare parts and materials was made to present the account balance at lower of cost or net realizable value. An amount of P799,815 was recorded to recognize the excess of the cost over the realizable value of the inventories. (See *Note 20.3*)

8. OTHER CURRENT ASSETS

This account consists of:

	Note	2023	2022
Creditable input tax		892,970	1,259,324
Prepaid rent	8.1	274,970	105,000
Advances to officers and employees		132,250	20,017
Advances to contractors		-	13,500
Advances to special disbursing officer		19,086	6,196
Other prepayments	8.2	13,579,609	14,497,013
		14,898,885	15,901,050

8.1. Prepaid Rent

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 and to Southdev Corporation for lease of Davao Office situated at the 2nd Floor, SDC Building 2, Corner Mangga – Luisa St., Juna Subdivision, Matina, Davao City.

8.2. Other Prepayments

Other prepayments pertain to income tax credit carried forward to succeeding taxable period. (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	Exploration and evaluation assets (*Note 9.1*)	Construction in progress (*Note 9.2*)	Total
Year Ended December 31, 2023									
Balances at January 1	41,474,330	1,296,602	1,106,796	4,382,530	635,551	199,582	92,389,100	9,069,512	150,554,003
Additions	-	-	1,265,402	-	-	455,357	-	790,875	2,511,634
Transfer from Construction in progress (*Note 9.3*)	617,679	509,715	-	-	-	-	-	(1,127,394)	-
Adjustments (*Note 9.4*)			-			(131,521)			(131,521)
Depreciation for the year	(1,818,761)	(237,595)	(264,124)	(784,415)	(27,065)	(36,049)	(453,150)	-	(3,621,159)
Adjustments-accumulated depreciation (*Note 9.4*)	-	-	-	-	-	124,945	-	-	124,945
Impairment for the year (*Note 9.5*)	(2,413,605)	-	-	-	-	-	-	-	(2,413,605)
Carrying amounts	**37,859,643**	**1,568,722**	**2,108,074**	**3,598,115**	**608,486**	**612,314**	**91,935,950**	**8,732,993**	**147,024,297**
At December 31, 2023									
Cost	48,126,206	6,088,432	8,763,084	15,666,008	712,235	4,315,471	91,935,950	8,732,993	184,340,379
Accumulated depreciation	(7,852,958)	(4,519,710)	(6,655,010)	(12,067,893)	(103,749)	(3,703,157)	-	-	(34,902,477)
Accumulated impairment	(2,413,605)	-	-	-	-	-	-	-	(2,413,605)
Carrying amounts	**37,859,643**	**1,568,722**	**2,108,074**	**3,598,115**	**608,486**	**612,314**	**91,935,950**	**8,732,993**	**147,024,297**

	Infrastructure assets	Buildings and other structures	Machinery and equipment	Transportation equipment	Land improvements	Leased assets improvements	Exploration and evaluation assets	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	112,292,150	8,975,017	170,432,156
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
Adjustment on revaluation	-	-	-	-	-	-	(19,903,050)	-	(19,903,050)
Carrying amounts	**41,474,330**	**1,296,602**	**1,106,796**	**4,382,530**	**635,551**	**199,582**	**92,389,100**	**9,069,512**	**150,554,003**
At December 31, 2022									
Cost	47,508,527	5,578,717	7,497,682	15,666,008	712,235	3,991,635	92,389,100	9,069,512	182,413,416
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**	**92,389,100**	**9,069,512**	**150,554,003**

9.1. Exploration and Evaluation Assets

	2023	2022
Victory tunnel and mining equipment	**90,958,100**	**90,958,100**
Quasar jumbo drill	1,431,000	1,431,000
Accumulated depreciation	(453,150)	-
Carrying amount	**977,850**	**1,431,000**
	91,935,950	**92,389,100**

The acquisition of the Victory tunnel and mining equipment for use in conducting and expediting core drilling at the 600-meter-level of the DMRA was covered by a MOA executed on December 23, 2003 by and between the PMDC (then NRMDC) and the JB Management Mining Corporation (JBMMC). As a result of a JOA entered into by and between the PMDC and the 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*)

9.2. Construction in Progress

This account consists of the following:

	2023	2022
Mabatas Interim Dam Facility	8,658,872	8,658,872
Depot Storage	74,121	94,533
Tailings Launder	-	316,107
	8,732,993	9,069,512

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.

Materials purchased for the installation of Solar Lighting amounting to P21,286 were transferred from CIP to semi-expendable expenses.

9.3. Transfer of Completed Construction in Progress to proper PPE accounts

The following completed CIP were transferred to the following PPE accounts:

Infrastructure assets	Amount
Mabatas Interim Tailings Storage Facility Earth Embankment with Sluice Gate	126,543
Slope Protection/Soil Erosion Mitigating Structure Along Launder Network - Grouted Riprap Project	144,899
Material Recovery Facility	346,237
	617,679
Buildings and other structures	
Nursery Seedling Plantation Project	509,715
	1,127,394

9.4. Adjustments

Adjustments were made to derecognize PPE items below the capitalization threshold of P50,000 pursuant to COA Circular No. 2022-004 dated May 31, 2022, which were charged to semi-expendable expenses in the amount of P6,576 (Cost of P131,521 less Accumulated depreciation of P124,945).

9.5. Impairment

As of the last PPE physical inventory conducted in November 2023, indications of impairment were observed on some Infrastructure assets, as follows:

Mabatas Water System (MBS)

There are two (2) water sources for the MBS, namely, Lunod and Matangad. The Lunod Water Source, located in Lunod Creek is the primary water supply source connected to the in-take box to deliver water to the transfer tank installed in Cliff Hanger (Cliff Hanger Tank) and to the four (4) supply/distribution tanks installed at the Mabatas Processing Complex. The Matangad Water Source, located in Matangad Creek, is the secondary and/or back up water supply source connected to the in-take box to deliver water directly to the same four (4) supply/distribution tanks installed in the Mabatas Processing Complex.

The Lunod Water System Segment is the only part of the MBS that becomes idle due to the low to nil supply of water from the Lunod Creek. The Matangad Water Source is still delivering water to the supply/distribution tanks at the Mabatas Processing Complex; hence, the Matangad Water System Segment is currently functioning. We are still conducting surveys to know the reason/s for this dwindling supply of water from the Lunod Creek that started in January 2021.

Water Cyanide Recycling Facilities with Decantation Tower and 3 Latrines (RDL)

The RDL was considered unserviceable despite several repairs made by the Contractor in November 2021 and February 2022 upon demand by the PMDC. Water pumping and recycling works were conducted. During the course of operation, a minor leakage was observed and later the leakage became massive, thus, the pumped water could no longer be stored in the Tank.

Improvement on Decant Tower (IDT)

The IDT was done by phase and dependent on the rise in elevation of the accumulated wastes/tails that were discharged into the Tailings Pond. The subject IDT is the last phase with the top of 529 meters above mean sea level (amsl) and based on the original plan of the Mabatas Interim Tailings Storage Facility (MITSF) with the top of the Dike/Embankment at elevation of 531 meters amsl. The rising up and/or improvement of the Decantation Tower was called off in favor of the implementation of the Dike/Embankment with Sluice Gate and Settling Ponds to manage and handle the water overflow, since the latter is less costly and easier to implement than the former. By favoring the improvement of the Dike and increasing its height, the Decant Tower eventually was overwhelmed by the wastes/tails and rain water, and was later buried in June 2023. The PMDC is considering ways to rectify the issues such as Tailings Pond desilting and other possible interventions.

Determination of Impairment Loss

Management determined the recoverable value, which is higher between the fair value less cost to sell and value in use using the restoration cost approach. Under this approach, the impairment is determined between the difference of carrying amount over the recoverable value. (See *Note 4*)

	MBS	RDL	IDT	Total
Carrying amount, 12/31/23	**8,518,415**	**9,156,507**	**411,982**	**18,086,904**
Replacement cost	12,303,470	14,408,171	617,731	27,329,372
Less: Depreciation	2,688,308	3,935,232	54,772	6,678,312
Depreciated replacement cost	9,615,162	10,472,939	562,959	20,651,060
Less: Restoration cost	1,403,386	3,529,153	165,666	5,098,205
Value in Use	**8,211,776**	**6,943,786**	**397,293**	**15,552,855**
Fair Value Less Cost to Sell	**8,332,220**	**5,169,018**	**25,763**	**13,527,001**
Carrying amount, 12/31/23	8,518,415	9,156,507	411,982	18,086,904
Recoverable service amount	8,332,220	6,943,786	397,293	15,673,299
Impairment loss	**186,195**	**2,212,721**	**14,689**	**2,413,605**

For RDL, the PMDC is initially contemplating in endorsing the case to the Office of the Government Corporate Counsel (OGCC), for appropriate legal action on account of observed structural defects.

10. INTANGIBLE ASSETS

This account consists of:

	2023	2022
Computer software	2,683,360	2,683,360
Computerized accounting system	982,143	982,143
ArcGIS software	223,214	223,214
Development in progress-computer software	538,482	-
	4,427,199	3,888,717
Less: Accumulated amortization	(3,259,969)	(3,125,256)
	1,167,230	**763,461**

In CY 2023, the PMDC was able to bid a new Computerized Accounting System with Apptechnology Experts, Inc. amounting to P4,020,668. An advance payment of 15 per cent or P538,482, Value Added Tax (VAT) exclusive, was made and recorded under Development in progress-computer software in December 2023.

11. OTHER NON-CURRENT FINANCIAL ASSETS

This account consists of Other deposits representing guarantees made on account of contractual obligations with balances as at December 31, 2023 and 2022 in the amounts of P1,876,194 and P1,490,482, respectively.

12. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2023	2022
Financial liabilities - payables	12.1	2,437,774	2,172,615
Inter-agency payables	12.2	2,063,457	1,502,893
Trust liabilities	12.3	70,526,644	68,165,409
Provisions	12.4	5,522,818	4,869,350
		80,550,693	76,710,267

12.1. Financial Liabilities - Payables

	2023	2022
Accounts payable	2,377,721	2,121,166
Due to officers and employees	60,053	51,449
	2,437,774	2,172,615

Accounts payable account consists of payables to suppliers amounting to P33,637, unreleased checks to different suppliers amounting to P813,765, accrued liabilities of P131,110, and retention payable of P1,399,209 to the Mabatas project contractor.

12.2. Inter-agency payables

	2023	2022
Due to Bureau of Internal Revenue (BIR)	1,166,898	1,058,864
Due to Government Service Insurance System (GSIS)	501,625	256,887
Due to Pag-IBIG	67,362	54,486
Due to Philippine Health Insurance Corporation (PhilHealth)	157,420	78,675
Due to SSS	169,757	53,981
VAT payable	395	-
	2,063,457	1,502,893

12.3. Trust Liabilities

	Note	2023	2022
Performance bonds	12.3.1	65,828,764	63,096,102
Tailings maintenance		1,659,617	2,415,960
Vested rights		496,661	496,661
Bids and Awards Committee (BAC) honoraria		440,350	304,100
Tailings storage fees-environmental monitoring fund		114,096	117,611
Bid security	12.3.2	270,000	-
Tailings storage fees-environmental guarantee fund		57,048	72,583
Indigenous payable		16,130	16,130
Indigenous Cultural Communities (ICC)		-	2,285
Trust liabilities – others	12.3.3	1,643,978	1,643,977
		70,526,644	68,165,409

12.3.1. Performance Bonds

	2023	2022
AAM-Phil	2,296,000	2,296,000
Carrascal Nickel Corporation	300,000	300,000
Hua Fu Resources Corporation	-	305,450
TUV Rheinland Philippines, Inc.	-	8,988
SBG3A Corporation	726,000	726,000
AAMRC	59,459,664	59,459,664
SBT Mining, Inc.	1,167,100	-
Tierra Mining Corporation	1,880,000	-
	65,828,764	63,096,102

In CY 2023, the PMDC received performance bonds in a form of cash, amounting to P4,063,910 from SBT Mining, Inc.; Tierra Mining Corporation; and Global Heavy Equipment & Construction Corporation (GHECC), of which the amount received from the GHECC of P1,016,810 was returned and replaced with a surety bond.

12.3.2. The account represents bid security from qualified bidders, sale of bid documents, and others trust funds, which will be used to fund the BAC honoraria.

12.3.3. Trust liabilities-others include maintenance, and royalty allocation for any claimants.

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

	2023	2022
Leave benefits payable	5,522,818	4,869,350
	5,522,818	4,869,350

The account pertains to accrual of unused vacation and sick leave credits of the employees as of December 31, 2023. Changes in the account are attributed to the earned leave credits and monetization of the same during the year.

13. OTHER PAYABLES

This account pertains to:

	2023	2022
Dividends payable	57,000,000	63,512,612
	57,000,000	63,512,612

The remaining unpaid balance of dividends in CYs 2021, 2019 and 2018 net earnings amounted to P22,187,330, P2,422,065 and P32,390,605, respectively. (See *Note 24.3*)

14. NON-CURRENT FINANCIAL LIABILITIES

This account consists of:

	2023	2022
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 *Note 23.a*)

The loan contract also provided for P54,611,477 penalties payable in 3.25 years, which payment will commence in July 2023. In CY 2023, the accumulated amount of P8,400,000 was not yet recognized in the books. (See *Note 23.a.3*)

The loan itself is the very issue of the litigation and the PMDC is in doubt as to its validity. It has then suspended its monthly loan amortization payments to the 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 P16,279,324 as of December 31, 2023 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 the 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. The 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 *Note 27*)

15. DEFERRED CREDITS/UNEARNED INCOME

	Note	2023	2022
Unearned revenue/income	*15.1*	165,592,700	165,592,700
Other deferred credits	*15.2*	8,054,476	8,054,476
		173,647,176	**173,647,176**

15.1. Unearned Revenue/Income

This account 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 the PMDC by virtue of the Compromise Agreement, JOA and Deed of Assignment involving the NDMC's 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.

15.2. Other Deferred Credits

The Other deferred credits account includes the amounts of P54,476 representing accountability for 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:

	2023	2022
Royalty fees	20,177,407	33,979,900
Interest income, net	3,955,765	119,045
Penalty-business income	-	9,038
Other business income-commitment fee	60,809,364	5,357,143
	84,942,536	**39,465,126**

In CY 2023, the PMDC derived its revenues on commitment fees from the awarded mining tenements and royalties from the Dinagat Nickel-Chromite Project and Pinamungahan Project.

Commitment fee was generated by virtue of a JOA with Tierra Mining Corporation, SBT Mining, Inc., and Global Heavy Equipment & Construction Corporation.

16.2. Other Non-Operating Income

	2023	2022
Miscellaneous income	350,913	131,474
	350,913	**131,474**

17. GAIN ON FOREIGN EXCHANGE (FOREX)

This account consists of the following:

	2023	2022 As restated
Gain on FOREX – realized	3,748,851	4,443,219
Gain on FOREX – unrealized	5,627,496	2,057,332
	9,376,347	**6,500,551**

In accordance with PAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors,* the Gain on FOREX account for CY 2022 is restated as follows:

Particulars	**Amount**
Unrestated Gain on FOREX – unrealized, December 31, 2022	-
Add: Reclassification from Gain on FOREX – unrealized, Other Comprehensive Income (*Note 20.4*)	2,057,332
Restated amount, Gain on FOREX – unrealized, December 31, 2022	**2,057,332**

Unrealized FOREX gain pertained to exchange rate changes of the foreign currency denominated Cash in bank.

18. PERSONNEL SERVICES

This account is composed of the following:

	Note	2023	2022
Salaries and wages	*18.1*	46,047,180	46,349,749
Other compensation	*18.2*	14,390,622	15,085,999
Personnel benefits contributions	*18.3*	5,429,823	3,987,013
Other personnel benefits	*18.4*	2,063,435	3,066,452
		67,931,060	**68,489,213**

18.1. Salaries and Wages

	2023	2022
Salaries and wages-regular	32,504,953	34,162,096
Salaries and wages-casual/contractual	13,542,227	12,187,653
	46,047,180	**46,349,749**

18.2. Other Compensation

	2023	2022
Year-end bonus	3,949,308	4,224,103
Mid-year bonus	3,697,041	3,717,512
Personnel economic relief allowance	1,255,773	1,380,836
Representation allowance	783,000	828,971
Transportation allowance	783,000	828,971
Clothing/uniform allowance	540,000	516,000
Productivity incentive allowance	492,000	467,500
Cash gift	485,000	467,000
Directors and committee members' fees	448,000	514,000
Overtime and night pay	-	21,966
Other bonuses and allowances	1,957,500	2,119,140
	14,390,622	15,085,999

18.3. Personnel Benefits Contributions

	2023	2022
Retirement and life insurance premiums	4,365,598	3,118,990
PhilHealth contributions	871,910	715,583
Pag-IBIG contributions	118,000	100,600
Employees compensation insurance premiums	74,315	51,840
	5,429,823	3,987,013

18.4. Other Personnel Benefits

	2023	2022
Other personnel benefits	2,063,435	3,066,452
	2,063,435	3,066,452

Other personnel benefits include consumed leave credits during the year amounting to P1,409,966 and unused sick leave and vacation leave credits amounting to P653,469 which are monetized for accrual purposes. *(See Note 12.4)*

19. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	Note	2023	2022
General services	*19.1*	5,350,994	5,390,749
Professional services	*19.2*	3,881,647	4,446,171
Traveling expenses	*19.3*	1,854,505	1,127,004
Supplies and materials expenses	*19.4*	1,823,599	2,174,558
Taxes, insurance premiums, and other fees	*19.5*	1,629,423	1,330,980
Utility expenses	*19.6*	1,110,387	1,010,377
Training and scholarship expenses	*19.7*	493,699	374,039
Repairs and maintenance	*19.8*	470,768	1,211,293
Communication expenses	*19.9*	343,214	343,086
Confidential, intelligence, and extraordinary expenses	*19.10*	62,030	108,000
Other maintenance and operating expenses	*19.11*	8,509,573	8,377,840
		25,529,839	25,894,097

19.1. General Services

	2023	2022
Security services	3,307,400	3,312,000
Environment/sanitary services	41,671	82,106
Other general services	2,001,923	1,996,643
	5,350,994	5,390,749

19.2. Professional Services

	2023	2022
Auditing services	3,730,283	4,403,760
Consultancy services	79,196	42,411
Legal services	72,168	-
	3,881,647	4,446,171

19.3. Traveling Expenses

	2023	2022
Traveling expenses-local	1,854,505	1,127,004
	1,854,505	1,127,004

19.4. Supplies and Materials Expenses

	2023	2022
Fuel, oil, and lubricants expenses	704,596	983,691
Semi-expendable furniture, fixtures and books expenses	336,673	43,819
Office supplies expense	247,278	263,598
Semi-expendable machinery and equipment expenses	216,840	411,292
Housekeeping/cleaning supplies expense	105,007	110,705
Electrical supplies and materials expenses	36,905	17,011
Drugs and medicines expenses	27,207	10,929
Non-accountable forms expenses	8,288	5,850
Other supplies and material expenses	140,805	327,663
	1,823,599	2,174,558

19.5. Taxes, Insurance Premiums, and Other Fees

	2023	2022
Insurance expenses	975,983	420,028
Fidelity bond premiums	289,860	385,640
Taxes, duties, and licenses	363,580	525,312
	1,629,423	1,330,980

The CY 2023 taxes, duties, and licenses include final tax on interest income.

19.6. Utility Expenses

	2023	2022
Electricity expenses	572,232	552,429
Water expenses	11,434	7,326
Other utility expenses	526,721	450,622
	1,110,387	1,010,377

19.7. Training and Scholarship Expenses

	2023	2022
Training expenses	493,699	374,039
	493,699	374,039

19.8. Repairs and Maintenance

	2023	2022
Repairs and maintenance-transportation equipment	341,190	204,113
Repairs and maintenance-buildings and other structures	104,989	941,060
Repairs and maintenance-machinery and equipment	19,957	34,371
Repairs and maintenance-furniture and fixtures	2,816	11,300
Repairs and maintenance-other PPE	1,816	20,449
	470,768	1,211,293

19.9. Communication Expenses

	2023	2022
Internet subscription expenses	154,153	168,327
Telephone expenses	145,616	130,005
Postage and courier services	43,445	44,754
	343,214	343,086

19.10. Confidential, Intelligence, and Extraordinary Expenses

	2023	2022
Extraordinary and miscellaneous expenses	62,030	108,000
	62,030	108,000

19.11. Other Maintenance and Operating Expenses

	2023	2022
Rent/lease expenses	4,463,846	4,123,437
Major events and conventions expenses	514,678	216,629
Subscription expenses	264,937	1,273,116
Representation expenses	155,567	137,471
Documentary stamps expenses	125,115	54,231
Printing and publication expenses	57,155	51,908
Advertising, promotional and marketing expenses	35,000	-
Transportation and delivery expenses	-	44,414
Other maintenance and operating expenses	2,893,275	2,476,634
	8,509,573	8,377,840

20. NON-CASH EXPENSES

This account consists of:

	Note	2023	2022 As restated
Depreciation	*20.1*	3,621,159	2,977,509
Amortization	*20.2*	134,713	146,997
Impairment loss- PPE	*20.3*	2,413,605	12,046,767
Loss on FOREX	*20.4*	11,728,815	3,927,274
		17,898,292	19,098,547

20.1. Depreciation

	2023	2022
Depreciation-Infrastructure assets	1,818,761	1,797,986
Depreciation-Transportation equipment	784,415	693,989
Depreciation-Machinery and equipment	264,124	220,874
Depreciation-Buildings and other structures	237,595	237,595
Depreciation-Leased assets improvements	36,049	-
Depreciation-Land improvements	27,065	27,065
Depreciation-Exploration and evaluation assets	453,150	-
	3,621,159	**2,977,509**

20.2. Amortization

	2023	2022
Amortization-intangible assets	134,713	146,997
	134,713	**146,997**

20.3. Impairment Loss

	2023	2022
Impairment loss - inventories	-	799,815
Impairment loss – PPE	2,413,605	11,246,952
	2,413,605	**12,046,767**

Impairment loss was recognized in CY 2023 for the Infrastructure assets in compliance with Paragraph 9 of the PAS 36. On the other hand, 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*)

20.4. Loss on FOREX

	2023	2022 As restated
Loss on FOREX – realized	3,856,111	-
Loss on FOREX – unrealized	7,872,704	3,927,274
	11,728,815	**3,927,274**

In accordance with PAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors,* the Loss on FOREX account for CY 2022 is restated as follows:

Particulars	Amount
Unrestated amount, Loss on FOREX – unrealized, Non-cash expense, December 31, 2022	-
Less: Reclassification from Loss on FOREX – unrealized, Other comprehensive income	1,869,942
Reclassification to Gain on FOREX – unrealized, Revenue (*Note 17*)	2,057,332
Restated amount, Loss on FOREX – unrealized, Non-cash expense, December 31, 2022	**3,927,274**

Particulars	Amount
Unrestated amount, Loss on FOREX – unrealized, Other comprehensive income, December 31, 2022	1,869,942
Less: Reclassification to Loss on FOREX – unrealized, Non-cash expense	(1,869,942)
Restated amount, Loss on FOREX – unrealized, Other comprehensive income, December 31, 2022	**-**

Unrealized FOREX losses pertained to exchange rate changes of the foreign currency denominated Cash in bank and Accounts receivable at year end, as follows:

	Note	2023	2022
Cash in bank	5	7,713,152	3,206,278
Accounts receivable	6.1	159,552	720,996
		7,872,704	3,927,274

21. FINANCE COSTS

	2023	2022
Bank charges	87,524	15,080
	87,524	15,080

22. INCOME TAX EXPENSE

The computation for the Income tax expense is as follows:

	2023	2022
Pre-tax income/(loss)	(16,776,919)	(65,529,844)
Add/(Deduct):		
Interest income already subjected to final tax	(3,955,765)	(119,045)
Royalty fees subjected to final tax	(20,177,407)	(33,979,900)
Gain on FOREX	(9,376,347)	(4,443,219)
Impairment loss on inventories	-	799,815
Impairment loss on PPE	2,413,605	11,246,952
Non-deductible expense – Final tax	86,114	-
Loss on FOREX	11,728,815	-
Taxable income, BIR basis	(36,057,904)	(92,025,241)
Regular Corporate Income Tax (RCIT) using BIR rate of 25 per cent	-	-
Gross income, BIR basis	61,160,277	5,497,655
Minimum Corporate Income Tax (MCIT) using BIR rate of 1 per cent	917,404	54,977
Tax due (higher between RCIT and MCIT)	917,404	54,977
Creditable withholding tax	-	-
Prior year's excess credits	(14,497,013)	(14,551,990)
Income tax credit carried forward to succeeding taxable period	**(13,579,609)**	**(14,497,013)**

Pursuant to the Corporate Recovery and Tax Incentives Enterprises Act (CREATE) and Revenue Regulation (RR) Memorandum Circular No. 69-2023, the MCIT rates shall change back to two per cent (2%) from one per cent (1%) effective July 1, 2023.

Pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020, Unapplied Net Operating Loss Carry Over (NOLCO) recognized in CY 2020 amounting to P104,759,226 will expire in CY 2025. NOLCO recognized in CYs 2022 and 2023 can be carried over as deduction from gross income for the next three (3) consecutive years only.

Year Incurred	Original Amount	Applied in Previous Year	Expired Amount	Applied in Current Year	Remaining Balance	Valid Until
2023	36,057,904	-	-	-	36,057,904	2026
2022	92,025,241	-	-	-	92,025,241	2025
2020	111,019,308	6,260,082	-	-	104,759,226	2025
	239,102,453	**6,260,082**	**-**	**-**	**232,842,371**	

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 *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 36 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 P16,071,932 and P18,020,119 in CYs 2023 and 2022, 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 of 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 the 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 of 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 *Note 9*)

24.3. Retained Earnings/(Deficit)

Changes in Retained earnings/(deficit) account were due to the following:

a. Net loss of P17,694,323 and P67,454,763 recorded in CYs 2023 and 2022, respectively.

b. Adjustments in Retained earnings/(deficit):

Particulars	2022
To record PPE items less than capitalization threshold of P50,000 to Retained earnings/(deficit) 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)

c. 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 the COA. The P6,512,612 and P27,430,983 were remitted to the BTr in CYs 2023 and 2022, respectively. (See *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.

Rent/lease expenses recognized in the Statements of Comprehensive Income amounted to P4,463,846 and P4,123,437 in CYs 2023 and 2022, respectively. (See *Note 19.11*)

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 exchange 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:

	2023		2022	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash and cash equivalents	$ 1,421,884	79,009,827	$ 3,270,697	183,551,499
Accounts receivable	218,192	12,124,275	201,664	11,317,384
Net exposure	**$ 1,640,076**	**91,134,102**	**$ 3,472,361**	**194,868,883**

Converted to Philippine peso at US$1.00: P55.567 as of December 29, 2023 and US$1.00: P56.12 as of December 31, 2022

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, 2023 and 2022.

	Gross Maximum Exposure	
	2023	2022
Cash and cash equivalents*	217,499,027	236,357,069
Trade and other receivables, net	13,709,555	11,562,473
	231,208,582	**247,919,542**

*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, and due from officers and employees.

The credit quality of the Corporation's assets as at December 31, 2023 and 2022 is as follows:

	December 31, 2023				
	Neither past due nor impaired				
	High grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Cash and cash equivalents	217,499,027	-	-	-	217,499,027
Trade and other receivables	-	13,709,555	-	112,777	13,822,332
	217,499,027	13,709,555	-	112,777	231,321,359

	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	-	11,562,473	-	112,777	11,675,250
	236,357,069	11,562,473	-	112,777	248,032,319

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, 2023 and 2022.

	December 31, 2023				
	On demand	Less than 3 months	3 to 12 months	>1 to 5 years	Total
Accounts payable and accrued expenses*	6,382,124	101,219	-	1,417,196	7,900,539
Loans payable – NDC	-	-	-	56,660,401	56,660,401
	6,382,124	101,219	-	58,077,597	64,560,940

	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

*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 For: Declaration of Nullity of MOA and/or Rescission and/or Reformation with Damages and Attorney's Fees (RTC Branch 56- Compostela) Causes of Action: 1. Declaration of Nullity of Agreement Due to Lack of Consent and Authority of the Representatives of ICC's to give the required FPIC. 2. Rescission of MOA due to breach. 3. Rescission of MOA. 4. Damages and Attorney's Fees.	Pre-trial stage but parties were granted to explore further the possibility of settlement. 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. 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. The November 22, 2022 hearing was postponed as the Judge was indispensable. Hearing date to be provided by the Court through an Order. Hearing was held on January 31, 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). Next scheduled hearing is set on May 9, 2023. Per email of Atty. Rapista, the Court staff communicated to him the night before the hearing date of the postponement of the same. On July 11, 2023, Atty. Mary Grace O. Manuel-Sze (Rep. of Prosecutor Soria) manifested to give Prosecutor Soria time to review the Compromise Agreement. Hearing was move to August 23, 2023 at 1:30pm.

Case Title	Nature	Status
		On August 23, 2023, Prosecutor Soria asked for a postponement for the last time in order for NCIP to validate who has the authority to be leaders of the four (4) tribes. The Court however denied the Motion. Pre-trial was held. Next scheduled hearings for presentation of Plaintiff's six (6) witnesses were set on October 10, November 15, December 12 all in 2023; and January 30, February 20 and March 19 all in 2024. The October 10, 2023, scheduled hearing was reset to November 15, 2023. Next scheduled hearing is set in February 2024.
PMDC versus NDC	Arbitration 2019-002 (OGCC) Causes of Action - 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. On November 23, 2006, a LOAN AGREEMENT was executed and imposes 12% interest and 12% penalty. 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. PMDC is praying for the declaration as null and void the	Both parties have submitted their respective Memoranda on July 06, 2022. UNIFORM RULES ON DISPUTE RESOLUTION UNDER PRESIDENTIAL DECREE NO. 242, AS AMENDED, FOR GOVERNMENT AGENCIES AND INSTRUMENTALITIES, AND GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS (Rule 5-Arbitration Resolution) -Submission of respective Memoranda by the parties within 30 days after the termination of the proceedings. -Arbitral Tribunal within 30 days from submission, prepare draft resolution. - 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. (Rule 7 – Appeal):

Case Title	Nature	Status
	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.	-Office of the President only in cases wherein the amount of claim or value of property exceeds P1 million. -Governed by Administrative Order (AO) No. 22, Series of 2011 "Prescribing rules and regulations governing appeals to the Office of the President of the Philippines", or any of its amendments. A Monitoring Conference has been set by the Arbitration Tribunal on May 17, 2024.
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. The proceeding in the case is deemed suspended until there is an arbitration among the parties. In January 3, 2022 Court's Resolution, it denied the Motion for Partial Reconsideration filed by Masada challenging the June 24, 2021 Order of the Court, the case was sent to archives pending arbitration proceedings between the parties.
Pacific Nickel Philippines, Inc. (PNPI), 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 Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction (WPI) CA- G.R.S.P No. 170833 (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 Court of Appeals. Court Resolution dated November 23, 2021 directing PNPI, Inc. to rectify defects as to the Certificate of Non-Forum Shopping. Compliance was thereafter filed by PNPI.

Case Title	Nature	Status
		Court Resolution dated March 29, 2022 directing Principal Representative to file Comment 10 days from receipt of notice, and for Petitioner to file Reply five (5) days from receipt of the Comment. PMDC's Comment and Opposition dated April 29, 2022 was then filed (as updated by Atty. Camile via email last September 5, 2022). 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.
AAMRC versus PMDC	Specific Performance, Injunction and Damages with Prayer for the Issuance of TRO and WPI Civil Case No. 72373-PSG (RTC Branch 167, Pasig City)	The last witness for AAMRC was presented during the September 9, 2022 hearing. On November 10, 2022, the PMDC presented its own witness, Atty. Bernadette B. Laza. Compromise Agreement was submitted to the Court in December 2022. The 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. Civil Case No. (1238-2017) 18-2021	Monitored case.
PMDC vs. the Commissioner of Internal Revenue and the OIC-Assistant Commissioner, Large Taxpayers Service, in their Official capacities as officers of the BIR	Court of Tax Appeals (CTA) Case No. 9292 (CTA, Quezon City) BIR Deficiency Tax Assessments for the CYs 2006 and 2007	Filed Memorandum on November 21, 2018. Appealed the decision. 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	Violation of Republic Act (RA) No. 8371	The Motions for Reconsideration filed by both Petitioners were denied. Compliance filed on January 28, 2019.

Case Title	Nature	Status
Sub-tribe of Kalinga represented by Victor Gumisa CA – G.R. SP134945		
PMDC vs. Atty. Guillermo C. Kadatar, Lead Regional Hearing Officer, National Commission of Indigenous Peoples, Cluster I, Cordillera Administrative Region and Balatoc Sub-Tribe of Kalinga CA-GR SP 135032 Court of Appeals, Manila		

28. SUPPLEMENTARY INFORMATION AS REQUIRED UNDER BIR 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 2023 and 2022.

a. The Corporation is VAT-registered with VAT output tax declarations of P7,339,233 and P659,719 taken from output tax deferral and based on the amounts reflected in the revenues of the Corporation of P61,160,275 and P5,497,655 for CYs 2023 and 2022, respectively. These were reported to the BIR based on the Quarterly VAT forms submitted on various dates in CYs 2023 and 2022.

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

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

	2023	2022
Current year's purchases:		
On purchases of capital goods:		
Exceeding P1 million	72,643	392,464
Not exceeding P1 million	206,491	62,377
Domestic purchases of goods other than capital goods	330,095	310,492
Domestic purchases of services	913,915	802,431
	1,523,144	**1,567,764**

d. Royalty fees/income of P20,177,407 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 P6,218,384 and P5,508,648 on rentals, insurance, taxes, fees, and licenses for CYs 2023 and 2022, respectively. The insurance expense for CY 2023 amounted to P975,983, while for CY 2022 it amounted to P420,028.

Details are summarized as follows:

	2023	2022
Rentals; fees/dues/other charges for parking space; insurance costs and rentals of motor vehicle and microcomputers and office equipment	5,439,829	4,543,465
Fidelity bond and premiums	289,860	385,640
	5,729,689	4,929,105
Taxes, fees, and licenses:		
Motor vehicle registration	23,677	28,736
Notarial and legal fees	1,128	-
SEC listing and registration/BIR fees	1,000	1,000
Documentary stamp tax	125,115	54,231
Business taxes, business permits and barangay clearance, and other fees	337,775	495,576
	488,695	579,543
	6,218,384	**5,508,648**

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

	2023	2022
Income taxes withheld on compensation	5,074,496	6,867,437
Creditable income taxes withheld (expanded)	479,367	462,772
Withholding VAT	604,375	624,000
	6,158,238	**7,954,209**

g. In CY 2023, the PMDC received a Final Assessment Notice (FAN) and Formal Letter of Demand (FLD) from the BIR for the Taxable Year 2019 amounting to P4,631,067 with regard to its Income Tax, VAT, Withholding Tax, Documentary Stamp Tax and Compromise Penalty. A Request for Consideration was filed to provide further justifications on the alleged deficiencies indicated in the FAN/FLD. No response was received from the BIR to date.

h. 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 assistance of the OGCC. The PMDC filed an appeal with the Court of Tax Appeals (CTA), with CTA Case No. 9292 docket forwarded to Litigation Division by BIR Large Taxpayer on March 31, 2016. A Memorandum was filed in November 2018. (See *Note 27*)