

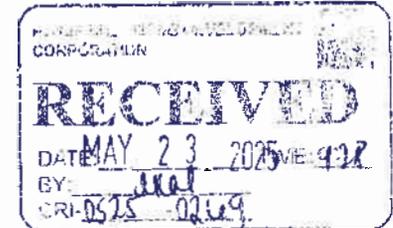


REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
COMMONWEALTH AVENUE, QUEZON CITY

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

May 22, 2025

**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  
Metro Manila



**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, 2024 and 2023.

The Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Year's 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, 2024 and 2023.

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

1. The PMDC incurred operating losses for three consecutive calendar years (CYs) 2024, 2023 and 2022 in the amounts of P27.047 million, P12.474 million and P55.046 million, respectively. This condition poses risk on the PMDC's operational efficiency as the revenue/income earned from royalty and commitment fees for the said years, in the amounts of P70.863 million, P80.987 million and P39.337 million were insufficient to cover its operating expenses in the amounts of P97.910 million, P93.461 million and P94.383 million, respectively, which if could not be promptly addressed might undermine the Corporation's ability to continue as a going concern entity.
  - 1.1. We reiterated our previous year's recommendation that Management, in order to generate stable and sufficient income for PMDC's continuous operation, pursue viable strategies and exert all efforts, in partnership with the existing Joint Operating Agreement (JOA) Partner/Project Financing/Service Provider (PFSP),

to expedite the completion of the exploration/assessment activities of the 14 awarded Projects covering the mining properties/assets, so that these can be promptly put into commercial operation.

2. The monitoring activities on the mining operations on the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone Projects were not fully conducted by the PMDC since its Partners/Operators did not submit for approval the Commercial Operation Work Program and Budget (COWPB) for CY 2024 as well as the necessary reports supporting their mining operations, contrary to Section 8.6 of the PMDC Quality Procedures Manual on Project Management (QPMPM). Thus, there is no assurance that the PMDC shares in royalty fees in CY 2024 were completely reported and sustainable mining operations was undertaken by its Partners/Operators in accordance with the JOAs.

2.1. We recommended that Management require the:

- a. Legal Department in coordination with the Project Management Department (PMD) to exhaust legal means to enforce the Partners/Operators to submit all the documents and reports needed for the conduct of the monitoring activities on the mining operations on the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone Projects; and
- b. PMD, moving forward, to regularly conduct the monitoring activities on the mining operations of the Partners/Operators of the Corporation in compliance with Section 8.6 of the PMDC QPMPM.

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 16, 2025 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 \_\_\_\_\_**

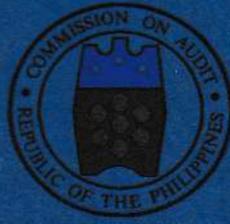
Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Delay/ Non-Implementation, If applicable	Action Taken/Action to be Taken
			Action Plan	Persons/Dept. Responsible	Target Implementation Date				
					From	To			

**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, 2024 and 2023**

## EXECUTIVE SUMMARY

### INTRODUCTION

The Philippine Mining Development Corporation (PMDC), formerly the Natural Resources Mining Development Corporation (NRMDC), is a 100 percent 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 percent of the total capital stock, and the Philippine National Oil Company-Energy Development Corporation (PNOC-EDC), for the remaining 45 percent. 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 Republic 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 percent, 36 percent, and 20 percent, respectively. The PNOC-EDC holdings of 36 percent (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 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 percent 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 Republic 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 percent 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 2024 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	Vice President, Bataan Peninsula State University (BPSU)
8. Mr. Leo E. Hernandez	Member	Private Sector

As of December 31, 2024, the PMDC had a current workforce of 55 organic and plantilla personnel and 50 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, Metro Manila, Philippines.

## FINANCIAL HIGHLIGHTS (In Philippine Peso)

### I. Comparative Financial Position

	2024	2023	(Decrease)
Total assets	374,881,250	399,175,034	(24,293,784)
Total liabilities	367,754,895	367,858,270	(103,375)
Equity	7,126,355	31,316,764	(24,190,409)

### II. Comparative Results of Operations

	2024	2023	Increase/ (Decrease)
Total income	86,034,759	94,669,796	(8,635,037)
Total expenses	110,313,435	111,446,715	(1,133,280)
Loss before tax	(24,278,676)	(16,776,919)	7,501,757
Income tax expenses	125,288	917,404	(792,116)
Loss after tax	(24,403,964)	(17,694,323)	6,709,641
Other comprehensive income/(loss) for the period	-	-	-
<b>Comprehensive loss for the period</b>	<b>(24,403,964)</b>	<b>(17,694,323)</b>	<b>6,709,641</b>

## 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, 2024 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, 2024 and 2023. 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, 2024 and 2023.

## SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

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

1. The PMDC incurred operating losses for three consecutive CYs 2024, 2023 and 2022 in the amounts of P27.047 million, P12.474 million and P55.046 million, respectively. This condition poses risk on the PMDC's operational efficiency as the revenue/income earned from royalty and commitment fees for the said years, in the amounts of P70.863 million, P80.987 million and P39.337 million were insufficient to cover its operating expenses in the amounts of P97.910 million, P93.461 million and P94.383 million, respectively, which if could not be promptly addressed might undermine the Corporation's ability to continue as a going concern entity.
  - 1.1. We reiterated our previous year's recommendation that Management, in order to generate stable and sufficient income for PMDC's continuous operation, pursue viable strategies and exert all efforts, in partnership with the existing Joint Operating Agreement (JOA) Partner/Project Financing/Service Provider (PFSP), to expedite the completion of the exploration/assessment activities of the 14 awarded Projects covering the mining properties/assets, so that these can be promptly put into commercial operation.
2. The monitoring activities on the mining operations on the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone Projects were not fully conducted by the PMDC since its Partners/Operators did not submit for approval the Commercial Operation Work Program and Budget (COWPB) for CY 2024 as well as the necessary reports supporting their mining operations, contrary to Section 8.6 of the PMDC Quality Procedures Manual on Project Management (QPMPM). Thus, there is no assurance that the PMDC shares in royalty fees in CY 2024 were completely reported and sustainable mining operations was undertaken by its Partners/Operators in accordance with the JOAs.
  - 2.1. We recommended that Management require the:
    - a. Legal Department in coordination with the Project Management Department (PMD) to exhaust legal means to enforce the Partners/Operators to submit all the documents and reports needed for the conduct of the monitoring activities on the mining operations on the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone Projects; and
    - b. PMD, moving forward, to regularly conduct the monitoring activities on the mining operations of the Partners/Operators of the Corporation in compliance with Section 8.6 of the PMDC QPMPM.

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

As of December 31, 2024, the unsettled audit disallowances amounted to P1.376 million, 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 YEAR'S AUDIT RECOMMENDATIONS**

Of the seven audit recommendations embodied in Annual Audit Report for the years ended December 31, 2023 and 2022, two were implemented, three were not implemented, and two were 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  
Teklite Towers (formerly Philippine Stock Exchange Centre)  
Exchange Road, Ortigas Center, Pasig City  
Metro Manila

### **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, 2024 and 2023, 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 material accounting policy and information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the PMDC as at December 31, 2024 and 2023, 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 Matters***

We draw attention to the PMDC's financial condition which has been affected by continued losses for three consecutive years. As discussed in Note 1.2.II to financial statements, the PMDC on September 16, 2024, received a Department of Environment and Natural

Resources (DENR) directive to refrain from the disposition of the remaining projects/mining tenements transferred by the DENR pursuant to DENR Memorandum Order No. 2007-05. Since then and in compliance to the said directive, the PMDC held off any activities related to bidding out of mining properties. Recognizing the operational challenges, the PMDC has already identified measures to cushion the short-term effects of inadequate funds, one of which is the streamlining of manpower complement, and other cost-reduction initiatives. While simultaneously working with the Joint Operating Agreement partner/Project Finance Service Provider in expediting exploration activities, the PMDC will focus its interventions and action plans on priority projects, such as, the Dinagat Parcel 1 Nickel-Chromite, the Dinagat Parcel 2A Nickel-Chromite, the Dinagat Parcel 2B Nickel-Chromite, the Pinamungahan Limestone, and Cagayan de Oro-Gold. The Dinagat Parcel 2A Nickel-Chromite Project is forecasted to transition to commercial phase in calendar year 2025.

Likewise, we also draw attention to Note 17 to financial statements which stated that the PMDC has suspended its monthly amortization payments to the National Development Company (NDC) starting March 2019 billing and has not accrued the interest expenses and payable thereof. Due to the circumstances surrounding the PMDC's complaint against the NDC filed before the Office of the Government Corporate Counsel 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 P16,279,308 as of December 31, 2024 based on the Loan Restructuring Agreement as the validity thereof is being questioned.

Our opinion is not modified in respect of these matters.

#### ***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 34 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**



**ALEJANDRO C. RAMIREZ**

State Auditor IV

OIC-Supervising Auditor

Audit Group E – Natural Resources and Technology

Cluster 5 - Agriculture and Natural Resources

Corporate Government Audit Sector

April 16, 2025



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

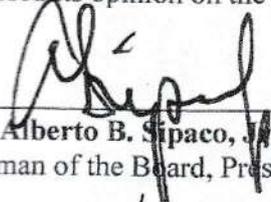
The management of **Philippine Mining Development Corporation (PMDC)** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting 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 Directors, 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 11<sup>th</sup> day of April 2025.



**PHILIPPINE MINING DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
As at December 31, 2024 and 2023  
(In Philippine Peso)

	Note	2024	2023
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	162,300,578	217,606,027
Receivables, net	8	46,255,969	13,709,555
Inventories, net	9	2,971,134	2,892,846
Other current assets	10	15,713,381	14,898,885
<b>Total current assets</b>		<b>227,241,062</b>	<b>249,107,313</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	11	143,789,657	147,024,297
Intangible assets, net	12	1,987,736	1,167,230
Other non-current assets	13	1,862,795	1,876,194
<b>Total non-current assets</b>		<b>147,640,188</b>	<b>150,067,721</b>
<b>TOTAL ASSETS</b>		<b>374,881,250</b>	<b>399,175,034</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	14	1,805,581	2,437,774
Inter-agency payables	15	2,090,029	2,063,457
Other payables	16	52,645,000	57,000,000
<b>Total current liabilities</b>		<b>56,540,610</b>	<b>61,501,231</b>
<b>Non-current liabilities</b>			
Financial liabilities	17	56,660,401	56,660,401
Trust liabilities	18	68,390,142	70,526,644
Provisions	19	5,412,466	5,522,818
Deferred credits/unearned income	20	180,751,276	173,647,176
<b>Total non-current liabilities</b>		<b>311,214,285</b>	<b>306,357,039</b>
<b>TOTAL LIABILITIES</b>		<b>367,754,895</b>	<b>367,858,270</b>
<b>EQUITY</b>			
Share capital	30.1	125,000,000	125,000,000
Revaluation surplus	30.2	1,349,850	1,349,850
Retained earnings/(deficit)	30.3	(119,223,495)	(95,033,086)
<b>TOTAL EQUITY</b>		<b>7,126,355</b>	<b>31,316,764</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>374,881,250</b>	<b>399,175,034</b>

*The notes on pages 10 to 65 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2024 and 2023  
*(In Philippine Peso)*

<b>Income</b>	<b>Note</b>	<b>2024</b>	<b>2023</b>
Service and business income	21	73,243,547	84,942,536
Gain on foreign exchange (FOREX)	22	12,776,813	9,376,347
Gain on sale of unserviceable property	22	14,286	-
Other non-operating income	23	113	350,913
<b>Total income</b>		<b>86,034,759</b>	<b>94,669,796</b>
<b>Expenses</b>			
Personnel services	24	72,375,189	67,931,060
Maintenance and other operating expenses	25	25,535,056	25,529,839
Non-cash expenses	26	12,346,620	17,898,292
Financial expenses	27	56,570	87,524
<b>Total expenses</b>		<b>110,313,435</b>	<b>111,446,715</b>
Loss before tax		(24,278,676)	(16,776,919)
Income tax expenses	28	125,288	917,404
Loss after tax		(24,403,964)	(17,694,323)
Other comprehensive income/(loss) for the period		-	-
<b>COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(24,403,964)</b>	<b>(17,694,323)</b>

*The notes on pages 10 to 65 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2024 and 2023  
*(In Philippine Peso)*

	Share capital Note 30.1	Revaluation surplus Note 30.2	Retained earnings/ (deficit) Note 30.3	Total
<b>BALANCE AT DECEMBER 31, 2022</b>	<b>125,000,000</b>	<b>1,349,850</b>	<b>(77,338,763)</b>	<b>49,011,087</b>
<b>CHANGES IN EQUITY FOR 2023</b>				
Add/(Deduct):				
Comprehensive loss for the period	-	-	(17,694,323)	(17,694,323)
<b>BALANCE AT DECEMBER 31, 2023</b>	<b>125,000,000</b>	<b>1,349,850</b>	<b>(95,033,086)</b>	<b>31,316,764</b>
<b>CHANGE IN EQUITY FOR 2024</b>				
Add/(Deduct):				
Comprehensive loss for the period	-	-	(24,403,964)	(24,403,964)
Adjustments	-	-	213,555	213,555
<b>BALANCE AT DECEMBER 31, 2024</b>	<b>125,000,000</b>	<b>1,349,850</b>	<b>(119,223,495)</b>	<b>7,126,355</b>

*The notes on pages 10 to 65 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2024 and 2023  
(In Philippine Peso)

	Note	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash inflows</b>			
Receipt of commitment fee for remittance to the Bureau of the Treasury	20.1.c	50,215,500	-
Collection of income/revenue/receivables		40,380,200	86,023,885
Collection of other trust receipts		443,426	-
Collection of trust receipts - bid documents		-	265,000
Receipt of performance bond		-	4,063,910
Other receipts		6,794,084	2,904,781
<b>Total cash inflows</b>		<b>97,833,210</b>	<b>93,257,576</b>
<b>Cash outflows</b>			
Payment of expenses		76,537,871	70,763,391
Remittance of commitment fee to the Bureau of the Treasury	20.1.c	50,215,500	-
Remittance of mandatory contributions		17,592,003	15,352,497
Grant of cash advances		6,672,550	8,327,492
Prepayments		544,083	169,969
Payment of other deposits		101,942	100,000
Purchase of inventories		77,492	86,841
Other disbursements		1,208,312	9,506,379
<b>Total cash outflows</b>		<b>152,949,753</b>	<b>104,306,569</b>
<b>Net cash used in operating activities</b>		<b>(55,116,543)</b>	<b>(11,048,993)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash inflows</b>			
Proceeds from return on investments		179,941,318	99,990,001
Receipt of interest earned		2,370,581	3,869,651
<b>Total cash inflows</b>		<b>182,311,899</b>	<b>103,859,652</b>
<b>Cash outflows</b>			
Purchase/acquisition of investments		179,997,609	99,999,903
Purchase/construction of property, plant and equipment		806,529	2,532,048
Purchase of intangible assets		941,042	538,482
<b>Total cash outflows</b>		<b>181,745,180</b>	<b>103,070,433</b>
<b>Net cash provided by investing activities</b>		<b>566,719</b>	<b>789,219</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash outflows</b>			
Payment of cash dividends	30.3	4,355,000	6,512,612
<b>Total cash outflows</b>		<b>4,355,000</b>	<b>6,512,612</b>
<b>Cash used in financing activities</b>		<b>(4,355,000)</b>	<b>(6,512,612)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(58,904,824)</b>	<b>(16,772,386)</b>
Effects of exchange rate changes on cash and cash equivalents	7	3,599,375	(2,085,656)
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>		<b>217,606,027</b>	<b>236,464,069</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	7	<b>162,300,578</b>	<b>217,606,027</b>

*The notes on pages 10 to 65 form part of these financial statements.*

**PHILIPPINE MINING DEVELOPMENT CORPORATION**  
*(Formerly Natural Resources Mining Development Corporation)*

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2024 and 2023

*(All amounts in Philippine Peso unless otherwise stated)*

**1. CORPORATE INFORMATION**

**1.1. Mandate of the Corporation**

The **PHILIPPINE MINING DEVELOPMENT CORPORATION** (PMDC or the Corporation), formerly Natural Resources Mining Development Corporation (NRMDC), is a 100 percent 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 percent of the total capital stock, and the Philippine National Oil Company-Energy Development Corporation (PNOC-EDC), for the remaining 45 percent. 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 Republic of the Philippines, in a Memorandum dated June 9, 2005, to increase its capital stock from P100.000 million to P125.000 million. This resulted in a revised equity structure for the PMDC, where the DENR-NRDC, PNOC-EDC, and National Development Company (NDC) held 44 percent, 36 percent and 20 percent, respectively. The PNOC-EDC holdings of 36 percent (P45.000 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 percent 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 Republic 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 percent 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, Philippines. It has a current workforce of 55 filled up regular plantilla positions and 50 project employees.

The financial statements of the Corporation as at and for the year ended December 31, 2024 (including the comparative financial statements as at and for the year ended December 31, 2023) were authorized for issue by the PMDC's BOD on April 11, 2025.

### **Mining Property**

On May 28, 2007, the DENR transferred to the PMDC, through DENR 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.

## **1.2. Status of the Corporation**

### **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 fee, 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 2024**

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 has 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 12 shipments this year, while Dinagat Parcel 2B declared temporary stoppage of operations due to low prices of the Nickel-Ore extracted in the area. The Pinamungahan Limestone Project had an actual production of 538,153.75 metric tons (MT) of limestone as of December 31, 2024.

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) on CY 2022. The project is covered by a Financier/Service Provider (FSP) Agreement, wherein the PMDC is the direct mining operator of the project and Due East is the FSP.
- c. The PMDC and its respective FSPs for the Rogongon Copper-Gold, Dinagat Parcel 2A Nickel-Chromite and CDO Gold Projects, continues its relevant activities in connection with permit processing and exploration activities in the project areas. With the issuance of the Authority to Verify Minerals (ATVM) to Dinagat Parcel 2A Nickel-Chromite Project, drilling was conducted with a total of 322 drillholes in CY 2023 and an additional 250 ore blocking drillholes in CY 2024. A final exploration report and feasibility study were submitted for the project. Activities related for the application of Environmental Compliance Certificate was conducted this year. A technical

scoping was conducted on November 2024 together with the Environmental Management Bureau staffs and Technical Panel. The Rogongon Copper-Gold Project conducted activities related to the Free, Prior and Informed Consent (FPIC) process to acquire the Certification Precondition (CP) to be issued by the National Commission on Indigenous Peoples (NCIP). This year, the MOA between PMDC, NCIP, and Indigenous Peoples of Rogongon was already signed, and submitted to NCIP Central Office for review and/or issuance of CP. For the CDO Gold Project, activities related to exploration permit process specifically joint ground validation by the Bureau of Soil and Water Management (BSWM) of the Department of Agriculture, the Mines to validate the suitability of the area as Specialized Agriculture and Fisheries Development Zone (SAFDZ). Based on the result of the validation, only one percent remained as SAFDZ; therefore, the rest of the SAFDZ area was cleared for PMDC's application for exploration permit. Series of reconnaissance and sampling were conducted in the area, and the laboratory analysis present promising results.

- 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 PMDC disapproved the same, 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 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, PMDC and 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 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 (PrC) approval of the award to AAMRC. For this reason, PMDC had to request approval of PrC. The AAMRC, however, later on, relented and agreed to pay its bid in one lumpsum consistent with the TOR and PrC 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 917, 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 was issued an ATVM in order to conduct exploration activities on ground. The processing of the application for Financial and Technical Assistance Agreement (FTAA) covering the project area is being undertaken.

- 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 Peoples Rights Act of 1997 (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 Mabatás Tailings Dam; and
  - ii. Continue the construction works in the facilities related to the Mabatás Tailings Dam. The sub-facilities of the Mabatás Tailings Storage Facility (MTSF) 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 in CY 2022 to cater

the demands for seedlings for reforestation and tree planting activities. For CY 2024, the improvement of launder system, the rehabilitation of road network within the MTSF, and the improvement of the MTSF through setting up of settling ponds and implementation of slope protection are the proposed sub-facilities in the Mabatas Complex. For CY 2025, following up the construction of nursery, the house hoop is to be constructed where seedlings will be grown. Tree planting will be conducted also in chosen areas, and in the Mabatas Complex as the seedlings will act as fence as they grow up.

In CY 2023, the PMDC operator, Paraiso Consolidated Mining Corporation (PACOMINCO), was prevented from resuming further exploration/drilling work in the 729 Area assigned to PMDC because small-scale miners, allegedly led by the Municipal Mayor of Monkayo, forcibly took over the Project Area, particularly the Victory Tunnel. During the year, 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 PACOMINCO/PMDC. The contract with PACOMINCO is due for renewal.

## II. Path forward from the Coronavirus Disease (COVID) pandemic and recent policy issues

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

On September 16, 2024, the PMDC received a DENR directive to refrain from the disposition of the remaining projects/mining tenements transferred by the DENR pursuant to DMO No. 2007-05. Since then and in compliance to the said directive, the PMDC held off any activities related to bidding out of mining properties.

Recognizing the operational challenges, the PMDC has already identified measures to cushion the short-term effects of inadequate funds, one of which is the streamlining of manpower complement, and other cost-reduction initiatives.

While simultaneously working with the JOA partner/Project Finance Service Provider (PFSP) in expediting exploration activities, the PMDC will focus its interventions and action plans on priority projects, such as, the Dinagat Parcel 1 Nickel-Chromite, the Dinagat Parcel 2A Nickel-Chromite, the Dinagat Parcel 2B Nickel-Chromite, the Pinamungahan Limestone, and CDO-Gold.

The Dinagat Parcel 2A Nickel-Chromite project is forecasted to transition to commercial phase in CY 2025.

For CY 2024, the PMDC was able to generate revenues from the shipments of nickel ores in Dinagat Parcel 1 Project and limestone production in Pinamungahan Limestone Project.

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 Fee on bidding of other PMDC Mining Properties. In addition, the PMDC had finally settled the 13 year-long pending award of the North Davao Mining Property, thereby, generating \$28,500,000 as first Advance Commitment Fee, upon signing of the JOA, for the Government. The 90 percent of the aforementioned figure was successfully remitted to the Bureau of the Treasury (BTr) last December 2022. The PMDC retained the remaining 10 percent management fee as provided by the Trust Agreement between the PMDC and the PrC. In addition, annual Commitment fee of \$1,000,000 was collected, wherein 90 percent was remitted to the BTr last September 24, 2024. The PMDC retained the remaining 10 percent.

The gradual shifting of the PMDC's business model of royalty-based business to directly operate the mining property together with the FSP 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

In CY 2024, the PMDC continued its commitment to community development through various CSR initiatives focused on health, education, environmental protection, and stakeholder engagement.

The PMDC organized a medical mission in Barangay Rogongon, Iligan City, providing healthcare services, including medical consultations, dental check-ups, and circumcision, to the Higaonon Tribe and the local community. Monthly rice subsidies were also provided to Mt. Diwata health workers, including Barangay Health Workers, Nutrition Scholars, Rural Health Midwives, Nurses, and the Resident Doctor, as well as security forces stationed in the DMRA: the Philippine National Police (PNP) and the Armed Forces of the Philippines (AFP), including

the 25<sup>th</sup> Infantry Battalion, 10<sup>th</sup> Infantry Division, Citizen Armed Force Geographical Unit (CAFGU) Active Auxillary Company (CAAC)-II, which rice subsidy was already discontinued.

In support of education, the PMDC participated in Brigada Eskwela by assisting high schools in the DMRA. The Corporation also distributed umbrellas to elementary school pupils, ensuring their comfort during extreme weather conditions.

The PMDC conducted several Information, Education, and Communication (IEC) campaigns to promote responsible mining and community awareness. In Hernani, the Corporation introduced the Hernani Chromite Project, while in Rogongon, the PMDC was reintroduced and facilitated a Basic Gender and Development (GAD) Orientation focusing on the Magna Carta of Women. The IEC campaigns in secondary schools within the DMRA covered the PMDC's role, responsible mining practices, and the environmental effects of cyanide and mercury.

To reinforce environmental stewardship, the PMDC led a clean-up drive in the Mabatas Complex. The Corporation also engaged stakeholders through public scoping in Dinagat Parcel 2A and a community dialogue on the Batong Buhay Copper-Gold Project.

Up until April 2024, the PMDC also provided a monthly subsistence allowance to the CAFGU CAAC-II personnel.

As necessary, the PMDC requests for AFP/PNP security assistance located within the DMRA.

Through these initiatives, the PMDC remained dedicated to sustainable development, benefiting communities across its project areas while promoting health, education, environmental responsibility, peace and order, and safety.

#### IV. Corporate systems development and ISO Certification

In December 2024, the PMDC successfully passed the ISO Recertification of ISO 9001:2015 – Quality Management System.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### 2.1. Statement of Compliance with Philippine Financial Reporting Standards (PFRSs) and Revised Chart of Accounts (RCA)

The accompanying financial statements of the PMDC as at and for the years ended December 31, 2024 and 2023 have been prepared in accordance with PFRSs as prescribed for adoption under Commission on Audit (COA) Circular No. 2017-004 dated December 13, 2017. In addition, COA Circular No. 2020-002 dated January 28, 2020 is adopted for the Updated RCA 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.

## **2.2. 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.

## **2.3. 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. ADOPTION OF NEW AND AMENDED PFRSs**

### **3.1. New standards and amendments effective in CY 2024 that are relevant to the Corporation**

- a. 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 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 PAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

b. 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 12 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 12 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 12 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 12 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 amendments had no impact on the Corporation's year-end financial statements.

**3.2. New Standards effective in CY 2024 that are not relevant or applicable to the Corporation**

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

a. 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.

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

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. 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, 2024 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, 2025.

- Amendments to PAS 21 - *Lack of Exchangeability*

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not, as follows:

- *Specify when a currency is exchangeable into another currency and when it is not* - a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.
- *Specify how an entity determines the exchange rate to apply when a currency is not exchangeable* - when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- *Require the disclosure of additional information when a currency is not exchangeable* - when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

Effective for annual reporting periods beginning on or after January 1, 2026.

- Amendments to PFRS 9 and PFRS 7 - *Classification and Measurement of Financial Instruments*

The following amendments address matters identified during the post-implementation review of the classification and measurement requirements of PFRS 9 *Financial Instruments*.

- *Derecognition of a financial liability settled through electronic transfer*: The amendments to the application guidance of PFRS 9 permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met. An entity that elects to apply the derecognition option would be required to apply it to all settlements made through the same electronic payment system.

- *Classification of financial assets:*
  - *Contractual terms that are consistent with a basic lending arrangement.* The amendments to the application guidance of PFRS 9 provide guidance on how an entity can assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement. To illustrate the changes to the application guidance, the amendments add examples of financial assets that have, or do not have, contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.
  - *Assets with non-recourse features.* The amendments enhance the description of the term 'non-recourse'. Under the amendments, a financial asset has non-recourse features if an entity's ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
  - *Contractually linked instruments.* The amendments clarify the characteristics of contractually linked instruments that distinguish them from other transactions. The amendments also note that not all transactions with multiple debt instruments meet the criteria of transactions with multiple contractually linked instruments and provide an example. In addition, the amendments clarify that the reference to instruments in the underlying pool can include financial instruments that are not within the scope of the classification requirements.
- *Disclosures:*
  - *Investments in equity instruments designated at fair value through other comprehensive income.* The requirements in PFRS 7 are amended for disclosures that an entity provides in respect of these investments. In particular, an entity would be required to disclose the fair value gain or loss presented in other comprehensive income during the period, showing separately the fair value gain or loss that relates to investments derecognized in the period and the fair value gain or loss that relates to investments held at the end of the period.
  - *Contractual terms that could change the timing or amount of contractual cash flows.* The amendments require the disclosure of contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs. The requirements apply to each class of financial asset measured at amortized cost or fair value through other comprehensive income and each class of financial liability measured at amortized cost.

Effective for annual reporting periods beginning on or after January 1, 2027.

- PFRS 18 – *Presentation and Disclosure in Financial Statements*

The standard includes requirements for all entities applying PFRS for the presentation and disclosure of information in general purpose financial statements to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.

The Corporation does not anticipate that the amendments if applied earlier or prospectively will have an impact on the financial statements.

**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, 2027.

- PFRS 19 - *Subsidiaries without Public Accountability: Disclosures*

The standard specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other PFRS Accounting Standards.

An entity applying PFRS 19 is not required to apply the disclosure requirements in other PFRS Accounting Standards nor apply any statements about, or references to, those disclosure requirements. The following exceptions apply:

- disclosure requirements in other PFRS Accounting Standards that remain applicable to an entity applying PFRS 19 are specified in PFRS 19.
- if an entity applying PFRS 19 applies PFRS 8 *Operating Segments*, PFRS 17 *Insurance Contracts* or PAS 33 *Earnings per Share*, it is required to apply all the disclosure requirements in those standards.
- a new or amended PFRS Accounting Standard may include disclosure requirements about an entity's transition to that standard. Any relief available to an entity applying this standard from disclosure requirements about the entity's transition to that new or amended standard will be set out in the new or amended PFRS Accounting Standard.

#### **4. MATERIAL ACCOUNTING POLICY AND INFORMATION**

The material accounting policy information 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.

##### **4.1. 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:

##### **4.1.1. 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 Receivables. (See *Notes 7 and 8*)

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.

**4.1.2. 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 ECL, 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.

#### **4.1.3. 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)

#### **4.2. 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 9*)

#### **4.3. 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 10 and 13*)

#### **4.4. Property, Plant and Equipment (PPE)**

PPEs 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 11*)

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 percent 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 PPE.

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.

#### **4.5. 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 11 and 30.2)

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 percent, 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 11)

#### **4.6. 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 12)

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.

#### **4.7. Financial Liabilities**

Financial liabilities, Inter-agency payables, Other payables and Trust liabilities (excluding tax-related liabilities) and Loans payable, are recognized when the Corporation becomes a party to the contractual terms of the instrument. These liabilities are stated at nominal values. All interest-related charges incurred on financial liability are recognized as expense in profit or loss under Financial expenses in the Statements of Comprehensive Income as required in PAS 1 and PFRS 9. (See Notes 14, 15, 16, 17, 18, and 27)

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.

#### **4.8. 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).

#### **4.9. 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 2024 and 2023, 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 19 and 24.4*)

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.

#### **4.10. Revenue and Expense Recognition**

Revenue is recognized by applying PFRS 15 to all contracts that have the following attributes (see *Note 21*):

- 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 24, 25, 26 and 27*)

#### **4.11. 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 2024 and 2023 lease transactions as lessee fall under either short-term leases or leases of low-value assets. (See *Notes 25.11 and 31.1*)

#### **4.12. 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 *Notes 22 and 26.4*)

#### **4.13. 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 exist 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 11*)

#### **4.14. 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.

#### 4.15. Income Taxes

The Income tax expenses represent the amount of tax currently payable (PAS 1 and PAS 12).

Under PAS 12, Income tax expenses comprise 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 expenses 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 28)

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.

#### **4.16. 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 29)

#### **4.17. 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 30)

#### **4.18. 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).

### **5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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.

#### **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 30.2).

In CY 2023, the Corporation undertook an internal valuation of the three of its Infrastructure assets following the Restoration Cost Approach of the Government Accounting Manual (GAM), Volume 1, Chapter 10, Sec. 28 Item b.2. The corresponding impairment loss has been recognized in profit or loss as part of non-cash expenses. (See Notes 4.13, 11 and 26.3)

## 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 4.1 and 4.7)

### 6. RECLASSIFICATION OF ACCOUNTS ON THE ADOPTION OF THE UPDATED RCA (2019) FOR GOVERNMENT CORPORATIONS

The CY 2023 accounts were reclassified to conform with the Updated RCA (2019) for Government Corporations as prescribed under COA Circular No. 2020-002 dated January 28, 2020.

#### Reclassification of the accounts

As at December 31, 2023

Old Accounts	Previously Reported	Reclassification	As Reclassified	New Accounts
<b>ASSETS</b>			<b>ASSETS</b>	
<b>Current assets</b>			<b>Current assets</b>	
Cash and cash equivalents	217,606,027	-	217,606,027	Cash and cash equivalents
Trade and other receivables, net	13,709,555	-	13,709,555	Receivables, net
Inventories, net	2,892,846	-	2,892,846	Inventories, net
Other current assets	14,898,885	-	14,898,885	Other current assets
<b>Total current assets</b>	<b>249,107,313</b>	-	<b>249,107,313</b>	<b>Total current assets</b>
<b>Non-current assets</b>			<b>Non-current assets</b>	
Property, plant and equipment, net	147,024,297	-	147,024,297	Property, plant and equipment, net
Intangible assets, net	1,167,230	-	1,167,230	Intangible assets, net
Other non-current financial assets	1,876,194	-	1,876,194	Other non-current assets
<b>Total non-current assets</b>	<b>150,067,721</b>	-	<b>150,067,721</b>	<b>Total non-current assets</b>
<b>TOTAL ASSETS</b>	<b>399,175,034</b>	-	<b>399,175,034</b>	<b>TOTAL ASSETS</b>
<b>LIABILITIES</b>			<b>LIABILITIES</b>	
<b>Current liabilities</b>			<b>Current liabilities</b>	
Trade and other payables	80,550,693	(80,550,693)	-	Trade and other payables
	-	2,437,774	2,437,774	Financial liabilities
	-	2,063,457	2,063,457	Inter-agency payables
Other payables	57,000,000	-	57,000,000	Other payables
<b>Total current liabilities</b>	<b>137,550,693</b>	<b>(76,049,462)</b>	<b>61,501,231</b>	<b>Total current liabilities</b>
<b>Non-current liabilities</b>			<b>Non-current liabilities</b>	
Financial liabilities	56,660,401	-	56,660,401	Financial liabilities
	-	70,526,644	70,526,644	Trust liabilities
	-	5,522,818	5,522,818	Provisions
Deferred credits/unearned income	173,647,176	-	173,647,176	Deferred credits/unearned income
<b>Total non-current liabilities</b>	<b>230,307,577</b>	<b>76,049,462</b>	<b>306,357,039</b>	<b>Total non-current liabilities</b>
<b>TOTAL LIABILITIES</b>	<b>367,858,270</b>	-	<b>367,858,270</b>	<b>TOTAL LIABILITIES</b>
<b>EQUITY</b>			<b>EQUITY</b>	
Share capital	125,000,000	-	125,000,000	Share capital
Revaluation surplus	1,349,850	-	1,349,850	Revaluation surplus
Retained earnings/(deficit)	(95,033,086)	-	(95,033,086)	Retained earnings/(deficit)
<b>TOTAL EQUITY</b>	<b>31,316,764</b>	-	<b>31,316,764</b>	<b>TOTAL EQUITY</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>399,175,034</b>	-	<b>399,175,034</b>	<b>TOTAL LIABILITIES AND EQUITY</b>

## 7. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2024	2023
Cash on hand	105,000	107,000
Cash in bank-local currency	72,307,891	138,489,200
Cash in bank-foreign currency	89,887,687	79,009,827
	<b>162,300,578</b>	<b>217,606,027</b>

The Cash in bank earns interest at floating rates based on daily bank deposit rates. The dollar deposits amounting to United States (US) \$1,553,940.48 and US\$1,421,883.98, as at December 31, 2024 and 2023, respectively. These were translated in Philippine Peso based on the Banker's Association of the Philippines (BAP) closing rate and Bangko Sentral ng Pilipinas (BSP) exchange rate of P57.845 and P55.567 to US\$1 prevailing at the end of said years, respectively. Unrealized exchange gain, net of P3,599,375 (P7,978,163 – P11,577,538), and unrealized exchange loss, net of P2,085,656 (P7,713,152 – P5,627,496) as at December 31, 2024 and 2023, respectively, were recognized. (See Notes 22 and 26.4)

In CYs 2024 and 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.

## 8. RECEIVABLES

This account is composed of the following:

	Note	2024	2023
Loans and receivables	8.1	45,893,641	13,533,443
Inter-agency receivables	8.2	-	45,587
Other receivables	8.3	362,328	130,525
		<b>46,255,969</b>	<b>13,709,555</b>

### 8.1. Loans and Receivables

	2024	2023
Accounts receivable-AAM-PHIL*	44,537,493	12,124,275
Accounts receivable-Century Peak**	1,356,148	1,409,168
	<b>45,893,641</b>	<b>13,533,443</b>

\*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. In CY 2024, a total of US\$770,165.76 was translated in Philippine Peso resulting in unrealized FOREX gain of P561,613. While in CY 2023, a total of US\$218,192 was translated in Philippine Peso resulting in unrealized FOREX loss of P159,552. Translation was based on the BAP closing rate of P57.845 and BSP exchange rate of P55.567 to US\$1 prevailing as at December 27, 2024 and December 29, 2023, respectively. (See Note 22)

## 8.2. 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 amount of P45,587 for CY 2023.

## 8.3. Other Receivables

	2024	2023
Receivables-disallowances/charges	213,555	-
Due from officers and employees	176,840	171,477
Other receivables	84,710	71,825
	475,105	243,302
Allowance for impairment	(112,777)	(112,777)
	<b>362,328</b>	<b>130,525</b>

In CY 2024, the PMDC received a Notice of Finality of Decision (NFD) from the COA and recorded under Receivables-disallowances/charges account the disallowances pertaining to the transportation and communication allowances given to rank and file employees for CY 2012.

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 percent Allowance for impairment. No impairment loss was recognized in CYs 2024 and 2023.

## 9. INVENTORIES

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

	2024	2023
Construction materials inventory	199,669	122,177
Electrical supplies and materials inventory	80,829	80,829
Fuel, oil and lubricants inventory	796	-
Other supplies and materials inventory	3,489,655	3,489,655
	3,770,949	3,692,661
Allowance for impairment - Other supplies and materials inventory	(799,815)	(799,815)
	<b>2,971,134</b>	<b>2,892,846</b>

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 2024. Based on the physical count, ocular inspection, and reconciliation, no Electrical and Other supplies and materials were issued during the year. (See also *Note 4.2*)

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.

## 10. OTHER CURRENT ASSETS

This account consists of:

	Note	2024	2023
Creditable input tax		1,519,784	892,970
Prepaid rent	10.1	280,219	274,970
Prepaid insurance	10.2	230,193	-
Prepaid subscription	10.2	203,640	-
Advances to officers and employees		20,016	132,250
Advances to contractors		3,381	-
Advances to special disbursing officer		1,827	19,086
Other prepayments	10.3	13,454,321	13,579,609
		<b>15,713,381</b>	<b>14,898,885</b>

### 10.1. Prepaid Rent

Prepaid rent pertains to the advance rental paid to Amberland Corporation for lease of COA office situated at the 7<sup>th</sup> 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 2<sup>nd</sup> Floor, SDC Building 2, Corner Mangga – Luisa St., Juna Subdivision, Matina, Davao City.

### 10.2. Prepaid Insurance and Prepaid Subscription

These prepayments correspond to unexpired portion of insurance premiums of the PMDC with Government Service Insurance System (GSIS) and various subscriptions for Virtual Private Network (VPN), Domain Registry, Jobstreet postings, anti-virus, cloud hosting, mineral marker prices trade platform and video conferencing.

### 10.3. Other Prepayments

Other prepayments pertain to income tax credit carried forward to succeeding taxable period. (See Note 28)

## 11. 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 11.1)	Construction in progress (Note 11.2)	Total
<b>As at December 31, 2024</b>									
Balances at January 1	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
Additions	202,425	101,605	238,393	264,108	-	-	-	-	806,531
Depreciation for the year (Note 26)	(1,818,261)	(285,805)	(570,201)	(787,401)	(27,065)	(86,518)	(453,150)	-	(4,028,401)
Impairment for the year (Note 11.5)	-	-	(12,770)	-	-	-	-	-	(12,770)
<b>Carrying amount</b>	<b>36,243,807</b>	<b>1,384,522</b>	<b>1,763,496</b>	<b>3,074,822</b>	<b>581,421</b>	<b>525,796</b>	<b>91,482,800</b>	<b>8,732,993</b>	<b>143,789,657</b>
<b>As at December 31, 2024</b>									
Cost	48,328,631	6,190,037	9,001,477	15,930,116	712,235	4,315,471	92,389,100	8,732,993	185,600,060
Accumulated depreciation	(9,671,219)	(4,805,515)	(7,225,211)	(12,855,294)	(130,814)	(3,789,675)	(906,300)	-	(39,384,028)
Accumulated impairment losses	(2,413,605)	-	(12,770)	-	-	-	-	-	(2,426,375)
<b>Carrying amount</b>	<b>36,243,807</b>	<b>1,384,522</b>	<b>1,763,496</b>	<b>3,074,822</b>	<b>581,421</b>	<b>525,796</b>	<b>91,482,800</b>	<b>8,732,993</b>	<b>143,789,657</b>

	Infrastructure assets	Buildings and other structures	Machinery and equipment	Transportation equipment	Land improvements	Leased assets improvements	Exploration and evaluation assets (Note 11.1)	Construction in progress (Note 11.2)	Total
<b>As at December 31, 2023</b>									
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 11.3)	617,679	509,715	-	-	-	-	-	(1,127,394)	-
Adjustments (Note 11.4)	-	-	-	-	-	(131,521)	-	-	(131,521)
Depreciation for the year (Note 26)	(1,818,761)	(237,595)	(264,124)	(784,415)	(27,065)	(36,049)	(453,150)	-	(3,621,159)
Adjustments-accumulated depreciation (Note 11.4)	-	-	-	-	-	124,945	-	-	124,945
Impairment for the year (Note 11.5)	(2,413,605)	-	-	-	-	-	-	-	(2,413,605)
<b>Carrying amount</b>	<b>37,859,643</b>	<b>1,568,722</b>	<b>2,108,074</b>	<b>3,598,115</b>	<b>608,486</b>	<b>612,314</b>	<b>91,935,950</b>	<b>8,732,993</b>	<b>147,024,297</b>
<b>As at December 31, 2022</b>									
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 losses	(2,413,605)	-	-	-	-	-	-	-	(2,413,605)
<b>Carrying amount</b>	<b>37,859,643</b>	<b>1,568,722</b>	<b>2,108,074</b>	<b>3,598,115</b>	<b>608,486</b>	<b>612,314</b>	<b>91,935,950</b>	<b>8,732,993</b>	<b>147,024,297</b>

### 11.1. Exploration and Evaluation Assets

	2024	2023
<b>Victory tunnel and mining equipment</b>	<b>90,958,100</b>	<b>90,958,100</b>
Quasar jumbo drill	1,431,000	1,431,000
Accumulated depreciation	(906,300)	(453,150)
<b>Carrying amount</b>	<b>524,700</b>	<b>977,850</b>
	<b>91,482,800</b>	<b>91,935,950</b>

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 30.2)

## 11.2. Construction in Progress (CIP)

This account consists of the following:

	2024	2023
Mabatas Interim Dam Facility	8,658,872	8,658,872
Depot Storage	74,121	74,121
	<b>8,732,993</b>	<b>8,732,993</b>

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.

## 11.3. Transfer of Completed CIP to proper PPE accounts

In CY 2023, the following completed CIP were transferred to the following PPE sub-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
<b>Buildings and other structures</b>	
Nursery Seedling Plantation Project	509,715
	<b>1,127,394</b>

## 11.4. Adjustments

Adjustments were made in CY 2023 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).

## 11.5. Impairment

In CY 2024, the PMDC conducted a public bidding for the disposal of the pump, pleuger submersible motor for a minimum bid price of P30,000. Since no bidder offered to purchase the equipment, the PMDC recorded an impairment of P12,770 representing the difference between the carrying amount over the recoverable value.

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 (MWS)*

There are two water sources for the MWS, 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 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 supply/distribution tanks installed in the Mabatas Processing Complex.

The Lunod Water System Segment is the only part of the MWS 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. The PMDC is 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 as at December 31, 2023, 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 4.13)

	MWS	RDL	IDT	Total
<b>Carrying amount, Dec. 31, 2023</b>	<b>8,518,415</b>	<b>9,156,507</b>	<b>411,982</b>	<b>18,086,904</b>
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
<b>Value in use</b>	<b>8,211,776</b>	<b>6,943,786</b>	<b>397,293</b>	<b>15,552,855</b>
<b>Fair value less cost to sell</b>	<b>8,332,220</b>	<b>5,169,018</b>	<b>25,763</b>	<b>13,527,001</b>
Carrying amount, Dec. 31, 2023	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
<b>Impairment loss</b>	<b>186,195</b>	<b>2,212,721</b>	<b>14,689</b>	<b>2,413,605</b>

For RDL, a case conference was already conducted with the OGCC lawyers.

The Corporation assessed that no further impairment shall be recognized during the year.

## 12. INTANGIBLE ASSETS

This account consists of:

	2024	2023
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	1,479,524	538,482
	5,368,241	4,427,199
Accumulated amortization	(3,380,505)	(3,259,969)
	<b>1,987,736</b>	<b>1,167,230</b>

In CY 2023, the PMDC was able to bid a new Computerized Accounting System with Apptechology Experts, Inc. costing P4,020,668. Development in progress amounting to P1,479,524 includes the advance payment made in CY 2023 and subsequent progress and related billings in CY 2024.

## 13. OTHER NON-CURRENT ASSETS

This account consists of Other deposits representing guarantees made on account of contractual obligations with balances as at December 31, 2024 and 2023 in the amounts of P1,862,795 and P1,876,194, respectively.

## 14. FINANCIAL LIABILITIES – CURRENT

This account consists of:

	2024	2023
Accounts payable	1,742,065	2,377,721
Due to officers and employees	63,516	60,053
	<b>1,805,581</b>	<b>2,437,774</b>

Accounts payable account consists of payables to suppliers amounting to P17,620, unreleased checks to different suppliers amounting to P226,930, accrued liabilities of P98,306, and retention payable of P1,399,209 to the Mabatas project contractor.

#### 15. INTER-AGENCY PAYABLES

This account consists of:

	2024	2023
Due to Bureau of Internal Revenue (BIR)	1,124,352	1,166,898
Due to GSIS	500,461	501,625
Due to Philippine Health Insurance Corporation (PhilHealth)	203,208	157,420
Due to Pag-IBIG	111,553	67,362
Due to SSS	150,443	169,757
Value added tax (VAT) payable	12	395
	<b>2,090,029</b>	<b>2,063,457</b>

#### 16. OTHER PAYABLES

This account pertains to:

	2024	2023
Dividends payable	52,645,000	57,000,000
	<b>52,645,000</b>	<b>57,000,000</b>

As of December 31, 2024, the remaining unpaid balance of dividends in CYs 2019 and 2018 net earnings amounted to P20,254,395 and P32,390,605, respectively. (See Note 30.3.c)

Since the DOF has denied the Corporation's request for CY 2018 dividend adjustment and put on hold similar request for CY 2019 dividend pending the Governance Commission for GOCCs (GCG) clear policy direction for the PMDC, payment on the dividends outstanding balance will continue until the same is fully paid.

Moreover, the PMDC has been remitting to the National Government through the BTr a portion of its collections from revenues, and has provided the DOF an updated report on payment application for monitoring purposes.

#### 17. FINANCIAL LIABILITIES – NON-CURRENT

This account consists of:

	2024	2023
Loans payable – NDC	56,660,401	56,660,401
	<b>56,660,401</b>	<b>56,660,401</b>

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 29.a)

The loan contract also provided for P54,611,477 penalties payable in 3.25 years, which payment would commence in July 2023. As of December 31, 2024, the accumulated amount of P25,200,000 has not been recognized in the books. (See Note 29.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 P16,279,308 as of December 31, 2024 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 33)

## 18. TRUST LIABILITIES

This account consists of:

	Note	2024	2023
Performance bonds	18.1	65,828,764	65,828,764
Tailings maintenance		1,061,542	1,659,617
Vested rights		496,661	496,661
Bids and Awards Committee (BAC) honoraria		450,350	440,350
Bid security	18.2	200,000	270,000
Tailings storage fees-environmental monitoring fund		133,279	114,096
Tailings storage fees-environmental guarantee fund		66,639	57,048
Indigenous payable		16,130	16,130
Trust liabilities – others	18.3	136,777	1,643,978
		<b>68,390,142</b>	<b>70,526,644</b>

### 18.1. Performance Bonds

	2024	2023
AAM-PHIL	2,296,000	2,296,000
Carrascal Nickel Corporation	300,000	300,000
SBG3A Corporation	726,000	726,000
AAMRC	59,459,664	59,459,664
SBT Mining, Inc.	1,167,100	1,167,100
Tierra Mining Corporation	1,880,000	1,880,000
	<b>65,828,764</b>	<b>65,828,764</b>

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

18.3. Trust liabilities-others account includes maintenance, and royalty allocation for any claimants.

Royalty allocation consists of one percent allocated to any claimant who may later establish their vested rights out of the 15 percent 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.

## 19. PROVISIONS

	2024	2023
Leave benefits payable	5,412,466	5,522,818
	<b>5,412,466</b>	<b>5,522,818</b>

The account pertains to accrual of unused vacation and sick leave credits of the employees as of December 31, 2024. Changes in the account are attributed to the earned leave credits and monetization of the same during the year.

## 20. DEFERRED CREDITS/UNEARNED INCOME

	Note	2024	2023
Unearned revenue/income	20.1	172,696,800	165,592,700
Other deferred credits	20.2	8,054,476	8,054,476
		<b>180,751,276</b>	<b>173,647,176</b>

### 20.1. 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 percent per annum against the PMDC's share of 10 percent in the gross income;
- b. In CY 2022, Due East Construction and Equipment, Inc. paid a commitment fee for the CDO 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 percent of the total annual PMDC's share; and
- c. As of CY 2024, the PMDC received commitment fee derived from the North Davao Mining Property amounting to P164,689,600. This amount represents 10 percent 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 percent of the total commitment fee advanced by the AAMRC and received in Trust by the PMDC amounting to P50,215,500 and P1,431,834,300 were remitted to the BTr in CYs 2024 and 2022, respectively. 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.

- d. In CY 2024, the PMDC reclassified P1,507,200 from trust liabilities to unearned revenue. This pertains to commitment fee received from CNC Faratuk Mining Inc. which is creditable to future share of royalty of the PMDC during commercial mining operation stage at the rate not to exceed 20 percent of the royalty due.

## 20.2. 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 (Dinagat Parcel 2A 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.

## 21. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2024	2023
Royalty fees	64,613,021	20,177,407
Interest income, net	2,380,526	3,955,765
Other business income-commitment fee	6,250,000	60,809,364
	<b>73,243,547</b>	<b>84,942,536</b>

In CY 2024, the PMDC derived its revenues on royalty fees net of 20 percent final tax from the Dinagat Nickel-Chromite Project and Pinamungahan Project, and on commitment fee from the previously awarded mining tenements generated by virtue of a JOA with Tierra Mining Corporation and SBT Mining, Inc.

## 22. GAINS

This account consists of the following:

	2024	2023
Gain on FOREX – realized	637,662	3,748,851
Gain on FOREX – unrealized	12,139,151	5,627,496
Gain on sale of unserviceable property	14,286	-
	<b>12,791,099</b>	<b>9,376,347</b>

Unrealized gain on FOREX pertained to exchange rate changes of the foreign currency denominated Cash in bank amounting to P11,577,538 and foreign currency denominated royalty receivable amounting to P561,613. (See Notes 7 and 8.1)

In CY 2024, the PMDC was able to sell various unserviceable semi-expendable machinery and equipment resulting to a gain on sale amounting to P14,286.

## 23. OTHER NON-OPERATING INCOME

	2024	2023
Miscellaneous income	113	350,913
	<b>113</b>	<b>350,913</b>

## 24. PERSONNEL SERVICES

This account is composed of the following:

	Note	2024	2023
Salaries and wages	24.1	48,317,833	46,047,180
Other compensation	24.2	15,860,886	14,390,622
Personnel benefits contributions	24.3	5,670,334	5,429,823
Other personnel benefits	24.4	2,526,136	2,063,435
		<b>72,375,189</b>	<b>67,931,060</b>

### 24.1. Salaries and Wages

	2024	2023
Salaries and wages-regular	34,054,051	32,504,953
Salaries and wages-casual/contractual	14,263,782	13,542,227
	<b>48,317,833</b>	<b>46,047,180</b>

### 24.2. Other Compensation

	2024	2023
Year-end bonus	4,066,523	3,949,308
Mid-year bonus	4,035,327	3,697,041
Personnel economic relief allowance	1,283,434	1,255,773
Representation allowance	885,000	783,000
Transportation allowance	885,000	783,000
Clothing/uniform allowance	714,000	540,000
Directors and committee members' fees	608,000	448,000
Cash gift	524,000	485,000
Productivity incentive allowance	504,000	492,000
Overtime and night pay	3,602	-
Other bonuses and allowances	2,352,000	1,957,500
	<b>15,860,886</b>	<b>14,390,622</b>

### 24.3. Personnel Benefits Contributions

	2024	2023
Retirement and life insurance premiums	4,000,853	4,365,598
PhilHealth contributions	1,118,356	871,910
Pag-IBIG contributions	217,967	118,000
Employees compensation insurance premiums	333,158	74,315
	<b>5,670,334</b>	<b>5,429,823</b>

### 24.4. Other Personnel Benefits

	2024	2023
Other personnel benefits	2,526,136	2,063,435
	<b>2,526,136</b>	<b>2,063,435</b>

Other personnel benefits include consumed leave credits during the year amounting to P1,671,450 and retirement benefits amounting to P854,686.

## 25. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	Note	2024	2023
Professional services	25.1	4,523,951	3,881,647
Traveling expenses	25.2	3,253,887	1,854,505
General services	25.3	3,066,000	5,350,994
Supplies and materials expenses	25.4	1,833,234	1,823,599
Taxes, insurance premiums, and other fees	25.5	1,255,331	1,629,423
Utility expenses	25.6	1,216,963	1,110,387
Repairs and maintenance	25.7	794,426	470,768
Training and scholarship expenses	25.8	634,514	493,699
Communication expenses	25.9	607,536	343,214
Confidential, intelligence, and extraordinary expenses	25.10	30,599	62,030
Other maintenance and operating expenses	25.11	8,318,615	8,509,573
		<b>25,535,056</b>	<b>25,529,839</b>

### 25.1. Professional Services

	2024	2023
Auditing services	4,336,893	3,730,283
Consultancy services	152,058	79,196
Legal services	35,000	72,168
	<b>4,523,951</b>	<b>3,881,647</b>

### 25.2. Traveling Expenses

	2024	2023
Traveling expenses-local	3,253,887	1,854,505
	<b>3,253,887</b>	<b>1,854,505</b>

### 25.3. General Services

	2024	2023
Security services	1,104,000	3,307,400
Environment/sanitary services	85,465	41,671
Other general services	1,876,535	2,001,923
	<b>3,066,000</b>	<b>5,350,994</b>

### 25.4. Supplies and Materials Expenses

	2024	2023
Fuel, oil, and lubricants expenses	594,813	704,596
Semi-expendable machinery and equipment expenses	454,304	216,840
Office supplies expenses	204,032	247,278
Housekeeping/cleaning supplies expenses	119,111	105,007
Semi-expendable furniture, fixtures and books expenses	89,866	336,673
Electrical supplies and materials expenses	42,641	36,905
Non-accountable forms expenses	20,843	8,288
Drugs and medicines expenses	19,144	27,207
Other supplies and material expenses	288,480	140,805
	<b>1,833,234</b>	<b>1,823,599</b>

## 25.5. Taxes, Insurance Premiums, and Other Fees

	2024	2023
Insurance expenses	698,864	975,983
Taxes, duties, and licenses	325,852	363,580
Fidelity bond premiums	230,615	289,860
	<b>1,255,331</b>	<b>1,629,423</b>

The CY 2024 taxes, duties, and licenses include final tax on interest income from the PMDC's bank accounts.

## 25.6. Utility Expenses

	2024	2023
Electricity expenses	693,296	572,232
Water expenses	6,637	11,434
Other utility expenses	517,030	526,721
	<b>1,216,963</b>	<b>1,110,387</b>

## 25.7. Repairs and Maintenance

	2024	2023
Repairs and maintenance-transportation equipment	447,599	341,190
Repairs and maintenance-buildings and other structures	278,482	104,989
Repairs and maintenance-machinery and equipment	59,851	19,957
Repairs and maintenance-furniture and fixtures	8,224	2,816
Repairs and maintenance-other PPE	270	1,816
	<b>794,426</b>	<b>470,768</b>

## 25.8. Training and Scholarship Expenses

	2024	2023
Training expenses	634,514	493,699
	<b>634,514</b>	<b>493,699</b>

## 25.9. Communication Expenses

	2024	2023
Telephone expenses	354,670	145,616
Internet subscription expenses	216,825	154,153
Postage and courier services	36,041	43,445
	<b>607,536</b>	<b>343,214</b>

Telephone expenses include communication allowance granted to certain PMDC officers and employees based on Compensation and Position Classification System (CPCS) Notice No. 10 dated November 12, 2024.

## 25.10. Confidential, Intelligence, and Extraordinary Expenses

	2024	2023
Extraordinary and miscellaneous expenses	30,599	62,030
	<b>30,599</b>	<b>62,030</b>

## 25.11. Other Maintenance and Operating Expenses

	2024	2023
Rent/lease expenses	4,961,170	4,463,846
Major events and conventions expenses	581,375	514,678
Subscription expenses	226,585	264,937
Representation expenses	144,851	155,567
Documentary stamps expenses	117,648	125,115
Printing and publication expenses	21,339	57,155
Advertising, promotional and marketing expenses	60,000	35,000
Transportation and delivery expenses	3,120	-
Other maintenance and operating expenses	2,202,527	2,893,275
	<b>8,318,615</b>	<b>8,509,573</b>

## 26. NON-CASH EXPENSES

This account consists of:

	Note	2024	2023
Depreciation	26.1	4,028,401	3,621,159
Amortization	26.2	120,536	134,713
Impairment loss- PPE	26.3	12,770	2,413,605
Loss on FOREX	26.4	8,184,913	11,728,815
		<b>12,346,620</b>	<b>17,898,292</b>

### 26.1. Depreciation

	2024	2023
Depreciation-Infrastructure assets	1,818,261	1,818,761
Depreciation-Transportation equipment	787,401	784,415
Depreciation-Machinery and equipment	570,201	264,124
Depreciation-Buildings and other structures	285,805	237,595
Depreciation-Leased assets improvements	86,518	36,049
Depreciation-Land improvements	27,065	27,065
Depreciation-Exploration and evaluation assets	453,150	453,150
	<b>4,028,401</b>	<b>3,621,159</b>

### 26.2. Amortization

	2024	2023
Amortization-intangible assets	120,536	134,713
	<b>120,536</b>	<b>134,713</b>

### 26.3. Impairment Loss

	2024	2023
Impairment loss – PPE	12,770	2,413,605
	<b>12,770</b>	<b>2,413,605</b>

Impairment loss was recognized in compliance with Paragraph 9 of PAS 36. (See Note 11.5)

## 26.4. Loss on FOREX

	2024	2023
Loss on FOREX – realized	206,750	3,856,111
Loss on FOREX – unrealized	7,978,163	7,872,704
	<b>8,184,913</b>	<b>11,728,815</b>

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

	Note	2024	2023
Cash in bank	7	7,978,163	7,713,152
Accounts receivable	8.1	-	159,552
		<b>7,978,163</b>	<b>7,872,704</b>

## 27. FINANCIAL EXPENSES

	2024	2023
Bank charges	56,570	87,524
	<b>56,570</b>	<b>87,524</b>

## 28. INCOME TAX EXPENSES

The computation for the Income tax expenses is as follows:

	2024	2023
Loss before tax	(24,278,676)	(16,776,919)
Add/(Deduct):		
Interest income already subjected to final tax	(2,380,526)	(3,955,765)
Royalty fees subjected to final tax	(64,613,021)	(20,177,407)
Unrealized FOREX gain	(12,139,151)	(9,376,347)
Realized FOREX gain on royalty fees subject to final tax	(637,662)	-
Impairment loss on PPE	12,770	2,413,605
Non-deductible expense – final tax	9,945	86,114
Unrealized FOREX loss	7,978,163	-
Realized FOREX loss on royalty fees subject to final tax	206,750	11,728,815
Taxable income, BIR basis	(95,841,408)	(36,057,904)
<b>Regular Corporate Income Tax (RCIT) using BIR rate of 25 percent</b>	-	-
Gross income, BIR basis	6,264,399	61,160,277
Minimum Corporate Income Tax (MCIT) using BIR rate of two percent (effective July 1, 2023)/ one percent (until June 30, 2023)	125,288	917,404
Income tax due (higher between RCIT and MCIT)	125,288	917,404
Creditable withholding tax	-	-
Prior year's excess credits	(13,579,609)	(14,497,013)
<b>Income tax credit carried forward to succeeding taxable period</b>	<b>(13,454,321)</b>	<b>(13,579,609)</b>

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 percent (2%) from one percent (1%) effective July 1, 2023.

In accordance also 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 consecutive years only.

Year Incurred	Original Amount	Applied in Previous Year	Expired Amount	Applied in Current Year	Remaining Balance	Valid Until
2024	95,841,408	-	-	-	95,841,408	2027
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
	<b>334,943,861</b>	<b>6,260,082</b>	-	-	<b>328,683,779</b>	

## 29. 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 17):
  - 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 percent 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 would 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 P16,471,722 and P16,071,932 in CYs 2024 and 2023, respectively. (See Notes 24.1 and 24.2)

## 30. EQUITY

### 30.1. Share Capital

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

### 30.2. 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.

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 11)

### 30.3. Retained Earnings/(Deficit)

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

- a. Comprehensive loss of P24,403,964 and P17,694,323 recorded in CYs 2024 and 2023, respectively.
- b. Adjustments in Retained earnings/(deficit):

Particulars	2024
Disallowance of prior period transportation and communication allowances to Rank and File employees	213,555
	213,555

- c. The PMDC remitted P4,355,000 and P6,512,612 to the BTr in CYs 2024 and 2023, respectively. (See Note 16)

## 31. COMMITMENTS AND CONTINGENCIES

### 31.1. 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 P4,961,170 and P 4,463,846 in CYs 2024 and 2023, respectively. (See Note 25.11)

## 32. RISK MANAGEMENT OBJECTIVES AND POLICIES

### 32.1. 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:

	2024		2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Cash and cash equivalents	\$ 1,553,940	89,887,687	\$ 1,421,884	79,009,827
Accounts receivable	770,166	44,550,238	218,192	12,124,275
<b>Net exposure</b>	<b>2,324,106</b>	<b>134,437,925</b>	<b>1,640,076</b>	<b>91,134,102</b>

Converted to Philippine peso at US\$1.00: P57.845 as of December 27, 2024 and US\$1.00: P55.567 as of December 29, 2023.

### 32.2. 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, 2024 and 2023.

	Gross Maximum Exposure	
	2024	2023
Cash and cash equivalents*	162,195,578	217,499,027
Receivables, net	46,255,969	13,709,555
	<b>208,451,547</b>	<b>231,208,582</b>

\*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.

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, 2024 and 2023 is as follows:

	December 31, 2024				
	Neither past due nor impaired		Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade			
Cash and cash equivalents	162,195,578	-	-	-	162,195,578
Receivables	-	13,392,460	32,863,509	112,777	46,368,746
	<b>162,195,578</b>	<b>13,392,460</b>	<b>32,863,509</b>	<b>112,777</b>	<b>208,564,324</b>

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

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

### 32.3. 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, 2024 and 2023.

	December 31, 2024				
	On demand	Less than 3	3 to 12	>1 to 5	Total
		months	months	years	
Accounts payable and provisions*	5,510,772	226,930	-	1,416,829	7,154,531
Loans payable – NDC	-	-	-	56,660,401	56,660,401
	<b>5,510,772</b>	<b>226,930</b>	<b>-</b>	<b>58,077,230</b>	<b>63,814,932</b>

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

\*Excluding Due to officers and employees and including Provisions for leave benefits.

### 33. OTHER SIGNIFICANT AND RELEVANT INFORMATION

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

Case Title	Nature	Status
1. 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 was 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.

Case Title	Nature	Status
		<p>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 moved to August 23, 2023 at 1:30 p.m.</p>
		<p>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.</p>
		<p>Pre-trial was held. Next scheduled hearings for presentation of Plaintiff's six witnesses were set on October 10, November 15, December 12 all in 2023; and January 30, February 20 and March 19 all in 2024.</p>
		<p>The October 10, 2023, scheduled hearing was reset to November 15, 2023.</p>
		<p>Next scheduled hearing was set in February 2024.</p>
		<p>Scheduled for continuation of presentation of Plaintiff's evidence on October 06, 2024.</p>
		<p>During the October 6, 2024 hearing, Solicitor General, GCA Rachelle Faye M. Avila-Lobo, PMDC lawyers (Torentera and Cagas), UTCEL's counsel Atty. Rapista attended via online. The alleged Head of IPS was then present in court and manifested about his authority among others. The manifestation however created confusion not only to the parties but to the judge as well. Thus, the judge pronounced that a written manifestation be made by the Plaintiff's counsel</p>

Case Title	Nature	Status
		<p>in order for the other parties to make a comment intelligently.</p> <p>The case is rescheduled on January 16, 2025 at 8:30 a.m.</p>
2. PMDC versus NDC	<p>Arbitration 2019-002 (OGCC)</p> <p>Causes of Action:</p> <p>On August 12, 2005, the NDC and the 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, the NDC was granted an option to acquire additional shares within six months from signing of contract (or until February 12, 2006). In the event that the NDC will not exercise the option, an appropriate loan agreement shall be executed.</p> <p>On November 23, 2006, a LOAN AGREEMENT was executed and imposes 12% interest and 12% penalty.</p> <p>For reasons of alleged failure of the PMDC to pay when due, on February 13, 2014, a LOAN RESTRUCTURING AGREEMENT was forged. The NDC charged complainant PMDC a straight 12% interest rate for the 1<sup>st</sup> and 2<sup>nd</sup> loans.</p> <p>The PMDC is praying for the declaration as null and void the option granted to the 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</p>	<p>Both parties have submitted their respective Memoranda on July 06, 2022.</p> <p>UNIFORM RULES ON DISPUTE RESOLUTION UNDER PRESIDENTIAL DECREE NO. 242, AS AMENDED, FOR GOVERNMENT AGENCIES AND INSTRUMENTALITIES, AND GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS</p> <p>(Rule 5-Arbitration Resolution):</p> <ul style="list-style-type: none"> <li>- Submission of respective Memoranda by the parties within 30 days after the termination of the proceedings.</li> <li>- Arbitral Tribunal within 30 days from submission, prepare draft resolution.</li> <li>- 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.</li> </ul> <p>(Rule 7 – Appeal):</p> <ul style="list-style-type: none"> <li>- Office of the President only in cases wherein the amount of claim or value of property exceeds P1.000 million.</li> </ul>

Case Title	Nature	Status
<p>November 23, 2006 only; to cause recomputation of the total amount due on the 1<sup>st</sup> loan. Declaring the imposition of 12% per annum on the loans covered by the Loan Restructuring Agreement as unconscionable, to recompute the PMDC's restructured obligations to 6% per annum in accordance with BSP-Monetary Board (MB) Resolution.</p>	<p>- Governed by 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.</p> <p>Notices of Monitoring dated March 1 and 15, 2024. For submission by the OGCC to the Department of Justice (DOJ).</p> <p>A Monitoring Conference was set by the Arbitration Tribunal on May 17, 2024.</p>	
<p>3. 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</p>	<p>Case No. R-PSG-20-02105-CV</p> <p>For: Declaration of Nullity of the Cancellation of the Joint Operating Agreement with Prayer for Temporary Restraining Order (TRO) and/or Preliminary Injunction</p> <p>(RTC Branch 268 – Pasig City)</p>	<p>The prayer for TRO has been already denied with finality as cited in the December 10, 2021 Decision.</p> <p>The proceeding in the case is deemed suspended until there is an arbitration among the parties.</p> <p>In the 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.</p>
<p>4. Pacific Nickel Philippines, Inc. (PNPI), represented by its President Horacio C. Ramos versus PMDC, represented by its Chairman, PCEO Atty. Alberto B. Sipaco, Jr.</p>	<p>Interim Measure of Protection with Extremely Urgent Application for Ex-Parte Temporary Order of Protection</p> <p>(RTC Branch 209, Mandaluyong)</p>	<p>The Ex-Parte Temporary Order of Protection was denied on October 21, 2021.</p>
<p>5. PNPI versus Hon. Monique A. Quisumbing-Ignacio, Presiding Judge, RTC of Mandaluyong, Branch 209, and PMDC</p>	<p>Petition for Certiorari (With Extremely Urgent Application for the Issuance of a TRO and/or Writ of Preliminary Injunction (WPI)</p> <p>CA- G.R.S.P No. 170833 (Court of Appeals)</p>	<p>On November 21, 2021, the PNPI filed a Petition for Certiorari (With Extremely Urgent Application for the Issuance of a TRO and/or WPI before the Court of Appeals.</p>

Case Title	Nature	Status
		<p data-bbox="940 230 1310 383">Court Resolution dated November 23, 2021 directing PNPI to rectify defects as to the Certificate of Non-Forum Shopping.</p> <p data-bbox="940 412 1310 472">Compliance was thereafter filed by PNPI.</p> <p data-bbox="940 501 1310 712">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 days from receipt of the Comment.</p> <p data-bbox="940 741 1310 902">The PMDC's Comment and Opposition dated April 29, 2022 was then filed (as updated by Atty. Camile via email last Sept. 5, 2022).</p> <p data-bbox="927 931 1302 1263">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 was SUBMITTED for DECISION.</p> <p data-bbox="924 1292 1297 1632">Court of Appeals DECISION dated November 30, 2023 - DISMISSED the Petition for Certiorari. The assailed Order dated October 25, 2021 and Order dated Nov. 5, 2021 issued by RTC, National Capital Region (NCR) Branch 209, Mandaluyong City, in Case No. R-MND-21-02073-SP STANDS.</p> <p data-bbox="920 1662 1294 1912">PNPI filed a Motion for Reconsideration of the Court of Appeals' Decision dated November 30, 2023, to which the PMDC filed a Motion for Leave with attached Comment/Opposition on January 17, 2024.</p>

Case Title	Nature	Status
6. AAMRC versus PMDC	<p data-bbox="555 371 906 488">Specific Performance, Injunction and Damages with Prayer for the Issuance of TRO and WPI</p> <p data-bbox="555 524 906 584">Civil Case No. 72373-PSG (RTC Branch 167, Pasig City)</p>	<p data-bbox="932 221 1300 338">Court of Appeals Resolution dated June 21, 2024 DENIED PNPI's Motion for Reconsideration.</p> <p data-bbox="932 376 1300 465">The last witness for AAMRC was presented during the September 9, 2022 hearing.</p> <p data-bbox="932 501 1300 618">On November 10, 2022, the PMDC presented its own witness, Atty. Bernadette B. Laza.</p> <p data-bbox="932 654 1300 743">Compromise Agreement was submitted to the Court in December 2022.</p> <p data-bbox="932 779 1300 824">The January 26, 2023 hearing was reset to February 9, 2023.</p> <p data-bbox="932 837 1300 1077">The case was already TERMINATED with the RTC's issuance of a July 17, 2023 Decision approving the parties' Joint Motion to Approve Compromise Agreement and Render Judgment based on Compromise.</p> <p data-bbox="932 1113 1300 1473">On March 4, 2024, the PMDC received the February 21, 2024 Court of Appeals Resolution, the Compliance by Private Respondent AAMRC submitting a certified copy of the Decision dated July 17, 2023 issued by the RTC Pasig City, Branch 167 in Civil Case No. 72373-PSG, entitled AAMRC vs. PMDC is APPROVED.</p> <p data-bbox="932 1509 1300 1659">The Petition for Certiorari filed by the PMDC was closed and terminated. The PMDC filed Compliance to the February 21, 2024 Notice of Resolution.</p>
7. PMDC represented by Virgil C. Adan vs. Iglesia Ni Kristo	<p data-bbox="547 1693 898 1753">Injunction with Application for TRO, etc.</p> <p data-bbox="547 1789 898 1843">Civil Case No. (1238-2017) 18-2021</p>	Monitored case.

Case Title	Nature	Status
8. PMDC vs. the Commissioner of Internal Revenue and the Officer-in-Charge (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 Assessments for CYs 2006 and 2007	The PMDC challenged the CTA's dismissal of its Petition for lack of jurisdiction.  Tax the  The Supreme Court (SC) ruled in favor of the PMDC. The SC issued a decision remanding the case to the CTA for them to resolve the case.
		The BIR filed their April 11, 2022 Motion for Reconsideration of the SC's October 6, 2021 Resolution directing the CTA to Resolve the case with dispatch.
		In May 2024, the SC issued a Resolution DENYING the BIR's Motion for Reconsideration. Subsequently, the CTA Third Division issued a resolution stating that our Petition for Review is now submitted for Resolution.
9. Giant Stone Mining Corporation	Dispute on the JOA	Referred to Arbitration.
10. Carrascal Corporation and CNC Faratuk Mining, Inc., vs. Hon. Guillermo C. Kadatar, in his capacity as the Lead Regional Hearing Officer of the NCIP-Cordillera Administrative Region (CAR) (Cluster 1) and the Balatoc Sub-tribe of Kalinga represented by Victor Gumisa  CA - G.R. SP134945	Violation of Republic Act (RA) No. 8371	The Motions for Reconsideration filed by both Petitioners were denied.  The PMDC filed a February 21, 2019 Petition for Review with the SC (G.R. No. 244105). The NCIP filed a Comment to the PMDC's Petition dated August 27, 2021.  In light of the consolidation of the cases, the NCIP directed to file its Comment in G.R. Nos. 2445123-24, to which the NCIP filed a Comment to Carrascal Nickel Corporation Petition dated July 13, 2023.  In the interim, the Balatoc Sub-Tribe of Kalinga was directed to inform the SC of the name of its counsel and for the latter to enter its appearance with the court. The same remains not complied with to date.
PMDC vs. Atty. Guillermo C. Kadatar, Lead Regional Hearing Officer, NCIP, Cluster I, CAR and Balatoc Sub-Tribe of Kalinga CA-GR SP 135032 Court of Appeals, Manila		

Case Title	Nature	Status
11. PMDC vs. Commissioner of Internal Revenue, OSJ Case No. 04-2024, DOJ	Petition for Review (Arbitration pursuant to Presidential Decree No. 242)	Scheduled for Mandatory Conciliation Conference on October 11, 2024 at 10 a.m.
	Tax for CY 2019	During the October 11, 2024 Mandatory Conciliation Conference, the BIR stated that they are open to compromise if the PMDC is willing to request for such, in accordance with the rules of the BIR, based on doubtful validity of the tax liability or financial incapacity of the taxpayer. The PMDC to look into the possibility of a compromise and compute the amount that is willing to compromise. Parties to submit a Joint Manifestation to update the Tribunal on the status of the compromise that they may possibly agree to.
		Next conference was scheduled on January 24, 2025 at 10 a.m.

**34. 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 2024 and 2023.

- a. The PMDC is VAT-registered with VAT output tax declarations in the amounts of P751,726 and P7,339,233 taken from output tax deferral and based on the amounts reflected in the revenues of the Corporation in the amounts of P6,264,383 and P61,160,275 for CYs 2024 and 2023, respectively. These were reported to the BIR based on the Quarterly VAT forms submitted on various dates in CYs 2024 and 2023.
- b. The PMDC has no zero-rated/exempt revenue for the taxable years.
- c. The amount of VAT input taxes claimed are broken down as follows:

	2024	2023
Current year's purchases:		
On purchases of capital goods:		
Exceeding P1 million	6,054	72,643
Not exceeding P1 million	143,736	206,491
Domestic purchases of goods other than capital goods	262,346	330,095
Domestic purchases of services	972,841	913,915
	<b>1,384,977</b>	<b>1,523,144</b>

- d. Royalty fees in the amount of P64,613,021 are net of final tax.
- e. There were no importations made by the Corporation during the taxable years.
- f. The PMDC incurred the amounts of P6,564,342 and P6,218,384 on rentals, insurance, taxes, fees, and licenses for CYs 2024 and 2023, respectively. The insurance expense for CY 2024 amounted to P698,864, while for CY 2023 it amounted to P975,983.

Details are summarized as follows:

	2024	2023
Rentals; fees/dues/other charges for parking space; insurance costs and rentals of motor vehicle and microcomputers and office equipment	5,890,227	5,439,829
Fidelity bond and premiums	230,615	289,860
	6,120,842	5,729,689
Taxes, fees, and licenses:		
Final taxes	9,945	-
Motor vehicle registration	19,837	23,677
Notarial and legal fees	-	1,128
SEC listing and registration/BIR fees	1,000	1,000
Documentary stamp tax	117,648	125,115
Business taxes, business permits and barangay clearance, and other fees	295,070	337,775
	443,500	488,695
	<b>6,564,342</b>	<b>6,218,384</b>

The amounts of withholding taxes paid/accrued for CYs 2024 and 2023 amounted to, as follows:

	2024	2023
Income taxes withheld on compensation	5,074,371	5,074,496
Creditable income taxes withheld (expanded)	458,803	479,367
Withholding VAT	574,066	604,375
	<b>6,107,240</b>	<b>6,158,238</b>

- 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. (See Note 33 – Item 11)
- 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
			<b>8,070,150</b>

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 in the amount of P8,177,213, the BIR issued a Notice of Denial dated January 28, 2016 for the amount of P6,594,527 (net of the previous payment in the amount 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 CTA (CTA Case No. 9292) which was forwarded to the Litigation Division by the BIR Large Taxpayer on March 31, 2016. A Memorandum was filed in November 2018. (See *Note 33 – Item 8*)

**PART II - OBSERVATIONS AND  
RECOMMENDATIONS**

## PART II - OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL

1. **The Philippine Mining Development Corporation (PMDC) incurred operating losses for three consecutive calendar years (CYs) 2024, 2023 and 2022 in the amounts of P27.047 million, P12.474 million and P55.046 million, respectively. This condition poses risk on the PMDC's operational efficiency as the revenue/income earned from royalty and commitment fees for the said years, in the amounts of P70.863 million, P80.987 million and P39.337 million were insufficient to cover its operating expenses in the amounts of P97.910 million, P93.461 million and P94.383 million, respectively, which if could not be promptly addressed might undermine the Corporation's ability to continue as a going concern entity.**
  - 1.1. This is a reiteration of the audit observation raised since CY 2022 Annual Audit Report (AAR) on the PMDC as the Corporation again incurred operating loss in CY 2024, which would indicate that the recommendations in the previous years were not fully addressed.
  - 1.2. As disclosed in Note 1 to financial statements, several mining properties were transferred to the then Natural Resources Mining Development Corporation (NRMDC), now the PMDC. The Corporation was tasked to dispose, develop, or operate by itself or in partnership or in joint venture with a qualified party or contractor or may undertake the direct development of these mining properties/assets, as discussed hereunder:
    - a. The Department of Environment and Natural Resources (DENR) transferred 93 non-performing mining tenements already cancelled pursuant to DENR Memorandum Order (DMO) No. 2007-05 dated May 28, 2007, wherein the cancellation orders of the 65 tenements were already final and executory. The 93 tenements were consolidated/merged by the PMDC into 66 Projects.
    - b. The then NRMDC, now 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, pursuant to DENR Administrative Order (AO) No. 2003-038 dated August 18, 2003 and by virtue of a Memorandum of Agreement (MOA) executed among the DENR, the PMDC (then NRMDC), and the Natural Resources Development Corporation (NRDC). The DMRA properties consist of five Projects.
    - c. The mining assets of the North Davao Mining Corporation (NDMC) and the Batong Buhay Mining Gold Mines, Inc. (BBGMI) that were entrusted by the Privatization Council (PrC) to the Privatization and Management Office (PMO), as disposition entity, were transferred, conveyed and assigned, by way of trust, unto the then NRMDC, now the PMDC, as Trustee, pursuant to Trust Agreement dated

April 7, 2006 between the Government of the Republic of the Philippines, acting through the PrC and the NRMDC. These consist of two Projects.

- d. The DENR and the then NRMDC, now the PMDC, executed a MOA dated July 6, 1989 designating the latter as the implementing arm in the exploration and development, and utilization of the minerals in certain areas located in Dinagat Island, Surigao del Norte, within Parcels II and III of the Surigao Mineral Reservation Area (SMRA) for a period of 15 years, which was extended on April 27, 2005 for a period of 25 years. These mining properties consist of three Projects.
- 1.3. The status of the Projects covering the mining properties/assets transferred to the PMDC as of December 31, 2024, based on the Project Management Department (PMD) through their reply on an Audit Query Memorandum, is summarized in Table 1.

**Table 1 – Status of Projects as of December 31, 2024**

Particulars	Projects				Total
	DMO No. 2007-05	Entrusted by the PMO	DENR MOA for SMRA	DENR AO No. 2003-038	
Not yet awarded	37	-	-	-	37
Returned to the DENR	20	-	-	-	20
Awarded:	9	2	3	5	19
Under exploration/assessment	8	2	2	2	14
Commercial operation	1	-	1	-	2
Cancelled JOA*	-	-	-	3	3
<b>Total</b>	<b>66</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>76</b>

\*JOA - Joint Operating Agreement

- 1.4. As shown in Table 1, only two Projects are in commercial operation, out of 19 Projects that were already awarded. Meanwhile, the 14 Projects that were already awarded and still under exploration/assessment comprise mining properties/assets itemized in Table 2.

**Table 2 – Projects under Exploration/Assessment as of December 31, 2024**

Projects	Date Awarded	Duration of Exploration
<b>DMO No. 2007-05</b>		
1. San Fernando Limestone (Cebu)	July 21, 2009	15 years & 5 months
2. Malitbog Chromite	May 14, 2009	15 years & 7 months
3. Paracle Gold	June 16, 2011	13 years & 6 months
4. Rogongon Copper-Gold	November 8, 2021	3 years & 1 month
5. Cagayan de Oro Gold	November 7, 2022	2 years & 1 month
6. Hernani Chromite	May 8, 2023	1 year & 7 months
7. Homonhon Chromite	May 8, 2023	1 year & 7 months
8. Labo-Jose Panganiban Gold	May 8, 2023	1 year & 7 months
<b>Entrusted to the PMDC by the PMO</b>		
9. BBGMI	November 16, 2009	15 years & 1 month
10. NDMC	December 6, 2022	2 years
<b>DENR MOA for SMRA</b>		
11. Dinagat Parcel 2B Nickel-Chromite	January 18, 2006	18 years & 11 months
12. Dinagat Parcel 2A Nickel-Chromite	November 8, 2021	3 years & 1 month
<b>DENR AO No. 2003-038</b>		
13. PMDC 729 Victory Tunnel	October 20, 2017	7 years & 2 months
14. Upper-Ulip Copper-Gold	July 31, 2009	15 years & 5 months

- 1.5. As shown in Table 2, there are awarded Projects that are still under exploration/assessment for seven to 18 years already. According to Management, the Dinagat Parcel 2A Nickel-Chromite is projected to transition to commercial phase in CY 2025.
- 1.6. Throughout the years of its operation, 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 Corporation 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.
- 1.7. In a letter dated September 16, 2024, the DENR directed the PMDC to refrain from disposing of the remaining projects and mining tenements that were transferred from the former to the latter. The DENR and the Office of the Special Assistant to the President for Investments and Economic Affairs are currently drafting the Philippine Mining Policy Framework, pursuant to the President of the Republic of the Philippines directive, which will include plans for the remaining tenements assigned to the PMDC. As a result, the PMDC is refrained from disposing of, awarding, or entering into a JOA or any similar agreement with any third party.
- 1.8. Based on records, in CYs 2022, 2023 and 2024, the PMDC derived its income from the commitment fees received from the awarded exploration/extraction rights under Project Finance Service Provider (PFSP) Agreements and the JOA as well as royalty fees from the two Projects in commercial operation, as summarized in Table 3.

**Table 3 – Breakdown of Operating Income  
For CYs 2022, 2023 and 2024**

<b>CY</b>	<b>Operating Income</b>	<b>Project</b>	<b>Amount</b>
2022	Commitment Fee	Cagayan De Oro Gold	P 5,357,143
	Royalty Fee	Dinagat Parcel 1 (Lot III) Nickel-Chromite	33,979,900
			<b>39,337,043</b>
2023	Commitment Fee	Hernani Chromite	53,571,428
	Commitment Fee	Homonhon Chromite	2,773,650
	Commitment Fee	Labo-Jose Panganiban Gold	4,464,286
			<b>60,809,364</b>
	Royalty Fee	Dinagat Parcel 1 (Lot III) Nickel-Chromite	18,768,238
	Royalty Fee	Pinamungahan Limestone	1,409,169
		<b>20,177,407</b>	
			<b>80,986,771</b>
2024	Commitment Fee	Hernani Chromite	4,464,286
	Commitment Fee	Homonhon Chromite	1,785,714
			<b>6,250,000</b>
	Royalty Fee	Dinagat Parcel 1 (Lot III) Nickel-Chromite	63,256,874
	Royalty Fee	Pinamungahan Limestone	1,356,147
			<b>64,613,021</b>
			<b>P 70,863,021</b>

- 1.9. The Statements of Comprehensive Income for the years ended December 31, 2024, 2023 and 2022 showed that the PMDC incurred operating losses in the amounts of P27.047 million, P12.474 million and P55.046 million, respectively, as summarized in Table 4.

**Table 4 – Operating Losses for CYs 2024, 2023 and 2022**

Particulars	2024	2023	2022
<b>Income (excluding interest income)</b>			
Royalty fees	P 64,613,021	P 20,177,407	P 33,979,900
Other business income-commitment fee	6,250,000	60,809,364	5,357,143
	<b>70,863,021</b>	<b>80,986,771</b>	<b>39,337,043</b>
<b>Expenses (excluding non-cash and financial expenses)</b>			
Personnel Services	72,375,189	67,931,060	68,489,213
Maintenance and other operating expenses (MOOE)	25,535,056	25,529,839	25,894,097
	<b>97,910,245</b>	<b>93,460,899</b>	<b>94,383,310</b>
<b>Losses [Income – Expenses]</b>	<b>P 27,047,224</b>	<b>P 12,474,128</b>	<b>P 55,046,267</b>

- 1.10. As shown in Table 4, the operating income earned from royalty and commitment fee, in the total amounts of P70.863 million, P80.987 million and P39.337 million in CYs 2024, 2023 and 2022, respectively, were not sufficient to cover the operating expenses (net of non-cash and financial expenses) in the amounts of P97.910 million, P93.461 million and P94.383 million, for the said respective years. The operating loss in CY 2024 in the amount of P27.047 million increased by P14.573 million from the CY 2023 operating loss in the amount of P12.474 million. The significant increase in operating loss could be attributed to the decrease in revenue from commitment fees in view of the directive from the DENR which refrained the PMDC from disposing of, awarding, or entering into new agreement with any third party.
- 1.11. Considering that only two Projects are in commercial operation, namely, the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone, and the commitment fee could only be derived from: (a) the award of the contract for the exploration/development of Projects covering the mining properties/assets through the PFSP Agreement or JOA; and (b) commencement of the Production Period or commercial operations, or one year from date of signing of the JOA, whichever comes first; the PMDC would continuously incur losses, unless the awarded Projects enumerated in Table 2 will be promptly put into commercial operation. The continued incurrance of losses for three consecutive years already posed risk on the operational efficiency of the PMDC and might undermine its ability to continue as a going concern entity.
- 1.12. **We reiterated our previous year's recommendation that Management, in order to generate stable and sufficient income for PMDC's continuous operation, pursue viable strategies and exert all efforts, in partnership with the existing JOA Partner/PFSP, to expedite the completion of the exploration/assessment activities of the 14 awarded**

**Projects covering the mining properties/assets, so that these can be promptly put into commercial operation.**

1.13. Management commented that:

- a. They have been cognizant of the financial challenges and already identified operational measures to cushion the short-term effects of inadequate funds, one of which is the streamlining of manpower complement, and other cost-reduction initiatives.
- b. While simultaneously working with the JOA partner/PFSP in expediting exploration activities, the PMDC will focus its interventions and action plans on priority projects such as the Dinagat Parcel 1 Nickel-Chromite, the Dinagat Parcel 2A Nickel-Chromite, Dinagat Parcel 2B Nickel-Chromite, the Pinamungahan Limestone, and CDO-Gold.

## **B. NON-FINANCIAL**

2. **The monitoring activities on the mining operations on the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone Projects were not fully conducted by the PMDC since its Partners/Operators did not submit for approval the Commercial Operation Work Program and Budget (COWPB) for CY 2024 as well as the necessary reports supporting their mining operations, contrary to Section 8.6 of the PMDC Quality Procedures Manual on Project Management (QPMPM). Thus, there is no assurance that the PMDC shares in royalty fees in CY 2024 were completely reported and sustainable mining operations was undertaken by its Partners/Operators in accordance with the JOAs.**

2.1. To ensure compliance by the Partner/Operator with the JOA, the PMDC issued the QPMPM to institutionalize the policies and procedures for evaluating unbidded properties, monitoring contracts with Partners/Operators, and managing mining projects. The manual provides the activities/procedures that the concerned PMDC officials and staff must perform to monitor the compliance of the mining operations of the Partner/Operator with the JOA.

2.2. Section 8.6 of the PMDC QPMPM provides that:

*In the development/production stage of mining, the assigned Technical Personnel shall ensure that the Partner/Operator performs its responsibilities and obligations as stipulated in the Operating Agreement through observing/monitoring the production/shipment operations, site inspection and validation, evaluation of reports, conduct of meetings whenever necessary, etc.*

- 2.3. The detailed procedures in the monitoring of the production/shipment operations of the Partner/Operator that shall be conducted by the PMDC officials and personnel, include, among others, the following:
- a. The PMD Assistant shall remind the Partner/Operator to furnish the PMDC a copy of the Monthly Reports, Quarterly Reports, and Annual Reports, which include, if applicable, but not limited to:
    - Monthly General Accident Report and Annual Safety Statistics
    - Semi-annual report on mine waste and mill tailings produced, contained, and/or utilized for the period
    - Accomplishment Reports covering all work programs (environmental, production or exploration, if any, safety and health and social development)
  - b. Upon receipt of the submitted Quarterly Reports and/or Annual Reports, the PMD Assistant shall provide the said reports to the PMD Manager. The PMD Manager shall assign a Technical Personnel to review the reports. The assigned Technical Personnel shall review the said Quarterly Reports and/or Annual Reports and take note of the major accomplishments of the Partner/Operator. The major accomplishments and issues shall be written in the Project Monitoring Journal if there are any.
  - c. The assigned Technical Personnel shall conduct a project site inspection/field verification and participate in the regulatory agency's and Multi-parties Monitoring Team's (MMT) scheduled inspections and evaluation meetings to monitor the on-site activities, validate reports submitted by the Partner/Operator, and monitor regulatory agency scheduled inspections.
- 2.4. As previously discussed, there are two Projects which are in commercial operation, i.e. the Dinagat Parcel 1 (Lot III) Nickel-Chromite Project and the Pinamungahan Limestone Project.
- 2.5. The Dinagat Parcel 1 (Lot III) Nickel-Chromite Project covered by a JOA, between the NRMDC, now PMDC, and the Partner/Operator on January 18, 2006. Afterwards, the Partner/Operator assigned and transferred all its rights and responsibilities in favor of its parent company, through a Deed of Assignment, approved by the NRMDC, now PMDC, on January 23, 2006. On the other hand, the Pinamungahan Limestone Project also covered by a JOA, between the PMDC and its Partner/Operator executed on December 6, 2010. Both JOAs grant the Partners/Operators to provide rational exploration, development, mining and commercial utilization of certain minerals and other associated mineral deposits existing within the Contract Areas.
- 2.6. One of the provisions of the JOAs of the two Projects requires that the Partners/Operators shall conduct the mining operations for the duration of the operating period in accordance with the duly approved Work Programs and corresponding Budgets.

- 2.7. The JOAs also require the Partners/Operators to submit to the NRMDC, now the PMDC, a COWPB covering a period of five years each, which shall be submitted not later than 30 days before the expiration of the period covered by the previous Work Program for approval and various reports to convey the results of its mining operations, copy furnished the Mines and Geosciences Bureau (MGB).
- 2.8. Audit disclosed that the PMDC was not able to fully conduct the monitoring activities on the mining operations of the Dinagat Parcel 1 (Lot III) Nickel-Chromite and Pinamungahan Limestone Projects since its Partners/Operators did not submit various documents and reports needed in the conduct of such. The unsubmitted documents are summarized in Table 5.

**Table 5 – Unsubmitted Documents by the Partners/Operators of the Dinagat Parcel 1 (Lot III) Nickel-Chromite and Pinamungahan Limestone Projects**

Dinagat Parcel 1 (Lot III) Nickel-Chromite Project	Pinamungahan Limestone Project
<ul style="list-style-type: none"> <li>• COWPB covering the CY 2024 operation</li> <li>• Monthly General Accident Report and Annual Safety Statistics – Sep. to Dec. 2024 and annual reports</li> <li>• CY 2024 Semi-annual report on mine waste and mill tailings produced, contained, and/or utilized for the period</li> <li>• Accomplishment Reports covering all work programs:               <ul style="list-style-type: none"> <li>➤ environmental – 3<sup>rd</sup> qtr, 4<sup>th</sup> qtr, annual reports</li> <li>➤ production or exploration – quarterly/annual accomplishment reports for CY 2024</li> <li>➤ safety and health – quarterly/annual accomplishment reports for CY 2024</li> <li>➤ social development – 3<sup>rd</sup> qtr, 4<sup>th</sup> qtr, annual reports</li> </ul> </li> <li>• Environment Audit Report - CY 2024</li> <li>• Monthly Production Report – Sep. to Dec. 2024</li> <li>• Quarterly Reconciliation Report – CY 2024</li> <li>• Annual Production – CY 2024</li> <li>• Annual Mineral Resource and Ore Reserve Inventory – CY 2024</li> </ul>	<ul style="list-style-type: none"> <li>• COWPB covering the CY 2024 operation</li> <li>• Monthly General Accident Report and Annual Safety Statistics – Jan., Feb., Oct. to Dec. 2024 and annual reports</li> <li>• Accomplishment Reports covering all work programs:               <ul style="list-style-type: none"> <li>➤ production or exploration – quarterly/annual accomplishment reports for CY 2024</li> </ul> </li> <li>• Environment Audit Report – CY 2024</li> <li>• Monthly Production Report – Oct. to Dec. 2024</li> <li>• Quarterly Reconciliation Report – CY 2024</li> <li>• Annual Production – CY 2024</li> <li>• Annual Mineral Resource and Ore Reserve Inventory – CY 2024</li> </ul>

- 2.9. According to the PMD, the non-submission of reports and documents from the Partner/Operator of the Dinagat Parcel 1 (Lot III) Nickel-Chromite Project, could be attributed to changes in the management of the Partner/Operator, particularly the on-site-in-charge of the Project. The PMDC made several follow-ups for the submission of these reports since the last quarter of CY 2022 and until August 2024.
- 2.10. The Partner/Operator of the Pinamungahan Limestone Project on the other hand has been diligent in submitting the mandatory reports, though some submission were incomplete, but still certain required information can be found in the quarterly reports submitted to the PMDC. Moreover, as for the Environmental Audit Report or the International Organization for Standardization (ISO) 14001 certification, the DENR mandates it for

metallic mining operations and it is optional for non-metallic mining operations. Nevertheless, the PMD informed the Audit Team that they will inquire from the Partner/Operator if it had undergone the ISO 14001 certification.

- 2.11. Considering that the PMDC's major income is derived from the royalty fees on the exploration, development, and utilization of the mineral resources, the conduct of the monitoring activities on the mining operations of its Partners/Operators, as required under Section 8.6 of the PMDC QPMPM, is necessary to ensure compliance by the latter with the provisions of the JOAs.
- 2.12. As the PMDC was not able to fully conduct the monitoring activities on the mining operations of its Partners/Operators of the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone Projects, there is no assurance that the Corporation's shares in royalty fees were completely reported by its Partners/Operators and that sustainable mining operations was undertaken by the latter in accordance with the JOAs.
- 2.13. **We recommended that Management require the:**
  - a. **Legal Department in coordination with the PMD to exhaust legal means to enforce the Partners/Operators to submit all the documents and reports needed for the conduct of the monitoring activities on the mining operations on the Dinagat Parcel 1 (Lot III) Nickel-Chromite and the Pinamungahan Limestone Projects; and**
  - b. **PMD, moving forward, to regularly conduct the monitoring activities on the mining operations of the Partners/Operators of the Corporation in compliance with Section 8.6 of the PMDC QPMPM.**
- 2.14. Management commented the following:
  - a. The Partner/Operator for the Dinagat Parcel 1 (Lot III) Nickel-Chromite did not submit all the mandatory reports to the PMDC covering CY 2024. Certain reports were received in September 2024 and the PMD reviewed and evaluated the same as evidenced by Memorandum No. PMD-2024-10-034 dated October 9, 2024 and Memoranda Nos. PMD-2024-10-038 and 39, both dated October 10, 2024. Coordination and follow up with the Partner/Operator were done as regards to the submission of mandatory reports through letter reminders, phone calls and email messages.
  - b. The Partner/Operator for the Pinamungahan Limestone Project submitted the mandatory reports to the PMDC and the corresponding evaluation were performed by the PMD. However, certain reports were not submitted, which shall be followed up by the PMD.

- c. The PMDC QPMPM is established to effectively and efficiently monitor the mining operations of the PMDC's Partners/Operators in accordance with the provisions of the corresponding JOA, applicable laws and ISO 9001:2015 (Quality Management System) Standards. Continual improvement of the aforementioned procedure is necessary to update the applicable activities in each particular project. Accordingly, the PMD then shall thoroughly review the activities in the subject PMDC QPMPM to implement necessary revisions for the monitoring of the PMDC mining projects.

3. **The Mabatás Mineral Processing Zone and its Facilities or the Mabatás Tailings Storage Facility (MTSF) area within the DMRA was constructed and being managed by the PMDC, pursuant to Section 3.2.4 of the MOA executed on November 18, 2003 by and among the DENR, NRDC and NRMDC (now PMDC), to address environmental concerns in the DMRA. It was allocated per lots to 132 mining operators based on the PMDC's List of Mabatás Relocation Occupants in accordance with Section 3.2.3 of the aforesaid MOA and Item 8.0 of the Guidelines for the Use of Mabatás Mineral Processing Zone and its Facilities, which authorized the PMDC to negotiate and/or renegotiate operating contracts/agreements with various qualified groups or cooperatives. However, the following observations were noted in the operation of the MTSF area:**

- a. **Only 24 out of the 128 existing mining operators have signed/notarized MOA with the PMDC, while the remaining 104 mining operators have yet to finalize their respective MOA with the PMDC, due to non-payment of notarial fees; thus, the PMDC is at a disadvantage as it would have no valid legal reference, for execution, as to the agreement on the terms and conditions on the use of the MTSF area; and**
  - b. **Only 60 out of the 128 mining operators have settled their dues and fees for CYs 2020 to 2024 for the use and proper maintenance of the MTSF area, as required by Section 3.2.2 of the MOA among the DENR, NRDC and NRMDC (now PMDC) and Item 7 of MOA between the PMDC and the mining operators. The non-collection of dues and fees from the mining operators might hamper the regular maintenance of the MTSF area in addressing environmental concerns and clean-up within the DMRA.**
- 3.1. On November 18, 2003, a MOA was executed by and among the DENR, NRDC and NRMDC (now PMDC), which designates and appoints the latter as the new implementing arm of the DENR in undertaking mining and mineral processing operations in the DMRA. The said MOA provides, among others, the following:

*Section 1. Scope*

*This MOA covers the management, administration and regulation of all mining and mineral processing operations and*

*related activities within the Diwalwal Mineral Reservation declared under Section 2 of Proclamation No. 297, dated November 25, 2002.*

Xxxx

*3.2.4 In coordination with DENR, [Local Government Unit] LGU's and other concerned government agencies, NRMDC [now PMDC] shall address the environmental concerns in the reservation, including the construction of a tailings disposal facility and undertaking the clean up of the Diwalwal mining areas.*

- 3.2. In compliance with the aforesaid provision, the PMDC constructed the MTSF area within the DMRA. It is a network of infrastructures built to cater to uplift resettled small scale miners and as a support against further ruin of the ecosystem and a linchpin of social and environmental dedication [PMDC's Accomplishment Report CY 2019].
- 3.3. Based on the List of Mabatás Relocation Occupants, the MTSF area was allocated to 132 mining operators, however, only 128 mining operators are currently occupying the area since four operators have stopped their operations.
- 3.4. Audit of the operation of the MTSF area based on available documents furnished by the PMDC revealed the following observations:

*Only 24 out of the 128 existing mining operators have signed/notarized MOA with the PMDC, while the remaining 104 mining operators have yet to finalize their respective MOA with the PMDC, due to non-payment of notarial fees*

- 3.5. Section 3.2.3 of the MOA among the DENR, NRDC and NRMDC (now PMDC) provides, to wit:

*3.2.3 NRMDC shall be authorized to negotiate and/or renegotiate operating contracts/agreements with various qualified mining groups/cooperatives and presently occupying and actively mining in the Diwalwal mining areas, for the purpose of mining and/or processing the ores therefrom.*

- 3.6. Likewise, Item 8.0 of the Guidelines for the Use of Mabatás Mineral Processing Zone and Its Facilities (Annex A of the MOA between the PMDC and the mining operator) states that the PMDC may enter into mineral processing operating agreements with various qualified groups or cooperatives for the purpose of processing of the ores from Mt. Diwata or from within DMRA.

- 3.7. Inquiry with the Community Relations Officer (CRO) of the PMDC disclosed that for interested mining operators, they must first fill out the Application for Relocation form and provide the required documents such as: (a) Certificate of Residency, (b) Barangay Clearance, (c) Community Tax Certificate, and (d) valid identification card (ID). Once these are complied with, the mining operators will be oriented regarding the MOA. After signing the MOA, they have to pay P200 for the notarial fee. Upon payment, the MOA will then be forwarded to the PMDC Davao Office for signature of the PMDC President and Chief Executive Officer (PCEO) and will be notarized thereafter.
- 3.8. Further, in accordance with the MOA between the PMDC and the mining operator, the latter can either be an individual or a corporation.
- 3.9. The Audit Team requested copies of the MOAs entered into by the PMDC with the mining operators relocated at the MTSF area from previous years up to CY 2024. The PMDC then furnished the Audit Team 25 MOAs in relation thereto. Out of the 25 MOAs, one was cancelled/terminated as the mining operator concerned stopped its operation.
- 3.10. Verification of the MOAs and the List of Mabatás Relocation Occupants disclosed that out of 128 existing mining operators, only 24 mining operators have signed/notarized MOA with the PMDC.
- 3.11. According to the CRO, the MOAs of the 104 mining operators were not yet finalized due to non-payment of the notarial fee of P200.
- 3.12. A MOA is a legal document used to outline an agreement made between two or more parties. It details the terms, conditions, and commitments agreed upon by the parties involved. It is also essential as it protects both parties when problems arise.
- 3.13. Thus, the non-finalization of the MOA with the mining operators currently occupying the MTSF area, could put the PMDC at a disadvantage as it would have no valid legal reference, for execution, as to the agreement on the terms and conditions on the use of the MTSF area.

*Only 60 out of the 128 mining operators have settled their dues and fees for CYs 2020 to 2024 for the use and proper maintenance of the MTSF area, as required by Section 3.2.2 of the MOA among the DENR, NRDC and NRMDC (now PMDC) and Item 7 of MOA between the PMDC and the mining operators*

- 3.14. Section 3.2.2 of the MOA with the DENR, NRDC and NRMDC (now PMDC) states the following:

*3.2.2 NRMDC shall be entitled to impose and collect management and service fees to provide for the social and environmental fund, xxx*

- 3.15. The MOA between the PMDC and the mining operator provides the details for the collection of the dues and fees for the use and proper maintenance of the MTSF area, to wit:

*(7) The FIRST PARTY shall promptly pay and settle all dues and fees imposed or to be hereafter imposed by PMDC for the use and proper maintenance of the MTSF area, which has been initially determined as follows:*

*(7.1) MTSF Maintenance and Tailings Fee:*

<b>Relocation Lots</b>	<b>Monthly Operating Cost (PhP)</b>	<b>Tailings Storage Fee (PhP)</b>	<b>Total per Lot (PhP)</b>
BM's [Ball Mill] (Motormills)	252.00	156.00	<b>408.00</b>
CIP [Carbon in Pulp] Plants (Launder)	2,204.00	840.00	<b>3,044.00</b>

- |   |
|---|
| <p>A. <b>Operating and maintenance cost</b> of PhP2/sqm of lot area for Motor Mills and PhP4/sqm of lot area for CIP plants. <b>CIP maintenance</b> includes the cost and operation of the tailings launder to the Interim Dam</p> <p>B. <b>Tailings Fee</b> is estimated based on the tonnage of stocks produced (production rate) consisting of the following:</p> <ol style="list-style-type: none"> <li>1. Environmental Monitoring Fund (EMF) equivalent to the Multi-partite Monitoring Team/Mine Rehabilitation Fund Committee (PhP150,000 per quarter=PhP4/ton of stocks processed)</li> <li>2. Environmental Guarantee Fund (EGF) or Environmental Trust Fund for rehabilitation of tailings storage facility (PhP50,000.00 per quarter=PhP2/ton of production of stocks processed)</li> </ol> |
|---|

- 3.16. As stated in Section 3.2.2 of the MOA among the DENR, NRDC and NRMDC (now PMDC) and Item 7 of the MOA between the PMDC and the mining operator, the PMDC was given the right to impose collections on the mining operators for the use and proper maintenance of the MTSF area. The collections made by the PMDC are recorded under the Trust Liabilities account. As of December 31, 2024, the balance of the account amounted to P1.261 million.
- 3.17. Based on the Accounting records, only 60 out of the 128 existing mining operators paid their dues and fees from CYs 2020 to 2024.
- 3.18. The CRO informed that the PMDC is exercising maximum tolerance in the collection of the dues and fees from the mining operators since the latter's operations are intermittent. Nevertheless, the PMDC continuously reminds the mining operators to settle their obligations to PMDC once they are capable to pay such.
- 3.19. The non-collection of dues and fees from the mining operators might hamper the regular maintenance of the MTSF area in addressing environmental concerns and clean-up within the DMRA.

- 3.20. We recommended that Management direct the CRO in coordination with the:
- a. Legal Department to require the mining operators to pay immediately the notarial fee in order to expedite the finalization of the MOAs; and
  - b. Finance and Accounting Department (FAD) to exert utmost effort to collect regularly the dues and fees for the use and proper maintenance of the MTSF area from all of the existing mining operators.
- 3.21. Management commented that they have duly noted the COA recommendations. They shall enforce the collection of dues and fees from all mining operators.

#### **GENDER AND DEVELOPMENT (GAD)**

4. The PMDC was able to formulate a GAD Agenda and obtain a Philippine Commission on Women (PCW)-endorsed GAD Plan and Budget (GPB) for Fiscal Year (FY) 2024 in the amount of P7.116 million or 5.06 percent of its approved Corporate Operating Budget (COB) for CY 2024 in the amount of P140.681 million, in consonance with the PCW, National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2022-01 dated December 28, 2022. However, the total expenditures incurred in the implementation of the GAD programs, activities and projects (PAPs) in the amount of P3.929 million represents only 2.79 percent of the approved COB and 55.21 percent of its endorsed GPB, or underutilization in the amount of P3.187 million. Thus, there was no assurance that the GAD PAPs undertaken during the year substantially addressed the identified gender issues and concerns of the PMDC.
- 4.1. It is noteworthy to mention that the PMDC was able to formulate its GAD Agenda for CYs 2024-2028. The same was approved by the PCEO and acknowledged by the PCW on September 24, 2024. In addition, the FY 2024 GPB of the PMDC in the amount of P7.116 million was endorsed by the PCW on March 15, 2024.
- 4.2. Section 6.1 of PCW, NEDA and DBM JMC No. 2022-01 provides the following guidelines on the allocation and utilization of the GAD Budget:
- 6.1 At least five per cent (5%) of the total agency budget appropriations authorized under annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services. Xxx*

- 4.3. Review of the documents supporting the implementation of the GAD PAPs indicated in the endorsed GPB showed that the total GAD budget amounting to P7.116 million was 5.06 percent of the PMDC's approved COB of P140.681 million for CY 2024, which was compliant with the minimum five percent requirement provided under PCW-NEDA-DBM JMC No. 2022-01.
- 4.4. The PMDC provided the Audit Team with a copy of the CY 2024 GAD Accomplishment Report (AR) generated from the Gender Mainstreaming and Monitoring System (GMMS) of the PCW. Comparison of the GAD AR vis-à-vis the endorsed GPB disclosed that out of the 17 planned GAD PAPs with a total budget of P7.116 million, only 14 PAPs were implemented with total expenditures of P3.681 million. In addition, one GAD PAP, which is the orientation on Gender Inclusive Disaster Risk Reduction and Management (DRRM), in the amount of P247,271, was reflected in the GAD AR but was not included in the planned GAD PAPs per GPB. Thus, bringing the total GAD expenses in the amount of P3.929 million. Details are summarized in Table 6.

**Table 6 – Comparison of Planned PAPs and Accomplishments for CY 2024**

PAPs	Budget	Actual Cost/Expenditure	% of Actual Expenditure
<b><u>Client-Focused</u></b>			
1. Information activities to communities seeking their active participation in GAD activities; Conduct of Community Consultation Activity for Planning to establish partnership on the community and municipal and barangay offices for the implementation of GAD PAP's; GAD Orientation; Leadership training for women	P 408,000	P 227,119	55.67
2. Trainings on organizational strengthening with the Integration of Basic GAD Concepts	118,000	-	-
3. 2-day meeting/courtesy call with the respective barangays; Conduct of face-to-face interview for GAD Baseline Data Gathering (12 Days); Coordination with ERDB [DENR-Ecosystems Research and Development Bureau]	375,000	76,559	20.42
4. Gather contents for website publication, gather and post gender sensitive IEC [Information, Education, and Communication] materials in GAD Bulletin Boards	60,000	161,993	269.99
<b><u>Organization-Focused</u></b>			
5. PMDC to participate in the Women's Month Activities (March 2024) Printing of banners/ materials, review GAD webinars, etc	150,000	150,598	100.40
6. Conduct of Orientation on Magna Carta of Women (Republic Act No. 9710) and on Violence against Women and their children for all employees	150,000	154,306	102.87
7. Preparation and drafting of the PMDC's GAD Agenda (GAD Framework and GAD Strategic Plan) for 2024-2029 on the 4 <sup>th</sup> week of February or 1 <sup>st</sup> week of March 2024	520,038	638,524	122.78
8. Preparation and submission of GPB 2025 and AR 2024	153,700	65,628	42.70

PAPs	Budget	Actual Cost/Expenditure	% of Actual Expenditure
9. Participation in GAD-related webinars, trainings and information sessions organized by PCW, UNDP [United Nations Development Programme], women-led organizations among others. Topics to be included are as follows: PCW webinars on Intro to Basic GAD Concepts, Attribution using HGDG [Harmonized Gender and Development Guidelines], GAD Plan and Budget, Gender Analysis Tools. UNDP online course on Gender and Mining Governance	1,300,000	6,665	0.51
10. Conduct of monthly meeting of the GFPS [Gender Focal Point System], and prepare minutes of the meeting	390,000	91,982	23.59
11. GAD Orientation	100,000	-	-
12. Training on Gender Mainstreaming Tools:	800,000	259,202	32.40
a. Training on Gender Analysis Tools community level tools (3 days)			
b. Training on SDD [Sex-Disaggregated Data] and Gender Stats (2 days)			
c. Training on Gender Responsive monitoring and evaluation (3 days)			
13. Compilation & Records keeping of documents pertaining to GAD activity conducted with partners stakeholders (from Invitation, implementation, monitoring and evaluation)	5,000	5,000	100.00
14. Gender-fair language training	100,000	94,038	94.04
15. Gynecological, solo parent and maternity/paternity leave applications are approved and granted full benefits to women and men employees	400,000	201,121	50.28
16. Provision of IEC materials and conduct of in-house webinars to PMDC women employees and conduct of investigation to ensure appropriate action if complaints are filed. Participation or conduct of In-house trainings /workshops on GAD related laws and policies organized by HRAD [Human Resource and Administration Department]	300,000	-	-
17. Conduct an orientation of Gender Inclusive Disaster Risk Reduction and Management (DRRM)	-	247,271	-
18. HERO Program PPGD [Philippine Plan for Gender-Responsive Development] 1995-2025 Chapter 13 - Environment and Natural Resources Management 1.2.5-Poor living conditions of women and their children in mining communities - The lack of basic services continues to contribute to poor living conditions of women and their children. Women are the ones mostly affected by this as they are left to address basic needs such as family health care, education, water and sanitation. Total Annual Budget: 2,186,036.50 HGDG Score: 16.35	1,785,992	1,548,807	86.72
<b>TOTAL</b>	<b>P 7,115,730</b>	<b>P 3,928,813</b>	<b>55.21</b>
<b>Actual Cost/Corporate Operating Budget (COB) [P3,928,813/P140,680,905]</b>			<b>2.79</b>

- 4.5. The aforementioned observation on the underutilization of GAD budget is a reiteration with updates of the last year's audit observation as Management was not able to again fully utilize its GAD budget in CY 2024 for identified GAD PAPs or an underutilization in the amount of P3.187 million.
- 4.6. In view of the low utilization of the funds allocated for GAD, there is no assurance that the GAD PAPs implemented during the year had substantially addressed the gender issues and concerns of the PMDC.
- 4.7. **We reiterated our prior year's recommendation that Management direct the GFPS to, moving forward, fully implement the GAD PAPs outlined in the annual PCW-endorsed GPB in order that the identified gender issues and concerns of the PMDC are timely and properly addressed.**
- 4.8. Management commented that given the recommendation presented, the PMDC wish to inform on the plans and activities to be pursued by the GFPS based on the PCW-approved and endorsed GPB for FY 2025, to wit:
- a. Training on Gender-Responsive Monitoring and Evaluation and HGDC Project Implementation and Management and Monitoring and Evaluation (PIMME) was already conducted last March 11-13, and 24, 2025. Since the training was only implemented in CY 2025, some of the PAPs for CY 2024 did not undergo/use the HGDC PIMME checklist. Hence, the low utilization of the funds allocated for GAD. However, moving forward, the GFPS together with the Community Relations and Technical Teams will endeavor to apply the HGDC PIMME checklist to increase GAD attribution for PMDC's major PAPs for CY 2025.
  - b. Training on Gender Equality, Diversity and Social Inclusion (GEDSI) for the Grassroots and Focus Group Discussion (FGD) for the Rural Communities is scheduled in June 2025.
  - c. One of the important targets to be accomplished in CY 2025 is the preparation of the GEDSI in DRRM Plan which aims to include the dissemination of GEDSI in DRRM-related IEC materials and web-based information through the GAD corner. Hence, PMDC wants to assure COA that the GFPS is committed to implementing all GAD PAPs in the PCW-endorsed FY 2025 GPB and shall likewise submit the GAD AR based on the required timeline of the PCW.
  - d. The PMDC reiterates its commitment to continuously mainstream GAD in the organization as it is a critical strategy for the organization to ensure that gender equality is integrated into all aspects of PMDC's mining activities, policies, programs and projects.
- 4.9. As a rejoinder, the Audit Team acknowledged the initiatives being pursued by the PMDC GFPS to effectively mainstream GAD within the Corporation.

## **COMPLIANCE WITH TAX LAWS**

5. For the period January to November 2024, the PMDC remitted the taxes it withheld amounting to P5.279 million to the Bureau of Internal Revenue (BIR). Likewise, taxes withheld for the month of December 2024 amounting to P0.828 million (Table 7) were remitted to the BIR in January 2025.

**Table 7 – Taxes Withheld in December 2024 and Remitted in January 2025**

<b>Particulars</b>	<b>Amount</b>	<b>Date Remitted</b>
Taxes on Compensation and Employee Benefits	P 719,236	January 14, 2025
Expanded Withholding Taxes	42,144	January 9, 2025
Value Added Tax (VAT) Withholding Taxes	67,058	January 9, 2025
	<b>P 828,438</b>	

## **COMPLIANCE WITH GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), SOCIAL SECURITY SYSTEM (SSS), HOME DEVELOPMENT MUTUAL FUND (HDMF), AND PHILIPPINE HEALTH INSURANCE CORPORATION (PHILHEALTH) LAWS, RULES AND REGULATIONS**

6. For CY 2024, the PMDC remitted premium contributions and loan payments of project employees to the SSS amounting to P1.338 million and P422,133, respectively. It also remitted premium contributions and loan payments of regular employees to the GSIS amounting to P5.536 million and P0.650 million, respectively. It likewise remitted to the HDMF the amounts of P478,000 and P0.608 million, which represent the contributions and loan payments, respectively, in compliance with Rule VII, Section 3 of the Implementing Rules and Regulations of RA No. 9679, or the Pag-IBIG Fund Law of 2009. Further, contributions in the total amount of P2.112 million were remitted to PhilHealth in CY 2024.

## **COMPLIANCE WITH PROPERTY INSURANCE LAW**

7. In compliance with the inventory and insurance of all insurable assets and interest of the government pursuant to RA No. 656, otherwise known as the Property Insurance Law, the PMDC paid to the GSIS-General Insurance Fund a total of P0.842 million as premiums of its insurable assets for CY 2024.

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

8. As of December 31, 2024, there were no unsettled audit charges and suspensions, while the total unsettled audit disallowances amounted to P1.376 million, as summarized in Table 8 (next page) and the details and status are presented in **Annex A** of this Report.

**Table 8 - Summary of Audit Disallowances, Charges and Suspensions  
As of December 31, 2024**

	Beginning Balance January 1, 2024	Adjustment	Settlement	Ending Balance December 31, 2024
Disallowances	P 1,376,463	P -	P -	P 1,376,463
Charges	-	-	-	-
Suspensions	-	-	-	-
	<b>P 1,376,463</b>	<b>P -</b>	<b>P -</b>	<b>P 1,376,463</b>

**PART III - STATUS OF IMPLEMENTATION  
OF PRIOR YEAR'S AUDIT  
RECOMMENDATIONS**

**PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S  
AUDIT RECOMMENDATIONS**

Of the seven audit recommendations embodied in Annual Audit Report for the years ended December 31, 2023 and 2022, two were implemented, three were not implemented, and two were closed, details as follows:

<b>Reference</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Actions Taken/ Comments</b>
Audit Observation (AO) No. 1 page 59	The Philippine Mining Development Corporation (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.	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 JOA partner/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.	Updated and reiterated in Part II – Observation and Recommendation No. 1 of this Report.  Not Implemented.  Closed.  The PMDC received a letter dated September 16, 2024 from the Department of Environment and Natural Resources (DENR), directing the PMDC to refrain from disposing of, awarding, or entering into a Joint Operating Agreement (JOA) or any similar agreement with any third party until such time that the concerned

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 2 Page 63	<p>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.</p>	<p>We recommended that Management:</p> <p>a. Closely coordinate with the MGB, NCIP and BSWM to secure the necessary permits and documents to enable the PMDC and its FSP to perform the exploration/assessment activities in the three (3) Projects under the PFSP Agreement;</p> <p>b. Direct the PMTs to exert all effort to meet the targeted exploration/assessment activities; and</p>	<p>stockholders are duly represented in the Board of Directors of the PMDC.</p> <p>Implemented.</p> <p>The PMDC conducted several meetings and coordinated with the Mines and Geosciences Bureau (MGB) and other regulatory agencies concerned, more specifically the National Commission on Indigenous People (NCIP) for the issuance of the Certification Precondition, and the Department of Agriculture-Bureau of Soil and Water Management (DA-BSWM) for the Strategic Agriculture and Fisheries Development Zone (SAFDZ) clearance, to fast-track the issuance of the Exploration Permits for both the Rogongon Copper-Gold Project and the Cagayan de Oro (CDO) Gold Project.</p> <p>Closed.</p> <p>Limited exploration/assessment activities could only be made</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
AO No. 3 Page 69	<p>The PMDC was able to obtain a Philippine Commission on Women (PCW)-endorsed GAD Plan and Budget (GPB) for CY 2023 in the amount of P6.336 million out of P117.019 million or 5.41 per cent of its approved Corporate Operating Budget (COB) for CY 2023, which is in consonance with PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM) Joint Circular (JC) No. 2012-01. However, the following deficiencies were noted in the implementation by the PMDC of the GAD during the year:</p>	<p>c. Formulate procedures to cover the exploration and mining operations of Projects under the PFSP Agreements.</p>	<p>by the PMDC while waiting for the approval of necessary permits from the regulatory agencies.</p>
		<p>We reiterated our prior year's recommendations that Management direct the GFPS to:</p>	<p>Not Implemented.  The PMDC is currently drafting a Quality Procedure Manual to cover the permitting process of Projects under the PFSP Agreements.</p>
	<p>a. The GAD Agenda, as the Corporation's strategic framework and plan on gender mainstreaming and achieving gender equality and women's empowerment, was not yet prepared contrary to Section 5.1 of PCW-</p>	<p>a. Expedite the finalization of the PMDC's six-year GAD Agenda in accordance with PCW MC No. 2018-04 and submit the same for review and endorsement by the PCW; and</p>	<p>Updated and reiterated in Part II – Observation and Recommendation No. 4 of this Report.</p>
		<p>b. Moving forward, endeavor to fully implement the GAD PAPs embodied in the annual PCW-endorsed GPB in order that the identified gender issues of the Corporation are timely and properly addressed.</p>	<p>Implemented.  Not Implemented.</p>

Reference	Observations	Recommendations	Actions Taken/ Comments
	<p>NEDA-DBM JC No. 2012-01; and PCW Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, thus existing priority gender-issues and/or specific GAD mandates and targets of the Corporation may not have been completely identified and addressed; and</p>		
	<p>b. The utilized GAD budget in the amount of P3.824 million represents only 3.27 per cent of the approved COB of the PMDC for CY 2023 and 60.36 per cent of its endorsed GPB, thus there was no assurance that the GAD programs, activities and projects (PAPs) undertaken during the year substantially addressed the identified gender issues.</p>		

**PART IV - ANNEX**

**DETAILS AND STATUS OF UNSETTLED AUDIT DISALLOWANCES  
As of December 31, 2024**

<b>Notice of Disallowance (ND) No./Date</b>	<b>Persons Liable</b>	<b>Nature</b>	<b>Amount</b>	<b>Status/Remarks</b>
2013-002 (12)/ October 21, 2013	Former PMDC President and Chief Executive Officer (PCEO) (2012); Vice President (VP) Corporate Affairs; Former Manager, Finance and Accounting Services (FAS); Former Manager, Human Resource and Administration Services (HRAS); and all payees	Payment of fixed transportation and communication allowances for calendar year (CY) 2012	P 213,555	The Petition for Review was denied under COA Decision No. 2021-358 dated December 1, 2021.  A Notice of Finality of Decision (NFD) No. 2024-209 dated May 7, 2024 was issued.  The amount was already recorded in the books under Receivables-disallowances/charges account.
Supplemental ND 2013-002 (12) (a)/ June 3, 2024	Former President, PMDC who issued Memoranda dated May 30, 2007 and January 29, 2008			No Appeal from the Supplemental ND was filed by the person liable as of December 31, 2024.
2015-001 (2014)/ February 20, 2015	Former PMDC President (2006); Former PMDC PCEO (2015); VP Corporate Affairs; Former Manager, FAS; Former Finance Officer; and Cash Management Officer	Payment of penalties due to non-payment of Value Added Tax (VAT) for the taxable year ending 2006	678,294	With Corporate Government Sector (CGS) Cluster V Decision No. 2018-004 dated February 2, 2018 which is under automatic review by the COA Commission Proper (CP).
19-001 (2015-2018)/ May 22, 2019	Former PMDC PCEO; VP Corporate Affairs; VP Operations; Former Manager, FAS; Manager, Finance and Accounting Department; Former Manager and Former OIC-Managers, HRAS; Former Manager, Legal Department; Former Finance	Payment of gym membership fees without legal basis for CYs 2015-2018	484,614	The Appeal Memorandum dated November 21, 2019 on the ND was denied under CGS Cluster V Decision No. 2020-030 dated September 15, 2020.  A Petition for Review was filed with the COA CP.

Notice of Disallowance (ND) No./Date	Persons Liable	Nature	Amount	Status/Remarks
	Officer; Former Budget Officer; Finance Officer; Acting Budget Officer, and all beneficiaries			
<b>Total</b>			<b>P 1,376,463</b>	