

**Copy to the  
Bureau of Internal Revenue**



## Independent Auditor's Report

To the Board of Directors and Shareholders of  
**OceanaGold (Philippines), Inc.**  
2<sup>nd</sup> Floor, CJV Building, 108 Aguirre Street  
Legaspi Village, Makati City

## Report on the Audits of the Financial Statements

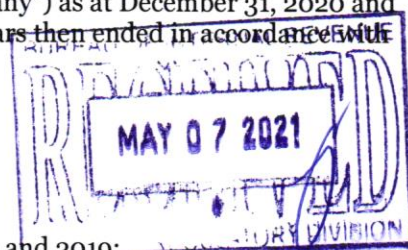
### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OceanaGold (Philippines), Inc. (the "Company") as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### *What we have audited*

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of total comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of changes in equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the financial statements, which include a summary of significant accounting policies.



### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

Management is responsible for the preparation and fair presentation of the 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.

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In preparing the financial statements, management is responsible for assessing the Company'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 but to do so.

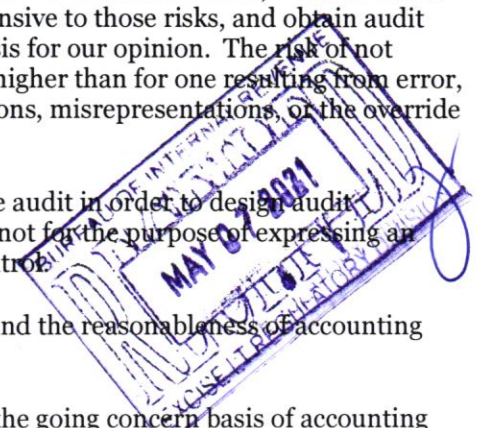
Those charged with governance are responsible for overseeing the Company's financial reporting process.

***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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 PSAs, 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 Company'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 Company'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 Company 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.





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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.

**Report on the Bureau of Internal Revenue Requirement**

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 27 to the financial statements is presented for purposes 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 and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

SEC A.N. (firm) as general auditors 0142-SEC, Category A;

valid to audit 2020 to 2024 financial statements

T.I.N. 213-227-235

BIR A.N. 08-000745-128-2019; issued on January 14, 2019; effective until January 13, 2022

BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
April 14, 2021





Isla Lipana & Co.

Statement Required by Section 8-A, Revenue Regulation No. V-1

To the Board of Directors and Shareholders of  
**OceanaGold (Philippines), Inc.**  
2<sup>nd</sup> Floor, CJV Building, 108 Aguirre Street  
Legaspi Village, Makati City

None of the partners of the firm has any financial interest in the Company or any family relationship with its chairman, managers or shareholders.

The required information on taxes and licenses is presented in Note 27 to the financial statements.

**Isla Lipana & Co.**

Pocholo C. Domondon  
Partner

CPA Cert. No. 108839

P.T.R. No. 0011401; issued on January 5, 2021 at Makati City

SEC A.N. (individual) as general auditors 1567-AR-1, Category A; effective until May 27, 2022

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**OceanaGold (Philippines), Inc.**  
(A wholly-owned subsidiary of OceanaGold (Philippines) Holdings, Inc.)

Statements of Financial Position  
As at December 31, 2020 and 2019  
(All amounts in U.S. Dollar)

	Notes	2020	2019
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash	2	3,621,883	3,105,187
Receivables	3	3,942,279	3,478,216
Inventories	4	41,953,481	76,596,996
Prepayments and other current assets	5	8,603,092	12,184,656
Total current assets		58,120,735	95,365,055
<b>Non-current assets</b>			
Inventories, net of current portion	4	170,700,344	140,038,659
Mining assets, net	6	192,424,093	267,788,297
Property, plant and equipment, net	7	203,047,365	212,379,494
Other non-current assets	8	81,219,559	82,048,485
Total non-current assets		647,391,361	702,254,935
<b>Total assets</b>		<b>705,512,096</b>	<b>797,619,990</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade payables and other current liabilities	9	56,203,083	58,214,112
Due to related parties	10	6,950,084	1,662,004
Lease liabilities, current portion	22	78,630	14,454
Income tax payable	18	-	22,176
Total current liabilities		63,231,797	59,912,746
<b>Non-current liabilities</b>			
Due to related parties, net of current portion	10	210,273,718	146,677,439
Retirement benefit obligation	15	784,871	1,705,705
Provision for rehabilitation cost	19	5,573,547	4,596,143
Lease liabilities, net of current portion	22	21,516	-
Deferred income tax liabilities	18	33,278	92,196
Total non-current liabilities		216,686,930	153,071,483
Total liabilities		279,918,727	212,984,229
<b>Equity</b>			
Share capital	11	1,246,519	1,246,519
Other reserves		(1,775,193)	(1,509,179)
Retained earnings		426,122,043	584,898,421
Total equity		425,593,369	584,635,761
<b>Total liabilities and equity</b>		<b>705,512,096</b>	<b>797,619,990</b>

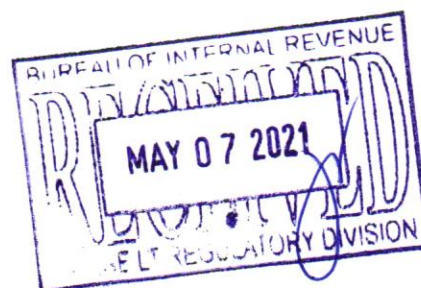
The notes on pages 1 to 52 are integral part of these financial statements.

**OceanaGold (Philippines), Inc.**  
(A wholly-owned subsidiary of OceanaGold (Philippines) Holdings, Inc.)

Statements of Total Comprehensive Income  
For the years ended December 31, 2020 and 2019  
(All amounts in U.S. Dollar)

	Notes	2020	2019
Net sales	12	11,602,611	121,222,672
Cost of sales	13	(15,705,464)	(89,233,975)
<b>Gross income (loss)</b>		<b>(4,102,853)</b>	<b>31,988,697</b>
General and administrative expenses	14	(45,610,991)	(41,316,056)
Impairment loss on mining assets	6	(80,000,000)	(636,330)
Other operating income (expense), net	16	3,255,775	(519,383)
Finance costs, net	17	(32,263,221)	(434,473)
<b>Loss before provision for income tax</b>		<b>(158,721,290)</b>	<b>(10,917,545)</b>
Provision for income tax	18	(55,088)	(38,230)
<b>Net loss for the year</b>		<b>(158,776,378)</b>	<b>(10,955,775)</b>
<b>Other comprehensive loss</b>			
Remeasurement loss on retirement benefit obligation that will not be subsequently reclassified to profit or loss, net of tax	15	(266,014)	(426,851)
<b>Total comprehensive loss for the year</b>		<b>(159,042,392)</b>	<b>(11,382,626)</b>

The notes on pages 1 to 52 are integral part of these financial statements.



**OceanaGold (Philippines), Inc.**  
(A wholly-owned subsidiary of OceanaGold (Philippines) Holdings, Inc.)

Statements of Changes in Equity  
For the years ended December 31, 2020 and 2019  
(All amounts in U.S. Dollar)

	Share capital (Note 11)	Retained earnings		Other reserves		Total
		Unappropriated	Appropriated (Note 1)	Cumulative translation adjustment	Remeasurement of retirement benefit obligation (Note 15)	
<b>Balances as at January 1, 2019</b>	1,246,519	546,299,066	49,555,130	(1,686,844)	604,516	596,018,387
<b>Comprehensive income</b>						
Net loss for the year	-	(10,955,775)	-	-	-	(10,955,775)
Remeasurement loss on retirement benefit obligation	-	-	-	-	(426,851)	(426,851)
Total comprehensive loss	-	(10,955,775)	-	-	(426,851)	(11,382,626)
<b>Balances as at December 31, 2019</b>	1,246,519	535,343,291	49,555,130	(1,686,844)	177,665	584,635,761
<b>Comprehensive loss</b>						
Net loss for the year	-	(158,776,378)	-	-	-	(158,776,378)
Remeasurement loss on retirement benefit obligation	-	-	-	-	(266,014)	(266,014)
Total comprehensive loss	-	(158,776,378)	-	-	(266,014)	(159,042,392)
<b>Balances as at December 31, 2020</b>	1,246,519	376,566,913	49,555,130	(1,686,844)	(88,349)	425,593,369

The notes on pages 1 to 52 are integral part of these financial statements.

**OceanaGold (Philippines), Inc.**  
(A wholly-owned subsidiary of OceanaGold (Philippines) Holdings, Inc.)

Statements of Cash Flows  
For the years ended December 31, 2020 and 2019  
(All amounts in U.S. Dollar)

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Loss before provision for income tax		(158,721,290)	(10,917,545)
Adjustments for:			
Impairment loss on mining assets	6	80,000,000	636,330
Interest expense	17	32,143,317	620,109
Depreciation and amortization	6,7	11,793,892	37,207,222
Unrealized foreign exchange loss, net	23	257,978	70,105
Accretion expense	19	211,222	113,035
Write-off of unrecoverable input VAT	16	-	343,592
Write-off of receivables from employees	3	-	2,559
Gain from disposal of property, plant and equipment	16	(17,278)	(23,948)
Interest income	2	(123,050)	(211,255)
Provision for (income from) retirement benefits	15	(1,364,465)	344,009
Gain on loan modification	10	(3,831,068)	-
Operating income (loss) before working capital changes		(39,650,742)	28,184,213
Changes in working capital:			
Receivables		(464,063)	11,147,106
Inventories		3,981,830	(18,454,302)
Prepayments and other current assets		3,581,564	(2,984,317)
Other non-current assets		1,132,224	6,764,651
Trade payables and other current liabilities		(348,817)	(8,230,949)
Due to related parties		4,599,049	1,291,567
Net cash generated from operations		(27,168,955)	17,717,969
Interest received	2	123,050	211,255
Income tax paid		(22,176)	(57,007)
Benefits paid	15	-	(36,305)
Interest paid	17	-	(615,365)
Net cash flows provided by (used in) operating activities		(27,068,081)	17,220,547
<b>Cash flows from investing activities</b>			
Additions to mining assets	6	(7,833,590)	(30,038,426)
Proceeds from disposal of property, plant and equipment	16	17,278	23,948
Net cash provided by (used in) investing activities		(7,816,312)	(30,014,478)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	10	35,289,143	20,746,467
Interest paid arising from lease liability	22	(5,113)	(4,744)
Payment of principal portion of leases	22	(74,307)	(63,140)
Payment of borrowings		-	(26,004,680)
Net cash used in financing activities		35,209,723	(5,326,097)
<b>Net increase (decrease) in cash</b>		<b>325,330</b>	<b>(18,120,028)</b>
Cash at beginning of the year		3,105,187	21,230,446
Effects of foreign exchange rate changes in cash		191,366	(5,231)
<b>Cash at end of the year</b>		<b>3,621,883</b>	<b>3,105,187</b>

The notes on pages 1 to 52 are integral part of these financial statements.

**OceanaGold (Philippines), Inc.**

(A wholly-owned subsidiary of OceanaGold (Philippines) Holdings, Inc.)

## Notes to Financial Statements

As at and for the years ended December 31, 2020 and 2019

(In the notes, all amounts are shown in U.S. Dollar unless otherwise stated)

**Note 1 - General information/Status of operations**

OceanaGold (Philippines), Inc. (the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 24, 1996 to render exploration and other related services, as well as all aspects of technical engineering and management services to individuals, partnerships, associations, and corporations engaged in mining or, in any manner, in the acquisition, conveyance, storage, marketing, processing, refining and distribution of minerals. The Company is a wholly-owned subsidiary of OceanaGold Philippines Holdings, Inc. (OGPHI), a company incorporated and doing business in the Philippines. The Company's ultimate parent is OceanaGold Corporation (OGC), a company domiciled in Australia and is listed in the Australian and Toronto Stock Exchanges.

On August 7, 1998, the Company amended its Articles of Incorporation changing its primary purpose to include, among others, activities involving large-scale exploration, development and utilization of mineral resources. The SEC approved the amended Articles of Incorporation on October 15, 1998.

On October 13, 2005, the Department of Environment and Natural Resources (DENR) issued to the Company an effective permit for the development and the subsequent operation of the Didipio Gold-Copper Project (Project) contained within the Didipio Financial and Technical Assistance Agreement (FTAA) located in Region 2 in the Philippines. The Company has been granted by the Mines and Geosciences Bureau (MGB) an extension of five (5) years for its exploration activities under the current FTAA on March 10, 2016. The extension commenced on the date of approval of extension and to expire after a period of five (5) years or on the date of approval of the full Declaration of Mining Project Feasibility (DMPF), whichever comes earlier.

On April 3, 2006, the Supreme Court (SC) dismissed the lawsuit filed by a non-government organization questioning the legality of the Company's FTAA. The decision follows the earlier ruling made by the SC in denying with finality the motion seeking to reverse its ruling on the constitutionality of the Philippine Mining Act of 1995.

On April 1, 2013, the Company declared the commencement of commercial operations after considering various relevant criteria to assess when the mine was substantially complete and ready for its intended use and had moved into production stage. As part of its mine plan, the Company started in March 2014 its preparation and development for its transition to underground mining. The development of underground operations moved through a ramp up period during the year before coming into full production in 2020. However, this was temporarily postponed following the halt of mining and operating activities in July 2019.

The Company's FTAA contractually ended on June 20, 2019. Subsequent to a provincial order of restraint on the Company's operations in July 2019, the Company ceased its processing and hauling activities. The renewal process has continued during this duration and is currently under review with the Office of the President (OP) after being endorsed by the Secretary of DENR and by the MGB. The Company received a letter from the OP instructing the DENR to engage with the Company and the Department of Finance (DOF) to finalize the renewal of the FTAA.

The Company was registered with the Board of Investments (BOI) on November 2, 2005, revised on December 16, 2011, as a new producer of dore bars and concentrates with gold, silver, zinc and lead values on a non-pioneer status under the 1987 Omnibus Investment Code. Under this registration, the Company is entitled to certain fiscal and non-fiscal incentives including six (6) years of income tax holiday (ITH) from the start of commercial operations. Consequently, the Company is required to maintain a base equity of at least 25% of the project cost estimated at US\$50,650,118 (P2,248,612,000) as one of the conditions of its registration. Accordingly, the Board of Directors (BOD) in its resolution dated March 7, 2014 considered an amount of US\$49,555,130 (P2,200,000,000) of the Company's retained earnings as restricted for Project-related expenditures, and is not available for dividend declaration (Note 24.2).

On February 1, 2019, the Company submitted its application for extension of ITH for one (1) year commencing April 2019 until March 2020, which was eventually approved under the Net Foreign Exchange Earnings criterion. In 2020, the Company did not qualify for another year of extension, hence, after the lapse of ITH in March 2020, the Company is liable to pay a regular 30% tax on taxable income.

The Company's registered office address, which is also its principal place of business, is located at the 2nd Floor, CJV Building, 108 Aguirre Street, Legaspi Village, Makati City.

The financial statements have been approved and authorized for issue by the Company's Board of Directors on April 14, 2021.

## **Note 2 - Cash**

Cash as at December 31 consist of:

	2020	2019
Cash in banks	3,615,151	3,098,455
Cash on hand	6,732	6,732
	<u>3,621,883</u>	<u>3,105,187</u>

Cash in bank earns interest at the prevailing bank deposit rates of 0.05% to 0.175% for the year ended December 31, 2020 (2019 - 0.25% to 3.50%). In 2020, interest income earned from these bank deposits amounted to US\$123,050 (2019 - US\$211,255) (Note 16).

The carrying amounts of the Company's cash are denominated in the following currencies:

	2020	2019
U.S. Dollar	3,396,037	701,804
Philippine Peso	218,311	2,400,224
Australian Dollar	7,535	3,159
	<u>3,621,883</u>	<u>3,105,187</u>

## **Note 3 - Receivables**

Receivables as at December 31 consist of:

	Note	2020	2019
Trade receivables		1,526,402	1,230,134
Due from related parties	10	1,603,494	1,469,075
Advances to employees		812,383	779,007
		<u>3,942,279</u>	<u>3,478,216</u>

Trade receivables represent receivables from the sale of metal concentrates and dore gold to customers which are recorded at provisional prices and recorded at fair value each period until final settlement.

Advances include those which are extended to the Company's employees and are realized through salary deductions and liquidations.

There are no receivables pledged as collateral for liabilities as at December 31, 2020 and 2019.

There were no written off receivables pertaining to resigned employees for the year ended December 31, 2020 (2019 - US\$2,559). As at December 31, 2020 and 2019, the Company did not recognize any impairment losses for trade receivables and due from related parties. The maximum exposure to credit risk for such is disclosed in Note 24.1.

#### **Note 4 - Inventories**

Inventories at cost as at December 31 consist of:

	2020	2019
Current		
Concentrates	33,147,519	33,147,519
Consumables and spares	8,196,236	20,700,930
Gold on hand	609,726	4,430,633
Ore stockpile	-	18,317,914
	<u>41,953,481</u>	<u>76,596,996</u>
Non-current		
Ore stockpile	158,356,572	140,038,659
Consumables and spares	12,343,772	-
	<u>170,700,344</u>	<u>140,038,659</u>
	<u>212,653,825</u>	<u>216,635,655</u>

For the year ended December 31, 2020, the cost of inventory recognized as expense and included in cost of sales amounted to US\$15.71 million (2019 - US\$89.23 million) (Note 13).

As at December 31, 2020, the Company classified US\$158.36 million (2019 - US\$140.04 million) of ore stockpile inventory as non-current as management assessed that these are not expected to be processed and sold within 12 months after the end of the reporting period. During the year, consumables and spares inventory valued at US\$12.34 million (2019 - nil) were also reclassified to non-current with the assumption that operations shall recommence by January 2022.

The carrying amounts of total inventories as at December 31, 2020 and 2019 are lower than their net realizable values. As such, no loss provision on inventories was recognized for the years then ended.

#### **Note 5 - Prepayments and other current assets**

Prepayments and other current assets as at December 31 consist of:

	2020	2019
Prepayments	5,000,023	4,993,671
Advances	1,991,164	4,344,823
Deferred input tax on capital goods	1,611,905	2,846,162
	<u>8,603,092</u>	<u>12,184,656</u>

As at December 31, 2020 and 2019, prepayments include Tax Credit Certificates (TCCs) amounting to US\$4.38 million received from the Bureau of Internal Revenue (BIR). There were no TCCs claimed for cash conversion during the year (2019 - US\$124 thousand). There are no TCCs received from the BIR from granted VAT refund claims for the years ended December 31, 2020 and 2019 (Note 8).

Advances represent deposits and payments made to suppliers, contractors or vendors arising from contractual agreements for purchases made by the Company.

## Note 6 - Mining assets, net

Details of net mining assets and related movements as at and for the years ended December 31 are as follows:

	Notes	Deferred exploration	Mine and mining properties	Asset retirement obligation	Total
<b>Cost</b>					
January 1, 2020		14,399,966	425,721,161	3,032,359	443,153,486
Additions		216,337	5,955,041	-	6,171,378
Adjustments		-	-	766,182	766,182
Reclassifications	7	-	(2,116,453)	-	(2,116,453)
Impairment		-	(80,000,000)	-	(80,000,000)
December 31, 2020		14,616,303	349,559,749	3,798,541	367,974,593
<b>Accumulated amortization</b>					
January 1, 2020		-	(172,443,357)	(2,921,832)	(175,365,189)
Amortization	13	-	(185,311)	-	(185,311)
December 31, 2020		-	(252,628,668)	(2,921,832)	(255,550,500)
Net book value as at December 31, 2020		14,616,303	176,931,081	876,709	192,424,093
<b>Cost</b>					
January 1, 2019		14,275,988	411,429,822	3,960,444	429,666,254
Additions		760,308	24,153,464	-	24,913,772
Adjustments		-	-	(928,085)	(928,085)
Impairment		(636,330)	-	-	(636,330)
Reclassifications	7	-	(9,862,125)	-	(9,862,125)
December 31, 2019		14,399,966	425,721,161	3,032,359	443,153,486
<b>Accumulated amortization</b>					
January 1, 2019		-	(160,294,685)	(2,828,887)	(163,123,572)
Amortization	13	-	(12,148,672)	(92,945)	(12,241,617)
December 31, 2019		-	(172,443,357)	(2,921,832)	(175,365,189)
Net book value as at December 31, 2019		14,399,966	253,277,804	110,527	267,788,297

As at December 31, 2020 and 2019, the deferred exploration costs pertain to exploration of other tenements within the FTAA region. Deferred exploration cost is mainly the nature of intangible assets. The Company expects these costs to be recovered through future development of the areas of interests with ongoing exploration activities. During the year, the Company did not recognize impairment loss on deferred exploration costs (2019 - US\$636 thousand).

Mine and mining properties include costs related to the Company's underground project. As at December 31, 2020, total development cost capitalized for the construction of the underground project amounted to US\$169.10 million (2019 - US\$163.20 million). Commencement of full production for underground operations is dependent on the timing of FTAA renewal (Note 1).

The Company assesses the Didipio project at period end, to determine whether there are any indicators of impairment or reversal of impairment. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made. Recoverable amount is the higher of the fair value less cost of disposal and value in use calculated in accordance with accounting policy in Note 26.9.

The Company identified that there was an indicator of impairment for the Didipio project resulting from the permanent layoffs of 496 employees at Didipio which took place during the fourth quarter of the year and the outstanding renewal of the Company's FTAA. These layoffs impact the expected timeline to resume full operations of the Company. An impairment assessment was hence performed which resulted in an impairment charge of US\$80.0 million being recognized against mining assets (2019 - nil).

As at December 31, 2020, the FTAA renewal remains with the OP with no definitive timeline provided for a decision, however, the Company has been notified that the OP has instructed the DENR to engage with the Company and the DOF to finalise the renewal of the FTAA. Should adverse circumstances arise where there is an expectation that an FTAA renewal will not be granted, or the conditions under which it is renewed will result in an extended period of suspension of production beyond expectations, the carrying value of the assets may be further impaired. However, if the FTAA renewal were obtained, and full operations resumed sooner than assumed, a reversal of impairment may be required to be booked after giving due consideration to those circumstances. No significant developments were noted in this regard to assess for potential reversal of impairment.

For cash flow purposes, out of the US\$6,171,378 million capitalized deferred exploration and mine and mining properties cost, US\$3,148,105 remains unpaid as at December 31, 2020 (2019 - US\$4,810,317).

Asset retirement obligation refers to the estimated cost for rehabilitation and decommissioning of mine and existing facilities of the Company which is amortized over the life of mine (Note 19). For the years ended December 31, 2020 and 2019, management continues to perform the regular review of asset retirement obligation including the assumptions and adjusts the discount rate based on management's market assessment of the time value of money and risks specific to the obligation to 3.94% (2019 - 5.05%), and remeasures the undiscounted rehabilitation costs using the prevailing year-end exchange rates. As a result of these changes, the depreciable amount of the asset retirement obligation and corresponding provision for rehabilitation costs was increased by US\$766,182 (2019 - reduced by US\$928,085).

### Note 7 - Property, plant and equipment, net

Details of property, plant and equipment, net and related movements as at and for the years ended December 31 are as follows:

	Office machinery and equipment	Vehicles	Furniture and fittings	Computer equipment and software	Leasehold improvements	Buildings	Roads and dams	Plant and equipment	Health, safety and security equipment	Maintenance equipment	Mining equipment	Total
<b>Cost</b>												
January 1, 2020	10,935,459	33,055,934	2,251,727	7,682,407	260,294	57,587,977	60,505,412	181,249,580	1,946,146	2,232,354	29,447,848	387,155,138
Additions	18,537	-	-	-	-	141,462	-	-	-	-	-	159,999
Disposals	(23,169)	(59,614)	(44,647)	-	-	-	-	-	-	-	-	(127,430)
Reclassifications	726,152	1,304,847	14,829	55,704	-	14,921	-	-	-	-	-	2,116,453
December 31, 2020	11,656,979	34,301,167	2,221,909	7,738,111	260,294	57,744,360	60,505,412	181,249,580	1,946,146	2,232,354	29,447,848	389,304,160
<b>Accumulated depreciation</b>												
January 1, 2020	8,843,014	25,943,494	2,078,365	6,873,129	260,294	20,152,587	21,581,412	80,898,364	1,677,469	2,226,611	4,240,905	174,775,644
Amortization of ROU	4,634	-	-	-	-	71,242	-	-	-	-	-	75,876
Depreciation	2,195,028	5,144,330	119,406	622,873	-	3,200,734	-	-	244,591	5,743	-	11,532,705
Disposals	(23,169)	(59,614)	(44,647)	-	-	-	-	-	-	-	-	(127,430)
December 31, 2020	11,019,507	31,028,210	2,153,124	7,496,002	260,294	23,424,563	21,581,412	80,898,364	1,922,060	2,232,354	4,240,905	186,256,795
Net book values as at December 31, 2020	637,472	3,272,957	68,785	242,109	-	34,319,797	38,924,000	100,351,216	24,086	-	25,206,943	203,047,365
<b>Cost</b>												
January 1, 2019	9,577,265	30,247,265	2,169,382	7,076,997	260,294	57,061,407	56,031,011	181,249,580	1,941,361	2,232,354	29,447,848	377,294,764
Adoption of PFRS 16	3,729	-	-	-	-	73,865	-	-	-	-	-	77,594
Disposals	-	(79,345)	-	-	-	-	-	-	-	-	-	(79,345)
Reclassifications	1,354,465	2,888,014	82,345	605,410	-	452,705	4,474,401	-	4,785	-	-	9,862,125
December 31, 2019	10,935,459	33,055,934	2,251,727	7,682,407	260,294	57,587,977	60,505,412	181,249,580	1,946,146	2,232,354	29,447,848	387,155,138
<b>Accumulated depreciation</b>												
January 1, 2019	6,868,524	18,530,996	1,876,105	6,181,816	260,294	16,692,280	19,259,695	74,156,976	1,335,391	2,182,524	2,544,783	149,889,384
Amortization of ROU	3,729	-	-	-	-	60,820	-	-	-	-	-	64,549
Depreciation	1,970,761	7,491,843	202,260	691,313	-	3,399,487	2,321,717	6,741,388	342,078	44,087	1,696,122	24,901,056
Disposals	-	(79,345)	-	-	-	-	-	-	-	-	-	(79,345)
December 31, 2019	8,843,014	25,943,494	2,078,365	6,873,129	260,294	20,152,587	21,581,412	80,898,364	1,677,469	2,226,611	4,240,905	174,775,644
Net book values as at December 31, 2019	2,092,445	7,112,440	173,362	809,278	-	37,435,390	38,924,000	100,351,216	268,677	5,743	25,206,943	212,379,494

As at December 31, 2020 and 2019, management assessed that there are no impairment indicators on property, plant and equipment and consequently, the Company did not recognize impairment loss for the years then ended.

Depreciation and amortization for the years ended December 31 were recognized as follows:

	Notes	2020	2019
Cost of sales	13	11,387,757	24,752,234
General and administrative expenses	14	220,824	213,371
		11,608,581	24,965,605

Right-of-use (RoU) of assets arising from leasing arrangements are presented together with the owned assets of the same class. Additions to the right-of-use assets for the year ended December 31, 2020 as a result of renewal of lease agreements amounted to US\$160 thousand. As at December 31, the carrying amount of right-of-use assets by class of underlying assets are as follows:

	Note	Office machinery and equipment	Buildings	Total
<b>Cost</b>				
At January 1 and December 31, 2019		3,729	73,865	77,594
Additions		18,537	141,462	159,999
At December 31, 2020		22,266	215,327	237,593
<b>Accumulated amortization</b>				
At January 1, 2019		-	-	-
Amortization	13	(3,729)	(60,820)	(64,549)
At December 31, 2019		(3,729)	(60,820)	(64,549)
Amortization	13	(4,634)	(71,242)	(75,876)
At December 31, 2020		(8,363)	(132,062)	(140,425)
<b>Net carrying values</b>				
At December 31, 2020		13,903	83,265	97,168
At December 31, 2019		-	13,045	13,045

#### **Note 8 - Other non-current assets**

Other non-current assets as at December 31 consist of:

	Note	2020	2019
Input value-added tax (VAT)		44,702,332	44,278,513
Excise tax		22,112,663	22,102,396
Deposits		8,089,991	9,579,460
Mine rehabilitation fund		6,304,202	5,999,386
Social development fund	20	10,371	88,730
		81,219,559	82,048,485

In 2020 and 2019, the Company has made a number of applications for refund or tax credit of unutilized input VAT attributable to input taxes incurred for the period from incorporation to taxable year December 2018.

The BIR partially granted some of the Company's applications through the issuance of TCCs (Note 5). All TCCs received by the Company for the years ended December 31, 2020 and 2019 represent only a portion of the total grants. TCC for the remaining amount of grants would be processed and secured from the Bureau of Customs (BOC). Details of these grants are as follows:

Application	Date Filed	Grant Date	With TCC	Without TCC	Total Grants
1	June 29, 2015	October 27, 2015	1,992,782	242,430	2,235,212
2	September 30, 2015	February 3, 2016	1,776,888	371,091	2,147,979
3	March 28, 2016	July 7, 2016	592,145	580,078	1,172,223
4	June 29, 2016	October 27, 2016	124,701	1,703,940	1,828,641
5	February 28, 2017	July 21, 2017	16,458	205,081	221,539
6	August 30, 2017	May 15, 2019	-	270,980	270,980
7	March 22, 2018	May 29, 2018	-	215,902	215,902
			4,502,974	3,589,502	8,092,476

As at December 31, 2020, the Company has US\$40.53 million (2019 - US\$37.58 million) of unutilized input VAT claimed for refund, net of write-off of US\$344,900 and disallowed amount of US\$1,426,817. This total outstanding claims is included as part of input VAT presented. Details of the Company's outstanding claims are as follows:

Date Filed	Period Covered	Total claims	Write-off/ disallowance	Outstanding
March 31, 2015	Prior years to June 30, 2013	29,823,091	-	29,823,091
June 29, 2015	July 1 to September 30, 2013	4,441,403	-	2,206,191
September 30, 2015	October 1 to December 31, 2013	3,942,485	-	1,794,506
March 28, 2016	January 1 to March 31, 2014	1,434,901	-	262,678
June 29, 2016	April 1 to December 31, 2014	1,871,170	42,528	-
February 28, 2017	January 1 to June 30, 2015	1,079,974	858,435	-
August 30, 2017	July 1 to December 31, 2015	1,033,576	762,596	-
March 22, 2018	January to March 31, 2016	324,060	108,158	-
June 22, 2018	April 1 to December 31, 2016	1,186,372	-	1,186,372
March 29, 2019	January 1 to December 31, 2017	2,305,107	-	2,305,107
July 7, 2020	January 1 to December 31, 2018	2,950,424	-	2,950,424
Total		50,392,563	1,771,717	40,528,369

Excise tax is under protest with the SC. These are to be applied against future obligations depending on the decision of the Court. Presently, the Company has outstanding bank deposits in favor of the CTA as a required bond.

The amount deposited as a required bond, pending resolution of on-going assessment and dispute between two (2) provinces on proper jurisdiction over the Project, is lodged in Deposits which will be released and applied to outstanding obligations upon clearance and final decision by the Court (Note 21). This amounts to US\$6.97 million as at December 31, 2020 (2019 - US\$6.57 million). The remaining amount in Deposits pertain to security deposits related to long-term contracts which are expected to be either released upon termination or applied to against outstanding balances.

In 2006, the Company established a mine rehabilitation fund as a response to the agreements entered by OceanaGold (Philippines) Exploration Corporation (OGPEC), an entity under common control, with the Provincial Government of Quirino, Provincial Government of Nueva Vizcaya, MGB, DENR, Environmental Management Bureau (EMB) Regional Office No. 2, and non-government Organization of Quirino and Nueva Vizcaya Provinces in 2004, which were transferred to the Company as a consequence of the assignment of the FTAA (Note 20).

The fund, as mandated by MGB, is to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, pollution control, slope stabilization and integrated community development projects. For the year ended December 31, 2020, US\$24 thousand additional deposits (2019 - nil) were made to its mine rehabilitation cash funds. The total rehabilitation cash funds as at December 31, 2020 is US\$6.30 million (2019 - US\$6.00 million).

**Note 9 - Trade payables and other current liabilities**

Trade payables and other current liabilities as at December 31 consist of:

	2020	2019
Trade payables and accrued expenses	14,067,678	16,155,170
Accrued royalties	41,902,112	41,629,675
Payable to government agencies	82,198	257,340
Others	151,095	171,927
	<b>56,203,083</b>	<b>58,214,112</b>

Trade payables and accrued expenses pertain to actual and estimated costs for the procurement of goods and services including materials, parts and supplies, in-transit items, and other operating expenses of the Company.

Accrued royalties pertain to royalties equivalent to a certain percentage based on the net smelter return as required by the FTAA contract.

Payable to government agencies mainly refers to outstanding withholding taxes and other employee-related statutory contributions that were subsequently paid and remitted by the Company.

**Note 10 - Related party transactions**

In the normal course of business, the Company transacts with entities under common control other than OceanaGold Corporation (OGC) and OceanaGold Philippines Holdings, Inc. (OGPHI). The table below summarizes the Company's transactions and balances with its related parties as at and for the years ended December 31:

Related party	2020		2019		Terms and conditions
	Transactions	Outstanding receivables (payables)	Transactions	Outstanding receivables (payables)	
Advances to (Note 3)					
OGPHI	-	228,548	-	217,372	Advances to and from related parties are made to finance respective working capital requirements. These are non-interest bearing and payable on demand. These receivables are guaranteed by OGC.
OceanaGold Limited	-	435,276	-	435,276	
OceanaGold Sustainable Agroforestry, Inc.	43,949	661,112	50,295	585,605	
OceanaGold Philippines Exploration Corporation	32,604	278,558	445,568	230,822	
Due from related parties		1,603,494		1,469,075	

Related party	2020		2019		2020
	Transactions	Outstanding receivables (payables)	Transactions	Related party	Transactions
Borrowings and interest					
OceanaGold (Singapore) Pte. Ltd. (OGS)		(178,135,514)		(146,677,439)	Terms of the loans are detailed in the succeeding narrative.
Interest	32,138,204	(32,138,204)	-	-	
Additions/Refund	35,289,143	-	20,746,467	-	
Repayments	-	-	26,004,680	-	
Gain on modification	3,831,068	-	-	-	
		(210,273,718)		(146,677,439)	
Management fee (Note 14) OGL	5,537,871	(6,950,084)	7,759,889	(1,662,004)	Management fees pertain to charges for administrative and technical support extended by the parent company, which are expected to be settled in cash and payable within 60 days.
Due to related parties		(217,223,802)		(148,339,443)	
Key management compensation					
Salaries and wages	512,119	-	669,248	-	Salaries and wages are settled at the period incurred. Other benefits are payable within the current year.
Other employee benefits	196,604	-	245,396	-	
Retirement benefits	409,679	(122,705)	11,273	(101,986)	Refer to Note 15.

On January 1, 2015, as evidenced by a loan agreement, OGS has agreed to loan the principal sum of US\$278 million to the Company. The transaction is merely a reassignment of previous advances from OceanaGold Finance (NZ) Ltd. (OGF) and OceanaGold Ltd (OGL). The Company is obliged to pay the outstanding balance after eight (8) years from date of loan agreement with interest of 10.5% or such other arm's length percentage rate as agreed in writing between OGS and the Company. The loan is unsecured.

As at reporting date, the Company and respective related parties have yet to determine the manner of settlement of remaining outstanding advances, excluding the loan from OGS, that may consider direct cash payment, offsetting or through exchange of another financial instrument. There were neither impairment losses nor write-offs recognized in 2020 and 2019.

In view of the suspension of activities at Didipio, OGS agreed that interest accruals and payments will be temporarily suspended for the year. OGPI is still under obligation to settle the interest that was temporarily suspended before the loan becomes due. Transactions during the year pertain to the return by OGS of payments previously made by OGPI relating to the borrowing and payable for the support service agreement, which are not yet due and demandable. During the year, following the agreement with OGS, the Company recognised a gain on loan modification amounting to US\$3.83 million (2019 - nil) and interest expense amounting to US\$32.14 million (2019 - nil). Details of movements are disclosed in the net debt reconciliation table.

The net debt reconciliation as at December 31 is presented below:

	2020	2019
Borrowings from a related party, January 1	146,677,439	151,935,652
Changes arising from:		
Cash flows	35,289,143	(5,258,213)
Non-cash flows:		
Interest expense	32,138,204	-
Gain on loan modification	(3,831,068)	-
Borrowings from a related party, December 31	210,273,718	146,677,439
Cash	(3,621,883)	(3,105,187)
Net debt	206,651,835	143,572,252

### **Note 11 - Share capital**

Details of the Company's share capital as at December 31, 2020 and 2019 are as follows:

	Authorized	Issued and outstanding
Par value in PhP	100	100
Number of shares	2,280,000	577,500
Amount in PhP	228,000,000	57,750,000
Amount in USD	-	1,246,519

As at December 31, 2020, the Company's undistributed retained earnings exceeded its paid up capital by US\$375.32 million (2019 - US\$534.10 million), net of appropriation for project-related expenditures (Note 1). As at report date, management plans to appropriate excess retained earnings for business expansion (i.e. underground mining), dividend declaration, as well as offsetting future operational losses due to ongoing FTAA renewal and suspension of operations.

### **Note 12 - Net sales**

Details of net sales for the years ended December 31 are as follows:

	2020	2019
Gold	11,455,531	10,014,788
Copper	114,193	116,582,563
Silver	51,091	1,392,349
	11,620,815	127,989,700
Refining, treatment and other direct costs	(18,204)	(6,767,028)
	11,602,611	121,222,672

Provisional pricing losses arise from provisionally priced copper, gold and silver concentrate sales where final prices based on defined quotational periods have yet to be determined at the reporting date. As at December 31, 2020 and 2019, all shipments have been finalized, hence, the provisionally priced gold and copper concentrate sales subject to final settlement has zero provisional pricing adjustment.

As at December 31, 2020 and 2019, the Company does not have any contract asset or contract liability for undelivered dore sales.

**Note 13 - Cost of sales**

Details of cost of sales for the years ended December 31 are as follows:

	Notes	2020	2019
Depreciation and amortization	6,7	11,573,068	36,993,851
Royalties		286,888	3,033,735
Freight costs		24,601	3,590,342
Supplies and consumables		-	31,244,470
Salaries, wages and other benefits		-	12,636,042
Outside services		-	8,649,784
Utilities		-	6,709,276
Insurance expense		-	1,010,076
Transportation and travel		-	457,629
Taxes and licenses		-	451,884
Repairs and maintenance		-	433,510
Training costs		-	336,112
Donations		-	122,899
Rentals		-	70,246
Office supplies		-	46,152
Dues and subscriptions		-	32,072
Others		-	1,836,449
		11,884,557	107,654,529
Net change in gold and copper inventories		3,820,907	(18,420,554)
		15,705,464	89,233,975

Other costs mainly pertain to social development expenditures attributable to the mine operations (Note 20).

**Note 14 - General and administrative expenses**

Details of general and administrative expenses for the years ended December 31 are as follows:

	Notes	2020	2019
Salaries, wages and other benefits		18,398,671	7,789,973
Supplies and consumables		10,661,952	7,540,701
Management fee	10	5,537,871	7,759,889
Outside services		4,162,568	3,351,073
Taxes and licenses		3,739,395	11,955,361
Insurance expense		1,618,128	507,246
Transportation and travel		1,344,474	757,645
Utilities		534,242	135,779
Depreciation and amortization	7	220,824	213,371
Repairs and maintenance		164,722	168,228
Donations		164,657	29,319
Rentals		48,921	29,009
Dues and subscriptions		39,547	4,375
Office supplies		13,869	15,494
Provision for (income from) retirement benefits	15	(1,364,465)	344,009
Bad debts expense	3	-	2,559
Others		325,615	712,025
		45,610,991	41,316,056

Others represent bank charges and training costs of employees.

### **Note 15 - Retirement benefit obligation**

The Company has a funded defined benefit retirement plan covering substantially all of its employees. The Company is under the OceanaGold (Philippines), Inc. Multi-employer Employees' Retirement Plan (Plan). The Plan provides for the normal retirement date of a member at the first day of the month coincident with or next following the employee's attainment of the age of 60 years old. An employee may, with the approval of the Company, retire and be entitled to retirement benefit on the day he/she attains the age of 50 years, and after rendering at least ten (10) years of continuous service with the Company.

In addition, the Plan requires contributions to be made to a separately administered fund, which was established upon the first actual contribution of the Company. Upon normal and early retirement, a member shall be entitled to 100% of his final monthly salary for every completed year of continuous service. Members covered by the 2017 amended collective bargaining agreement are entitled to 150% of their final monthly salary for every completed year of continuous service. There are no unusual or significant risks to which the Plan exposes the Company. However, in the event a benefit claim arises under the Plan, the claim shall immediately be due and payable from the Company in the event that plan assets are insufficient to settle maturing retirement obligation. The actuarial valuation report on the Plan contained valuation results as at December 31, 2020.

Details of the retirement benefit obligation and provision for retirement benefits as at and for the years ended December 31 are as follows:

	Note	2020	2019
Retirement benefit obligation		784,871	1,705,705
Provision for (income from) retirement benefits	14	(1,364,465)	344,009

The amounts of retirement benefits obligation as at December 31 are determined as follows:

	2020	2019
Present value of benefit obligation	1,330,208	2,185,738
Fair value of plan assets	(545,337)	(480,033)
	784,871	1,705,705

Changes in the present value of defined benefit obligation for the years ended December 31 are as follows:

	2020	2019
January 1	2,185,738	1,294,314
Current service cost	374,729	285,983
Curtailement gain	(1,821,541)	-
Interest cost	109,541	101,448
Benefits paid directly from the book reserve	-	(36,305)
Remeasurements		
Actuarial loss - changes in financial assumptions	524,562	626,927
Actuarial gain - experience	(134,718)	(154,209)
Effect of foreign exchange differences	91,897	67,580
December 31	1,330,208	2,185,738

Changes in the fair value of plan assets for the years ended December 31 are as follows:

	2020	2019
January 1	480,033	554,004
Interest income	27,194	43,422
Remeasurements	9,825	(137,069)
Effect of foreign exchange differences	28,285	19,676
December 31	545,337	480,033

The carrying value of plan assets as at December 31, 2020 and 2019 approximates its estimated fair value.

Plan assets as at December 31 are comprised of the following:

	2020	2019
Investments in equity	88.9%	88.0%
Others	11.1%	12.0%

The defined benefit plan typically exposes the Company to a number of risks such as investment risk, interest rate risk and salary risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company. However, the Company believes that due to the long-term nature of the retirement obligation, the investment holdings of the plan is an appropriate element of the Company's long-term strategy to manage the plan efficiently.

Plan assets are mostly placed in investment wherein return is guaranteed with less likelihood of default. Presently, the Company and trustee are reassessing the most effective scheme that will ensure adequacy of expected yield against actual and timing of cash outflow arising from settlement of retirement obligation.

The actual return on plan assets in 2020 was US\$37,019 gain (2019 - US\$93,647 loss). The Company does not expect to contribute to the pension benefit fund for the year ending December 31, 2021.

The movement in retirement benefit obligation recognized in the statement of financial position as at December 31 follows:

	2020	2019
January 1	1,705,705	740,310
Provision for (income from) retirement benefits	(1,364,465)	344,009
Benefits paid directly from book reserve	-	(36,305)
Remeasurement (gain) loss		
Changes in financial assumptions	524,562	626,927
Experience adjustments	(134,718)	(154,209)
Return on plan assets	(9,825)	137,069
Effect of foreign exchange differences	63,612	47,904
December 31	784,871	1,705,705

Details of provision for retirement benefits charged to profit or loss for the years ended December 31 are as follows:

	2020	2019
Current service cost	374,729	285,983
Curtailment gain	(1,821,541)	-
Net interest cost	82,347	58,026
	(1,364,465)	344,009

Curtailment is a result of reduction of its workforce effective October 13, 2020 and November 13, 2020 due to the impact of pending FTAA renewal.

Movement of the retirement benefit charged to other comprehensive income for the years ended December 31 are as follows:

	2020	2019
January 1, net	(177,665)	(604,516)
Remeasurement loss	380,019	609,787
Deferred income tax effect	(114,005)	(182,936)
	266,014	426,851
December 31, net	88,349	(177,665)

The principal assumptions used in determining the Company's retirement obligation as at December 31 are as follows:

	2020	2019
Discount rate	4.43%	5.54%
Expected future salary increase	3.00%	3.00%

The discount rate assumption is based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date, and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation. Assumptions regarding future mortality and disability experience are set using the 2001 CSO Table - Generational (Scale AA, Society of Actuaries) and The Disability Study, Period 2 Benefit 5, respectively.

Expected maturity analysis of future benefit payments based on the latest actuarial valuation date in Philippine Peso follows:

	2020	2019
One to two years	2,465,461	4,411,590
Three to four years	3,103,363	5,543,133
Five years and over	25,361,881	57,266,128
	30,930,705	67,220,851

The weighted average duration of the defined benefit obligation is 16.4 years (2019 - 16.9 years).

The impact of each key assumption to defined benefit obligation, in Philippine Peso, has been determined based on reasonably possible changes of each significant assumptions as at reporting date, assuming all other assumptions were held constant:

	2020		2019	
	Increase by 100 bps	Decrease by 100 bps	Increase by 100 bps	Decrease by 100 bps
Discount rate	(9,435,168)	11,546,089	(16,805,641)	20,713,934
Salary increase rate	11,598,920	(9,637,931)	21,055,020	(17,329,281)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statement of financial position.

#### **Note 16 - Other operating income (expense), net**

Other operating income (expense), net for the years ended December 31 consists of:

	Notes	2020	2019
Gain on loan modification	10	3,831,068	-
Interest income	2	123,050	211,255
Gain from disposal of property, plant and equipment		17,278	23,948
Scrap sales		-	49,971
Write-off of prescribed input VAT receivable	8	-	(343,592)
Foreign exchange loss	23	(715,621)	(460,965)
		3,255,775	(519,383)

In 2020 and 2019, the Company sold previously acquired property, plant and equipment with net book value of nil (Note 7). Total consideration received in relation to the sale amounted to US\$17,278 (2019 - US\$23,948).

#### **Note 17 - Finance costs, net**

Details of finance costs, net for the years ended December 31 are as follows:

	Notes	2020	2019
Foreign exchange gain	23	91,318	298,671
Interest expense	10	(32,143,317)	(620,109)
Accretion expense	19	(211,222)	(113,035)
		(32,263,221)	(434,473)

Interest expense recognized for the year relates to the following:

	Notes	2020	2019
Loan from related party	10	32,138,204	-
Lease liability	22	5,113	4,744
Advance payments made by customers	20(d)	-	615,365
		32,143,317	620,109

## **Note 18 - Income taxes**

The Company's ITH for its exportation and production of dore bars and copper concentrates has expired on March 31, 2020. As a result, the Company has applied the 30% regular tax on net income starting April 1, 2020.

BIR Revenue Regulation no. 14-2001 provides that the Company as a BOI-registered enterprise is not entitled to claim deduction of the accumulated net operating losses incurred or sustained during the ITH period. Starting April 1, 2020, the Company's net operating losses may be carried over for for a period of five years and can be claimed as deduction against future taxable income.

The details of provision for income tax for the years ended December 31 are as follows:

	2020	2019
Current	-	22,176
Deferred	55,088	16,054
	55,088	38,230

Details of the Company's deferred income tax liabilities are as follows:

	2020	2019
Expected to be settled within 12 months:		
Unrealized foreign exchange gain	33,278	16,054
Expected to be settled after 12 months:		
Remeasurement gain on retirement benefit obligation	-	76,142
	33,278	92,196

The movements in deferred income tax liabilities are as follows:

	2020	2019
At January 1	92,196	259,078
Charged to profit and loss	55,088	16,054
Credited to other comprehensive income	(114,006)	(182,936)
At December 31	33,278	92,196

Details of the Company's unrecognized deferred income tax assets as at December 31 are as follows:

	2020	2019
To be recovered within 12 months		
Unrealized foreign exchange loss	215,894	121,276
Interest expense	9,641,461	-
To be recovered after more than 12 months		
Provisions	13,573,217	13,468,130
Net operating loss carry over (NOLCO)	12,561,024	-
Accretion, net	1,409,052	1,345,686
Retirement benefit obligation	235,461	587,854
Lease liabilities, net	893	-
	37,637,002	15,522,946

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The Company's management has considered these factors in reaching its conclusion on the realizability of the deferred income tax assets. Given the Company's BOI registration prior to the expiration of ITH and the status of its operations, management no longer recognized its deferred income tax assets as at December 31, 2020 and 2019.

The National Internal Revenue Code (NIRC) of 1997 provided for the introduction of NOLCO privilege, which can be carried over for the three (3) succeeding taxable periods immediately following the period of such loss.

On September 11, 2020, Republic Act (R.A.) No. 11494, otherwise known as “Bayanihan to Recover as One Act”, was passed into law to strengthen the government’s efforts in mitigating the effects of COVID-19 pandemic. Under R.A. No. 11494, NOLCO for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, the Company’s NOLCO, which can be claimed as a deduction from regular corporate taxable income until 2025, amounted to US\$41,870,080 (2019 - nil).

The reconciliation of the provision for (benefit from) income tax computed at statutory income tax rate to the actual provision for (benefit from) income tax for the years ended December 31 in the statement of total comprehensive income follows:

	2020	2019
Statutory tax expense (benefit) at 30%	(47,616,387)	(3,275,264)
Additions (reductions) resulting from tax effects of:		
Non-deductible expense	24,082,428	103,078
Non-taxable income	(1,149,320)	-
Interest income subjected to final tax	(36,915)	(63,377)
Operating loss from registered activities	2,888,701	3,236,707
Unrecognized deferred income tax assets	9,325,557	37,086
Unrecognized NOLCO	12,561,024	-
	55,088	38,230

#### **Note 19 - Provision for rehabilitation cost**

Movements of the provision for rehabilitation cost for the years ended December 31 are as follows:

	Notes	2020	2019
January 1		4,596,143	5,411,193
Accretion	17	211,222	113,035
Adjustment	6	766,182	(928,085)
December 31		5,573,547	4,596,143

For the year ended December 31, 2020, accretion was recognized as finance costs amounting to US\$211,222 (2019 - US\$113,035) with no portion allocated to mining assets (Note 17).

Provision for rehabilitation cost represents estimated cost of rehabilitating the mine to its approximate original state. It also includes cost to dismantle infrastructure including tailings facility, processing plants and other equipment, revegetation and restoring the mine topography to its geologically stable land form. As mentioned in Note 6, the Company revised its estimates and assumptions for the planned rehabilitation activities. Among the significant changes include the application of a new discount rate and adjustment in estimated rehabilitation costs to reflect prevailing foreign exchange rates. These changes resulted in an increase by US\$766,182 and a decrease by US\$928,085 in the provision of rehabilitation cost during 2020 and 2019, respectively (Note 6).

## **Note 20 - Significant contracts and agreements**

The Company is a party to significant contracts and agreements, which include the following:

### *(a) Assignment, Accession and Assumption Agreement (AAA Agreement)*

On December 23, 1996, the Company entered into an AAA Agreement with OGPEC, an entity under common control, relating to the FTAA entered into by OGPEC with the Government. The AAA Agreement, which was amended and restarted on September 15, 2004, assigned to the Company the rights of OGPEC over the FTAA in consideration for the Company's assumption of the obligations of OGPEC.

On December 9, 2004, the DENR approved the application of OGPEC for the transfer of the rights and obligations to the Project under the FTAA to the Company after OGPEC complied with the procedures and requirements set forth under Section 66 of Department Administrative Order (DAO) No. 96-40. The transfer was considered as a non-taxable transaction by virtue of a ruling issued by the BIR on February 6, 2004 exempting the parties from payment of taxes including VAT. The approval, however, was subject to certain conditions that include increasing the Company's authorized capital to US\$4.0 million, submitting a sworn commitment maintaining the government's share from the FTAA and strict compliance with current environmental laws and regulations and to the terms and conditions of the FTAA and Philippine Mining Act of 1995. The Company has complied with all prescribed conditions.

### *(b) Memorandum of Agreement (MOA) with the neighboring communities*

On December 17, 2011, the Company forged an MOA with its host and neighboring communities wherein the Company will assist in the development of the latter in accordance with its Social Development and Management Program (SDMP) pursuant to the Philippine Mining Act of 1995 (the "Mining Act"), its Revised Implementing Rules and Regulations under DAO No. 2010-21 and in accordance with the FTAA. The MOA details the SDMP sharing agreement scheme and the commitments and the processes of community involvement in the program planning, management, implementation and monitoring and evaluation to ensure that SDMP programs address the development of the Company's host and neighboring communities.

In relation to the sharing agreement, the Company executed individual MOAs with each host and neighboring community at various dates which include provisions for the parties to:

- (i) Allot annually a minimum of one and a half percent (1.5%) of the Company's operating costs and further allocate 75% of the 1.5% to the implementation of the SDMP; and
- (ii) Provide additional forms of assistance which promote local and social development.

The SDMP fund shall be used for the community development programs and projects in accordance with the SDMP framework and the relevant implementing rules and regulations of the Mining Act.

For the year ended December 31, 2020, the Company spent US\$190,735 (2019 - US\$1,780,230) for SDMP-related projects that are in the nature of infrastructure, education, health, resource development and capacity building.

*(c) Offtake agreement*

On October 12, 2012, as amended on September 25, 2013, the Company entered into an Offtake Agreement (the "Agreement") to sell all metal concentrates (the "Goods") containing gold, copper and silver produced by the Company in the Project to the a third party (the "Buyer") at chemical specifications set forth in the agreement. Price of the goods is determined based on its metal content: gold, silver and copper. The final price of gold and silver per unit of measure shall be based on market rates prevailing at the agreed quotational period. The Company may only recover a certain percentage of the price of the gold and silver, and copper content based content density in grams per dry metric ton and percentage in dry metric tons, respectively.

The seller may elect to receive advance payment under certain conditions and are subject to interest rates specified in the Agreement. The buyer shall be allowed to deduct from the sales proceeds applicable treatment and refining charges at final settlement. Revenue from the sale of concentrates to the buyer for the year ended December 31, 2020 amounted to US\$ 367 thousand, net of applicable charges as reported in the statement of total comprehensive income (2019 - US\$93.44 million). Total interest expense incurred during the year related to the advances amounted to nil (2019 - US\$615,365).

On February 24, 2020, the Company renewed the Agreement for another year from April 1, 2020 to March 31, 2021. Both parties agreed to extend the term on February 3, 2021 for another three (3) years from April 1, 2021 to March 31, 2023. There are no significant changes in the original provisions of the contract as a result of both renewals.

*(d) Refining agreement*

On September 25, 2013, the Company entered into an agreement with third party (the "Refiner") for the refining and treatment of dore gold (the "Goods"). Under the terms of the agreement, the Company agrees to deliver goods to a pre-agreed transportation arrangement and location that conform to the assay ranges specified in the agreement, while Refiner agrees to weigh, refine the goods to a level specified in the agreement. The Refiner also agrees to deliver the refined goods to the Company's nominated metal account with the latter having the option to sell to the former. The Refiner is also required to purchase all silver metal from the refining and may set-off against refining, transport and other pertinent charges. There were no goods sold to the Refiner for the years ended December 31, 2020 and 2019.

Refining and related charges that are unpaid by due date will be subject to interest at a rate specified in the agreement. For the year ended December 31, 2020, refining charges amounting to US\$10 thousand (2019 - US\$24 thousand) was presented as reduction in net sales as part of refining, treatment and other direct costs (Note 12).

*(e) FTAA Agreement*

The Didipio Project is held under an FTAA granted by the Philippine Government in 1994. The FTAA has an initial term of 25 years and is renewable for another period of 25 years under the same terms and conditions. In 2018, the Company has commenced the renewal process and lodged an application for the renewal of the FTAA with the DENR which has been accepted. The MGB has confirmed in a letter dated June 20, 2019 that the Didipio mine is permitted to continue its mining operations pending the completion of the renewal process. On November 25, 2020, the Company received a letter from OP instructing DENR and DOF to finalize the renewal of FTAA. As at report date, the Company continues to work with the National Government to complete the renewal process.

## **Note 21 - Contingencies**

### *(a) Real property tax assessment interim*

In April 2012, the Company received an assessment from the Province of Quirino (“Quirino”) for payment of real property tax over the Project. Both provinces of Nueva Vizcaya and Quirino are simultaneously asserting taxing authority over the Company in relation to the Project. Consequently, the Company filed a motion with the Court compelling the two provinces to interplead between themselves and litigate their respective claims as to the proper taxing authority over the Project. In addition, the Company has executed an interim agreement with the Province of Nueva Vizcaya. On October 19, 2020, the Court declared the case submitted for resolution, while the Company filed a motion to be allowed to present evidence on November 10, 2020. Quirino, for its part, moved for a reconsideration of the Court’s Order declaring that Quirino waived its right to present evidence. There are no further updates as of report date.

### *(b) FTAA dispute and recovery*

The DENR with a number of mining companies are parties to a case that began in 2008 whereby a group of Non-Government Organizations (NGOs) and individuals challenged the constitutionality of the Philippine Mining Act (Mining Act) and the FTAA’s in the SC. Currently, the case is pending decision by the SC.

Notwithstanding the fact that the SC has previously upheld the constitutionality of both Mining Act and the FTAA’s, the Company is mindful that litigation is an inherently uncertain process and the outcome of the case may adversely affect the operation and financial position of the Company. At this stage, it is not possible to identify the potential orders of the Court nor to quantify the possible impact. The Company is working closely with the DENR, the other respondents in the case, and the mining industry to defend the Mining Act and the validity of its FTAA.

Under the terms of the FTAA, after a period in which the Company can recover development expenditure, capped at 5 years from the start of production (April 1, 2013) and a further 3 years over which any remaining balance is amortised, the Company is required to pay the Government 60% of the “Net Revenue” earned from the Didipio Project. For the purposes of the FTAA, “Net Revenue” is generally the net revenues derived from mining operations, less deductions for, amongst other things, expenses relating to mining, processing, marketing, depreciation and certain specified overheads. In addition, all taxes paid to the Government and certain specified amounts paid to land claim owners are included as part of the calculation of 60% payable. The SC issued a Resolution on September 9, 2020 to inform the Court of the developments pertinent to the case. The Company submitted its compliance on November 9, 2020. There are no further updates as of report date.

### *(c) Addendum agreement*

The Company is a party to an addendum agreement with a syndicate of original claim owners in respect of a portion of the FTAA area (Addendum Agreement). Certain disputed claims for payment and other obligations under the Addendum Agreement made by a claim owner are subject to arbitration proceedings, which are presently suspended due to the irrevocable resignation of the arbitrator. Further, a third party is also disputing one of the main claim owners’ interest in the Project. The Company is awaiting the outcome of any determination or settlement negotiation pertaining to the said claim of the third party before proceeding with this matter.

*(d) Royalty ownership claimed by a third party*

A complaint filed by a third party enforcing his rights as true and beneficial owner of the Didipio properties was filed last 2008. Management does not foresee the resolution of the dispute on the royalty claim in the next 12 months since the case is still at the presentation of witnesses' stage. However, no formal legislative time frame is available to justify the reclassification of the obligation from current to noncurrent liability considering the uncertainties as well on the timing of Court decisions. A court hearing was held last November 16, 2020, but the claim owner failed to appear, prompting the Court to reset the presentations of evidence to February 2021. As at December 31, 2020, management accrued US\$41.9 million (2019 - US\$41.6 million) pertaining to such claim. There are no further updates as of report date.

*(e) DENR order on suspension of operations*

On February 14, 2017, the Company received an order from the DENR dated February 8, 2017 calling for the suspension of the Didipio operations. Subsequent to receiving the suspension order, the Company immediately filed an appeal with the OP. The OP in its Order dated March 10, 2017 directed the Company to file an Appeal Memorandum within 30 days from the date of filing of Notice of Appeal. The Company submitted its Appeal Memorandum on March 15, 2017. In the same Order, the DENR was also directed to forward the complete records of the case, together with the summary of proceedings and its comment on the appeal, if any, within 10 days from receipt of the Order. On May 5, 2017, the Company received the DENR Second Motion for Extension of Time to File Comment on the Company's appeal memorandum for an additional period of 15 days.

On May 18, 2017, the Company received the DENR's comment dated May 8, 2017. The Company filed its reply on June 20, 2017. The DENR was granted 15 days from receipt of the Company's reply to file a rejoinder, if necessary.

On May 25, 2018, The Company received a letter from the OP ordering that the execution of the DENR's Order dated February 8, 2017 is automatically stayed, unless the OP directs the execution thereof.

The DENR, EMB and MGB regional offices prepared a Memorandum dated December 11, 2019 finding that the Didipio Mine was fully compliant with the Technical Review Committee (TRC) and Mining Industry Coordinating Council (MICC) findings. As at December 31, 2020, the case continues to be pending with the OP.

*(f) Recovery of possession and damages on property*

Certain claims were charged against the Company by alleged registered owners of an agricultural land that leads to the mine site of the Company. These claimants supposed that the Company performed road widening works on their land, without their knowledge and consent and that they were forced to accept minimal amounts as compensation. As a result, they are asking the Court for an order to direct the Company to: (a) vacate the land and restore it to its original condition and (b) pay damages. The estimated amount of damages reached US\$1.93 million. A Motion for Reconsideration was filed by the Company on October 23, 2019 and continues to work with the Quirino Province (which is not a party to the case) for the Province's settlement of the claim for road right-of-way (RROW) payment. The Company filed for a Joint Motion with the SC on February 11, 2021 for the dismissal of the case. As at December 31, 2020, no provision is recognized relating to this matter.

*(g) Cessation of hauling and operating activities in Didipio*

On June 25, 2019, the Governor of Nueva Vizcaya issued an (a) Order to enjoin and restrain the Company's operations and (b) Didipio Sangguniang Barangay Resolution 59 (Series of 2019) for the stoppage of Company's operations. The Company filed a Petition with application for a temporary restraining order and/or a writ of preliminary injunction with Regional Trial Court (RTC) Branch 30, which was subsequently denied. Continuation of the pre-trial hearing held on February 10, 2020 was reset to March 1, 2021. There are no further updates as of report date.

On July 29, 2019, the Company filed with the Court of Appeals (CA) a Petition for Certiorari (with Urgent Application for the Issuance of an Ex Parte Temporary Restraining Order and/or a Writ of Preliminary Injunction) seeking the reversal of RTC's resolution. The Company received on November 18, 2019 Resolution from the Court directing the parties to submit their memoranda, which the Company filed on December 6, 2019, and the case is submitted for resolution. The Company filed a Motion for Reconsideration on July 28, 2020 due to the dismissal of petition on June 20, 2020, but was subsequently denied by the CA on October 28, 2020. The Company filed a petition with the SC on December 11, 2020. There are no further updates as of report date.

**Note 22 - Leases**

The Company has lease contracts with third parties for the leases of its office equipment, office space, and warehousing facilities for a term of two (2) to three (3) years which are renewable under such terms and conditions as may be agreed upon by the Company and third parties. There are no restrictions placed upon the lessee by entering into these leases.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

*(a) Amounts recognized in the statements of financial position*

	2020	2019
Right-of-use assets		
Buildings	83,265	13,045
Office machinery and equipment	13,903	-
	97,168	13,045
Lease liabilities		
Current	78,630	14,454
Non-current	21,516	-
	100,146	14,454

The Company recognized right-of-use assets under property, plant and equipment in the statements of financial position. Details and movements of right-of-use assets as at and for the years ended December 31, 2020 and 2019 are disclosed in Note 7.

Movements in lease liabilities for the year ended December 31 are as follows:

	Note	2020	2019
Lease liabilities, January 1		14,454	77,594
Cash flows			
Principal payments		(74,307)	(63,140)
Interest payments		(5,113)	(4,744)
Non-cash changes			
Additions		159,999	-
Interest expense	17	5,113	4,744
Lease liabilities, December 31		100,146	14,454

(b) Amounts recognized in the statements of total comprehensive income

The statements of total comprehensive income shows the following amounts relating to lease agreements:

	Notes	2020	2019
Amortization expense			
Building (office space and warehousing facilities)	7	71,242	60,820
Office machinery and equipment	7	4,634	3,729
		75,876	64,549
Interest expense	17	5,113	4,744
Expense relating to short-term leases	13,14	48,921	99,255
		129,910	168,548

The total cash outflow for capitalized leases as at December 31, 2020 is US\$79,420 (2019 - US\$67,884).

(c) Discount rate

The lease payments for lease of office equipment, office space, and warehousing facilities are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

### **Note 23 - Foreign currency-denominated monetary assets and liabilities**

The Company's foreign currency-denominated monetary assets and liabilities as at December 31 follows:

	2020				2019				
	AUD	NZD	EUR	PHP	AUD	NZD	SGD	EUR	PHP
Assets									
Cash	9,793	-	-	-	4,499	-	-	-	119,601,739
Due from related parties	-	-	-	56,204,475	-	-	-	-	52,265,823
Other non-current assets	-	-	-	639,166,252	-	-	-	-	737,558,112
Liabilities									
Trade payables and other current liabilities	(19,704)	(3,074)	(7,789)	(456,758)	(207,291)	(3,256)	-	(7,789)	(472,769)
Due to related parties	(9,034,017)	-	-	-	(2,368,176)	-	-	-	-
Net assets (liabilities)	(9,043,928)	(3,074)	(7,789)	705,093,247	(2,570,968)	(3,256)	(682)	(7,789)	908,952,905
Year-end exchange rate	1.230	0.719	1.222	48.036	1.439	1.499	1.370	0.901	50.744
US\$ equivalent	(7,352,787)	(4,281)	(6,374)	14,678,434	(1,786,635)	(2,172)	(498)	(8,645)	17,912,520

Foreign exchange loss, net, for the years ended December 31 are as follows:

	2020	2019
Unrealized	257,978	70,105
Realized	366,325	92,189
	624,303	162,294

## **Note 24 - Financial risk and capital management**

### **24.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and cash flow and fair value interest risk), credit risk, and liquidity risk. The Company has no formal risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. However, the Company complies with written policies as authorized by the Board of Directors and aligned with risk management program carried out by OGC, who is responsible for the review of risk exposures and implementing risk reduction strategies for the OceanaGold Group.

#### *(a) Market risk*

##### *(i) Price risk*

The Company is not exposed to significant price risk due to the absence of material equity investments classified as either financial assets at fair value through other comprehensive income or at fair value through profit or loss wherein changes to fair value are directly recognized through equity and operations, respectively.

Moreover, the Company is exposed to the associated commodity price risk on future cash flows arising from probable change in market spot rates of copper, gold, and silver upon delivery (or at initial recognition of revenue) and final settlement dates. In mitigating this risk, the Company has an option to fix the price for a specific quantity of commodity before the final settlement date. When the option to price fix is waived, the exposure to the change in spot rates and final settlement dates is determined to be low due to proximity between the two dates and only limited to copper concentrates as these have longer period to finalize. The Company continues to recognize price revaluation every reporting date, which is directly recorded under revenue and trade receivable. For the years 2020 and 2019, no provisional price adjustment was recognized (Note 12).

##### *(ii) Foreign exchange risk*

The Company is exposed to foreign exchange risk arising from the effect of fluctuations in foreign exchange rates mainly on its Philippine Peso and Australian Dollar denominated assets and liabilities (Note 23). Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company manages its foreign exchange risk by holding cash in different currencies in anticipation with the requirements of the business. Among others, management also monitors the timing of settlements or payments to ensure that the Company is not unfavorably exposed to fluctuations of foreign exchange rates. The Company assessed the impact of changes in Philippine Peso and Australian Dollar exchange rates as at December 31, 2020 and 2019 in demonstrating sensitivities to a possible reasonable change in US Dollar exchange rate.

At December 31, 2020, if the Philippine Peso and Australian Dollar had strengthened/weakened by 5% and 10% respectively (2019 - strengthened/weakened by 4% and 1% respectively), against the U.S. Dollar with all other variables held constant, total comprehensive loss for the year would have been higher by US\$760 thousand and US\$675 thousand, respectively (2019 - US\$673 thousand and US\$22 thousand), mainly as a result of net foreign exchange losses/gains on translation of net foreign currency denominated accounts. Rates were based on internal projections used in developing forecasts and mine plans.

(iii) Cash flow and fair value interest risk

The Company's exposure to cash flow interest rate risk mainly pertains to related party borrowing which is interest-bearing. Interest rate on related party borrowing is based on a fixed rate in accordance with the terms of the loan agreement. Management analyzes its interest rate exposure on these obligations on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing.

The net result for the years ended December 31, 2020 and 2019 with regard to an assumed change of +/-100 basis points in interest rates on related party borrowing, with the assumption that accrual of interest expense on OGS loan will continue, is +/- US\$3.3 million (2019 - +/- US\$1.7 million). The assumed interest rate shift is based on the Company's analysis of the volatility of interest rates during the period for similar instruments.

(b) Credit risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customer and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions. Credit risk arises from cash (Note 2), receivables, excluding advances to employees subject to liquidation (Note 3), deposits (Note 8), and restricted cash in the form of funds (Note 8).

(i) Cash

For banks and financial institutions, the Company has maintained its business relationships with accredited banks which are considered in the Philippine industry as commercial and universal banks to mitigate its credit risk exposure. Commercial and universal banks are considered top tier banks in terms of capitalization as categorized by the Philippine Banking System.

As at December 31, 2020 cash in banks amounting to US\$3.62 million (2019 - US\$3.10 million) are maintained with universal banks. Furthermore, restricted cash balances of US\$13.29 million as at December 31, 2020 (2019 - US\$14.56 million) are likewise maintained with universal banks.

Restricted cash balances is composed of deposits (excluding deposits to suppliers), mine rehabilitation fund, and social development fund (Note 8).

As such, while cash is subject to the impairment requirements of PFRS 9, the identified impairment loss of the reported balances exposed to credit risk is nil.

(ii) Trade receivables and due from related parties

The Company applies the PFRS 9 simplified approach in measuring expected credit losses for its trade receivables as presented below:

	2020	2019
Performing	80,563	48,144
Underperforming		
1-30 days past due	1,445,839	1,181,339
31-60 days past due	-	-
61-90 days past due	-	-
Over 90 days past due	-	651
	1,445,839	1,181,990
	1,526,402	1,230,134

The Company's outstanding trade receivables is subject to the lifetime expected credit loss (ECL) model, while due from related party balances are assessed using the 12-month ECL model. Based on the Company's analysis, it has a degree of concentration of credit risk since a significant portion of its receivables is attributed only to two customers and a few related parties.

The Company's assessment resulted in a conclusion that the expected credit loss rates, both under the lifetime and 12-month ECL, are close to zero percent (0%) as potential default and non-payment, considering both historical and forward looking information, are remote as these customers and related parties have strong financial position to settle maturing obligations as they fall due. During the year, the Company has no written-off receivables from employees (2019 - US\$2,559) (Note 3). Moreover, credit risk for customers is further managed since credit terms are fixed and avenues for resolution of issues are clearly stipulated in the Offtake and Refining Agreements (Note 20).

#### (iii) Deposits

These deposits are subject to reimbursement in cash upon expiration/termination of the agreement. Deposits are assessed for impairment using the lifetime ECL approach. Similarly, management assessed that the default rate is close to zero percent (0%) and concludes that impairment is immaterial since majority of the amount is made against public entities whose financial capabilities enable them to settle maturing obligations immediately.

#### (c) Liquidity risk

Liquidity risk relates to the failure of the Company to discharge its obligations and commitments arising from short-term payables. OGC and other related parties provided financial assistance through advances in order to support daily working capital requirements, as well as necessary exploration and development activities for the Company.

Cash calls are made based on maturity analysis of liabilities to third parties as prepared by management, and are made in both U.S. and Australian Dollars since the Company's payables are substantially denominated in said currencies, which minimize impact of fluctuations in foreign exchange rates between actual receipt and settlement dates.

Subsequent to commencement of the commercial operations, the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of advances and loans from related parties. The Company considers its available funds and liquidity in managing long-term financial requirements. For its short-term funding, the Company's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt and maturing obligations.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31:

	Upon demand	Less than three months	Over twelve months	Total
<i>At December 31, 2020</i>				
Trade payables and other current liabilities*	-	56,120,885	-	56,120,885
Due to related parties - current	6,950,084	-	-	6,950,084
Due to related parties, net of current portion	-	-	210,273,718	210,273,718
Lease liabilities, current	-	78,630	-	78,630
Lease liabilities, net of current portion	-	-	21,516	21,516
	6,950,084	56,199,515	210,295,234	273,444,833
<i>At December 31, 2019</i>				
Trade payables and other current liabilities*	-	57,956,772	-	57,956,772
Due to related parties - current	1,662,004	-	-	1,662,004
Due to related parties, net of current portion	-	-	146,677,439	146,677,439
Lease liabilities, current	-	14,454	-	14,454
Lease liabilities, net of current portion	-	-	-	-
	1,662,004	57,971,226	146,677,439	206,310,669

\*Excluding payables to government agencies

For the years ended December 31, 2020 and 2019, due to related parties, net of current portion, excludes estimated interest charges for the duration of the related borrowing amounting to nil (2019 - US\$61,604,524).

## 24.2 Capital management

The Company considers its equity including share capital, retained earnings, and advances from OGC as shown in the statement of financial position as capital. Capital risk is primarily managed by the ultimate parent company that ensures the Company's ability to continue as a going concern through adequate funding to finance operating activities and maintain its current capital structure. Accordingly, this will preserve OGC's equity ownership and control over the Project and reduce the need to obtain long-term borrowings and incur higher cost of capital such as interest expense. To maintain or adjust the capital structure, the Company may obtain additional advances from related parties or issue new shares. There were no changes in the Company's strategy and policies in managing its capital in 2020 and 2019.

The Company is subject to externally imposed capital requirements as a consequence of its registration with the BOI, which requires raising the total equity to 25% of the Project costs equivalent to P2.2 billion or approximately US\$51 million. This limits the ability of the Company to declare all of its retained earnings as dividends. In March 2014, the Company's Board of Directors approved the restriction of retained earnings for US\$49.6 million for Project-related expenditures to comply with its registration requirements (Note 1).

### **24.3 Fair value estimation of financial assets and liabilities**

Due to the short-term nature of the transactions, the carrying values of each financial asset and liability including cash, receivables, advances to related parties, trade payables and other current liabilities excluding payables to government agencies as at the reporting dates approximate their fair values. Related party borrowings approximate its fair value based on borrowing rates available to the management for credit agreement with similar maturities and also considering any risk of non-performance. The fair value of the Company's borrowings are estimated by using contractual discounted cash flows, on which the impact of discounting is not considered significant. The Company does not hold financial instruments traded in an active market which might be affected by quoted market prices at reporting date aside from trade receivables which are provisionally priced and subsequently measured at fair value through profit or loss until settlement. On the other hand, the fair value of lease liabilities is equal to its discounted present value. Aside from this, the Company does not have any other financial asset or liability that is carried at fair value in the statement of financial position as at December 31, 2020 and 2019.

### **Note 25 - Critical accounting estimates, assumptions and judgments**

#### **25.1 Critical accounting estimates and assumptions**

The preparation of the financial statements is in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and the related notes. The estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

##### *(a) Impairment of receivables*

Trade receivables measured at fair value through profit or loss and due from related parties are assessed based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward looking information. As a result of their assessment, the Company did not recognize any provision for impairment of trade receivables and due from related parties given that the expected credit loss rate is close to zero percent (0%) (Note 24).

##### *(b) Estimating useful lives of property, plant and equipment and mining assets*

The Company estimates the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property, plant and equipment based on various factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets which render any sensitivity to be impracticable.

Estimated recoverable reserves are used in determining the depreciation and/or amortization of mine specific assets. This results in a depreciation or amortization charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure.

There were no material changes in the estimated useful lives of property, plant and equipment for the years ended December 31, 2020 and 2019. Details of mining assets and property, plant and equipment are disclosed in Notes 6 and 7.

*(c) Estimating mineral reserves and resources*

The valuation of certain assets held by the Company is dependent upon the estimation of mineral resources and ore reserves. There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid of the time of estimation may change significantly when new information becomes available.

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of property, plant and equipment, mining assets, provision for mine rehabilitation, and depreciation and amortization charges. During 2020, OGC published an updated reserves report which details currently available mineral and resources in the Didipio Minesite. Based on management's assessment, the existing valuation input is still appropriate since it considers a more conservative amount/quantity of reserves. Details of mining assets and property, plant and equipment are disclosed in Notes 6 and 7

*(d) Retirement benefit obligation*

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for retirement benefit include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Company considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligation.

Other key assumptions for retirement benefit obligation are based in part on current market conditions. These assumptions and sensitivity analysis are disclosed in Note 15.

*(e) Provision for rehabilitation cost*

The provision for rehabilitation cost recognized is based on current legal and constructive requirements, technology and price levels. Since actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of the obligation is reviewed regularly or at least annually and adjusted to take account of such changes. As part of their annual review, management adjusted the discount rate (based on management's market assessment of the time value of money and risks specific to the obligation) from 5.05% in 2019 to 3.94% in 2020. The discount rates used to determine the present value of the obligation as at December 31, 2020 and 2019 are based on risk-free pre-tax rate that reflect current market assessments of the time value of money. Along with this, the Company changed its assessment of the undiscounted rehabilitation costs from US\$8.27 million to US\$9.21 million to reflect market factors and prevailing foreign exchange rates. The changes and adjustments made are consistent with the requirements of IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*.

Net results for the year ended December 31, 2020 in respect to an assumed change of +/-100 basis points on discount rate used would result in an increase of US\$51 thousand and a decrease of US\$31 thousand in accretion, respectively. Accordingly, this would also result in a decrease of US\$652 thousand and an increase of US\$746 thousand in carrying value of provision for rehabilitation cost, respectively. Management considers the discount rate as significant component, aside from cost, in their assessment as material changes to the rate due to external factors may trigger a further revision in the recognized provision.

Following the adjustment, the Company has a total outstanding provision of US\$5.57 million (2019 - US\$4.60 million) to cover required environmental remediation covering specific assets based on third party evaluation and study conducted at the current year (Note 19). As at December 31, 2020, management believes that the adjusted cost properly reflects the estimated rehabilitation cost based on their mine plan and activities.

*(f) Impairment of mine and mining properties*

The Company assesses the Didipio cash-generating unit (CGU) at period end to determine whether there are any indications of impairment or reversal of impairment. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made. Recoverable amount is the higher of the fair value less cost of disposal (FVLCD) and value in use calculated in accordance with accounting policy. These assessments require the use of estimates and assumptions such as commodity prices, discount rates, exchange rates, sustaining capital requirements, operating performance (including the magnitude and timing of related cash flows, production levels and grade of ore being processed), future operating development from certain identified development or exploration targets where there is high degree of confidence in the economic extraction of minerals and conversion of resources (measured and indicated and inferred) and their estimated fair value.

The recoverable amount of the CGU had been assessed by reference to the higher of value in use and FVLCD. Impairment testing had been performed based on cash flow forecasts using management's best estimates of expected future revenues, costs and other capitalizable costs, estimated using discounted cash flow (DCF) techniques. The Company used DCF techniques based on the detailed life of mine (LOM) production plan which reflects the net cash flows expected to be realised from extraction, processing and sale of mineral reserves based on the OceanaGold Group's most recently published Resource and Reserve Statement, taken into account an assumption on possible restart date of operations to full capacity given the current suspension as well as a scenario of non-renewal. The fair value associated with measured and indicated resources not currently included in the life of mine plan was included based on the estimated conversion rate.

In determining the recoverable amount of the Didipio CGU, the future cash flows were discounted using rates based on the Group's estimated real after tax weighted average cost of capital, pursuant to the Capital Asset Pricing Model, with an additional premium applied having regard to the geographic location of the CGU. LOM operating and capital cost assumptions were based on the Group's latest budget, five-year plan and LOM plans. The impairment testing and calculation had taken into account several potential FTAA renewal scenarios including a restart date for full operations between January 1, 2022 and January 1, 2023 as well as a non-renewal scenario.

The impairment assessment performed for the Didipio CGU was based on a calculated recoverable value of US\$542 million. As a result, the Company recognized an impairment loss amounting to US\$80 million for the year ended December 31, 2020 (Note 6).

*(g) Incremental borrowing rate*

To determine the incremental borrowing rate, the Company uses financing from third party banks or financial institutions expected to be received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since financing was received. Where financing from third parties or related parties cannot be obtained, the Company uses the government bond yield, adjusted for the (1) credit spread specific to each entity under the Company and (2) security using the right-of-use asset. The discount rates applied by the Company are disclosed in Note 22.

**25.2 Critical judgments in applying the Company's accounting policies**

*(a) Change in functional currency to U.S. Dollar*

Consequent to the change in business operations commencing April 1, 2013 as described in Note 1, management assessed that the U.S. Dollar represents the new functional currency of the Company as it reflects the economic substance of the underlying transactions, events and conditions relevant to its operations and duly represents the Company's primary economic environment. Management evaluated the currency of its collection from sale of metals and composition of cost and expenses, the results of which substantiated the change from Philippine Peso to U.S. Dollar effective beginning December 31, 2013.

*(b) Recoverability of inventories*

The Company evaluates whether inventories are no longer recoverable either annually or when circumstances indicate such conditions exist. Management calculates net realizable value on a monthly basis. These calculations require the use of estimates on cost projections, gold and copper prices, discount rate, and mineral reserves and corresponding grade, which are determined based on approved mine plan, fluctuations in the market and assessment of either internal or third party geologists, who abide by certain methodologies that are generally accepted within the industry (Note 4). Provision or additional provision against the carrying value of consumable and spare inventories is recognized if there is an indication that the cost of the inventories may not be recovered especially for any obsolete and slow moving inventories. In these cases, management uses judgment and estimates based on available facts and circumstances including but not limited to historical experience and estimates as to recoverability of the amount of inventories at the time of disposal.

In determining the recoverable amount of inventories, management considers the available facts and circumstances, including but not limited to historical experience as to the net realizable value of inventories at the time of disposal, including information about the future demand and market conditions for its inventories. An evaluation of inventories, designed to identify potential inventory write-down to net realizable, is performed on a continuous basis throughout the year. No provision for inventory obsolescence was recognized during the years ended December 31, 2020 and 2019 (Note 4).

*(c) Recoverability of mining assets and property, plant and equipment*

The Company evaluates whether mining assets and property, plant and equipment have suffered any impairment either annually or when circumstances indicate such conditions exist.

Where impairment indicators are positively identified on mining assets, and property, plant and equipment, the Company proceeds with actual estimation of recoverable amounts based on value-in-use calculation or fair value, if said information is readily available. An impairment loss is recognized whenever evidence exists that the carrying value is not recoverable.

For mining assets, the recoverable amount is dependent on various factors including technical studies, further exploration, and the eventual grant of mining permits. Should these be unsuccessful, the exploration assets could be impaired. For the Didipio CGU, the FTAA renewal remains with the OP with no definitive timeline provided for a decision (Note 20). In addition, permanent layoffs took place during the year which was also identified by the management as an indicator of impairment for the CGU.

*(d) Deferred exploration costs*

The application of the Company's accounting policy for deferred exploration costs requires judgment in determining whether it is likely that future economic benefits are likely either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

The Company reviews the carrying amounts of deferred exploration costs at each reporting date and reduces the amount to the extent that it is no longer probable that future benefit will flow to the Company. The Company wrote off deferred exploration costs amounting to nil (2019 -US\$636,330), which were deemed to be no longer recoverable (Note 6).

*(e) Provision for impairment of other non-financial assets*

Management conducts impairment review on receivables specifically advances to employees, suppliers and contractors, prepayments, and other assets to ascertain that reported carrying amounts are still recoverable as at reporting date based on current and existing conditions. Realizability is determined based on expected benefit that will be derived by the Company either through actual refund or credit that may be applied against future obligations. In particular, advances/deposits and input VAT can be offset against future billings on goods delivered or services rendered to the Company and output tax arising from operations, if any, respectively. These accounts represent actual payments that are duly supported; hence may be claimed by the Company. Accordingly, there were no impairment losses recognized in 2020 and 2019. Details of advances, prepayments, and other assets are presented in Notes 3, 5 and 8, respectively.

*(f) Realizability of deferred income tax assets*

A certain degree of judgment is required in determining the provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Further, recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The Company reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred income tax assets in respect of deductible temporary differences and unused tax losses and credits.

*(g) Assessing contingencies*

The Company is currently involved in assessments and legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external legal counsels engaged by the Company and is based upon an analysis of potential results. Management believes that these proceedings will not have material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Note 21).

*(h) Lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the factors below as the most relevant in assessing the options:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

**Note 26 - Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**26.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the fair value measurement of plan assets and trade receivables.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 25.

*(a) New and amendment to existing standards and interpretations adopted by the Company*

The following amendments and improvements to existing standards and interpretations are effective for the financial year beginning on January 1, 2020 which are relevant to the Company's financial statements:

- *Revised Conceptual Framework for Financial Reporting (effective January 1, 2020)* includes increasing the prominence of stewardship in the objective of financial reporting reinstating prudence as a component of neutrality, defining a reporting entity, which may be a legal entity, or a portion of an entity, revising the definitions of an asset and a liability, removing the probability threshold for recognition and adding guidance on derecognition, adding guidance on different measurement basis, and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The amendments above did not have a material impact on the Company's accounting policies and financial statements.

- *Definition of Material (Amendments to PAS 1 Presentation of Financial Statements and PAS 8 Accounting Policies; Changes in Accounting Estimates and Errors) (effective January 1, 2020)* refines the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:
  - (a) raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’;
  - (b) including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition;
  - (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  - (d) clarifying the explanatory paragraphs accompanying the definition; and
  - (e) **aligning the wording of the definition of material across PFRS Standards and other publications.**

The amendments did not have a significant impact on the amounts recognized in the Company’s financial statements and related disclosures thereto.

- *Definition of a Business - Amendments to IFRS 3* requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments did not have a significant impact on the Company’s financial statements.

- *COVID-19-related Rent Concessions - Amendments to IFRS 16 (effective June 1, 2020)*. As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. The amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. The Company was not granted any rental concessions during the year. Hence, the amendment did not have an impact on the Company’s financial statements as at December 31, 2020.

No other new standards, and amendments and interpretations to existing standards that are effective beginning January 1, 2020 which are expected to be relevant to the Company.

*(b) New standards, amendments and interpretations not yet adopted by the Company*

There are new standards and amendments to standards and interpretations that are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing these financial statements. None of these standards are expected to have a significant effect on the financial statements of the Company, while the most relevant one is presented below:

- *Classification of Liabilities as Current or Non-current - Amendments to PAS 1 (effective January 1, 2023)*

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

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. It must be applied retrospectively in accordance with the normal requirements in PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Company has yet to assess the impact of the amendment, however, they are not expected to have a significant impact on the financial statements of the Company.

No other new standards, amendments to existing standards and interpretations that are effective beginning on or after January 1, 2021 are expected to have a material impact on the Company's financial statements.

## **26.2 Cash**

Cash include cash on hand and deposits held at call with banks. These are stated at amortized costs in the statement of financial position.

## **26.3 Receivables and deposits**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business and have normal credit terms of 10 days, are initially and subsequently recorded at fair value, less provision for impairment. Trade receivables related to concentrate and dore sales are initially recorded at the amount of the provisional sales prices, and then revalued at the prevailing commodity price at each reporting period until final settlement occurs. Changes in the fair value are recognized within net sales and separately disclosed as provisional pricing gain or loss (Note 12).

Other receivables (Note 3) composed of due from related parties and advances to employees, and deposits (Note 8) are initially recorded at fair value. These receivables are recorded with the objective to collect the contractual cash flows and therefore the Company measures these subsequently at amortized cost using the effective interest method. Any impairment is deducted to the carrying amount of other receivables. These receivables generally arise from transactions partly within and partly outside the usual operating activities of the Company. No changes were made in the classification and measurement of other receivables (Note 26.4).

Policy on impairment and other relevant policies on receivables are disclosed in Note 26.4.

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for its trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of loss is recognized as a separate line item on the face of the income statement, unless deemed immaterial. When a receivable remains uncollectible after the Company has exerted all legal remedies, it is written off against the allowance account for receivables. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss. Reversal of previously recorded impairment provision are based on the result of management's update assessment, considering the available facts and changes in circumstances, including but not limited to results of recent discussions and arrangements entered into with customers as to the recoverability of receivables at the end of the reporting period. Subsequent recoveries of amounts previously written-off are recognized as a separate line item on the face of the income statement, unless deemed immaterial.

## 26.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity. The Company recognizes a financial instrument in the statement of financial position, when and only when, the Company becomes a party to the contractual provisions of the instrument.

### Financial assets

#### *(a) Classification*

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company does not hold any financial assets measured subsequently at fair value through other comprehensive income (OCI).

For assets measured at fair value, gains and losses will either be recorded in profit or loss. Financial assets measured at fair value include only trade receivables (Note 3), while financial assets at amortized cost include cash (Note 2), due from related parties (Note 3), restricted cash (Note 8), and deposits (Note 8).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

#### *(b) Recognition and derecognition*

Regular-way purchases and sales of financial assets are recognized on the trade date (the date on which the Company commits to purchase or sell the asset). Financial assets not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### *(c) Measurement*

At initial recognition, the Company measures financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. As at December 31, 2020 and 2019, the Company only holds debt instrument financial assets.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company has the following measurement categories for its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of total comprehensive income.

- **FVPL:** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognized in profit or loss and presented net within net sales in the period in which it arises.

*(d) Impairment*

The Company's financial assets that are subject to expected credit loss model (ECL) include financial assets measured at FVPL and amortized cost. The Company applies the simplified approach in determining the lifetime ECL for financial assets at FVPL and the 12-month ECL approach to measure expected credit losses for financial asset at amortized cost. To measure the expected credit losses, the financial assets have been grouped based on shared credit risk characteristics. The expected loss rates are based on the qualitative and quantitative assessment for the grouped receivables. Inputs used in determining the expected credit loss rates include the historical loss rates, reflecting current and forward looking information on macroeconomic factors affecting the ability of the customers to settle its obligation. The Company has identified that inflation is the most relevant macroeconomic factor that must be considered in calculating their expected credit loss rate. Qualitatively, for financial assets at amortized cost, the Company assesses any changes in the credit risk for the receivables to determine whether impairment should be measured using the lifetime ECL. Changes in credit risk may include the following: significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. In determining the amount of provision, the expected credit loss rate is applied to the gross carrying amount of the financial asset.

Financial liabilities

*(a) Classification*

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss and other financial liabilities at amortized cost. The Company only has financial liabilities classified as other financial liabilities.

Other financial liabilities

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder. Other financial liabilities include trade payables and other current liabilities (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), lease liabilities, and due to related parties (Notes 26.11, 26.17, and 26.20).

*(b) Recognition and measurement*

The Company recognizes financial liability in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Other financial liabilities at amortized cost are initially recognized at fair value plus transaction costs and are subsequently carried at amortized cost using the effective interest method. Interest expense is recognized and presented in profit or loss in the period in which these arise.

*(c) Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. The difference between the carrying amount of the financial liability derecognized, and the consideration paid and payable is recognized in profit or loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized through profit or loss.

*(d) Offsetting*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. As at December 31, 2020 and 2019, there were no financial assets and liabilities which are offset and presented as net in the statement of financial position.

## **26.5 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Note that under PFRS 13, the use of bid and asking prices is still permitted but not required. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by the current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

As at December 31, 2020 and 2019, trade receivables at fair value through profit or loss is measured at fair value under Level 2 as prices used in determining the gross carrying amount of receivable is based on the prevailing commodity market price. Aside from this, the Company does not hold financial and non-financial assets and liabilities at fair value as at December 31, 2020 and 2019.

## **26.6 Prepayments and other current assets**

Prepayments are expenses paid in advance and recorded as asset before they are used or consumed, as the service or benefit will be received in the future. These are carried at historical cost and are recognized as expenses either with the passage of time or through use or consumption.

Input taxes, which represent value-added tax (VAT) arising from purchases of goods and services, are carried at cost and included as part of other non-current assets in the statement of financial position. The account balance is presented net of applicable output VAT, or vice versa whichever is higher as at reporting date. These may either be applied against future output tax liabilities or claimed for tax credit or refund. The Company conducts regular assessment on the recoverability of the account balance depending on how these are to be utilized. The amount of the loss is measured as the difference between the asset's carrying amount and estimated recoverable value. Impairment loss is recognized through profit or loss and the carrying amount of the asset is reduced through the use of an allowance. The Company directly recognizes in the profit or loss amounts that are disallowed for credit or refund and those which are deemed immaterial for tax credit or refund application.

## **26.7 Inventories**

Inventories, which consist of dore gold, gold in-circuit, concentrates, ore stockpile, and consumables and spares used in the Company's operations, are stated at the lower of cost or net realizable value (NRV). Inventories are presented as current when these are expected to be processed and sold within 12 months after the end of the reporting period. Otherwise, these are presented as non-current.

Cost of dore gold, gold in-circuit, concentrates, and ore stockpile is determined by the weighted average method and comprises of direct costs and an appropriate portion of fixed and variable overhead costs including depreciation and amortization. NRV of these inventories is the selling price in the ordinary course of business less estimated costs of completion and other costs necessary to make the sale. In the case of consumables and spares, NRV is the value of inventories when sold at the condition at the reporting date or its estimated replacement cost.

Cost of consumables and spares is determined under the moving average method, and comprises the invoice cost, freight, duties and taxes, and other costs incurred in bringing the inventories to their present location and condition.

Inventories are derecognized either when used, sold or written-off. When inventories are used for operations, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized. Prior to commencement of commercial operations, these are charged and capitalized to mining assets under the statement of financial position to the extent that these are related to development and commissioning activities.

Provision for impairment of inventories is set-up, if necessary, based on review of movements and current condition of each inventory item. The cost of any write-down of inventory to NRV and all losses of inventories shall be recognized through profit or loss in the period the write-down or loss occurs. The cost of any reversal of any previous write-down shall be recognized as reduction in the amount of inventory recognized as expense in the period in which the reversal occurs.

**26.8 Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and amortization, and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss in the statement of total comprehensive income during the financial period in which these are incurred.

Construction-in-progress is stated at cost, which includes cost of construction, equipment and other direct costs. Costs of assets under construction are accumulated in the accounts until these projects are completed upon which these are classified to the appropriate property accounts. Construction-in-progress is not depreciated and amortized until such time as the relevant assets are completed and put into its intended use.

Depreciation of property, plant and equipment, excluding items presented under plant and equipment and roads and dams and mining equipment, is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (in years) as follows:

	3 or lease term, whichever is shorter
Leasehold improvements	3
Office machinery and equipment	3
Vehicles	3
Furniture and fittings	3
Computer equipment and software	3
Buildings	16
Health, safety, and security equipment	3
Maintenance equipment	3

Plant and equipment, mining equipment and roads and dams are depreciated using the units of production method based on estimated economically recoverable reserves to which these relate or written off if the property is abandoned.

The assets’ residual values and estimated useful lives are reviewed periodically, and adjusted if appropriate, at each reporting date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 26.10).

The carrying amount of an item of property, plant and equipment is derecognized on disposal; or when no future economic benefits are expected from its disposal at which time the cost and related accumulated depreciation and amortization are removed from the accounts.

Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in other income or expense in the statement of total comprehensive income.

## **26.9 Mining assets**

### *(a) Deferred exploration costs*

Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mining properties. Exploration costs are stated at cost and are accumulated in respect of each identifiable area of interest. Such costs are only carried forward to the extent that these are expected to be recovered through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and active work is continuing. Accumulated costs in relation to an abandoned area are written off against profit or loss in the statement of total comprehensive income in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The Company classifies deferred exploration costs as tangible or intangible according to the nature of the asset acquired or cost incurred and applies the classification consistently. Certain deferred exploration costs are treated as intangible (e.g. license and legal fees), whereas others are tangible (e.g. vehicles). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset. Deferred exploration costs are recognized and reclassified to deferred development costs when the technical feasibility and commercial viability of extracting the resources are demonstrable. Deferred exploration costs are only assessed for impairment and not subjected to depreciation and amortization before reclassification.

### *(b) Deferred development costs*

Deferred development costs pertain to capitalized expenditures incurred to prove technical feasibility and commercial viability of any resources found and to develop ore bodies. Development costs are stated at cost and are capitalized to the extent that these are directly attributable to an area of interest or those that can be reasonably allocated to an area of interest, which may include costs directly related to bringing assets to the location and condition for intended use and costs incurred, net of any revenue generated, during the commissioning period. These costs are capitalized until assets are already available for use or when the Company has already achieved commercial levels of production.

The carrying value of deferred development costs represents total expenditures incurred to date net of revenue from saleable material recognized during the pre-commercial production period, if any. Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued. Mine development costs incurred to maintain current production are included in operations.

*(c) Mine and mining properties in production*

Upon commencement of commercial production, deferred development costs are capitalized as part of mine and mining properties in production. These costs are subject to depletion or amortization, which are computed using the units of production method based on proven and probable reserves.

*(d) Asset retirement obligation*

Asset retirement obligation (ARO) represents the net present value of obligations associated with the retirement of property, plant and equipment that resulted from acquisition, construction or development and the normal operation of property, plant and equipment. ARO is recognized as part of the cost of the related property, plant and equipment or mine and mining properties in production in the period when a legal or constructive obligation is established provided that best estimate can be made. The increase in ARO due to passage of time is recognized as accretion expense. ARO is derecognized when the related asset has been retired or disposed of.

*(e) Impairment review*

The Company reviews and evaluates its mining assets when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete their exploration and development, and upon future profitable production.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount which is the higher of an asset's FVLCD, if available, and value in use, and is recognized through profit or loss. To the extent that impairment occurs, the excess is fully provided in the financial period in which this is determined. Value in use is calculated based on discounted future net cash flows for properties in which a mineral resource has been identified using estimated future production, commodity prices, operating and capital costs and reclamation and closure costs. Value in use for deferred exploration costs is estimated by reference to the timing of exploration and/or development work, work programs proposed, the exploration results achieved to date and the likely proceeds receivable if the Company sold specific properties to third parties.

For mine and mining properties, FVLCD is estimated by reference to cash flow forecasts based on management's best estimates of expected future revenues and costs, including the future cash costs of production, capital expenditure, closure, restoration and environmental clean-up throughout the LOM of the CGU.

## **26.10 Impairment of non-financial assets**

Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are not subject to amortization are reviewed for impairment annually. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **26.11 Trade payables and other current liabilities**

Trade payables and other current liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

## **26.12 Borrowings and borrowing costs**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized through profit or loss as finance cost over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

General and specific 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. 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 as finance cost in the statement of total comprehensive income in the period in which these are incurred.

## **26.13 Provisions**

Provisions are recognized when: (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are derecognized when the obligation is settled, cancelled or has expired.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as accretion expense in the statement of total comprehensive income.

The Company recognizes the estimated costs of mine rehabilitation, which includes among others, reforestation of the areas disturbed during development stage and commercial operations, maintenance and monitoring, land reclamation, decommissioning and dismantling of production facilities, and employee and other social costs including residual care, if necessary. The provision is discounted where material and the unwinding of the discount is recognized as accretion expense in the statement of total comprehensive income. At the time of establishing the provision, the corresponding asset is capitalized as where it gives rise to a future benefit and depreciated/amortized over future production from the mine to which it relates. Costs attributed to actual decommissioning/dismantling and restoration/reforestation are capitalized as part of mine and mining properties in production upon commencement of commercial operations.

Changes in the measurement of the estimated costs of mine rehabilitation which results from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, is accounted for as an addition or deduction to the provision recorded and to the cost of rehabilitation asset recognized as part of mining assets to the extent that the addition does not exceed its carrying amount. If a decrease in the provision exceeds the carrying amount of the asset, the excess will be recognised as part of general and administrative expenses in the statement of total comprehensive income. If the adjustment results in an addition to the cost of an asset, the Company considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable and must be accounted for under the impairment criteria discussed in Note 26.10.

#### **26.14 Current and deferred income tax**

The provision for income tax for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that that it relates to items recognized in other comprehensive income. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current provision for income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax assets and liabilities are derecognized when the relevant temporary differences are realized/settled or recoverability is no longer probable.

#### **26.15 Share capital**

The Company's share capital is composed of common shares with par value. The amount of proceeds from the issuance or sale of common shares representing the aggregate par value is credited to share capital. Proceeds in excess of the aggregate par value of common shares, if any, are credited to share premium. After initial measurement, share capital and share premium are carried at historical cost and are classified as equity in the statement of financial position.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

## **26.16 Revenue, cost and expense recognition**

### *(a) Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### *(i) Bullion sales*

Revenue from sale of gold is recognized when there has been a transfer of control to the customer, which means the following:

- The quantity and quality of the product can be determined with reasonable accuracy;
- The product has been delivered and is no longer under the physical control of the Company (or title has earlier passed to the customer);
- The selling price is determinable;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The costs incurred or to be incurred in respect of the transaction are determinable; and
- The product has been dispatched to the customer and is no longer under the physical control of the Company.

The method of the transfer of control depends on who is the final customer. When these are sold to the Refiner (Note 20), control is transferred if the gold bullion is dispatched from the Company's premises. For all other customers, control is transferred after the customer has confirmed the bullion trade.

#### *(ii) Concentrate sales*

The Company recognises the sale of gold, copper and silver concentrate when control is transferred to the buyer upon loading of concentrates at port. Revenue is recorded under these contracts using forward market gold, copper and silver prices on the expected date that the final sales prices will be fixed based on an agreed quotational period. Variations between the price recorded and the actual final price set are caused by changes in market prices and result in an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs. The changes in fair value of this embedded derivative are classified as provisional price adjustments. The provisional price adjustments are charged against revenue in the statement of comprehensive income. Changes in the fair value over the quotational period and up until final settlement are calculated by reference to forward market prices.

#### *(iii) Pre commercial production sales*

Sales during the commissioning phase are treated as pre-production income and credited to capitalized development costs under mining assets in the statement of financial position.

#### *(iv) Interest income and other income*

Interest income, which is presented net of tax, is recognized on a time proportion basis using the effective interest method. Other income including scrap sales, gain on sale of property, plant and equipment and foreign exchange translations, are recognized when earned or realized.

### *(b) Costs and expenses*

Costs and expenses are charged to operations when incurred.

## **26.17 Leases - Company as lessee**

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

### *(a) Measurement of lease liabilities*

Lease liabilities include the net present value of the fixed lease payments, including in-substance fixed payments. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third party financing, and
- makes adjustments specific to the lease (i.e. term, currency and security).

The Company uses the Group's incremental borrowing rate, adjusted to reflect current local setting. The discount rate applied by the Company are disclosed in Note 22.

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### *(b) Measurement of right-of-use assets*

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

### *(c) Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

### *(d) Short-term leases and leases of low-value assets*

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company has no leases of low-value assets as at December 31, 2020.

## **26.18 Foreign currency transactions and translation**

### *(a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in U.S. Dollar which is the functional and presentation currency of the Company.

### *(b) Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through profit or loss.

## **26.19 Employee benefits**

### *(a) Pension benefits*

The Company maintains a funded defined benefit retirement plan which defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of credited service, and compensation.

The liability recognized in the statement of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Company measures the resulting asset at the lower of (a) such amount determined, and (b) the present value of any economic benefits available in the form of refunds or reduction in future contributions to the plan. The defined benefit obligation is calculated on a regular periodic basis by an independent actuary using the "projected unit credit cost" method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity which approximate the terms of the related retirement obligation.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income during the period in which these arise.

Past-service costs are recognized immediately in profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. This cost is charged to profit or loss.

### *(b) Short term employee benefits*

The Company recognizes a liability and an expense for short-term employee benefits which include salaries, social security contributions, paid sick and vacation leaves, and bonuses. Bonuses are based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*(c) Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**26.20 Related party relationships and transactions**

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 relationship also exists between and/or among entities, which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and its key management personnel, directors, or its shareholder. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**26.21 Contingencies**

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Contingent assets are assessed continually to ensure the developments are appropriately reflected in the financial statements. If it becomes virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

**26.22 Subsequent events**

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

*Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

On March 26, 2021, Republic Act (RA) No.11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

1. CIT rate shall be reduced to 25% beginning July 1, 2020 for domestic corporations and resident foreign corporations (RFCs) while January 1, 2021 for non-resident foreign corporations. Domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million, excluding land on which the particular business entity's office, plant and equipment are situated, are subject to 20% income tax.
2. Beginning July 1, 2020 until June 30, 2023, a temporary reduction of the minimum corporate income tax rate to 1% for domestic corporations and RFCs.
3. Repeal of the optional CIT of 15% of gross income for domestic corporations and RFCs.

As of December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020. For financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event.

Had the new CIT rates been applied on the December 31, 2020 financial statements of the Company, the newly enacted income tax rate would have resulted in lower deferred income tax liabilities, provision for income tax and net loss. As at report date, an estimate of the financial effect of the CREATE law cannot be made yet.

### **26.23 Coronavirus Disease 2019 (“COVID-19”)**

Subsequent to the outbreak of the Coronavirus Disease 2019 (“COVID-19 pandemic”) in early 2020, a series of measures to curb the COVID-19 outbreak has been and continues to be implemented in countries where the Company and its related parties operate. The Company is closely monitoring the status of the COVID-19 pandemic and its continuing impact on its business operations. Nonetheless, management continues to look for measures to mitigate and reduce the negative impact to its profitability or economic impact on the Company brought about by the continuing quarantine restrictions imposed in the country.

Since operating activities are still suspended amidst local blockades and pending FTAA renewal, the pandemic has caused minimal financial impact to the Company’s business operations. The most significant impact of the pandemic is the Company’s implementation of permanent layoff of 496 employees in October and November of the year. In response to the pandemic, the Company has realigned the safety budget for health and safety for the COVID19 prevention. The Company has taken appropriate measures to preserve the health and safety of its employees and stakeholders as well as the business operations and in compliance with government mandated issuances and regulations. Nonetheless, management has appropriately considered the impact of the pandemic in determining the recoverability of its assets and sufficiency of provisions as at December 31, 2020 and along with this, will continue to address the issues that directly affect its business operations and is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Company’s financials.

### **Note 27 - Supplementary information required by the BIR**

The following information is presented for purposes of filing with BIR Revenue Regulation No. 15-2010 and is not a required part of the basic financial statements. All amounts are in Philippine Peso.

#### *(a) Output VAT*

For the year, the Company has P571,075,638 zero-rated VAT sales. The Company also reported VAT from the sale of scrap and certain items of property, plant and equipment and mining assets amounting to P106,071.

#### *(b) Input VAT*

Movement in input VAT for the year ended December 31, 2020 are as follows:

Beginning balance	434,923,148
Goods other than for resale or manufacturer	6,566,969
	441,490,117
Claims for tax credit	-
Other adjustments	(158,330,431)
Total input VAT	283,159,686

*(c) Importations*

The total landed costs of imports and the amount of customs duties and tariff fees paid and accrued for the year ended December 31, 2020 are as follows:

Landed cost of imports	54,724,739
Customs duties and tariff fees	2,385,803
	<u>57,110,542</u>

*(d) Excise tax*

For the year ended December 31, 2020, the Company paid excise taxes amounting to P22,914,191.

*(e) Documentary stamp tax*

For the year ended December 31, 2020, the Company did not incur any payment for documentary stamp taxes.

*(f) All other local and national taxes*

All other local and national taxes paid and accrued for the year ended December 31, 2020 and lodged under general and administrative expenses in the statement of total comprehensive income consist of:

Local business tax	100,409,302
Real property tax	39,659,029
Mayor's permit	70,780
Community tax	10,500
Permit fees and other taxes	9,806,911
	<u>149,956,522</u>

*(g) Withholding taxes*

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2020 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	136,877,651	4,970,042	141,847,693
Expanded withholding tax	14,350,505	1,119,792	15,470,297
	<u>151,228,156</u>	<u>6,089,834</u>	<u>157,317,990</u>

*(h) Tax assessments and cases*

As at December 31, 2020, there is an ongoing BIR examination of the Company's books of accounts and other accounting records for the taxable years 2016 and 2017.

The Company received a Final Assessment Notice (FAN) for the taxable year 2016 on August 12, 2020 ordering payment of alleged deficiency taxes including surcharges, interest and compromise amounting to P343.20 million. On January 28, 2021, the Company received the Final Decision on Disputed Assessment (FDDA) substantially lowering the amount to P71.50 million. A portion of the assessment amounting to P13.26 million which consists of deficiency income tax, expanded withholding tax and penalties was accrued by the Company as at December 31, 2020 and was subsequently settled on January 30, 2021.

On October 5, 2020, the Company also received a Preliminary Assessment Notice (PAN) for the taxable year 2017 ordering payment of alleged deficiency taxes including surcharges, interest and compromise amounting to P456.20 million. Subsequently on February 4, 2021, the FAN was received increasing the amount to P636.20 million attributable to 25% surcharge and interest.

Apart from the tax assessments above, the Company is a party to outstanding litigation proceedings or assessments, which pertain to, among others, real property, VAT and excise taxes (Note 21).