Annual Report

2020

ATOK-BIG WEDGE CO., INC.

CONTENTS

DENNIS A. UY
Vice Chairman

ROBERTO V. ONGPIN
Chairman

ERIC O. RECTO
President

LETTER TO SHAREHOLDERS

Dear Shareholders,

It has been more than a year since the COVID-19 pandemic started, and there is still no apparent end in sight. This unprecedented health crisis unleashed an economic and social maelstrom the length and ferocity of which the world has never seen. No company has been spared the negative effects of this turmoil and only businesses with the strongest foundations have been able to withstand the effects of the ensuing economic slowdown. Your company is fortunate to have a strong balance sheet and sound business fundamentals, so we have so far been relatively unscathed.

There is some good news on the horizon, however. On October 15, 2020, the Philippine Government announced the lifting of the six-year moratorium on oil and gas exploration at Reed Bank. This move was seen as a positive development by all concerned parties, even by the Chinese government. In a regular media briefing in Beijing after the moratorium was lifted, a Chinese Foreign Ministry spokesperson said China and the Philippines have reached consensus on joint exploration of oil and gas resources in the South China Sea and set up relevant consultation and cooperation mechanisms. This is certainly a significant step toward realizing the potential returns from our investment in Forum Energy, PLC.

While awaiting further developments in the West Philippine Sea, your company has also been busy pursuing its exploration permit application in Agusan del Norte. Our stock transfer agency operations continue to bring profits to the company. Overall, however, we recognized a loss in 2020 because of our share in the operating losses of Forum Energy, PLC, but with the milestones achieved in the joint exploration efforts in the West Philippine Sea, we remain confident our investment in Forum will bear fruit sooner rather than later. Our focus on building up an asset base of promising oil and gas businesses will continue and we hope to be able to report on some major deals in the very near future.

Until then, we thank all of you, our loyal shareholders, for your continuing patience and commitment to our company.

Very truly yours,

ROBERTO V. ONGPIN
Chairman

ERIC O. RECTO
President

ABOUT THE COMPANY

Atok-Big Wedge Co., Inc. (Atok) was the result of a merger between Atok Gold Mining Co. and Big Wedge Mining Co., both of which were incorporated in the early 1930s. This makes Atok-Big Wedge Co., Inc. one of the oldest mining companies existing in the country. Over the past eight decades, Atok-Big Wedge Co., Inc. has established a strong foundation in the Philippine mining industry. We continue our legacy by having business in mining, oil, gas, and natural resources exploration and development.

DIRECTORS & EXECUTIVE OFFICERS

EXECUTIVE OFFICERS

ROBERTO V. ONGPIN
Chairman of the Board & Chief Executive Officer

DENNIS A. UY
Vice Chairman

ERIC O. RECTO
President

WALTER W. BROWN
Executive Vice President

CLIBURN ANTHONY A. ORBE
Corporate Secretary

JOSEPHINE A. MANALO
Treasurer

CRISTINA B. ZAPANTA
Senior Vice President for Finance

JONAMEL G. ISRAEL-ORBE
Assistant Corporate Secretary

BOARD OF DIRECTORS

ROBERTO V. ONGPIN
DENNIS A. UY (INDEPENDENT)
ERIC O. RECTO
WALTER W. BROWN
MICHAEL ANGELO PATRICK M. ASPERIN
JOHN PETER CHICK B. CASTELO
PAUL FRANCIS B. JUAT
ANNA BETTINA ONGPIN
CLIBURN ANTHONY A. ORBE
MARIO A. ORETA
MARGARITO B. TEVES (INDEPENDENT)
DENNIS O. VALDES

DIRECTORS & EXECUTIVE OFFICERS

ROBERTO V. ONGPIN

Chairman of the Board,
Chief Executive Officer,
and Director

DENNIS A. UY

Vice Chairman and
Independent Director

ERIC O. RECTO

President and Director

WALTER W. BROWN

Executive Vice President
and Director

CLIBURN ANTHONY A. ORBE

Corporate Secretary
and Director

JOSEPHINE A. MANALO

Treasurer

CRISTINA B. ZAPANTA

Senior Vice President
for Finance

JONAMEL G. ISRAEL-ORBE

Assistant Corporate Secretary

MICHAEL ANGELO PATRICK M. ASPERIN

Director

JOHN PETER CHICK B. CASTELO
Director

PAUL FRANCIS B. JUAT
Director

ANNA BETTINA ONGPIN
Director

MARIO A. ORETA
Director

DENNIS O. VALDES
Director

MARGARITO B. TEVES
Independent Director

DIRECTORS & EXECUTIVE OFFICERS

ROBERTO V. ONGPIN
Chairman of the Board, Chief Executive Officer and Director

Mr. Ongpin, Filipino, 84 years old, was elected Director and Chairman of the Board on 12 November 2009. He is also the Chairman of Alphaland Corporation, a former Chairman of Philweb Corporation, a former Director of San Miguel Corporation, PAL Holdings, Inc. and Petron Corporation. He is also the Chairman of Alphaland Balesin Island Club, Inc. In Hong Kong, he was the Non-Executive Director of Shangri-La Asia and the former Deputy Chairman of the South China Morning Post, both listed in the Hong Kong Stock Exchange. He is also the former Non-Executive Director of Forum Energy PLC (United Kingdom). Mr. Ongpin graduated cum laude in Business Administration from the Ateneo de Manila University, is a Certified Public Accountant and has an MBA from the Harvard Business School.

DENNIS A. UY
Vice Chairman and Independent Director

Mr. Uy, Filipino, 47 years old, was elected Independent Director and appointed as Vice Chairman of the Board of Directors on 31 May 2018. He is the Founder, Chairman, and CEO of Udenna Corporation, his holding company with a diverse business portfolio that includes interests in petroleum retail and distribution, shipping and logistics, real estate development, infrastructure, education, leisure and gaming, and telecommunications. Mr. Uy is currently the Chairman and President of Phoenix Petroleum Holdings, Inc. (PPHI), the holding company of PHOENIX Petroleum Philippines, Inc. (PPPI) and serves as the President and Chief Executive Officer of PPPI. He is also the Chairman of Chelsea Logistics Holdings Corp. (CLC) and PH Resorts Group Holdings, Inc. (PHR). He is likewise the President and CEO of Udenna Management & Resources Corp. (UMRC) and its subsidiaries. Mr. Uy is also the Chairman of F2 Logistics, Phoenix Philippines Foundation, and Udenna Foundation. He is a Director of the shipping and logistics provider 2Go Group, Inc. through Udenna Investments BV's subsidiary KGLI-NM Holdings, Inc. He also serves as Independent Director of Apex Mining Corp. Mr. Uy is a member of the Young Presidents Organization – Philippine chapter and the Philippine Business for Social Progress. Since November 2011, Mr. Uy has been the Honorary Consul of Kazakhstan to the Philippines. In 2016, he was appointed as the Presidential Adviser on Sports. He is a graduate of De La Salle University with a degree in Business Management.

ERIC O. RECTO
President and Director

Mr. Recto, Filipino, 57 years old, was elected Director on 12 November 2009 and appointed as Director on 10 December 2009. He is presently the President of Atok-Big Wedge Co., Inc. He is also the Chairman of the Philippine Bank of Communications; Director of DITO CME Holdings Corporation (formerly ISM Communications Corporation); Chairman and President of Bedfordbury Development Corporation; Vice Chairman of Alphaland Corporation; Independent Director of Aboitiz Power Corporation and Philippine H2O; Independent Director of Manila Water Corporation and a Member of the Board of Supervisors of Acentic GmbH. Mr. Recto served as Undersecretary of Finance of the Republic of the Philippines from 2002 to 2005, in charge of handling both the International Finance Group and the Privatization Office. Before his stint with the government, he was Chief Finance Officer of Alaska Milk Corporation and Belle Corporation. Mr. Recto has a degree in Industrial Engineering from the University of the Philippines as well as an MBA from the Johnson School, Cornell University.

WALTER W. BROWN
Executive Vice President and Director

Dr. Brown, 82 years old, Filipino, was elected Director on 10 December 2009. He is presently the Executive Vice President of Atok-Big Wedge Co., Inc. He is also the President and CEO of Apex Mining Co., Inc.; the Chairman of A Brown Company, Inc.; Palm Thermal Consolidated Holdings Corporation; International Cleanvironment Systems, Inc.; North Kitanglad Agricultural Company, Inc.; PhiGold; and A Brown Energy & Resources Dev't. Inc.; President of Monte Oro Resources and Energy Inc.; and PBJ Corporation. He received two undergraduate degrees: B.S. Physical Science (1959) and B.S. Geology (1960), both from the University of the Philippines, and post graduate degrees from Stanford University: M.S. Economic Geology (1963), and Ph.D in Geology, and Major in Geochemistry (1965). He was a candidate in master of Business Economics (1980) from the University of Asia & the Pacific (formerly Center for Research & Communications). He is currently the Chairman and Director of Family Farm School (PPAI), Chairman and President of Studium Theologiae Foundation, Vice Chairman of the Board of Trustees of Xavier University, and the Geological Society of the Philippines.

ANNA BETTINA ONGPIN
Director

Ms. Ongpin, Filipino, 56 years old, was elected Director on 16 August 2013. She is also currently the Vice Chairman and Director of Alphaland Corporation. She too is the Vice Chairman of Alphaland Balesin Island Club, Inc.; Vice Chairman and President of The City Club at Alphaland Makati Place, Inc.; and Chairman of The Alpha Suites. Ms. Ongpin has more than twenty-five years of communications, marketing, project management, and operations experience in the management consulting and media fields. She holds a Bachelor's Degree in Political Science from Wellesley College.

MICHAEL ANGELO PATRICK M. ASPERIN
Director

Mr. Asperin, Filipino, 62 years old, was elected Director on 28 August 2014. He is the Chief Operating Officer of Alphaland Corporation and also handles the operations of the aviation and security divisions of the Alphaland Group of Companies. He is also the President and Chief Executive Officer of Alphaland Balesin Island Club, Inc. (ABICI). Prior to joining Alphaland, he served in Philweb Corporation from 2009 to 2012 as Senior Vice President for Enterprise Risk Management. He graduated from the Philippine Military Academy in 1981.

JOHN PETER CHICK B. CASTELO
Director

Mr. Castelo, Filipino, 55 years old, was elected Director on 28 August 2014. He is presently the Senior Vice President for Business Development of Araneta Center Inc. and sits in the board of its various subsidiaries and affiliates. He had 27 years of experience in real estate and finance industries. He earned his Masters in Business Administration and Degree in Bachelor of Science in Electrical Engineering from the University of the Philippines in Diliman.

DIRECTORS & EXECUTIVE OFFICERS

PAUL FRANCIS B. JUAT
Director

Mr. Juat, Filipino, 28 years old, was elected Director on 31 May 2018. He is a director of Brownfield Holdings Corporation, North Kitanglad Agricultural Company, Inc., PBJ Corporation, and Pacific Bougainville Holdings Corporation. He also currently serves as Assistant to the President of Apex Mining Co., Inc. He holds a Bachelor's Degree in Industrial Engineering from the University of the Philippines, Diliman.

MARIO A. ORETA
Director

Mr. Oreta, Filipino, 74 years old, was elected Director on 12 November 2009. He is also a Director of Alphaland Corporation and The City Club at Alphaland Makati Place, Inc. He served as President of Alphaland Corporation from 2007 to 2016. He graduated with honors from the Ateneo de Manila University with a Bachelor of Laws degree and immediately joined the law firm of Siguion Reyna, Montecillo and Ongsiako. He was Founding Partner of Tanjuatco Oreta and Factoran Law Firm and The Law Firm of Mario A. Oreta and Partners.

DENNIS O. VALDES
Director

Mr. Valdes, Filipino, 59 years old, was elected Director on 12 November 2009. He is presently the President and Director of Alphaland Corporation. His previous work experience includes 13 years with Philweb Corporation and 10 years with the Inquirer Group of Companies. He is a certified public accountant, graduated magna cum laude in Business Administration and Accountancy from the University of the Philippines and has an MBA degree from the Kellogg School of Management, Northwestern University.

MARGARITO B. TEVES
Independent Director

Mr. Teves, Filipino, 77 years old, was elected Independent Director on 26 May 2011. He is also an Independent Director of Alphaland Corporation, Alphaland Balesin Island Club, Inc., The City Club at Alphaland Makati Place, Inc., San Miguel Corporation and Petron Corporation. Mr. Teves was formerly Secretary of the Department of Finance, Landbank President and CEO, and a Member of the House of Representatives (representing the 3rd District of Negros Oriental). He obtained a Higher National Diploma (HND) in Business Studies, equivalent to a BSC in Business Economics, from the City of London College, and a Master of Arts (MA) in Development Economics from the Center for Development Economics, Williams College, Massachusetts, USA. He was recently conferred an Honorary Degree, Doctor of Laws, by Williams College, named Senior Adviser to the China-Asean Economic and Culture Research Center and Visiting Professor at the Guilin University of Electronic Technology in China.

CLIBURN ANTHONY A. ORBE
Corporate Information Officer, Compliance Officer, Corporate Secretary and Director

Mr. Orbe, Filipino, 46 years old, was elected Corporate Information Officer and Compliance Officer on 13 December 2013 and Director and Corporate Secretary on 31 May 2016. He worked as an associate lawyer of the Rodrigo, Berenguer and Guno law firm prior to joining the Ongpin Group of Companies in 2006. He has a Bachelor of Laws degree from Mindanao State University where he graduated cum laude and class valedictorian. He is a member of the Integrated Bar of the Philippines since 2003.

JOSEPHINE A. MANALO
Treasurer

Ms. Manalo, Filipino, 78 years old, was appointed Treasurer on 11 August 2015. She is connected with Alphaland Corporation as Executive Assistant to the Chairman. She also works in various capacities for Mr. Roberto V. Ongpin's Group of Companies. She has a Bachelor of Science in Business Administration degree from St. Theresa's College, Manila.

CRISTINA B. ZAPANTA
Senior Vice President for Finance

Ms. Zapanta, Filipino, 57 years old, was appointed Vice President for Finance and Compliance Officer for Anti-Money Laundering Manual on 31 May 2016. She is presently the Company's Senior Vice President for Finance. She is also the Senior Vice President for Finance of Alphaland Corporation; Alphaland Balesin Island Resort Corporation; Alphaland Balesin Island Club, Inc.; Alphaland Makati Place, Inc. and Alphaland Southgate Tower, Inc. Prior to joining the Company, she was the Finance and Administration Head of Connectivity Unlimited Resources Enterprise, Inc. (2006-2008) and Accounting Head of Belle Corporation (1997-2006). She has more than 30 years solid experience in Finance, of which over half is in the real estate industry. She is a Certified Public Accountant.

JONAMEL G. ISRAEL-ORBE
Assistant Corporate Secretary

Ms. Israel-Orbe, Filipino, 48 years old, was appointed as Corporate Information Officer and Deputy Compliance Officer on 13 December 2013 and appointed Assistant Corporate Secretary on 28 August 2014. Likewise, she is also the Assistant Corporate Secretary of Alpha group. Ms. Orbe is also the Corporate Information Officer, Compliance Officer for Anti-Money Laundering Manual and Compliance Officer for Manual on Corporate Governance of Alphaland Corporation.

Statement of Management's Responsibility

ATOK-BIG WEDGE CO., INC.

ALPHALAND MAKATI PLACE 7232 AYALA AVENUE CORNER MALUGAY ST.,
MAKATI CITY 1209 PHILIPPINES

TEL. NO. (632) 5337-2031 LOCAL 169
FAX NO. (632) 5310-7100

May 03, 2021

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS"

The management of **Atok-Big Wedge Co., Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible in overseeing the Group's financial reporting process.

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

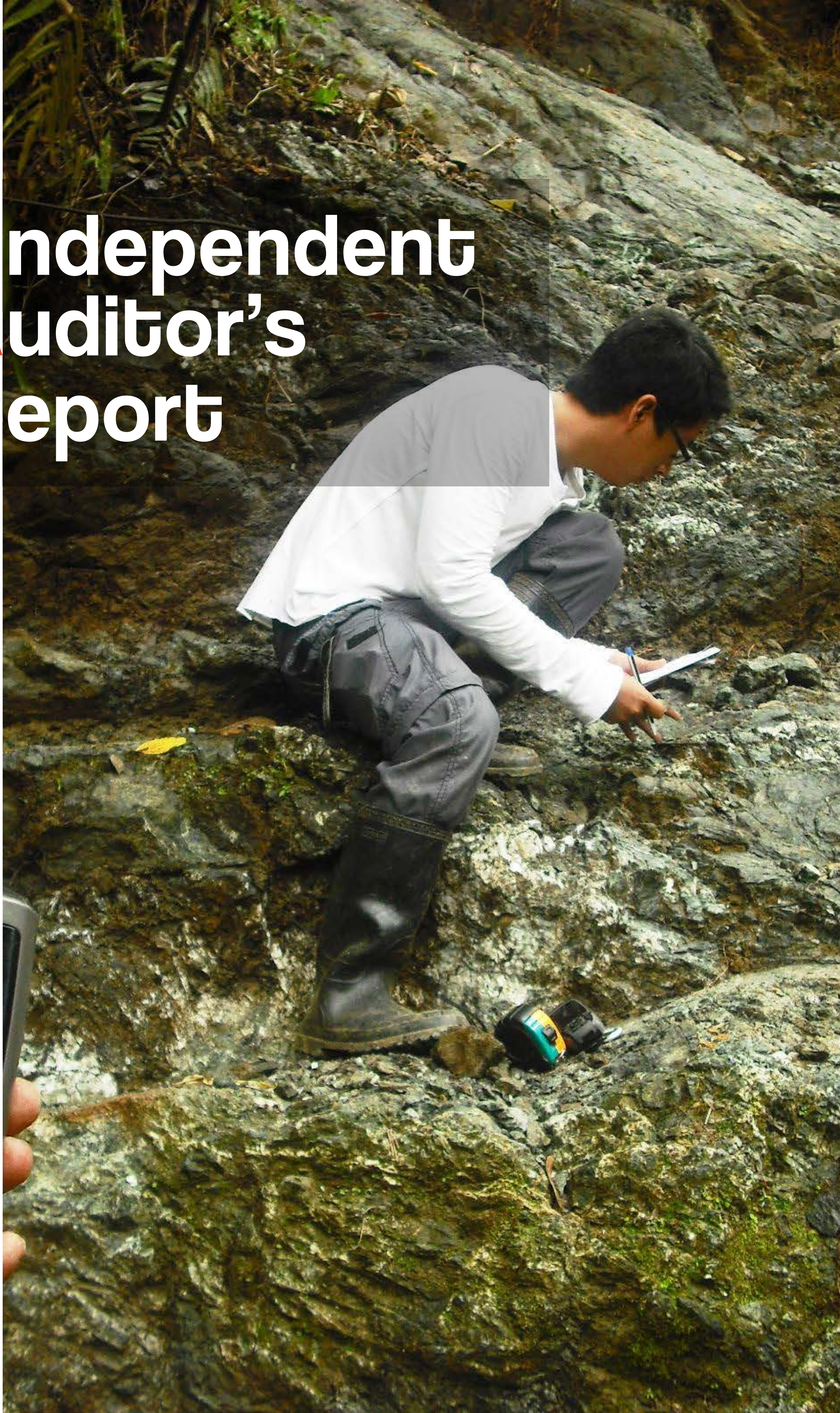
Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

ROBERTO V. ONGPIN
Chairman & CEO

ERIC O. RECTO
President

CRISTINA B. ZAPANTA
Senior Vice President for Finance

Independent Auditor's Report



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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Atok-Big Wedge Co., Inc.
Alphaland Makati Place
7232 Ayala Avenue corner Malugay Street
Makati City, Metro Manila

Opinion

We have audited the accompanying consolidated financial statements of Atok-Big Wedge Co., Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 the audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 1 and 8 to the consolidated financial statements concerning the delay in one of the planned drilling programs of Forum Energy Ltd., an associate. The ultimate outcome of the uncertainty related to this delay and the resulting impact on the consolidated financial statements cannot be presently determined because of the territorial dispute in the West Philippine Sea. Our opinion is not modified with respect to this matter.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Assessment of Investment in an Associate

The Group is required to review the carrying amount of its investment in an associate at each reporting date whenever there is any indication of impairment loss. The impairment review is significant to our audit since the carrying amount of the investment in an associate of ₱501.4 million is material to the consolidated financial statements because it represents 94.6% of the consolidated total assets as at December 31, 2020. Further, the impairment assessment of the investment involves management's judgment and estimate on the commencement and feasibility of the Associate's exploration projects, which are affected by future market, economic conditions, and the outcome of territorial dispute in the West Philippine Sea.

Our audit procedures include, among others, the review of the assumptions used by the Group in the impairment assessment, in particular those involving the forecasted cash flows from the related service contract, commencement of exploration and the discount rate used. We also focused on the adequacy of the Group's disclosures pertaining to the status of the Associate's significant exploration projects and the financial information of the Associate as disclosed in Notes 1 and 8 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 the audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore, the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Arthur Vinson U. Ong.

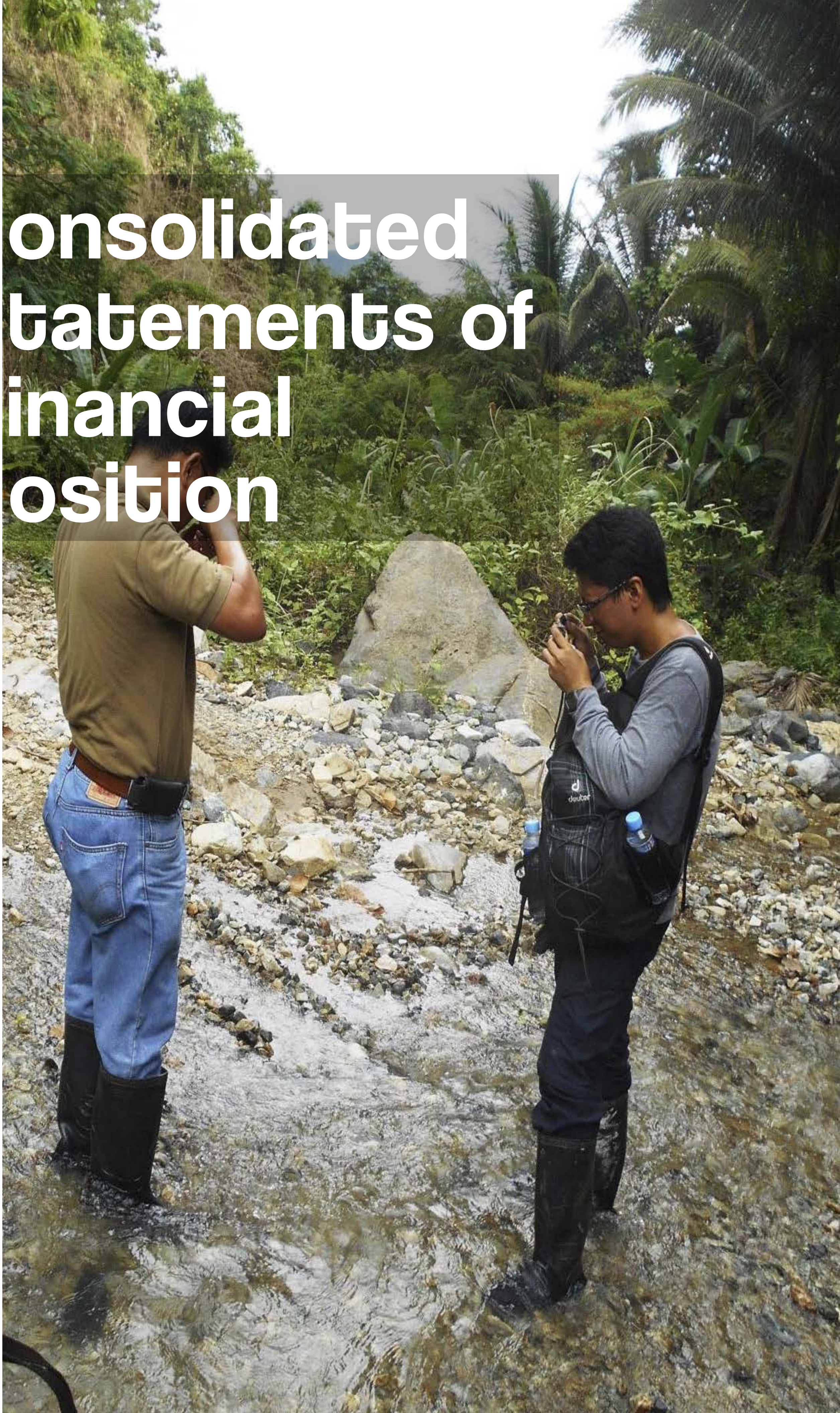
REYES TACANDONG & CO.

Arthur Vinson Ong

ARTHUR VINSON U. ONG
Partner
CPA Certificate No. 120745
Tax Identification No. 253-222-555-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 1752-A
Valid until May 6, 2022
BIR Accreditation No. 08-005144-015-2020
Valid until July 1, 2023
PTR No. 8534286
Issued January 5, 2021, Makati City

May 3, 2021
Makati City, Metro Manila

Consolidated Statements of Financial Position

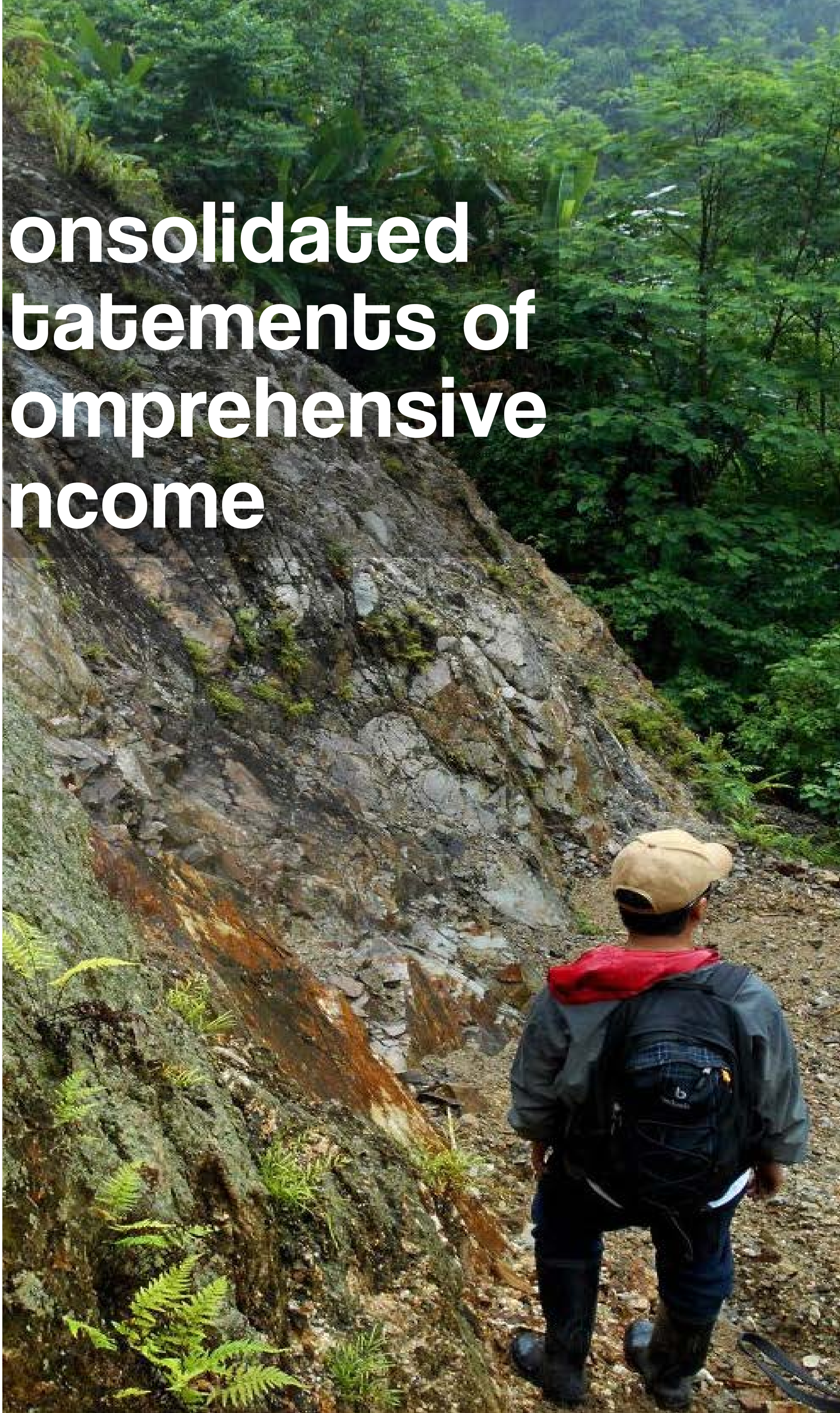


ATOK-BIG WEDGE CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱14,364,676**	₱35,988,974
Receivables	5	**2,124,594**	1,729,405
Other current assets	7	**10,367,908**	10,016,887
Total Current Assets		**26,857,178**	47,735,266
Noncurrent Assets			
Investment in an associate	8	**501,431,573**	533,636,747
Advances to mining right holders	1	**1,525,000**	1,525,000
Property and equipment	11	**47,833**	14,131
Equity investment designated as financial asset at fair value through other comprehensive income (FVOCI)	9	**–**	2,152,285
Total Noncurrent Assets		**503,004,406**	537,328,163
		₱529,861,584	₱585,063,429
LIABILITIES AND EQUITY			
Current Liabilities			
Payables and other current liabilities	12	**₱1,240,364**	₱1,005,006
Advances from stockholders	13	**7,621,500**	–
Total Liabilities		**8,861,864**	1,005,006
Equity			
Capital stock	14	**1,060,000,000**	1,060,000,000
Deficit		**(604,933,236)**	(594,518,284)
Accumulated other comprehensive income		**65,932,956**	118,576,707
Total Equity		**520,999,720**	584,058,423
		₱529,861,584	₱585,063,429

See accompanying Notes to Consolidated Financial Statements.



Consolidated Statements of Comprehensive Income

ATOK-BIG WEDGE CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2020**	2019	2018
GENERAL AND ADMINISTRATIVE EXPENSES	15	**₱5,076,924**	₱5,412,465	₱5,548,469
OTHER INCOME (CHARGES)				
Share in net results of operations of an associate	8	**(7,118,698)**	(46,341,640)	(12,864,143)
Service fees		**1,454,020**	1,472,540	2,474,560
Interest income	4	**428,882**	1,026,904	940,150
Others		**(1,424)**	10,709	1,523
		(5,237,220)	(43,831,487)	(9,447,910)
LOSS BEFORE INCOME TAX		**(10,314,144)**	(49,243,952)	(14,996,379)
PROVISION FOR INCOME TAX - Current	18	**100,808**	149,440	331,311
NET LOSS		**(10,414,952)**	(49,393,392)	(15,327,690)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss -				
Foreign exchange gain (loss) on translation of the financial statements of Tidemark Holdings Limited (Tidemark)	8	**(50,491,466)**	(37,597,971)	51,199,326
Item that will not be reclassified subsequently to profit or loss -				
Unrealized gain (loss) on valuation of equity investment designated as financial asset at FVOCI	9	**(2,152,285)**	47,041	105,294
		(52,643,751)	(37,550,930)	51,304,620
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱63,058,703)**	(₱86,944,322)	₱35,976,930
BASIC AND DILUTED LOSS PER SHARE	16	**(₱0.0041)**	(₱0.0194)	(₱0.0060)

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

ATOK-BIG WEDGE CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2020**	2019	2018
CAPITAL STOCK - ₱1 par value	14	**₱1,060,000,000**	₱1,060,000,000	₱1,060,000,000
DEFICIT				
Balance at beginning of year		**(594,518,284)**	(545,124,892)	(529,797,202)
Net loss		**(10,414,952)**	(49,393,392)	(15,327,690)
Balance at end of year		**(604,933,236)**	(594,518,284)	(545,124,892)
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Cumulative Translation Adjustment	8			
Balance at beginning of year		**118,424,372**	156,022,343	104,823,017
Foreign exchange differences on translation of the financial statements of Tidemark		**(50,491,466)**	(37,597,971)	51,199,326
Balance at end of year		**67,932,906**	118,424,372	156,022,343
Cumulative Valuation Gain (Loss) on Equity Investment Designated as Financial Asset at FVOCI	9			
Balance at beginning of year		**152,335**	105,294	–
Unrealized gain (loss)		**(2,152,285)**	47,041	105,294
Balance at end of year		**(1,999,950)**	152,335	105,294
		65,932,956	118,576,707	156,127,637
		₱520,999,720	₱584,058,423	₱671,002,745

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

ATOK-BIG WEDGE CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	**2020**	2019	2018
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱10,314,144)**	(₱49,243,952)	(₱14,996,379)
Adjustments for:				
Share in net results of operations of an associate	8	**7,118,698**	46,341,640	12,864,143
Interest income	4	**(428,882)**	(1,026,904)	(940,150)
Unrealized foreign exchange loss		**30,387**	22,627	–
Depreciation and amortization	11	**11,848**	13,823	17,620
Operating loss before working capital changes		**(3,582,093)**	(3,892,766)	(3,054,766)
Decrease (increase) in:				
Receivables		**(395,189)**	4,006,614	(1,418,665)
Other current assets		**(276,102)**	(338,728)	(156,401)
Increase (decrease) in payables and other current liabilities		**235,358**	(1,715,854)	386,487
Net cash generated from (used for) operations		**(4,018,026)**	(1,940,734)	(4,243,345)
Interest received		**428,882**	1,477,681	535,814
Income tax paid		**(175,727)**	(312,574)	(352,698)
Net cash provided by (used in) operating activities		**(3,764,871)**	(775,627)	(4,060,229)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	11	**(45,550)**	–	–
Increase (decrease) in short-term investments		**–**	22,000,000	(22,000,000)
Net cash provided by (used in) investing activities		**(45,550)**	22,000,000	(22,000,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Additions to investment in an associate	8	**(25,404,990)**	–	–
Advances from stockholders	13	**7,621,500**	–	–
Net cash used in financing activities		**(17,783,490)**	–	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(21,593,911)**	21,224,373	(26,060,229)
EFFECT OF UNREALIZED FOREIGN EXCHANGE GAIN (LOSS) ON CASH AND CASH EQUIVALENTS		**(30,387)**	(22,627)	82,656
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**35,988,974**	14,787,228	40,764,801
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱14,364,676**	₱35,988,974	₱14,787,228
COMPONENTS OF CASH AND CASH EQUIVALENTS	4			
Cash on hand and in banks		**₱821,633**	₱13,217,126	₱1,254,194
Short-term placements		**13,543,043**	22,771,848	13,533,034
		₱14,364,676	₱35,988,974	₱14,787,228

See accompanying Notes to Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2020 AND 2019 AND
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 and 2018

1. **Corporate Matters**

Corporate Information

Atok-Big Wedge Co., Inc. (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on September 3, 1931. The Parent Company's corporate life was extended on September 25, 1981. The Parent Company's primary purpose is to engage in the business of exploration and development of mining, oil, gas and other natural resources. As prescribed by the Revised Corporation Code of the Philippines, effective February 23, 2019, the Parent Company shall have a perpetual existence.

The Parent Company listed its shares in the Philippine Stock Exchange (PSE) on January 8, 1948. As at December 31, 2020 and 2019, 953,963,474 of the Parent Company's shares are listed in the PSE.

The Parent Company's subsidiaries are as follows:

Subsidiary	Place of Incorporation	Nature of Business	Percentage of Ownership 2020	2019	2018
Tidemark Holdings Limited (Tidemark)	Hong Kong	Holding	**100%**	100%	100%
AB Stock Transfers Corporation (ABSTC)	Philippines	Stock Transfer Agency	**100%**	100%	100%

The Parent Company and its subsidiaries are collectively referred herein as "the Group."

As at December 31, 2020 and 2019, the Group, through Tidemark, has 20.0% interest in Forum Energy Ltd. (FEL), a private limited company organized in the United Kingdom. FEL is an associate of the Group.

FEL has interests in various service contracts as follows:

Service Contract	Interest
Service contract 40 (North Cebu)*	100.0%
Service contract 72 (Reed Bank)	70.0%
Service contract 14B-1 (North Matinloc)**	19.5%
Service contract 14B (Matinloc)**	12.4%
Service contract 14A (Nido) **	8.5%
Service contract 14C-1 (Galoc)	2.4%
Other service contracts	5.0% - 9.1%

**Service contract 40 was plugged and abandoned in 2017*
*** Service contracts 14-B, 14B-1, and 14A were terminated permanently on March 13, 2019*

As at December 31, 2020 and 2019, the Parent Company is 69.8% owned by Boerstar Corporation, a holding company incorporated in the Philippines. The ultimate parent of the Group is Compact Holdings, Inc., a Philippine entity engaged in holding and investing activities.

The Parent Company's principal place of business is Alphaland Makati Place, 7232 Ayala Avenue corner Malugay Street, Makati City, Metro Manila.

Status of the Significant Exploration Projects of FEL (Associate Entity)

Service Contract 72 (Reed Bank). FEL's principal asset is a 70.0% interest in Service Contract (SC) 72 which covers an area of 8,800 square kilometers in the West Philippine Sea. SC 72 is currently under Sub-Phase 2 of its exploration. However, the Philippine government is unable to grant FEL permission to deploy vessels for drill site survey due to the territorial dispute in the West Philippine Sea. On February 26, 2015, the Department of Energy (DOE) granted *Force Majeure* to SC 72 work commitments effective December 15, 2014. In view of this, all exploration activities in the block are suspended until the DOE notifies FEL to commence drilling.

On July 12, 2016, the Permanent Court of Arbitration in The Hague released a ruling on the maritime case filed by the Republic of the Philippines against the People's Republic of China. In particular, the Tribunal ruled that Reed Bank, where SC 72 lies, is within the Philippines' Exclusive Economic Zone as defined under the United Nations Convention on the Law of the Seas. In November 2017, the Association of Southeast Asian Nations and China has arrived at a negotiation to commence talks on drafting an effective Code of Conduct in the disputed seas.

In November 2018, the Philippines and China entered into a Memorandum of Understanding (MOU) on Cooperation on Oil and Gas Development. Both countries have allotted a one-year period to discuss the recently signed MOU before instituting any firm agreement on a possible joint oil and gas exploration. Management believes that the MOU between China and the Philippines will soon be finalized and that the drilling operations can commence thereafter.

In 2018, FEL started reprocessing the 3D seismic data it acquired in 2011. This is to improve the seismic quality using newly-developed processing techniques such as broadband processing.

On December 21, 2018, FEL, through its subsidiary, Forum (GSEC 101) Limited, has sent a letter of request to the DOE to lift the *Force Majeure* imposed on SC 72.

On October 15, 2020, President Rodrigo Duterte has approved the recommendation of the DOE to lift the moratorium on oil and gas exploration in the West Philippine Sea. The DOE issued the "Resume-to-Work" notice to the Service Contractors doing petroleum-related activities in the areas of SC 59, 72, and 75 in the West Philippine Sea. FEL will have 20 months upon lifting of the *Force Majeure* to complete the Sub-Phase 2 work commitment comprising the drilling of two wells. The terms of the succeeding Sub-Phase will remain the same but will be adjusted accordingly.

The 2021 work program and budget for SC 72 consisting mainly of finalization of drilling programs, purchase of long lead items, award of third-party contracts and drilling of two (2) Sampaguita appraisal wells was approved by the DOE on February 13, 2021.

The ultimate outcome of the uncertainty on the conduct of drilling operations and the resulting impact on the consolidated financial statements cannot be presently determined because of the territorial dispute in the West Philippine Sea.

Service Contracts 14A (Nido), 14B (Matinloc) and 14B-1 (North Matinloc). Production in the Nido and Matinloc fields were terminated permanently on March 13, 2019. Total production from the Nido and Matinloc fields in 2019 was 22,173 barrels, or an average of 185 barrels of oil per day ('bopd'). Total production in 2018 was 94,790 barrels, or an average of 260 bopd.

The permanent plugging and abandonment (P&A) of the Libro-1 and Tara South-1 wells was completed in early June 2018. The remaining nine wells at the Nido, Matinloc, and North Matinloc Fields have already reached their end of life, having been in production since the late 70s to early 80s.

In May 2019, seven production wells in Nido (3 out of 5), Matinloc (3), and North Matinloc (1) were successfully plugged and abandoned, while two remaining Nido wells were only partially abandoned due to difficulties encountered during operations. Following the suspension of field operations and the P&A of the wells, stripping and disposal of equipment and materials aboard the production platforms from June to October 2019 were performed.

In October 2020, the two (2) remaining Nido wells were plugged and abandoned successfully. Following the cessation of operations and completion of plug and abandonment of all production wells, preparation are being made to surrender the SC 14A, B&B-1 blocks to the DOE within the 1st half of 2021.

Service Contract 14C-1 (Galoc). The Galoc Field produced a total of 695,247 barrels of oil in 2020 as compared to 746,189 barrels of oil in 2019. Cumulative production starting October 2008 up to reporting date is 23.84 million barrels of oil.

Other Service Contracts. FEL has participating interests in other service contracts including SC6A (Octon), SC6B (Bonita Block) and SC14C-2 (West Linapacan), among others, which are currently under exploration phase and Service Contract 40 (North Cebu) which was permanently plugged and abandoned in 2017. FEL intends to sell the 9.10% interest in West Linapacan. As a result, FEL wrote off property and equipment amounting to ₱99.1 million in 2019. As of February 24, 2021, the relevant closing conditions under the sale and purchase agreement, which include regulatory approval from the DOE, have not yet been completed.

Potential Acquisition of Certain Mining Rights

The Parent Company entered into various MOUs for the potential acquisition of certain mining rights. Total advances to the mining right holders amounted to ₱1.5 million as at December 31, 2020 and 2019. In view of the prevailing regulatory environment, the Parent Company is continuously evaluating the feasibility of this potential acquisition.

Stock Option Plan

In 2015, the BOD approved the Stock Option Plan (SOP) which provides among others the allocation of no more than 5% of the authorized capital for the SOP; each grant is for three years and will vest 1/3 for each of the succeeding years; and the strike price shall not be less than 80% of the market value at the time of grant. This was ratified by the stockholders on May 31, 2016.

As at December 31, 2020, the Parent Company is still completing the requirements for the SEC's approval of the exemption from its registration requirements and the PSE's approval of the listing of the shares under the SOP. To date, no grants have been made under the SOP.

Approval and Authorization for Issuance of Consolidated Financial Statements

The consolidated financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issuance by the BOD on May 3, 2021, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee, and SEC provisions.

Measurement Bases

The consolidated financial statements are presented in Philippine Peso (Peso), the Parent Company's functional currency. All values are rounded to the nearest Peso, except otherwise indicated.

The consolidated financial statements of the Group have been prepared on the historical cost basis of accounting, except for equity investment designated as financial asset at fair value through other comprehensive income (FVOCI). Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of consideration received in exchange for incurring a liability. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 − Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in Note 19, *Financial Risk Management Objectives and Policies*.

Adoption of Amendments to PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amendments to PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* - *Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an 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.

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, Leases – *Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

The adoption of the foregoing amendments to PFRS did not have any material effect on the consolidated financial statements. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

Amendments to PFRS Issued But Not Yet Effective

Relevant amendments to PFRS which are not yet effective for the year ended December 31, 2020 and have not been applied in preparing the consolidated financial statements are summarized below.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* or IFRIC 21, *Levies,* instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are fist applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

The adoption of the foregoing amendments to PFRS is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the notes to consolidated financial statements, as applicable.

Basis of Consolidation

Subsidiaries - Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. The Parent Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

The contractual arrangement with the other vote holders of the investee;

- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Functional and Presentation Currency - The consolidated financial statements are presented in Peso, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency. When there is a change in those underlying transactions, events and conditions, the entity accounts for such change in accordance with the Group's policy on change in functional currency. At the reporting date, the assets and liabilities of Tidemark, a subsidiary whose functional currency is in USD are translated into the presentation currency of the Parent Company using the foreign exchange closing rate at the reporting date, components of equity using historical exchange rate, and their consolidated statement of comprehensive income are translated at the foreign exchange weighted average daily exchange rates for the year. The exchange differences arising from translation are taken directly to a separate component of equity under the "Cumulative Translation Adjustment" account. Upon disposal of the foreign entity, the cumulative translation adjustment shall be recognized in the consolidated statement of comprehensive income.

Transactions Eliminated on Consolidation - All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries - The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as that of the Group.

Financial Assets and Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost. The Group has applied the practical expedient to measure at transaction price its accounts receivable from stock transfer services that do not contain a significant financing component.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the

difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. The classification of a financial asset largely depends on the Group's business model and its contractual cash flow characteristics. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at December 31, 2020 and 2019, the Group does not have financial assets and liabilities at FVPL and debt instruments measured at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, receivables (excluding advances to officers and employees), and rental and security deposits (presented under "Other current assets") are classified under this category.

Cash and Cash Equivalents. Cash and cash equivalents includes cash on hand, cash in banks, short-term placements with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Equity Investment Designated as Financial Asset at FVOCI. On initial recognition, an equity instrument that is not held for trading may be irrevocably designated as a financial asset to be measured at FVOCI.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment.

Changes in the fair value of this instrument is recognized in other comprehensive income and presented in the equity section of the consolidated statement of financial position. The cumulative gains or losses will not be reclassified to profit or loss on disposal of the equity investment; instead, these will be transferred to retained earnings.

This category includes the Parent Company's investment in unquoted shares of stock.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired or through the amortization process.

The Group's payables and other current liabilities (excluding statutory payables), and advances from stockholders are classified under this category.

Reclassification
The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

Equity investment that has been designated to be classified and measured at FVOCI may not be reclassified to a different category.

Impairment of Financial Assets at Amortized Cost
The Group records an allowance for impairment losses on its financial assets measured at amortized cost based on expected credit loss (ECL).

ECL is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for receivables on which credit risk has not increased significantly since initial recognition and for debt instruments that are determined to have low credit risk at the reporting date.

The 12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounts Receivable. The Group has applied the simplified approach in measuring the ECL on accounts receivable from stock transfer services. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Instruments Measured at Amortized Cost. For these financial instruments, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Group retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Group's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When 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 the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Otherwise, the financial instrument is classified as equity.

Other Current Assets

Other current assets mainly consist of excess of input value-added tax (VAT) over output VAT, rental and security deposits, creditable withholding taxes (CWT) and prepayments.

VAT. Revenue, expenses and assets, except receivables and payables, are recognized net of the amount of VAT. The net amount of VAT recoverable from the taxation authority is recognized under "Other current assets" account in the consolidated statement of financial position.

CWT. CWT represents the amount withheld by the Group's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time. Prepayments that are expected to be incurred no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Investment in an Associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control of those policies.

Under the equity method, investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The share in net loss of the associate is shown as "Share in the net results of operations of an associate" account in the consolidated statement of comprehensive income.

The financial statements of the associates are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over an associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Advances to Mining Right Holders

Advances to mining right holders are amounts paid in advance for the potential acquisition of certain mining rights. These are carried at the amount of cash paid and are reclassified to the corresponding asset account when the mining rights for which the advances were made are ultimately acquired.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When significant parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the property and equipment:

Asset Type	Number of Years
Exploration equipment	3
Leasehold improvements	5 or lease term, whichever is shorter
Transportation equipment	5
Office equipment	3
Furniture and fixtures	4

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated items are retained as property and equipment until these are no longer in use.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Deferred Mining Exploration Cost

Deferred mining exploration cost is carried at cost less accumulated impairment losses.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of the mineral resource.

Exploration and evaluation activity includes:

- Gathering exploration data through geological studies;
- Exploratory drilling and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

Deferred mining exploration cost is no longer classified as such when the technical feasibility and commercial viability of extracting the mineral reserve are demonstrable. Deferred mining exploration cost is assessed for impairment, and any impairment loss is recognized, before reclassification to mineral reserves.

Impairment of Nonfinancial Assets

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization for property and equipment, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Derecognition of Nonfinancial Assets

A nonfinancial asset is derecognized upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of a nonfinancial asset is included in profit or loss in the period in which it is derecognized.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Unpaid subscriptions are recognized as a reduction of subscribed capital.

Deficit. Deficit represents the cumulative balance of net loss.

Accumulated Other Comprehensive Income. All resulting remeasurement differences arising from translation of financial statements of Tidemark and fair valuation of equity investment designated as financial asset at FVOCI are recognized in other comprehensive income and accumulated in equity.

Revenue Recognition

The Group's revenue from contracts with customers primarily consists of stock transfer services. Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has generally concluded that it is the principal in its revenue arrangements.

Service Fees. Fees from stock transfer services are recognized when the control of the services is transferred, which is the point in time when the related services are provided to the customers. The related contract balances is the accounts receivable which represents the Group's right to an amount of consideration that is unconditional i.e., only the passage of time is required before payment of the consideration is due.

The following specific recognition criteria must be met before other revenue items are recognized:

Interest income. Interest income is recognized as the interest accrues taking into account the effective yield on the assets, net of final tax.

Other Income. Income from other sources is recognized when earned during the period.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business. These are recognized in profit or loss upon receipt of goods, utilization of services or when the expenses are incurred.

Basic and Diluted Loss per Share

The Group presents basic and diluted loss per share. Basic loss per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Group and held as treasury shares. Diluted loss per share is calculated in the same manner, adjusted for the effects of all the dilutive potential common shares.

Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customers has both of the following: (a) the right to obtain substantially all of the economic benefits from use of the identified asset; and (b) the right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

Short-term Lease and Lease of Low-value Assets. The Group has elected not to recognize right-of-use (ROU) assets and lease liabilities for short-term lease and lease of low-value assets. The Group recognized the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Short-term Employee Benefits
The Group provides short-term benefits to its employees in the form of basic pay, 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits.

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Income Taxes

Current Tax. Current tax is the expected tax payable on the taxable income for the year, using tax rate enacted or substantively enacted at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting year and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) in effect at the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Foreign Currency Transactions
The Group determines its own functional currency and items included in the consolidated financial statements are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate at the reporting date. All differences are taken to the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Related Parties

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

A related party transaction is a transfer of resources, services or obligations between the Group and its related parties.

Segment Reporting

Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately based on the nature of the business segment, with each business representing a strategic business segment.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

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 interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

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

Events after the Reporting Date

Post year-end events that provide additional information about the Group's consolidated financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

3. **Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Group.

Determination of Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates.

Determination of Reportable Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Parent Company's chief operating decision maker, which is defined to be the Parent Company's BOD, in order to allocate resources to the segment and assess its performance. The Group reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) the assets of the segment are 10% or more of the combined assets of all operating segments.

The Group determined that its operating segments are organized and managed separately based on the nature of the business segment, with each business representing a strategic segment.

As at December 31, 2020, 2019 and 2018, the Group's operating segments consist of its mining, exploration and development, and stock transfer agency activities.

Capitalization of Exploration and Evaluation Expenditures. The capitalization of exploration and evaluation expenditures requires judgment in determining whether there are future economic benefits from future exploitation or sale of reserves. The capitalization 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.

As at December 31, 2020 and 2019, deferred mining exploration costs amounting to ₱2.6 million were fully impaired upon management's assessment that the related projects were unsuccessful (see Note 10).

Assessment of the ECL on Financial Assets at Amortized Cost. The Group maintains allowance for ECL at a level considered adequate to provide for potential uncollectible financial assets.

<u>Accounts Receivable</u>
The Group estimates ECL of accounts receivable using provision matrix. The provision rates are based on days past due for groupings of receivables with similar credit risk characteristics and loss patterns. The provision matrix is based on the Group's historical default rates and is adjusted for forward-looking estimates, as appropriate.

The amounts and timing of recorded expenses for any period would differ if different estimates and assumptions were made or different estimates were utilized. An increase in the allowance for ECL would increase the recognized expense and decrease current assets.

No provision for ECL was recognized by the Group in 2020, 2019 and 2018. As at December 31, 2020 and 2019, allowance for impairment loss on credit-impaired receivables amounted to ₱41,550 (see Note 5).

As at December 31, 2020 and 2019, receivables, net of allowance for ECL, amounted to ₱2.1 million and ₱1.7 million, respectively (see Note 5).

<u>Other Financial Assets at Amortized Cost</u>
Significant portion of the Group's other receivables as well as the refundable and security deposits are from its related parties. These financial assets are noninterest-bearing and payable on demand. These exposures are considered to be in default when there is evidence that the related party is in significant financial difficulty such that it will have insufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors including key liquidity and solvency ratios. Relying on the 90 days past due rebuttable presumption is not considered an appropriate backstop indicator given the lack of contractual payment obligations due throughout the life of the financial asset. After taking into consideration the related parties' ability to pay depending on the sufficiency of liquid assets and available forward-looking information, the risk of default of the related parties are assessed to be minimal.

For cash and cash equivalents, the Group applies low credit risk simplification. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The resulting ECL for these financial assets is considered insignificant because the counterparty banks have no history of default and have good credit ratings.

Financial assets at amortized cost are considered as credit-impaired when contractual payments are 90 days past due and the counterparty is unlikely to settle its obligation to the Group, as evidenced by the following, among others:

- Significant financial difficulty or insolvency;
- Breach of financial covenants;
- Probability that the counterparty will enter bankruptcy or other financial reorganization.

No provision for ECL was recognized by the Group in 2020, 2019 and 2018 related to other financial assets at amortized cost. The carrying amounts of the Group's financial assets at amortized cost that were subjected to impairment testing are disclosed in Note 19.

Estimation of the Useful Lives of Property and Equipment. The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation and amortization expense for any period would be affected by changes in these factors and circumstances.

There were no changes in the estimated useful lives of the Group's property and equipment for the years ended December 31, 2020, 2019 and 2018.

Depreciation and amortization amounted to ₱11,848, ₱13,823 and ₱17,620 for the years ended December 31, 2020, 2019 and 2018, respectively. Property and equipment, net of accumulated depreciation and amortization amounted to ₱47,833 and ₱14,131 as at December 31, 2020 and 2019, respectively (see Note 11).

Assessment for the Recoverability of Input VAT. The carrying amount of input VAT is adjusted to an extent that it is probable that sufficient taxable revenue subject to output VAT will be available to allow all or part of the input VAT to be utilized. Any allowance for unrecoverable portion of input VAT is maintained at a level considered adequate to provide for potentially unrecoverable portion. The level of allowance is based on past application experience and other factors that may affect realizability.

No impairment loss was recognized on input VAT in 2020, 2019 and 2018. Input VAT amounted to ₱8.6 million and ₱8.3 million as at December 31, 2020 and 2019, respectively (see Note 7).

Assessment for the Impairment on Investment in an Associate. The Group assesses the impairment on investment in an associate whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Factors that the Group considers in deciding when to perform impairment review of investment in an associate include the following, among others:

- A significant financial difficulty of the associate.
- A significant change in the technological, legal or economic environment in which the business operates
- A significant decline in market value of the investment.
- A current-period loss combined with a history of losses or a projection of continuing losses associated with the investment.

The recoverability of the Group's investment in an associate is dependent on the results of operations of FEL. As discussed in Note 1, FEL encountered a delay in one of its drilling programs. In 2020, 2019 and 2018, management has assessed that no impairment loss should be recognized because the expected recoverable amount exceeds the carrying amount of the investment in an associate.

The carrying amount of investment in an associate amounted to ₱501.4 million and ₱533.6 million as at December 31, 2020 and 2019, respectively (see Note 8).

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date are reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenue and expenses.

The Group did not recognized deferred tax assets on deductible temporary differences totaling ₱15.1 million and ₱18.0 million as at December 31, 2020 and 2019, respectively (see Note 18). Management has assessed that it is not probable that future taxable profit will be available in the near future against which the deferred tax assets on these temporary differences can be utilized.

4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	**₱821,633**	₱13,217,126
Short-term placements	**13,543,043**	22,771,848
	₱14,364,676	₱35,988,974

Cash in banks earn interest at the respective bank deposit rates and are immediately available for use in the current operations.

Short-term placements are made for varying periods of up to three months and earn interest ranging from 1.3% to 3.5%, 2.3% to 3.8% and 2.3% to 3.8% in 2020, 2019 and 2018, respectively.

Interest income recognized in the consolidated statements of comprehensive income arises from:

	Note	**2020**	2019	2018
Cash in banks and short-term placements		**₱428,882**	₱736,339	₱273,990
Short-term investments	6	**–**	290,565	666,160
		₱428,882	₱1,026,904	₱940,150

5. Receivables

This account consists of:

	Note	**2020**	2019
Receivables from:			
Related companies	13	**₱700,316**	₱713,401
Third party		**191,660**	190,450
Accounts receivable		**797,643**	419,372
Advances to officers and employees		**466,828**	434,427
Accrued interest		**–**	3,608
Others		**9,697**	9,697
		2,166,144	1,770,955
Less allowance for impairment losses		**(41,550)**	(41,550)
		₱2,124,594	₱1,729,405

Accounts receivable pertain to stock transfer services billed by ABSTC to its external clients. These are unsecured, noninterest-bearing and normally collected in cash within 30 days from the date of billing.

Advances to officers and employees are unsecured, noninterest-bearing, and are subject to liquidation.

6. Short-term Investments

This account pertains to the Parent Company's time deposits placed in a local bank, with a term of one year amounting to ₱22.0 million as at December 31, 2018 with an annual interest ranging from 2.8% to 4.0%. The time deposits matured in 2019.

Interest income earned from short-term investments amounted to ₱290,565 and ₱666,160 in 2019 and 2018, respectively (see Note 4).

7. Other Current Assets

This account consists of:

	Note	2020	2019
Input VAT		**₱8,585,839**	₱8,326,254
Rental and security deposits	17	**1,382,572**	1,382,572
CWT		**259,566**	184,647
Prepayments		**130,297**	103,963
Others		**9,634**	19,451
		₱10,367,908	₱10,016,887

Prepayments consist of employees' medical and dental insurance premiums which will expire within one year.

8. Investment in an Associate

Investment in an associate pertains to Tidemark's 20.0% ownership of FEL as at December 31, 2020 and 2019 (see Note 1).

Movements of this investment are as follows:

	2020	2019
Cost		
Balance at beginning of year	**₱867,920,876**	₱867,920,876
Additional investment	**25,404,990**	–
Balance at end of year	**893,325,866**	867,920,876
Accumulated Share in Net Results of Operations		
Balance at beginning of year	**(452,708,501)**	(406,366,861)
Share in net results of operations	**(7,118,698)**	(46,341,640)
Balance at end of year	**(459,827,199)**	(452,708,501)
Cumulative Translation Adjustment		
Balance at beginning of year	**118,424,372**	156,022,343
Foreign exchange differences	**(50,491,466)**	(37,597,971)
Balance at end of year	**67,932,906**	118,424,372
Carrying Amount	**₱501,431,573**	₱533,636,747

As discussed in Note 1, FEL encountered a delay in one of its drilling programs. It has submitted all the requirements for the issuance of required permits for the drilling program, however, the permit has not yet been issued by the relevant government body because of territorial dispute between the Philippines and China.

In November 2018, the Philippines and China entered into a MOU on Cooperation on Oil and Gas Development. Both countries have allotted a one-year period to discuss the signed MOU before instituting any firm agreement on a possible joint oil and gas exploration. Management believes that the MOU between China and the Philippines will soon be finalized and that the drilling operations can commence thereafter.

On December 21, 2018, FEL, through its subsidiary, Forum (GSEC 101) Limited, has sent a letter of request to the DOE to lift the Force Majeure imposed on SC 72.

On October 15, 2020, President Rodrigo Duterte has approved the recommendation of the DOE to lift the moratorium on oil and gas exploration in the West Philippine Sea. The DOE issued the “Resume-to-Work” notice to the Service Contractors doing petroleum-related activities in the areas of SC 59, 72, and 75 in the West Philippine Sea.

The 2021 work program and budget for SC 72 consisting mainly of finalization of drilling programs, purchase of long lead items, award of third-party contracts and drilling of two (2) Sampaguita appraisal wells was approved by the DOE on February 13, 2021.

The ultimate outcome of the uncertainty on the conduct of drilling operation cannot be presently determined because of the territorial dispute in the West Philippine Sea.

Management determined that there is no impairment loss to be recognized in 2020, 2019 and 2018 based on the most recent cash flow projections from FEL’s service contracts.

The projections are mainly based on cash flows expected to be generated by SC 72 as approved by the management and are determined from feasibility studies and expectations on market development. Cash inflows consider the existing contracts and management’s estimate of the average price per barrel of oil and revenue growth range. The cash flow projections were discounted using a rate that reflects current market assessments of time value of money and the risk specific to FEL. The status of other service contracts is also discussed in Note 1.

On April 15, 2020, the Group, through Tidemark, fully paid its subscription to 1,666,666 previously unissued ordinary shares of FEL at USD0.30 per share or a total of USD0.5 million. This new subscription resulted in the Group maintaining its 20.0% ownership of FEL.

Following are the summarized financial information of FEL as at and for the years ended December 31, 2020, 2019 and 2018 (in millions):

	2020	2019	2018
Current assets	**₱57.7**	₱63.5	₱102.1
Noncurrent assets	**1,509.4**	1,617.1	1,763.2
Current liabilities	**519.5**	587.9	498.1
Noncurrent liabilities	**7.0**	20.2	8.5
Equity	**1,040.6**	1,072.5	1,358.7
Net loss	**(34.5)**	(231.7)	(64.3)

9. Equity Investment Designated as Financial Asset at FVOCI

This account pertains to the Parent Company's investment in unquoted shares of stock with an acquisition cost of ₱2.0 million.

Movements of this investment are as follows:

	2020	2019
Cost		
Balance at beginning and end of year	**₱1,999,950**	₱1,999,950
Cumulative Fair Value Adjustment		
Balance at beginning of year	**152,335**	105,294
Unrealized fair value gain (loss)	**(2,152,285)**	47,041
Balance at end of year	**(1,999,950)**	152,335
Carrying Amount	**₱–**	₱2,152,285

Quoted market prices are not readily available. Fair value of the investment is determined based on net asset method. The fair value of the equity investment designated as financial asset at FVOCI is classified under Level 3 of the fair value hierarchy. Management has assessed that any reasonably possible changes in the key assumptions would result to changes in the fair value of the equity investment (see Note 19).

10. Deferred Mining Exploration Cost

The realizability of deferred mining exploration cost is dependent upon the success of future exploration and development activities in proving the mining property's viability to produce minerals in commercial quantities. As at December 31, 2020 and 2019, deferred mining costs amounting to ₱2.6 million were fully impaired upon management's assessment that the related projects were unsuccessful.

11. Property and Equipment

The composition of and movements in this account are as follows:

	2020					
	Exploration Equipment	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost						
Balances at beginning of year	₱56,235	₱4,422,518	₱1,665,548	₱1,270,731	₱1,374,483	₱8,789,515
Additions	–	–	–	45,550	–	45,550
Balances at end of year	56,235	4,422,518	1,665,548	1,316,281	1,374,483	8,835,065
Accumulated Depreciation and Amortization						
Balances at beginning of year	46,611	4,422,518	1,665,548	1,270,731	1,369,976	8,775,384
Depreciation and amortization	4,811	–	–	2,530	4,507	11,848
Balances at end of year	51,422	4,422,518	1,665,548	1,273,261	1,374,483	8,787,232
Carrying Amount	₱4,813	₱–	₱–	₱43,020	₱–	₱47,833

	2019					
	Exploration Equipment	Leasehold Improvements	Transportation Equipment	Office Equipment	Furniture and Fixtures	Total
Cost						
Balances at beginning and end of year	₱56,235	₱4,422,518	₱1,665,548	₱1,270,731	₱1,374,483	₱8,789,515
Accumulated Depreciation and Amortization						
Balances at beginning of year	41,799	4,422,518	1,665,548	1,270,731	1,360,965	8,761,561
Depreciation and amortization	4,812	–	–	–	9,011	13,823
Balances at end of year	46,611	4,422,518	1,665,548	1,270,731	1,369,976	8,775,384
Carrying Amount	₱9,624	₱–	₱–	₱–	₱4,507	₱14,131

The cost of fully depreciated property and equipment still being used by the Company amounted to ₱8.8 million and ₱8.7 million as at December 31, 2020 and 2019, respectively.

12. Payables and Other Current Liabilities

This account consists of:

	Note	**2020**	2019
Payable to related companies	13	**₱41,510**	₱13,931
Accruals:			
Professional fees		**488,555**	288,000
Utilities and other office expenses		**55,929**	80,928
Salaries and employee benefits		**47,113**	47,113
Advances from officers and employees		**368,924**	368,924
Statutory payables		**126,558**	63,947
Retention payable		**95,000**	95,000
Others		**16,775**	47,163
		₱1,240,364	₱1,005,006

Payable to related companies, and advances from officers and employees are noninterest-bearing, due and demandable, and are payable in cash.

Accrued expenses, statutory and other payables are normally settled within the following month.

13. Related Party Transactions

The Group, in its regular conduct of business, has transactions with its related parties. The outstanding balances and amount of transactions with related parties are as follows:

	Note	Nature of Transaction	Amount of Transactions		Outstanding Balance	
			2020	2019	**2020**	2019
Receivable from related companies	5					
Entities under common management:						
Alphaland Corporation (ALPHA)		Allocated costs	**₱3,715**	₱–	**₱3,715**	₱–
		Service fee	**180,000**	186,820		16,800
Alphaland Heavy Equipment Corporation		Allocated costs	**–**	–	**579,305**	579,305
The City Club at Alphaland Makati Place, Inc.		Service fee	**180,000**	180,000	**33,600**	33,600
Alphaland Balesin Island Club, Inc.		Service fee	**180,000**	180,660		–
		Reimbursements	**–**	50,400	**82,900**	82,900
Alphaland Aviation Inc.		Reimbursements	**–**	–	**796**	796
					₱700,316	₱713,401

	Note	Nature of Transaction	Amount of Transactions 2020	2019	Outstanding Balance 2020	2019
Rental and security deposits	17					
Entities under common management:						
Alphaland Southgate Tower, Inc. (ASTI)		Deposits in relation to a lease agreement	₱–	₱–	₱1,349,090	₱1,349,090
Alphaland Makati Place, Inc. (AMPI)		Deposits in relation to a lease agreement	–	33,482	33,482	33,482
					₱1,382,572	₱1,382,572
Payable to related companies	12					
Entities under common management:						
AMPI		Lease of office space	₱–	₱190,451	**₱7,736**	₱7,736
ASTI		Lease of office space and utilities	–	–		–
		Reimbursements	**27,579**	61,307	**33,774**	6,195
					₱41,510	₱13,931
Advances from stockholders						
Stockholders		Working capital	₱7,621,500	₱–	₱7,621,500	₱–

Receivable from and payable to related companies are unsecured, noninterest-bearing, due and demandable, and settlements are in cash. Receivable from related companies arising from service fees are subject to normal credit terms. In 2020, 2019, and 2018 the Group has not made any provision for impairment losses relating to the amounts owed by related parties.

In April 2020, the Group received advances from stockholders for working capital. These advances are noninterest-bearing and payable in one year and in cash.

Following are the intergroup balances presented under receivables account in the Parent Company's separate financial statements which were eliminated in the preparation of the consolidated financial statements:

	Nature of Transaction	Amount of Transactions 2020	2019	Outstanding Balance 2020	2019
Receivable from related companies					
ABSTC	Allocated rent, salaries, utilities and reimbursements	**₱519,243**	₱1,201,899	**₱69,076**	₱70,554
Tidemark	Working capital advances	**25,404,990**	–	**25,682,089**	277,099
				₱25,751,165	₱347,653

Intergroup balances which were eliminated in the consolidated financial statements are unsecured, noninterest-bearing, due and demandable, and normally settled in cash.

Compensation of Key Management Personnel

The compensation of the key management personnel is handled by ASTI, an entity under common management, at no cost to the Group.

14. **Capital Stock**

The composition of the Parent Company's capital stock consisting of all common shares as at December 31, 2020 and 2019 is as follows:

	Shares	Amount
Authorized - ₱1 par value	10,000,000,000	₱10,000,000,000
Issued and fully paid	953,963,474	₱953,963,474
Subscribed	1,591,036,526	1,591,036,526
Outstanding	2,545,000,000	2,545,000,000
Less subscription receivable	–	(1,485,000,000)
	2,545,000,000	₱1,060,000,000

The Parent Company listed its shares in the PSE on January 8, 1948. As at December 31, 2020 and 2019, 953,963,474 of the Parent Company's shares are listed in the PSE.

Pursuant to the PSE's rules on minimum public ownership, at least 10% of the issued and outstanding shares of a listed company must be owned and held by the public. As at December 31, 2020 and 2019, public ownership over the Parent Company is 10.25%.

There are no movements in the number of outstanding shares for all the periods presented. As at December 31, 2020, the Parent Company has 4,181 stockholders of record.

15. **General and Administrative Expenses**

This account consists of:

	Note	**2020**	2019	2018
Professional fees		**₱1,726,067**	₱1,226,970	₱1,278,128
Salaries and wages		**1,293,405**	1,503,505	2,022,127
PSE listing maintenance fee		**1,056,544**	1,476,735	1,430,945
Rent	17	**346,601**	278,872	163,073
Supplies		**209,834**	410,864	221,761
Taxes and licenses		**119,170**	77,585	83,460
Utilities, dues and subscriptions		**114,006**	63,059	35,787
Mining exploration cost		**23,901**	61,307	44,069
Communications		**13,758**	14,376	16,764
Depreciation and amortization	11	**11,848**	13,823	17,620
Representation		**8,808**	64,863	49,201
Transportation and travel		**3,997**	9,926	791
Medical and hospitalization		**–**	45,514	85,668
Others		**148,985**	165,066	99,075
		₱5,076,924	₱5,412,465	₱5,548,469

16. Basic and Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	2020	2019	2018
Net loss (a)	**(₱10,414,952)**	(₱49,393,392)	(₱15,327,690)
Weighted average number of outstanding shares (b)	**2,545,000,000**	2,545,000,000	2,545,000,000
Basic and diluted loss per share (a/b)	**(₱0.0041)**	(₱0.0194)	(₱0.0060)

The Group has no dilutive potential common shares outstanding, therefore basic loss per share is the same as diluted loss per share.

17. Lease Agreements

In October 2016, the Parent Company entered into a lease agreement with AMPI for its office space. The term of the lease commenced on October 10, 2016 and can be terminated by any party upon sixty (60) days advance written notice to the other party. The lease agreement was assigned to ABSTC through a lease assignment agreement that was executed in October 2017. On July 1, 2019, the lease agreement was amended to stipulate a different office space. The Company paid security deposit amounting to ₱33,482 (see Note 13).

The Parent Company is also being charged an annual rent for a leased storage facility located in Agusan Del Norte. The contract is renewable upon mutual agreement of the parties.

Rent expense recognized by the Group amounted to ₱346,601, ₱278,872 and ₱163,073 in 2020, 2019 and 2018, respectively (see Note 15).

As at December 31, 2020 and 2019, rental and security deposits relating to the Group's lease agreements amounted to ₱1.4 million, including a security deposit of ₱1.3 million for the cancelled office and parking space leases with ASTI (see Note 13).

18. Income Taxes

The provision for current income tax amounting to ₱100,808, ₱149,440 and ₱331,311 in 2020, 2019 and 2018, respectively, represents RCIT for ABSTC. The Parent Company had no provision for current income tax in 2020, 2019 and 2018 due to its tax loss position.

The deferred tax assets on the following deductible temporary differences were not recognized because management has assessed that it is not probable that there will be sufficient taxable profit against which the benefits of the deferred tax assets on these temporary differences can be utilized.

	Note	**2020**	2019
NOLCO		**₱12,418,487**	₱15,329,046
Accumulated impairment losses on:			
Deferred mining exploration cost	10	**2,613,940**	2,613,940
Receivables	5	**41,550**	41,550
		₱15,073,977	₱17,984,536

The Parent Company has NOLCO which can be carried forward and claimed as deduction from future taxable income as follows:

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Valid Until
2020	₱–	₱3,951,546	₱–	₱3,951,546	2025
2019	4,362,486	–	–	4,362,486	2022
2018	4,104,455	–	–	4,104,455	2021
2017	6,862,105	–	6,862,105	–	2020
	₱15,329,046	₱3,951,546	₱6,862,105	₱12,418,487	

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and implemented under Revenue Regulations No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

The reconciliation between the benefit from income tax at statutory income tax rate and provision for income tax at effective tax rate is as follows:

	2020	2019	2018
Benefit from income tax computed at statutory income tax rate	**(₱3,094,243)**	(₱14,773,186)	(₱4,498,914)
Add (deduct) tax effects of:			
Share in net results of operation of an associate	**2,135,609**	13,902,492	3,859,243
Interest income already subjected to final tax	**(128,664)**	(308,071)	(282,045)
Nondeductible expenses	**2,642**	19,459	21,690
Expired NOLCO	**2,058,632**	5,176,881	6,095,159
Changes in unrecognized deferred tax assets	**(873,168)**	(3,868,135)	(4,863,851)
Expired MCIT	–	–	29
Provision for income tax at effective tax rate	**₱100,808**	₱149,440	₱331,311

The Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act

On March 26, 2021, RA No. 11534 or the CREATE Act was signed into law by the President of the Philippines which shall take effect fifteen (15) days after its complete publication in the Official Gazette or in a newspaper of general circulation.

Under the CREATE Act, RCIT of domestic corporations was reduced from 30% to 25% or 20% RCIT depending on the amount of total assets and taxable income. In addition, minimum corporate income tax (MCIT) was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

However, since the CREATE Act was approved subsequent to December 31, 2020, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 is still 30% and 2% for RCIT and MCIT, respectively. The application of CREATE Act is not expected to result in significant changes in the account balances as at December 31, 2020.

19. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments consist of cash and cash equivalents, receivables (excluding advances to officers and employees), rental and security deposits (presented under "Other current assets" account), equity investment designated as financial asset at FVOCI, and payables and other current liabilities (excluding statutory payables).

The main purpose of the Group's dealings in financial instruments is to fund its operations and capital expenditures.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The BOD reviews and institutes policies for managing each of the risks and these are summarized below.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and other market prices will adversely affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group is subject to minimal transaction and translation exposures resulting from currency exchange fluctuations in relation to its financial instruments. The Group regularly monitors outstanding financial assets and liabilities in foreign currencies and maintains them at a level responsive to the current exchange rates so as to minimize the risks related to these foreign currency denominated assets and liabilities.

Credit Risk

Credit risk is a risk wherein a counterparty fails to meet its obligations. When the counterparty defaults, the maximum exposure is equal to the carrying amount of the related financial asset. The Group's credit risk arises principally from cash and cash equivalents, receivables (excluding advances to officers and employees), and rental and security deposits.

The Group trades mainly with recognized and creditworthy third parties as well as with related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group only deals with financial institutions duly evaluated and approved by the BOD.

The table below shows the credit quality per class of financial assets as at December 31, 2020 and 2019.

	2020					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due but not Impaired**	**Credit-impaired**	**Total**
Financial assets at amortized cost:						
Cash and cash equivalents*	**₱14,339,950**	**₱–**	**₱–**	**₱–**	**₱–**	**₱14,339,950**
Receivables**	**1,150,752**	**84,040**	**61,600**	**361,374**	**41,550**	**1,699,316**
Rental and security deposits***	**1,382,572**	**–**	**–**	**–**	**–**	**1,382,572**
	₱16,873,274	**₱84,040**	**₱61,600**	**₱361,374**	**₱41,550**	**₱17,421,838**

**Excludes cash on hand amounting to ₱24,726.*
*** Excluding advances to officers and employees.*
**** Presented under "Other current assets" account.*

	2019					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Credit-impaired	Total
Financial assets at amortized cost:						
Cash and cash equivalents*	₱35,964,248	₱–	₱–	₱–	₱–	₱35,964,248
Receivables**	1,294,978	–	–	–	41,550	1,336,528
Rental and security deposits***	1,382,572	–	–	–	–	1,382,572
	₱38,641,798	₱–	₱–	₱–	41,550	₱38,683,348

**Excludes cash on hand amounting to ₱24,726.*
*** Excluding advances to officers and employees.*
**** Presented under "Other current assets" account.*

The credit quality of the financial assets is managed by the Group using internal credit quality ratings. High grade consists of financial assets from counterparties with good financial condition and with relatively low defaults. This also includes transactions with related parties with sufficient liquid assets to settle its obligation upon demand of the Group. Financial assets having risks of default but are still collectible are considered as standard grade accounts. Financial assets that require persistent effort from the Group to collect are considered substandard grade accounts.

Cash in banks and cash equivalents are considered high grade as these pertain to deposits and placements in reputable banks with prime ratings. The Group considers that these financial assets have low credit risk based on the external ratings of the counterparties.

Receivables, and rental and security deposits are mainly exposures to related parties and are considered as high grade because the related parties are operating entities with sufficient liquid assets to repay the receivables upon demand by the Group.

With the exception of accounts receivable from stock and transfer services which are subject to lifetime ECL, impairment of financial assets at amortized cost has been measured on 12-month ECL basis and reflects the short maturities of the exposures. The resulting ECL is not significant because the financial assets are considered high grade with minimal risk of default.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The Group's payable to related companies and advances from officers and employees aggregating ₱410,434 and ₱382,855 as at December 31, 2020 and 2019, respectively, are due and demandable. The remaining balance of payables and other current liabilities (excluding statutory payables) amounting to ₱703,372 and ₱558,204 as at December 31, 2020 and 2019, respectively, have a maturity of less than three months. The advances from stockholders amounting to ₱7,621,500 as at December 31, 2020 are payable in one year.

Fair Value Measurement

The table below presents the financial assets and liabilities of the Group whose carrying amounts approximate fair values primarily due to the short-term nature of the transactions:

	2020	2019
Financial Assets at Amortized Cost		
Cash and cash equivalents	**₱14,364,676**	₱35,988,974
Receivables*	**1,657,766**	1,294,978
Rental and security deposits**	**1,382,572**	1,382,572
	₱17,405,014	₱38,666,524
Financial Liabilities at Amortized Cost		
Payables and other current liabilities***	**₱1,113,806**	₱941,059
Advances from stockholders	**7,621,500**	–
	₱8,735,306	₱941,059

** Excluding advances to officers and employees.*
*** Presented under "Other current assets."*
**** Excluding statutory payables.*

Equity Investment Designated as Financial Asset at FVOCI. Fair value of equity investment designated as financial asset at FVOCI amounting to nil and ₱2.2 million as at December 31, 2020 and 2019, respectively, is determined using net asset method. This fair value measurement approach is categorized under Level 3 of the fair value hierarchy (significant unobservable inputs). Increase (decrease) in the investee's net assets will result to a higher (lower) fair value.

Capital Management Policy

The primary objective of the Group's capital management is to ensure its ability as a going concern and that it maintains healthy capital ratios in order to support its business operations and maximize shareholder value.

The Group considers its equity amounting to ₱521.0 million and ₱584.1 million as at December 31, 2020 and 2019, respectively, as capital employed.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt comprises of payable and other current liabilities. Total equity comprises all components of equity.

The debt-to-equity ratios as at December 31 are as follows:

	2020	2019
Total debt	**₱8,861,864**	₱1,005,006
Total equity	**520,999,720**	584,058,423
	0.017:1	0.002:1

The Group manages its capital structure and makes adjustments to it when there are changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust its borrowings or raise capital. No changes were made in the objectives, policies or processes in 2020 and 2019.

20. Other Matter

In 2020, the country experienced the coronavirus (COVID-19) pandemic crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. The global pandemic did not have a significant impact on the Group's operations for the year ended December 31, 2020.

It is not practicable, however, to estimate the potential impact of the still prevailing crisis on the Group's operation after the reporting date. Management believes that the Group can continue as a going concern given its liquidity and its ability to obtain short-term and long-term funding.

21. Segment Information

A segment is a distinguishable component of the Group that is engaged either in providing types of services (business segment) or in providing the services within a particular economic environment (geographic segment).

The table below present financial information on business segments as at and for the years ended December 31, 2020, 2019 and 2018:

	2020			
	Mining, Exploration and Development	**Stock Transfer Agency**	**Eliminations**	**Total**
Segment Revenue				
Revenue from external customers	**₱–**	**₱1,454,020**	**₱–**	**₱1,454,020**
Interest income	**403,308**	**25,574**	**–**	**428,882**
Income from other segments	**–**	**180,000**	**(180,000)**	**–**
Other expense	**–**	**(1,424)**	**–**	**(1,424)**
Share in net results of operations of an associate	**(7,118,698)**	**–**	**–**	**(7,118,698)**
	(6,715,390)	**1,658,170**	**(180,000)**	**(5,237,220)**
Depreciation and amortization	**(4,811)**	**(7,037)**	**–**	**(11,848)**
Other general and administrative expense	**(3,955,543)**	**(1,289,533)**	**180,000**	**(5,065,076)**
Provision for income tax	**–**	**(100,808)**	**–**	**(100,808)**
Segment Operating Profit (Loss)	**(₱10,675,744)**	**₱260,792**	**₱–**	**(₱10,414,952)**
Segment Assets	**₱1,650,108,780**	**₱2,914,217**	**(₱1,123,161,413)**	**₱529,861,584**

	2019			
	Mining, Exploration and Development	**Stock Transfer Agency**	**Eliminations**	**Total**
Segment Revenue				
Revenue from external customers	₱–	₱1,472,540	₱–	₱1,472,540
Interest income	979,540	47,364	–	1,026,904
Other income	–	180,000	(180,000)	–
Income from other segments	–	10,709	–	10,709
Share in net results of operations of an associate	(46,341,640)	–	–	(46,341,640)
	(45,362,100)	1,710,613	(180,000)	(43,831,487)
Depreciation and amortization	(4,812)	(9,011)	–	(13,823)
Other general and administrative expense	(4,422,537)	(1,156,105)	180,000	(5,398,642)
Provision for current income tax	–	(149,440)	–	(149,440)
Segment Operating Profit (Loss)	(₱49,789,449)	₱396,057	₱–	(₱49,393,392)
Segment Assets	₱1,673,125,675	₱2,764,263	(₱1,090,826,509)	₱585,063,429

	2018			
	Mining, Exploration and Development	**Stock Transfer Agency**	**Eliminations**	**Total**
Segment Revenue				
Revenue from external customers	₱–	₱2,474,560	₱–	₱2,474,560
Interest income	903,137	37,013	–	940,150
Other income	–	1,523	–	1,523
Income from other segments	–	180,000	(180,000)	–
Share in net results of operations of an associate	(12,864,143)	–	–	(12,864,143)
	(11,961,006)	2,693,096	(180,000)	(9,447,910)
Depreciation and amortization	(6,824)	(10,796)	–	(17,620)
Other general and administrative expense	(4,146,832)	(1,564,017)	180,000	(5,530,849)
Provision for current income tax	–	(331,311)	–	(331,311)
Segment Operating Profit (Loss)	(₱16,114,662)	₱786,972	₱–	(₱15,327,690)
Segment Assets	₱1,715,055,352	₱3,373,845	(₱1,044,705,592)	₱673,723,605

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BANKS
BDO UNIBANK, INC.
EAST WEST BANKING CORPORATION
PHILIPPINE BANK OF COMMUNICATIONS
STERLING BANK OF ASIA

STOCK TRANSFER AGENT
AB STOCK TRANSFERS CORPORATION

ATOK-BIG WEDGE CO., INC. IS LISTED ON THE PHILIPPINE STOCK EXCHANGE.

TICKER SYMBOL: AB

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