

# COVER SHEET

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A P O L L O G L O B A L C A P I T A L ,

I N C . ( F o r m e r l y , Y E H E Y I

C O R P O R A T I O N )

(Company's Full Name)

U N I T 5 0 4 , G A L L E R I A

C O R P O R A T E C E N T E R , E D S A

C O R N E R O R T I G A S A V E N U E

B R G Y . U G O N G N O R T E ,

Q U E Z O N C I T Y

(Business Address : No. Street/City/Province)

PICAZO LAW

Contact Person

88880999

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC Form 17-Q

FORM TYPE

Last Friday of June

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2) (B)  
THEREUNDER**

1. For the quarterly period ended September 30, 2019
2. SEC Identification Number A1998-06865
3. BIR Tax Identification No. 005-301-677
4. Exact name of registrant as specified in its charter:  
APOLLO GLOBAL CAPITAL, INC. (formerly YEHEY! CORPORATION)
5. Province, Country or other jurisdiction of Incorporation or Organization:  
Metro Manila, Philippines
6.  Industry Classification Code (SEC Use Only)
7. Address of Principal Office Postal Code:  
Unit 504 Galleria Corporate Center, Edsa Corner Ortigas Avenue,  
Brgy. Ugong Norte, Quezon City 1100
8. Registrant's telephone number, including area code:  
(632) 5328654
9. Former name, former address, and former fiscal year, if changed since last report  
Not applicable

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P0.01 par value	275,196,071,520

11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes  No

12. Check whether the registrant:

- a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes  No

- b) has been subject to such filing requirements for the past 90 days.

Yes  No

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The Financial Statements are filed as part of this Form 17-Q.

### Item 2. Management’s Discussion and Analysis or Plan of Operations

#### Financial Highlights

	Unaudited	Audited	Inc/(Dec)	Percent
	September 30, 2019	December 31, 2018		
Total assets	3,612,138,732	3,574,294,349	37,844,383	0.01
Total liabilities	405,507,488	358,887,092	46,620,396	0.13
Total Equity	3,206,631,244	3,215,407,257	(8,776,013)	0.00

Movement in the assets are coming from increase in advances to suppliers. Movement in liabilities mainly from deposits for future stock subscription.

	Unaudited	Audited	Inc/(Dec)	Percent
	September 30, 2019	September 30, 2018		
Total income	13,754	1,813	11,941	100.00
Total expense	8,789,767	6,065,752	2,724,015	0.45
Net income (loss)	(8,776,013)	(6,063,939)	(2,712,074)	0.45

Increase in expense mainly from travel and transportation costs and interest expense incurred by the Subsidiary.

#### Key Ratios:

	Unaudited	Audited
	September 30, 2019	December 31, 2018
Current ratio	4.23%	4.18%
Debt-to-equity ratio	3.09%	3.20%
Asset-to-equity ratio	112.65%	111.16%
Return on assets	-0.24%	-0.64%
Return on equity	-0.27%	-0.77%

#### KPI Calculations

Current Ratio = Current Assets / Current Liabilities

Debt to Equity = Total Liabilities / Total Equity

Asset to Equity = Total Assets / Total Equity

Return on Assets = Net Income / Total Assets

Return on Equity = Net Income / Stockholders’ Equity

#### **Business Analysis:**

As of December 31, 2016, the corporation has decided to wind down its current advertising related business and is currently studying the feasibility of a number of new businesses that should reinvigorate the company. Once the company is satisfied with a new business that it deems feasible and will generate much better profits, it will then pursue capital raising either by but not limited to stock rights, private placement, share-swap or public offering.

**Causes for any material changes (+/-5% or more) in the financial statements**

**Income Statement Items – September 2019 versus September 2018**

Increase in total expense mainly from travel and transportation costs and interest expense incurred by JDVC, the subsidiary of the Company.

**Balance Statement Items – September 2019 versus December 2018**

Movement in the assets are coming from increase in advances to suppliers. Movement in liabilities mainly from deposits for future stock subscription.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Quezon.

**APOLLO GLOBAL CAPITAL, INC.**

Issuer



**Vittorio P. Lim**  
President



**Christopher Go**  
Chief Finance Officer

APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
in PHP

		Interim	Audited
	Note	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	₱1,319,413	₱1,545,052
Other current assets	7	2,867,946	2,754,536
<b>Total current assets</b>		<b>4,187,359</b>	<b>4,299,588</b>
<b>Non-current assets</b>			
Loan receivable	8	254,500,000	254,500,000
Accrued interest receivable	8	10,561,750	10,561,750
Advances to suppliers	9	60,764,573	40,577,963
Advances to related parties	16	6,104,135	2,595,022
Property and equipment, net	10	212,959	75,618
Mine properties	11	3,271,242,922	3,257,154,051
Investment		0	-
Deferred tax asset		4,204,257	4,204,257
Other non-current assets		360,777	326,100
<b>Total non-current assets</b>		<b>3,607,951,373</b>	<b>3,569,994,761</b>
<b>TOTAL ASSETS</b>		<b>₱3,612,138,732</b>	<b>₱3,574,294,349</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts and other payables	12	₱40,994,962	₱41,296,821
Loan payable	16	6,600,000	10,000,000
Advances from a supplier	13	51,500,000	51,500,000
<b>Total current liabilities</b>		<b>99,094,962</b>	<b>102,796,821</b>
<b>Non-current liability</b>			
Due to a related party	16	1,862,964	1,862,964
Deposit for future stock subscriptions		304,549,562	254,227,307
<b>Total non-current liabilities</b>		<b>306,412,526</b>	<b>256,090,271</b>
<b>TOTAL LIABILITIES</b>		<b>405,507,488</b>	<b>358,887,092</b>
<b>EQUITY</b>			
Share capital	15	2,751,960,715	2,751,960,715
Share premium		17,586,961	17,586,961
Deficit		(77,447,589)	(70,176,862)
Non-controlling interest		514,531,157	516,036,443
<b>Total equity</b>		<b>3,206,631,244</b>	<b>3,215,407,257</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱3,612,138,732</b>	<b>₱3,574,294,349</b>

See accompanying Notes to Financial Statements

APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (INCOME)  
in PHP

	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)		
	Note	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
Service income		-P-	-P-	-P-	-P-
Cost of services		-	-	-	-
Gross profit		-	-	-	-
General and administrative expenses	15	7,519,811	5,799,086	2,778,338	1,392,281
Operating loss		(7,519,811)	(5,799,086)	(2,778,338)	(1,392,281)
Other expenses, net					
Interest income		13,754	1,813	1,178	126
Interest expense		(1,269,956)	(266,666)	0	-
		(1,256,202)	(264,853)	1,178	126
Profit (loss) before income tax		(8,776,013)	(6,063,939)	(2,777,161)	(1,392,155)
Provision for income tax		-	-	-	-
Total comprehensive loss		-P 8,776,013	-P 6,063,939	-P 2,777,161	-P 1,392,155
Net loss for the year attributable to:					
Owners of the Parent		(7,270,727)	(5,028,655)	(2,301,078)	(1,156,094)
Non-controlling interest		(1,505,286)	(1,035,284)	(476,083)	(236,062)
		(8,776,013)	(6,063,939)	(2,777,161)	(1,392,156)
Basic and dilutive earnings (loss) per share		(0.00003)	(0.00002)	(0.00003)	(0.00002)

See accompanying Notes to Financial Statements

APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
in PHP

	For the period ended (Unaudited)		
	Notes	September 30, 2019	September 30, 2018
Share capital	14	₱2,751,960,715	₱2,751,960,715
Share premium		17,586,961	17,586,961
Retained earnings (deficit)			
At January 1		(70,176,862)	(59,980,879)
Net profit (loss) for the year			
attributable to Parent Company		(7,270,727)	(5,028,655)
At September 30		(77,447,589)	(65,009,534)
Non-controlling interest			
At January 1		516,036,443	518,173,813
Net profit (loss) for the year			
attributable to the non-controlling interest		(1,505,286)	(1,035,284)
At September 30		514,531,157	517,138,529
<b>TOTAL EQUITY</b>		<b>₱3,206,631,244</b>	<b>₱3,221,676,671</b>

*See accompanying Notes to Financial Statements*



APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
in PHP

	For the period ended (Unaudited)	
	September 30, 2019	September 30, 2018
<b>Cash flows from operating activities</b>		
Loss before income tax	-P8,776,013	-P6,063,939
Adjustments for depreciation	53,207	33,525
Interest income	(13,754)	(1,813)
Interest expense	1,269,956	266,666
Operating loss before changes in working capital	(7,466,604)	(5,765,561)
Changes in working capital accounts		
Decrease (Increase) in		
Other current assets	(113,410)	(69,996)
Other noncurrent assets	(34,677)	153,152
Increase (decrease) in accounts and other payables		
	(301,859)	7,459,694
Cash used for operations	(7,916,550)	1,777,289
Interest received	13,754	1,813
Income tax paid	-	-
Net cash used in operating activities	(7,902,796)	1,779,102
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(190,548)	(62,224)
Increase in deferred exploration costs	(14,088,871)	(30,401,426)
Acquisition of investment	-	-
Net cash used in investing activities	(14,279,419)	(30,463,650)
<b>Cash flows from financing activities</b>		
Additional due to related parties	(3,509,113)	(5,598,499)
Additional advances to suppliers	(20,186,610)	(13,369,211)
Proceeds from deposits for future stock subscription	50,322,255	55,565,000
Payment of loan	(3,400,000)	(7,005,000)
Interest paid	(1,269,956)	(266,666)
Net cash provided by financing activities	21,956,576	29,325,624
Net decrease in cash	(225,639)	641,076
Cash, January 1	1,545,052	1,087,826
Cash, September 30	P1,319,413	P1,728,902

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

### CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

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#### 1. General Information

##### Corporate Information

APOLLO GLOBAL CAPITAL, INC. (the "Parent Company or APL"), formerly known as YEHEY! CORPORATION, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) per SEC Registration No. A199806865 on June 10, 1998. Prior to the approval of the change in the corporate name and its business on October 7, 2016, the Parent Company's primary purpose is to engage in the business of internal online-related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing websites; to engage in other pre-production and postproduction work on websites in the internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

On August 9, 2012, the SEC approved the Parent Company's application to list P278 million common shares by way of introduction in the second board of the Philippine Stock Exchange (PSE) at an initial price of P1 per share. On October 18, 2012, the Parent Company was listed in the PSE.

As of December 31, 2014, the Parent Company is 66.95% owned by Vantage Equities, Inc. (Vantage), a company also incorporated in the Philippines and listed in the PSE. On July 7, 2015, Vantage entered into a Sale and Purchase Agreement (SPA), with third party buyers for the sale of the entire shares owned by Vantage. Under the SPA, the closing of the transfer of the Sale Shares is subject to and conditioned upon the conduct and completion of a mandatory tender offer as well as the payment of the purchase price, which conditions have been complied with on October 15, 2015. Accordingly, on October 15, 2015, the Parent Company ceased as a majority owned subsidiary of Vantage when Vantage sold its shares at P290 million to a group of individual shareholders.

Pursuant to the SPA, the Board of Directors (BOD) of the Parent Company approved on October 30, 2015 the assignment of the noncash assets and liabilities of the Parent Company to Vantage. Total amount assigned is a net liability of P2,693,438, as disclosed in Notes 6, 7, 10, and 11. Such amount was recognized as miscellaneous income in the Parent Company's 2015 separate statement of comprehensive income.

On December 7, 2015, the BOD approved the change of the Parent Company's name from YEHEY! CORPORATION to APOLLO GLOBAL CAPITAL, INC. The amendment was filed with the SEC and was approved on October 7, 2016. Along with the change in the corporate name, the Parent Company's primary purpose was likewise amended to that of a holding company which is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences, of indebtedness, and other securities, or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership.

The registered office address of the Parent Company is at 1801E East Tower, PSE Centre, Exchange Road, Ortigas Centre, Pasig City.

On October 9, 2017, the change in the Parent Company's registered address had been approved. The new principal and registered address of the Parent Company is at Unit 1204, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City.

Effective June 22, 2018, the Parent Company has changed its principal business address to Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon

City.

JDVC Resources Corporation (referred to as "JDVC" or the "Subsidiary") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 2011 under SEC Reg. No. CS201120574. The Subsidiary is primarily established to carry on business of exploring, prospecting and operating mines and quarries of all kind of ores and minerals, metallic and non-metallic, such as nickel, iron, gold, copper, silver, lead, manganese, chromite, molybdenite pyrite, sulfur, silica, kaolin clay, zeolite, perlite, diatomaceous earth, diorite, basalt, gabbro, coal, hydrocarbons, oil, natural gas, etc.; filing, negotiating or applying for mineral agreements, operating agreements, mining leases, timber and water rights and surface rights, and of milling concentrating, processing, refining and smelting such minerals, and manufacturing, utilizing, trading, marketing or selling such mineral products, likewise acquiring and operating all kinds of equipment, vehicles, instruments, machineries, chemicals supplies and other logistic structures that may be vital and necessary for the furtherance of the foregoing purposes, with financial and technical assistance agreement with the government.

The Subsidiary's principal and administrative office address is at 2<sup>nd</sup> Floor L&L Bldg., Panay Ave. Cor. EDSA, Quezon City.

The aforesaid Parent Company and its subsidiary are collectively known herein as the "Group". On February 17, 2017, the Parent Company and JDVC's shareholders entered into a Deed of Exchange of Shares where in the latter had issued 247,396,071,520 shares (par value of P0.01 per share) in exchange for 4,133,740 shares (par value of P100 per share) at an exchange price of P598.48 of the latter. The deed covering the transaction was approved by SEC on October 9, 2017. As a result of this transaction, the Parent Company now owns 82.67% of JDVC.

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## **2. Summary of Significant Accounting & Financial Reporting Policies**

### Basis of Preparation

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

### *Statement of compliance*

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council (FRSC), and adopted by the SEC.

### *Basis of measurement and presentation*

The consolidated financial statements have been prepared on the historical cost basis.

The Parent Company's financial position as at December 31, 2018 and its financial performance and its cash flows for each of the three years ended December 31, 2018, 2017 and 2016 were used as the comparative figures in this consolidated financial statements.

The consolidated financial statements are presented in Philippine Peso (P), the currency of the primary economic environment in which the Group operates and all values are rounded to the nearest peso and represent absolute amounts, unless otherwise stated.

### *Use of judgments and estimates*

The preparation of the consolidated financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the management to exercise judgment in the most appropriate application of the accounting policies. The areas where

significant judgments and estimates have been made in preparing the consolidated financial statements and its effects are disclosed in Note 3.

## 2.2 Changes in accounting policies and disclosures

### *a. Amendments to existing standards effective on or after January 1, 2019*

The accounting policies applied are consistent with those of the previous financial year, except for the following amendments to existing standards. Except as otherwise indicated, the adoption of these amendments did not have significant impact on the Group's consolidated financial statements.

- **PFRS 16, Leases** – This standard will replace PAS 17, Leases and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.
- **Amendments to PFRS 9, Financial Instruments - Prepayment Features with Negative Compensation** – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, Financial Instruments for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

### *b. New standards, amendments and interpretations of existing standards issued but not yet effective and not early adopted by the Group*

New standards, amendments and interpretations to existing standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing is of standards, amendments and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Except when specified, these new standards, amendments and interpretations do not have any significant impact in the Group's consolidated financial statements.

### *Effective for annual periods beginning on or after January 1, 2021:*

- **Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture** – The amendments address a current conflict between the two standards and clarify that a gain or loss should 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.

## 2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. Subsidiaries are entities controlled by the parent. Control is achieved when the Parent Company is exposed to, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee, if and only if, the Parent Company has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company 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; and
- 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 elements of control. Consolidation of a subsidiary begins when control is obtained over the subsidiary and ceases when the Parent Company loses control of the subsidiary. 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 Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to intra-group transactions are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over the subsidiary, it:

- derecognizes the assets, including goodwill, and liabilities of the subsidiary
- derecognizes the carrying amount of any non-controlling interest
- derecognizes the cumulative transaction differences recorded in equity
- recognizes the fair value of the consideration received
- recognizes the fair value of the any investment retained
- recognizes any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognized in OCI to profit or loss retained earnings, as appropriate.

## **2.4 Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

## **2.5 Financial instruments**

### ***Initial recognition***

Financial asset or financial liability is recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of the 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.

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 fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Financial instruments are classified as financial assets and financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

### ***Classification of financial instruments***

The Group classifies its financial assets as financial assets at fair value through profit and loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial liabilities are classified as financial liabilities at FVPL and other liabilities. The classification depends on the purpose for which the investments are acquired or liabilities are settled and whether these are quoted in an active market or not. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

### ***Classification of financial instruments between debt and equity***

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual agreement. Interest relating to a financial instrument or a component that is a financial liability, are reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to deliver cash or other financial assets to another entity; or 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 separate 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.

#### ***Offsetting financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an 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 statements of financial position.

#### ***Determination of fair value***

The fair value for financial instruments traded in active markets at the consolidated statements of financial position date is based on its quoted market price or dealer price quotation (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

#### ***Fair Value measurement hierarchy***

PFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in its entirety into only one of the three levels.

The only financial instrument of the Group measured at fair value is it's available for sale financial asset as disclosed in Note 8, which was classified under level 1. There are no other financial instruments measured at fair value under levels 2 and 3.

#### ***Financial assets***

#### *Financial assets at FVPL*

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if these are acquired for the purpose of selling in the near term. These are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive income (loss). Derivatives are also classified as held for trading unless these are designated as effective hedging instruments. The Group has no assets under this category.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial asset at FVPL. Loans and receivables are carried at amortized cost, less impairment in value. Amortization is determined using the effective interest rate method. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. Such provisions are recorded in allowance account with the loss being recognized in the consolidated statements of comprehensive income (loss). On confirmation that the receivables will not be collectible, the gross carrying value of the asset is written off and derecognized against the associated provision.

The Group's cash, loan receivable and related accrued interest receivable, advances to suppliers, advances to related parties and security deposit, as disclosed in Notes 6, 8, 9, 22, and 25, respectively, are included in this category.

#### *HTM investments*

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. 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 the consolidated statements of comprehensive income (loss) when the HTM investments are derecognized or impaired, as well as through the amortization process.

The Group has no investment classified under this category.

#### *AFS investments*

AFS investments are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. AFS investments are carried at fair value in the consolidated statements of financial position and the unrealized gains or losses are recognized as other comprehensive income in AFS reserve shown in the consolidated statements of changes equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in AFS reserve is transferred to the consolidated statements of comprehensive income (loss). Interest earned on holding AFS investments are recognized in the consolidated statements of comprehensive income (loss) using the effective interest rate method.

The Group has no investment classified under this category.

#### *Financial liabilities*



The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

#### *Financial liabilities at FVPL*

Financial liabilities are classified in this category if these result from trading activities or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category. These are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of comprehensive income (loss).

The Group has no designated financial liability at FVPL.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The Group's accounts and other payables, loan payable and due to a related party, as disclosed in Notes 12 and 16, respectively, are included in this category.

### **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 rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the 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 rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of ownership of the asset, or has neither transferred nor retained substantially all the risks and rewards of ownership of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of ownership of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the 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 or cancelled or expired.

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

#### *Impairment of financial assets*

### *Assessment of impairment*

The Group assesses at each financial reporting date whether a financial asset or group of financial assets is impaired. It assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The determination of impairment losses for financial assets is inherently subjective because it requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

### *Evidence of impairment*

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that it would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

### *Impairment on assets carried at amortized cost*

If there is objective evidence that an impairment loss has been incurred on an asset carried at amortized cost such as loans and receivables carried at amortized cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in the consolidated statements of comprehensive income (loss).

### *Impairment on assets carried at cost*

If there is an objective evidence that an impairment loss has been incurred on an asset carried at cost, such as an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

### *Reversal of impairment loss*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income (loss), to the extent that the carrying value of the asset does not exceed its cost or amortized cost at the reversal date.

## **2.6 Cash**

Cash consists of cash on hand and in banks. Cash in banks earns interest at respective bank deposit rates. For the purpose of reporting cash flows, cash in banks is unrestricted and available for use for current operations

## 2.7 Value-added tax (VAT)

Input VAT pertains to the 12% indirect tax paid by the Group, in the course of the Group's trade or business, on local exchange of goods or services, including the lease or use of property from a VAT-registered person or entity.

## 2.8 Property and equipment

Property and equipment are initially measured at cost. At the end of each financial reporting period, property and equipment are measured at cost less any subsequent accumulated depreciation, amortization and impairment in value. The initial cost of an asset consists of its purchase price, directly attributable costs of bringing the asset to its working condition for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. The carrying amount of property and equipment includes the cost of testing machinery to ensure that these function as intended and also all costs attributable to bringing the asset to the location and condition for it to be capable of operating. All repairs and maintenance costs are charged to the operations during the year in which these are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follow:

	Estimated Useful Life
Property Classification	3 years
Server and network equipment	3 years
Furniture, fixtures and office equipment	4 years or term of the lease, whichever is shorter
Leasehold improvements	3 - 5 years
Transportation Equipment	

The useful lives, residual values and depreciation method are reviewed periodically to ensure that the periods, residual values and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation are credited or charged against profit or loss in the consolidated statements of comprehensive income (loss).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statements of comprehensive income (loss) in the year the item is derecognized.

## 2.9 Intangible assets

Intangible assets are purchased patent and website that are stated at historical cost. Website has an infinite useful life. Management assesses at the end of each financial reporting period whether there is any indication that the assets are impaired. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset to which the asset belongs is written down to its recoverable amount.

## 2.10 Exploration and evaluation assets

Exploration and evaluation assets refer to the exploration and evaluation activity for the search of mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Exploration and evaluation assets are recognized to the extent that these are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met
  - (a) the deferred exploration costs are expected to be recovered through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (b) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets acquired in a business combination are initially recognized at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an E&E asset (that does not represent a business) are also capitalized.

They are subsequently measured at cost less accumulated impairment.

Accumulated costs in relation to an abandoned area are written-off in full in profit or loss in the year in which the decision to abandon the area is made.

Exploration and evaluation assets shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. When production commences, the accumulated costs for the relevant area of interest are reclassified to development assets and amortized over the life of the area according to the rate of depletion of the economically recoverable reserves.

Exploration and evaluation assets shall be assessed for impairment, and any impairment loss recognized, before reclassification.

Exploration and evaluation assets are not subject to amortization, but are assessed annually for impairment. The assessment is carried out by allocating deferred explorations to cash generating units (CGUs), which are based in specific projects or geographical areas. The CGUs are then assessed for impairment.

## 2.11 Mine properties

- (a) Mines under development

Expenditure is transferred from 'deferred exploration costs' to 'mines under development' which is a subcategory of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized in 'Mines under development'. Development expenditure is net of proceeds from the sale of mineral extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if these are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognized in the consolidated statements of comprehensive income (loss). After production starts, all assets included in 'Mines under construction' are then transferred to 'producing mines' which is also a sub-category of 'mine properties'.

(b) Producing mines

*i. Initial recognition*

Upon completion of the mine development phase, the assets are transferred into "Producing mines". Items of producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included in the producing mines.

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

*ii. Depreciation/amortization*

Accumulated mine development costs are depreciated/amortized on a unit of production (UOP) basis over the economically recoverable reserves of the mine concerned, except in the case of assets which useful life is shorter than the life of the mine, in which case, the straight-line method is applied. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortization of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortized on a UOP basis whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in its economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves, merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortization, until the resource becomes probable of economic extraction in the future and is recognized in deferred exploration costs.

c.) Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or

parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written-off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalized.

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written-off. All other day-to-day maintenance and repairs costs are expensed as incurred.

d.) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalized as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statements of comprehensive income (loss) in the period in which these are incurred. Even though deferred exploration costs can be qualifying assets, these generally do not meet the 'probable economic benefits' test and also are rarely debt-funded. Any related borrowing costs incurred during this phase are therefore generally recognized in the consolidated statements of comprehensive income (loss) in the period these are incurred.

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

At each financial reporting date, the Group reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to its present value using a pretax 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. Any impairment loss is recognized in the consolidated statements of comprehensive income (loss).

An impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of impairment loss is credited to current operations.

### **2.13 Provisions and contingencies**

The Group recognizes a provision if a present obligation, legal and constructive, has arisen as a result of a past event, payment is probable and the amount can be reliably measured. The amount recognized is the best estimate of the expenditure required to settle the present obligation at consolidated statements of financial position date, that is, the amount the Group would rationally pay to settle the obligation to a third party.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the consolidated notes to the financial statements when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

### **2.14 Loan payable**

Loan payable is initially recognized at fair value, net of transaction costs incurred. Loan payable are subsequently measured at its amortized cost using the EIR method, which ensures that any finance costs over the period of repayment is at a constant rate on the balance of the liability carried in the consolidated statements of financial position.

The Group classifies loan payable as current liabilities if settlement is expected within one year or less, and the Group does not have unconditional right to defer settlement of the liabilities, and does not breach any loan provisions on or before the end of the reporting period. If not, these are presented as non-current liabilities.

### **2.15 Deposits for future stock subscription**

Deposits for future stock subscription refer to the amount of cash or property received by the Group with the purpose of applying the same as payment for future issuance of shares. Deposits for future stock subscription is presented under equity if all of the following conditions are met as of the end of the financial reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the Corporation)
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the Commission.

Otherwise, the deposits for future stock subscription is presented in the consolidated statements of financial position as a non-current liability

### **2.16 Equity**

#### *Share capital*

Share capital is measured at par value for all shares issued. When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Share premium' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable. Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees,

printing costs and taxes are chargeable to 'Share premium' account. If the 'Share premium' is not sufficient, the excess is charged against the 'Retained earnings'.

#### *Deficit*

Deficit pertains to accumulated losses of the Group.

### **2.17 Revenue recognition**

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. When the transaction involves rendering of services, the revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the end of the reporting period. The following specific recognition criteria must also be met before revenue is recognized:

#### *Interest Income*

Interest income on interest-bearing loan is recorded on a time proportion basis taking into account the effective yield of the asset. Interest on financial instruments is recognized based on the effective interest method of accounting.

### **2.18 Costs and expenses recognition**

Costs and expenses are recognized in profit or loss when decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen and that can be reliably measured. Expenses are recognized in profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; a systematic and rational allocation procedures, when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the consolidated statements of financial position, as an asset.

Expenses in the consolidated statements of comprehensive income (loss) are presented using the function of expense method. Cost of services are expenses incurred that are associated with services rendered. Operating expenses are cost attributable to administrative, marketing and other business activities of the Group.

### **2.19 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating lease.

#### *Group as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term and presented in the consolidated statements of comprehensive income (loss).

The Group is a lessee under an operating lease.

### **2.20 Related parties**

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or



common significant influence. Related parties may be individuals or corporate entities. The key management personnel of the Group and post-employment benefit plans for the benefit of the Group's employees are also considered related parties.

## **2.21 Income tax**

### *Current income tax*

Current income tax assets and liabilities for the current and the prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute for the amount are those that have been enacted or substantively enacted at the financial reporting date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statements of comprehensive income (loss) because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

### *Deferred income tax*

Deferred income tax is provided, using liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and its carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits and NOLCO can be utilized.

The carrying amount of deferred income tax assets is reviewed at each financial reporting date 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 income tax asset to be utilized. Any adjustments are recognized in the consolidated statements of comprehensive income (loss). Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the financial reporting date. Current and deferred tax are recognized as an expense or income in the consolidated statements of comprehensive income (loss), except when these relate to items that are recognized outside profit or loss whether in other comprehensive income or directly in equity, in which case the tax are also recognized outside profit or loss.

## **2.22 Earnings per share**

Basic earnings per share (EPS) is calculated by dividing profit or loss for the period attributable to common shareholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend.

## **2.23 Events after the financial reporting date**

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

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## **3. Business Combination**

On 17 February 2017, the Board of Directors of APL approved the subscription by certain individuals (the "subscribers") to a total of 247,396,071,520 APL shares (the "subscription

shares”) to be issued out of the proposed increase of APL’s capital stock in exchange for the assignment of the subscribers’ 4,133,740 JDVC Resources Corporation (“JDVC”) common shares to APL representing 82.67% of the outstanding capital stock of JDVC (the “share swap transaction”).

The transfer value of the JDVC shares at P598.48 per share or an aggregate transfer value of P2,473,960,715.20 is based on the appraised value of JDVC’s net assets at business combination date.

A deed of exchange and an amended deed of exchange covering the share swap transaction was entered into by APL and the subscribers on 17 February 2017 and 18 May 2017, respectively. The aforesaid increase in APL’s capital stock and the above subscriptions (share swap transaction) was approved by the SEC on October 9, 2017.

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#### **4. Accounting Estimates, Assumptions and Judgements**

The preparation of the consolidated financial statements in compliance with PFRS requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates, assumptions and judgments are based on management’s evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from these estimates and assumptions used. The effect of any change in estimates will be reflected in the consolidated financial statements when these become reasonably determinable.

##### **4.1 Estimates**

###### *Estimation of allowance for credit losses*

Provision for doubtful accounts are made for specific and group of accounts where objective evidence of impairment exists. The level of this allowance is evaluated by management on the basis of factors affecting the collectibility of the accounts, such as but not limited to, the length of the Group’s relationship with the customer, the customer’s payment behavior, known market factors and historical loss experiences.

As at September 30, 2019, the Group has not determined any of its receivables as doubtful of collection.

The management has assessed that no allowance for credit losses is necessary to establish as at September 30, 2019 as the Group’s outstanding receivables are collectible.

###### *Estimation of 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 estimated useful lives of property and equipment are reviewed periodically 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. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

###### *Estimation of impairment of property and equipment*

The Group determines whether its property and equipment and other non-financial assets are impaired at least annually. In determining the fair value of property and equipment and other assets, the Group considers evidences that may arise, such as but not limited to significant decline in market value of the assets during the year more than what is normally expected; significant adverse effect that may take place during the year or in the near future, in relation to the technological, market, economic and legal environment to which it operates; obsolescence and physical damage; and chance of the asset being idle, disposed of and discontinuance of usage. Future events could cause management to conclude that these assets are impaired. No impairment losses were recognized on the Group's property and equipment in 2018 and March 2019.

#### *Estimation of mine properties*

The Group estimates its mine properties based on information compiled by appropriate qualified persons relating to the geological and technical data on the size, depth, shape and grade of the mineral body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the mineral body.

Management assumes conservative forecasted sales prices, based on current and long-term historical average price trends. Conservative forecasted sales price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is obtained during the exploration and evaluation of the mine properties, estimates of reserves may change. Such changes may impact the Group's reported financial position and results which include:

- The carrying value of exploration and evaluation asset and property and equipment may be affected due to changes in estimated future cash flows; and
- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

#### *Capitalization of exploration expenditures*

The capitalization of exploration expenditures requires judgment in determining whether there are future economic benefits from future exploration or sale of mining 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.

#### *Impairment of non-financial assets other than exploration and evaluation assets and mine properties*

The Group assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and

- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The fair value of the asset is the amount at which the asset could be bought or sold between knowledgeable willing parties at an arm's length transaction less disposal costs. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### *Impairment of exploration and evaluation assets*

The Group assesses impairment on exploration and evaluation assets when facts and circumstances suggest that the carrying amount of the deferred exploration costs may exceed its recoverable amount.

The factors that the Group considers important which could trigger an impairment review include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area in neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Group tests for impairment annually whether exploration projects have future economic value in accordance with the accounting policy disclosed in Note 2.11. In the event that a project does not represent an economic exploration target and results indicate that there is no additional benefit, an impairment loss will be recognized in profit or loss.

#### *Impairment of mine properties*

The Group assesses impairment on mine properties when facts and circumstances suggest that the carrying amount of mine properties may exceed its recoverable amount.

The factors that the Group considers important which could trigger an impairment review include the following:

- a significant decline in the market capitalization of the entity or other entities producing the same commodity
- a significant deterioration in expected future commodity prices
- a large cost overrun on a capital project such as an overrun during the development and construction of a new mine;
- a significant revision of the life of mine plan; and
- adverse changes in government regulations and environmental law, including a significant increase in the tax or royalty burden payable by the mine.

In the event that the carrying amount of mine properties exceeded its recoverable amount, an impairment loss will be recognized in profit or loss. Reductions in price forecasts, reductions in the amount of recoverable mineral reserves and mineral resources, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's mine properties

Realizability of deferred tax asset

The Group reviews its deferred tax assets at each financial reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred taxes to be utilized.

## **4.2 Judgments**

### *Determination of functional currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency is determined to be the Philippine Peso. It is the currency that mainly influences the rendering of IT related services and the cost of providing such services.

### *Classification of financial instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

### *Determination of fair value of financial assets*

The Group carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement, were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit and loss and equity.

### *Measurement of financial assets*

The Group carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit and loss and equity.

### *Leases*

The Group has entered into a lease agreement as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements.

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## **5. Financial Risk and Capital Management Objectives and Policies**

### **General objectives, policies and processes**

#### ***Risk management structure***

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group. It has also the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions. The risk management committee is responsible for the comprehensive monitoring, evaluation and analysis of the Group's risks in line with the policies and limits set by the BOD

### ***Principal financial instruments***

The Group's principal financial instruments consist of cash, loan receivable, accrued interest receivable, advances to suppliers, advances to related parties, security deposit, accounts and other payables, loan payable and due to a related party, which arise directly from its operations.

The carrying amounts of the financial assets and liabilities approximate its fair values.

The Group is exposed to the following financial risks and the policies for managing risks are summarized below:

#### ***Credit risk***

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group manages and controls credit risk by trading only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. For transactions that involve special credit terms arrangement, the Group may require approval of the BOD. The credit quality of the Group's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. The Group's bases in grading its financial assets are as follow:

High grade	These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).
Standard	These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time
Substandard	These are receivables that can be collected provided the Group makes persistent effort to collect them.

Credit risk also arises from deposits with banks.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases, it may take steps to mitigate such risks if it is sufficiently concentrated.

Credit risk also arises from deposits with banks.

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases, it may take steps to mitigate such risks if it is sufficiently concentrated.

#### ***Market risk***

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will 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 various market risks, including risks from changes in interest rates and currency exchange rates. There has been no change in the Group's exposure to market risks or the manner in which it manages and measures the risk.

#### ***Interest rate risks***

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that

the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group is not exposed to interest rate risk as the Group's interest rates on its advances are fixed.

### **Capital risk management**

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. 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 is equivalent to total liabilities shown in the consolidated statements of financial position. Total equity comprises all components of equity including share capital and deficit but excluding accumulated other comprehensive income.

There were no changes in the Group's and/or the Parent Company's approach to capital management in 2019 and 2018.

The Group is not subject to externally imposed capital requirements.

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## **6. Cash**

The account consists of:

	September 30, 2019	December 31, 2018
Cash on hand	P 50,000	P 50,000
Cash in banks	1,296,413	1,492,052
	<b>P1,346,413</b>	<b>P1,542,052</b>

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## **7. Other Current Assets**

This account consists of:

	September 30, 2019	December 31, 2018
Claims from the BIR	P 1,484,103	P1,282,935
Input VAT	1,383,843	1,471,601
	<b>P2,867,946</b>	<b>P2,754,536</b>

Claims from the BIR refer to the Group's accumulated excess tax credits from prior years which may be used to offset against its future income tax liabilities.

Input VAT refers to the tax passed on to the Group by its suppliers, for acquisition of goods and services, which may be applied against its output VAT.

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## **8. Loan Receivable**

On October 21, 2015, the BOD of the Parent Company approved the advances to its former shareholder amounting to P254,500,000, collectible within 12 months, with an interest rate of 6% per annum.

On January 4, 2016, the BOD of the Parent Company approved the change of interest rate of the loan from 6% to 1% per annum.

On October 10, 2016, the BOD of the Parent Company approved the extension of the loan from its original maturity date of October 21, 2016 to February 21, 2017.

In 2017, the BOD of the Parent Company approved the re-extension of the maturity of the loan until December 31, 2027.

No payments have been made from the inception of the loan until the financial reporting date.

Total accrued interest receivable amounted to P10,561,750 as at September 30, 2019 and December 31, 2018, as shown in the consolidated statements of financial position.

#### 9. Advances to Suppliers

	September 30, 2019	December 31, 2018
Agbiag Mining Development Corporation	₱ 11,920,171	₱ 8,210,274
Advance to Tech Resources Mining & BPT	30,495,438	30,328,563
Others	18,348,964	2,039,126
	₱60,764,573	₱40,577,963

This account pertains to the unsecured and non-interest bearing cash advances extended by the Subsidiary to its suppliers for the payment on permits, overhead fees, exploration services, depth and sounding survey studies and other technical expenses incurred by the latter.

These advances have no fixed repayment date and are not expected to be collected within one year from the financial reporting date, hence, classified as non-current asset in the consolidated statements of financial position.

#### 10. Property and Equipment, net

	September 30, 2019	December 31, 2018
<b>Cost</b>		
Beginning	₱ 168,130	₱ 105,907
Purchases during the year	190,548	62,223
Ending	358,678	168,130
<b>Accumulated depreciation</b>		
Beginning	92,512	46,960
Provision	53,207	45,552
Ending	145,719	92,512
Net book value, Ending	₱ 212,959	₱75,618

The Parent Company's property and equipment, with a net book value of P1,594,875, was assigned to Vantage on October 30, 2015.

#### 11. Mine Properties

Mineral Production Sharing Agreement (MPSA)-338-2010-II-OMR was executed on June 9, 2010, by and between the Republic of the Philippines and Bo Go Resources Mining Corporation. The MPSA Contract ownership was transferred to the Subsidiary by Bo Go on November 25, 2011 by virtue of a Deed of Assignment duly approved and confirmed by both companies' Board of Directors' resolutions and corporate secretary's certifications. The same Deed of Assignment was duly registered with the Mines and Geosciences Bureau (MGB) Region II, Tuguegarao City, Cagayan on January 27, 2012 and was duly approved a year after, January 25, 2013, by the Department of Environment and Natural Resources (DENR) Secretary.



The contract area, embracing 14,240 hectares, is situated within the municipal waters of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey, and Gonzaga in the Province of Cagayan.

The Deed of Assignment, as approved, carries with it the responsibility to implement the Exploration Work Program and the Environmental Work Program which were eventually undertaken by the Subsidiary, as well as the submission of the regular Technical/ Progress Reports. The Environment Impact Assessment (EIA) has likewise been completed and presented to the various Municipalities and stake holders in the Province of Cagayan.

After the approval of the DENR, pursuant to the agreement, the Subsidiary proceeded to do the Technical or Progress Report Exploration, Environmental Work Programs and Exploration Work Programs.

On May 2, 2016, a Deed of Assignment was executed by and between the Subsidiary and Sanlorenzo Mines, Inc. (Sanlorenzo) wherein the former assigned to the latter all rights and interest in the 2,400 hectare portion of the contract area under MPSA-338-2010-II-OMR.

On May 20, 2016, the DENR approved the assignment of the 2,400-hectare portion of the contract area to Sanlorenzo pursuant to the May 2, 2016 Deed of Assignment, redenominated the MPSA covering the portion as No. 338-2010-II-OMR-Amended B and redenominated the remaining 11,840-hectare portion as No. 338-2010-II-OMR-Amended A.

On May 25, 2016, during the validity of the exploration period, the Subsidiary filed the Partial Declaration of Mining Project Feasibility (PDMPF) under MPSA No. 338-2010-II-OMR-Amended A covering the 4,999.235-hectare portion of the contract area.

The Subsidiary will siphon within the 4,999.235 hectares out of the approved 11,840 hectares of MPSA No. 338-2010-II-OMR-Amended A granted by the government for the extraction and processing of magnetite iron sand and other associated minerals at the offshore areas in the Province of Cagayan.

On June 24, 2016, the foregoing premises considered the PDMPF in connection with the MPSA-338-2010-II-OMR Amended A was approved, thereby authorizing the Subsidiary to proceed to the Development and Operating Periods of MPSA-338-2010-II-OMR Amended A, including the extraction and commercial disposition of magnetite sand and other associated minerals, subject to compliance of the conditions as enumerated in PDMPF.

On August 9, 2017, a Deed of Assignment was executed between the Subsidiary and Catagayan Iron Sand Mining Resources Corp., wherein the former had assigned, transferred and conveyed in favor of the latter the mining claim area of 3,182.78 hectares located in Aparri.

On the same day, another Deed of Assignment was executed between the Subsidiary and Cagayan Ore Metal Mining Exploration Corp., wherein the former had assigned, transferred and conveyed in favor of the latter the mining claim area of 2,149.85 hectares located in Buguey.

Further, another Deed of Assignment was executed between the Subsidiary and Cagayan Mining Resources (Phils.) Inc., wherein the former had assigned, transferred and conveyed in favor of the latter the mining claim area of 1,448.51 hectares located in Abulug and Ballesteros.

Catagayan Iron Sand Mining Resources Corp., Cagayan Ore Metal Mining Exploration Corp. and Cagayan Mining Resources (Phils.) Inc, were all organized and registered with the SEC on July 1, 2016, to engage in the business of operating mines, and of prospecting, exploration and mining, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, import, export on wholesale basis, exchanging and otherwise producing buying and dealing in all kinds of ores, metals, gold and minerals, hydrocarbons, acids and chemicals and in the products and by-products of every kind and description and by whatever process the

same can be or hereafter be produced; to purchase, lease, option, locate, or otherwise acquire, own, exchange, sell or otherwise dispose of, pledge, mortgage, deed of trust, hypothecate, and deal in mines, mining claims, mineral lands, coal lands, timber lands, water and water rights and other properties, both real and personal.

The deed of assignments of the Subsidiary with Catagayan Iron Sand Mining Resources Corp., Cagayan Ore Metal Mining Exploration Corp., and Cagayan Mining Resources (Phils.) Inc. were all registered with DENR on April 2, 2018.

On July 2017, 3,161.84 hectares in Sanchez Mira, Cagayan, which is covered by MPSA No. 338-2010-II-OMR that was granted on June 9, 2010, was relinquished by the Subsidiary in favor of the Government.

In 2017, the remaining land area of the Subsidiary, which is at 1,897.02 hectares, were fully explored.

*Estimated life of mine*

The computation of ore reserve was done by a competent individual geologist using the Polygon Method. The ore reserve has a total of 606.458 million tons. With the computed indicated resource, the mine life for the current ore resource is 87.7 years for the siphoning and utilizing magnetic separation on-board the vessels. With the yearly production schedule of 6.91 million tons of raw sand with an average Mf of 19.79% and 95% material recovery, the operations can yield an iron concentrate of 1.30M Mt annum production, using 3 units of production lines of platform.

*Exploration and evaluation assets*

Exploration and evaluation assets (which include deferred exploration costs and mineral assets acquired during business combination) are transferred to mine properties upon full exploration of the mine area. Exploration costs consist of expenditures related to the exploration activities covered by the group's mining tenements, such as service contracts for the exploration of the mines, drilling activities, and other direct costs related to the exploration activities. The recovery of these costs depends upon the success of the exploration activities, the future development of the corresponding mining properties and the extraction of mineral products as these properties shift into commercial operations.

As at September 30, 2019, the group does not have any contractual commitments for additional exploration.

In 2017, the exploration activities for the mine area of the group were completed hence the related exploration and evaluation assets were transferred to mine properties - mine under development.

Mine properties are not subject to depletion until these are included in the life-of-mine plan and the production has commenced.

**12. Accounts Payable and Other Current Liabilities**

This account consists of:

	September 30, 2019	December 31, 2018
Accounts payable	P 37,545,625	P 37,965,637
Accrued expenses	3,313,794	2,023,682
Government dues	135,543	1,193,677
Others	-	113,825
	<b>P40,994,962</b>	<b>P41,296,821</b>

Accounts payable consist mainly of the unsecured and non-interest bearing liability of the Subsidiary to Agbiag Mining and Development Corporation, operating contractor of the Subsidiary, in relation to the Memorandum of Agreement (MOA) signed last September 3, 2014, amounting to P89,000,000. The MOA was entered into by the parties for allowing the Subsidiary to use the research, study and intellectual property rights, on a non-exclusive basis, for the duly researched and studied siphon vessel for offshore magnetite iron sand commercial extraction, ready for detailed engineering design by the associates of Agbiag Mining and Development Corporation. The payment should be made on the first 30 days of successful operation of the siphon vessel/s in the future.

The liability shall be paid without the need of demand. If ever the Subsidiary fails to pay the liability as mentioned above, it shall be subject automatically to penalty of twenty percent (20%) every year and six percent (6%) interest for every year of non-payment.

Other composition of the accounts payable pertain to outstanding obligations to officers, external providers and lessors, which are normally payable within 30 to 60-days credit term from invoice date.

Accrued expenses pertain to the liabilities incurred for professional fees and loan interest, which will be paid on the subsequent month.

Government dues include expanded withholding taxes payable and VAT payable.

Other payables consist of deferred output VAT from accrual of interest income and advances from a shareholder.

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### **13. Advances for Future Royalties**

On September 1, 2014, the Subsidiary entered in a royalty agreement with Agbiag Mining and Development Corporation, operating contractor of the Subsidiary, by granting the latter irrecoverable and unrestricted rights and privileges to occupy, explore, develop, utilize, mine and undertake other activities to the mining area owned by the Subsidiary in various areas in Cagayan Province, for twenty-five (25) years or the life of the Subsidiary's MPSA No. 338-2010-IIOMR with the Republic of the Philippines, whichever is shorter

The Subsidiary shall earn royalty income of US\$ 4.00 up to US\$ 9.33 per ton or specifically in accordance to the proposed slide-up-slide-down net joint venture share remittance, or six (6%) percent of the FOB cost, whichever is higher.

In 2017, the Subsidiary received advance royalty payment from Agbiag Mining and Development Corporation amounting to P=45,982,143, as shown in the statements of financial position.

On a special meeting held by the BOD on October 10, 2018, it was resolved that the occupational fees, as stated in the agreement, will be waived starting 2018 and subsequent years due to the failure of both parties to conduct full extraction operation during the year. Further, on the same date, the BOD resolved that the advances for future royalties received from Agbiag Mining and Development Corporation in 2017 amounting to P=51,500,000 will be reimbursed by the Subsidiary. As such, this has been reclassified to advances from a supplier, as shown in the consolidated statements of financial position.

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### **14. Equity**

#### Capital Stock

The details of this account are shown below:

	September 30, 2019		December 31, 2018	
	Number of shares	Amount	Number of shares	Amount
Authorized - par value of 0.01 share	600,000,000,000	₱6,000,000,000	600,000,000,000	₱6,000,000,000
Issued and outstanding	275,196,071,520	₱2,751,960,715	275,196,071,520	₱2,751,960,715

The track record of the Parent Company's registration of securities in compliance with SEC Rule 68, Annex 68-D follows:

a) The authorized number of shares registered with the SEC on June 10, 1998 is at one billion shares with a par value of P1 per share.

b) On July 7, 2015, Vantage (majority owner of the Parent Company) entered into a Sale and Purchase Agreement (SPA) with third party buyers for the sale of the entire shares owned by Vantage. Under the SPA, the closing of the transfer of the Sale Shares is subject to and conditioned upon the conduct and completion of a mandatory tender offer as well as the payment of the purchase price, which conditions have been complied with on October 15, 2015. Accordingly, on the said date, the Parent Company ceased as a majority-owned subsidiary of Vantage.

c) On December 7, 2015, the BOD in its special meeting, approved the quasi-reorganization and increase in authorized capital stock of the Parent Company. The quasi-reorganization will reduce the par value of the Parent Company's one billion authorized common shares from P1 to P0.01. Further, the authorized capital stock will be increased to P3,000,000,000 divided into 300,000,000,000 shares.

On December 11, 2015, the shareholders of the Parent Company, representing at least 2/3 of the outstanding capital stock, ratified the said resolutions.

As of December 31, 2015, the Parent Company has not yet applied for the quasireorganization and increase in authorized capital stock with the SEC.

d) In 2016, the Parent Company submitted an application with the SEC for the change of the Parent Company's name from YEHEY! CORPORATION to APOLLO GLOBAL CAPITAL, INC.

Along with the change in the corporate name, the Parent Company filed for its Amended Articles of Incorporation with the following equity information:

	Shares	Amount
Authorized capital stock	100,000,000,000	₱1,000,000,000
Par value per share		0.01
Issued and outstanding	27,800,000,000	278,000,000

Instead of the P3,000,000,000 authorized capital stock that was initially planned last December 7, 2015, the Parent Company decided and finalized its plans with the revised authorized capital stock as mentioned above.

A certification on the above amendments was issued by the Parent Company's acting corporate secretary on April 6, 2016 as a support for the Parent Company's application for the amended articles of incorporation and by-laws.

e) On October 7, 2016, the SEC approved the change in name of the Parent Company and the amendments in the articles of incorporation.

f) On the annual stockholders' meeting held last December 14, 2016, it was resolved that the Parent Company has plans to increase its authorized capital stock from one billion pesos (P1,000,000,000) to six billion pesos (P6,000,000,000).

The shareholders of the Parent Company, representing at least 2/3 of the outstanding capital stock, approved and ratified the said resolution. The said approval shall supersede the approval on the increase in the Parent Company's authorized capital stock to P3,000,000,000 as approved by the stockholders during the annual stockholders' meeting held last December 11, 2015.

The application on the increase in authorized capital stock to P6,000,000,000 is yet to be filed by the Parent Company with SEC.

g) On the same annual stockholders' meeting, the stockholders had approved the issuance and listing of shares to be issued out of the current unissued and/or the increase in the authorized capital stock of the Parent Company to new investors and/or existing stockholders, and the listing thereof, on terms beneficial to the Parent Company.

h) On February 17, 2017, the BOD approved the subscription of certain individuals to a total of 247,396,071,520 shares of the Parent Company out of the authorized share capital in exchange for the assignment of 4,133,740 shares of JDVC, representing 83% of the outstanding capital stock of JDVC.

i) On October 9, 2017, the SEC approved the increase in the capital stock of the Parent Company from P1,000,000,000 divided into 100,000,000,000 shares of the par value of P0.01 each to 6,000,000,000 divided into 600,000,000,000 shares of the par value of P0.01.

## 15. General and Administrative Expenses

This account consists of:

	September 30, 2019	September 30, 2018
Others	₱ 1,871,046	₱ 246,724
Mobilization cost	1,727,765	1,833,584
Salaries & wages	1,643,500	-
Professional fees	892,475	1,481,500
Representation	669,734	164,324
Miscellaneous	204,595	256,516
Office supplies	200,990	102,270
Repairs & maintenance	181,499	1,500
Management fee	75,000	1,466,000
Depreciation	53,207	33,524
Rent	-	160,809
Association dues	-	52,335
	₱ 7,519,811	₱ 5,799,086

## 16. Related Party Transactions

The details of the Group's related parties are summarized as follows:

Name of related party	Relationship	Country of incorporation
Cagayan Ore Metal Mining Exploration	With common shareholders	Philippines

Corporation		
Catagayan Iron Sand Resources Corporation	With common shareholders	Philippines
Catagayan Mining Resources (Phils.) Inc.	With common shareholders	Philippines
Individuals	Key management personnel/shareholders	-

The Group, in the normal course of business, has significant transactions with related parties pertaining to granting and availing of advances for operational expenses.

#### Loan payable

On June 2, 2017, the Subsidiary availed of an unsecured loan in the amount of P10,000,000 from its key officer. The loan is subject to 0.50% monthly interest rate or P50,000 per month.

Interest expense incurred in relation to this borrowing amounted to P600,000 in 2018, as shown in the consolidated statements of comprehensive income (loss).

#### 17. Basic/Diluted Earnings (Loss) Per Share Computation

	September 30, 2019	September 30, 2018
a) Net income attributable to the owners of the Parent	-P 7,270,727	-P 5,028,655
b) Weighted average common shares	275,196,071,520	275,196,071,520
(a/b) Weighted earnings per share	-P 0.00	-P 0.00

#### 18. Commitments and Contingencies

##### *Contingencies*

There are no significant contingencies in relation to any legal action or claims involving the Group as at and for the period ended September 30, 2019.

#### 19. Other Items

There were no dividends paid (aggregate or per share) separately for ordinary and other shares during the interim period.

No effect of changes in the composition of the issuer during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long term investments, restructurings and discontinued operations.