

**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 **June 30, 2020**
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	280,336,349,297
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 June 30, 2020	Audited December 31, 2019	Inc/(Dec)	Percent
Total assets	3,342,704,220	3,338,686,195	4,018,025	0.00
Total liabilities	367,119,510	357,170,665	9,948,845	0.03
Total Equity	2,975,584,710	2,981,515,530	(5,930,820)	0.00

Movement in the assets was significantly from increase in mine properties and advances to contractors. Movement in liabilities mainly from long-term debt.

	Unaudited June 30, 2020	Audited June 30, 2019	Inc/(Dec)	Percent
Total income	2,738	12,576	(9,838)	100.00
Total expense	5,933,558	6,011,428	(77,870)	-0.01
Net income (loss)	(5,930,820)	(5,998,852)	68,032	-0.01

Decrease in total expense primarily from interest expense diluted by increase in repairs and maintenance of rented office and depreciation of motor vehicle.

#### Key Ratios:

	Unaudited June 30, 2020	Audited December 31, 2019
Current ratio	5.21%	5.16%
Debt-to-equity ratio	3.22%	3.20%
Asset-to-equity ratio	112.34%	111.98%
Return on assets	-0.18%	-0.68%
Return on equity	-0.20%	-0.83%

#### 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 – June 2020 versus March 2019**

Decrease in total expense primarily from interest expense diluted by increase in rent and repairs and maintenance.

**Balance Statement Items – June 2020 versus December 2019**

Movement in the assets was significantly from increase in mine properties and advances to contractors. Movement in liabilities mainly from long-term debt.

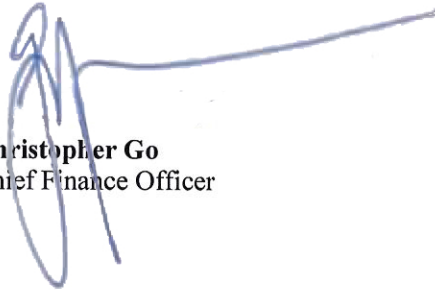
## SIGNATURES

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	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	6	1,353,040	₱1,284,390
Other current assets	7	3,639,110	3,634,557
<b>Total current assets</b>		<b>4,992,150</b>	<b>4,918,947</b>
<b>Non-current assets</b>			
Mine properties	10	3,287,108,171	3,284,054,565
Advances to contractors	9	43,706,453	42,690,538
Deferred tax asset		5,431,194	5,431,194
Property and equipment, net		1,075,475	1,230,174
Website cost		360,777	360,777
Other non-current assets		30,000	-
<b>Total non-current assets</b>		<b>3,337,712,070</b>	<b>3,333,767,248</b>
<b>TOTAL ASSETS</b>		<b>₱3,342,704,220</b>	<b>₱3,338,686,195</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts and other payables	11	₱40,685,965	₱40,237,120
Advances from contractors		55,151,000	55,151,000
<b>Total current liabilities</b>		<b>95,836,965</b>	<b>95,388,120</b>
<b>Non-current liability</b>			
Deposit for future stock subscriptions	14	246,149,562	246,149,562
Long-term debt	12	23,450,000	13,950,000
Advances from related party		1,682,983	1,682,983
<b>Total non-current liabilities</b>		<b>271,282,545</b>	<b>261,782,545</b>
<b>TOTAL LIABILITIES</b>		<b>367,119,510</b>	<b>357,170,665</b>
<b>EQUITY</b>			
Share capital	13	2,803,363,493	2,803,363,493
Share premium		17,586,961	17,586,961
Deficit		(91,697,511)	(86,178,648)
Non-controlling interest		246,331,767	246,743,724
<b>Total equity</b>		<b>2,975,584,710</b>	<b>2,981,515,530</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱3,342,704,220</b>	<b>₱3,338,686,195</b>

*See accompanying Notes to Financial Statements*

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

	Note	For the Period Ended (Unaudited)		For the Quarter Ended (Unaudited)	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Service income		P-	P-	P-	P-
Cost of services		-	-	-	-
Gross profit		-	-	-	-
General and administrative expenses	15	5,354,475	4,741,472	1,237,232	2,463,621
Operating loss		(5,354,475)	(4,741,472)	(1,237,232)	(2,463,621)
Other expenses, net					
Interest income		2,738	12,576	221	12,576
Interest expense		(579,083)	(1,269,956)	(319,333)	-
		(576,345)	(1,257,380)	(319,112)	12,576
Profit (loss) before income tax		(5,930,820)	(5,998,852)	(1,556,344)	(2,451,045)
Provision for income tax		-	-	-	-
Total comprehensive loss	-P	5,930,820	5,998,852	1,556,344	2,451,045
Net loss for the year attributable to:					
Owners of the Parent		(5,518,863)	(4,969,649)	(1,415,586)	(2,031,478)
Non-controlling interest		(411,957)	(1,029,203)	(140,758)	(419,567)
		(5,930,820)	(5,998,852)	(1,556,344)	(2,451,045)
Basic and dilutive earnings (loss) per share		(0.00002)	(0.00002)	(0.00002)	(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	June 30, 2020	June 30, 2019
Share capital	13	₱2,803,363,493	₱2,751,960,715
Share premium		17,586,961	17,586,961
Retained earnings (deficit)			
At January 1		(86,178,648)	(70,176,862)
Net profit (loss) for the year			
attributable to Parent Company		(5,518,863)	(4,969,649)
At June 30		(91,697,511)	(75,146,511)
Non-controlling interest			
At January 1		246,743,724	516,036,443
Net profit (loss) for the year			
attributable to the non-controlling interest		(411,957)	(1,029,203)
At June 30		246,331,767	515,007,240
<b>TOTAL EQUITY</b>		<b>₱2,975,584,710</b>	<b>₱3,209,408,405</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)	
	June 30, 2020	June 30, 2019
<b>Cash flows from operating activities</b>		
Loss before income tax	-P5,930,820	-P5,998,852
Adjustments for depreciation	225,182	23,659
Interest income	(2,738)	(12,576)
Interest expense	579,083	1,269,956
Operating loss before changes in working capital		(4,717,813)
working capital	(5,129,293)	
Changes in working capital accounts		
Decrease (Increase) in		
Other current assets	(4,553)	(113,410)
Other noncurrent assets	(30,000)	(34,677)
Increase (decrease) in accounts and other payables	(130,238)	29,818,853
Cash used for operations	(5,294,084)	24,952,953
Interest paid	-	(1,269,956)
Interest received	2,738	12,576
<b>Net cash used in operating activities</b>	<b>(5,291,346)</b>	<b>23,695,573</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(70,483)	(90,554)
Increase in mine properties	(3,053,606)	(11,696,965)
Acquisition of investment	0	(28,000,000)
<b>Net cash used in investing activities</b>	<b>(3,124,089)</b>	<b>(39,787,519)</b>
<b>Cash flows from financing activities</b>		
Additional due to related parties	-	(2,949,717)
Additional advances to contractors	(1,015,915)	(20,138,921)
Proceeds from deposits for future stock subscription	0	50,322,255
Proceed from (payment of) loan	9,500,000	(3,400,000)
<b>Net cash provided by financing activities</b>	<b>8,484,085</b>	<b>23,833,617</b>
<b>Net decrease in cash</b>	<b>68,650</b>	<b>7,741,671</b>
Cash, January 1	1,284,390	1,545,052
<b>Cash, June 30</b>	<b>P1,353,040</b>	<b>P9,286,723</b>



## **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 aforecited 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.

In December 2019, the Parent Company purchased additional 389,530 shares of JDVC from its existing stockholders for P=267.6 million resulting to an increase in ownership of JDVC to 90.47%.

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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, 2019 and its financial performance and its cash flows for each of the three years ended December 31, 2019, 2018 and 2017 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.

### **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*** – The standard replaced PAS 17, *Leases*, Philippine Interpretations IFRIC 4, *Determining whether an Arrangement contains a Lease*, Standards Interpretation Committee (SIC) 15, *Operating Leases-Incentives*, and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS - leases of low-value assets and short-term leases (leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

The Group has a lease agreement for its office space with a term of 2 years and is renewable upon mutual agreement of both parties.

The Group elected to apply the recognition exemption of short-term lease for its lease agreement. The adoption of PFRS 16 does not have a significant impact in the Group's consolidated financial statements because the rent expense shall continue to be recognized in profit or loss on a straight-line basis over the lease term as under PAS 17.

- **Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments*** - The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- **Annual Improvements to PFRS 2015 to 2017 Cycle:**
  - **Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements Previously Held Interest in a Joint Operation*** – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation,

the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, Joint Arrangements, clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

- **Amendments to PAS 12, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity** – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income (OCI) or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

The adoption of the foregoing new and amended PFRS did not have a material effect on the consolidated financial statements of the Group. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

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

Relevant amended PFRS, which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

*Effective for annual periods beginning on or after January 1, 2020:*

- **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.
- **Amendments to References to the Conceptual Framework in PFRS** – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- **Amendments to PFRS 3 - Definition of a Business** – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- **Amendments to PAS 1, Presentation of Financial Statements and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material** – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the

primary users of general purpose financial statements make on the basis of those financial statements.

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

### **Basis of consolidation**

The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiary. Control is achieved when the Parent Company is exposed, 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 (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

When the Parent Company has less than 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.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests' share on changes in equity since the date of the business combination.

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated.

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.

## **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.

## **Financial Assets and Liabilities**

***Date of Recognition.*** Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to those contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting

***Initial Recognition and Measurement.*** Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

***"Day 1" Difference.*** Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

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

As at June 30, 2020 and December 31, 2019, the Group does not have debt instruments as FVOCI and financial assets and liabilities measured at FVPL.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at June 30, 2020 December 31, 2019, the Group's cash, advances to contractors, advances to related parties, loan receivable and accrued interest receivable are classified under this category.

#### **Reclassification**

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

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

#### **Impairment of Financial Assets at Amortized Cost**

The Group records an allowance for expected credit loss (ECL) based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

The Group applies the general approach in measuring ECL which is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since the initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial

recognition and consider reasonable and supportable information, that is available without undue cost or effort that is indicative of significant credit risk since initial recognition.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### ***Derecognition of Financial Assets and Liabilities***

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

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flow from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through arrangement; or
- the Group has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

**Financial Liabilities.** A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms, of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statement of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished by merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

#### ***Offsetting of Financial Assets and Liabilities***

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

#### ***Classification of Financial Instrument between Liability and Equity***

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

- deliver cash or another financial asset to another entity;



- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

### **Other Current Assets**

Other current assets consists of input value-added tax (VAT), creditable withholding taxes (CWTs) and security deposit

*Input VAT.* Input VAT represents tax imposed on the Group by its suppliers and contractors for the purchase of goods and services, as required under Philippine taxation laws and regulations. The portion of input VAT that will be used to offset the Group's current VAT liabilities is presented as a current asset in the consolidated statement of financial position.

*CWTs.* CWTs represent the amount withheld by the Group's customers in relation to its revenue. These are recognized upon collection of the related revenue and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWTs are stated at their estimated net realizable value.

*Security Deposit.* Security deposit represents advance payments made in relation to the lease agreements entered into by the Group. This deposit is applied to unpaid rent upon termination of the lease.

### **Mine Properties**

Mine properties consist of mineral assets, mining costs and patent.

#### **Mineral Assets**

Mineral assets include costs incurred in connection with acquisition of rights over mineral reserves. Rights over mineral reserves, which are measured, indicated or inferred, are capitalized as part of mineral assets on explored resources if the reserves are commercially producible and that geological data demonstrate with a specified degree of certainty that recovery in future years is probable.

Mineral assets are subject to amortization or depletion upon the commencement of production on a unit-of-production method, based on proven and probable reserves. Costs used in the unit of production calculation comprise the net book value of capitalized costs plus the estimated future development costs. Changes in the estimates of mineral reserves or future development costs are accounted for prospectively.

#### **Mining Costs**

*Exploration and Evaluation Assets.* Exploration and evaluation assets include costs incurred in connection with exploration activities. Exploration and evaluation asset is carried at cost less accumulated impairment losses.

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

Exploration and evaluation activities include:

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

*Mine Under Development.* Once the technical feasibility and commercial variability of extracting the reserves are demonstrable, exploration and evaluation assets are tested for impairment and reclassified to mine under development, a subcategory of mine properties.

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 statement of comprehensive income.

*Producing Mines.* Upon start of commercial operations, mine under development are reclassified as part of producing mines, a subcategory of mine properties. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves, which is reviewed periodically to ensure that the estimated depletion is consistent with the expected pattern of economic benefits from the mine properties.

### **Patent**

Patent includes directly attributable costs incurred to acquire or obtain the rights to the use of the siphon vessel for its offshore mining and/or incidental costs related to the registration and protection of a patent.

Intangible asset with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset is assessed as indefinite if it is expected to contribute net cash inflows indefinitely and is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

### **Property and Equipment**

Property and equipment consist of office furniture, fixtures, equipment and transportation vehicle that are stated at cost less accumulated depreciation and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is computed using the straight-line method over 3-5 years. The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

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

### **Website Cost**

The Group's website is determined to have an indefinite useful life because considering all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

The useful life of an intangible asset is assessed as indefinite if it is expected to contribute net cash inflows indefinitely and is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Website cost is not amortized but is tested for impairment annually either individually or at the cash generating unit level.

### **Impairment of Nonfinancial Assets**

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the recoverable amount of these nonfinancial assets. An asset's recoverable amount is the higher of an asset's or cash generating units' (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognized in the consolidated statement of comprehensive income.

An assessment is made for nonfinancial assets at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

### **Deposits for Future Stock Subscription**

Deposits for stock subscription represents cash received from existing or potential stockholders to be applied as payment for future issuance of capital stock. These are recognized as equity if and only if, all of the following elements set forth by the SEC are present as of end of the reporting period:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract, unless the deposit is specific for a proposed increase in capital;
- there is BOD 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 presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction is recognized as a liability.

### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued.

*Additional Paid-in Capital.* Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the additional paid-in capital, if any.

*Deficit.* Deficit represents the cumulative balance of the Group's result of operations.

### **Income Recognition**

Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

*Interest Income.* Interest income is recognized as it accrues using the effective interest method.

### **Expense Recognition**

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

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business and expensed as incurred.

### **Leases**

#### **Accounting Policies for Leases beginning January 1, 2019**

The Group assesses whether the contracts is, or contains, a lease. To assess whether a contract conveys the right to control the use of identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

- a. The right to obtain substantially all of the economic benefits from the use of the identified asset; and
- b. The right to direct the use of the identified asset.

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

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

*The Group as a Lessee.* Leases are recognized as ROU assets, with corresponding lease liabilities, at the date at which the leased assets are available for use by the Group, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

The Group classifies a lease as short-term lease when the lessee is not reasonably certain to exercise an option to extend a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Group also considers the short-term lease to be a new lease if:

- there is a lease modification; or
- there is any change in the lease term

The election for short-term leases shall be made by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in an entity's operations. The election for leases for which the underlying asset is of low value can be made on a lease-by-lease basis.

### **Accounting Policies for Leases prior to January 1, 2019**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date, whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

A reassessment is made after the inception of the lease only if one of the following applies:

- i. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- iii. there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- iv. there is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (i), (iii) or (iv) above, and at the date of renewal or extension period for scenario (ii).

*The Group as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

### **Related Parties**

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

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. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

A related party transaction is considered material and/or significant if, either individually, or in the aggregate of these transactions during the year with the same related party is 10% or higher of the Group's total consolidated assets.

### **Income Taxes**

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

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

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

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized in OCI.

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

### **Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent Company**

EPS is calculated by dividing profit or loss for the period attributable to common stockholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

### **Provisions**

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

### **Contingencies**

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

### **Events After the Reporting Date**

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

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

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumption that affect the application of accounting policies and the amounts reported in the consolidated financial statements at the reporting date. The judgments, accounting estimates and assumptions used in the consolidated financial statements are

based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **Judgments**

In the process of applying the accounting policies of the Group, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

**Establishing Control over the Subsidiary.** The Parent Company determined that it has control over its subsidiary by considering, among others, its 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. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Parent Company's voting rights and potential voting rights

*Determining the Capitalizability of Costs under Mine Properties.* The capitalization of mine properties requires judgment in determining whether there are future economic benefits from future exploitation or sale of reserves. The capitalization requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, recovery of such expenditure becomes unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

*Accounting for Lease Commitments - Group as a Lessee.* The Group has a lease agreement for its office space with a term of 12 months and is renewable upon mutual agreement of both parties.

Prior to January 1, 2019, the Group has determined that the risks and rewards incidental to ownership of leased asset are retained by the lessor. Accordingly, the lease agreements are accounted for as operating leases.

Beginning January 1, 2019, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on the short-term lease are recognized as expense on a straight-line basis over the lease term.

## **Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting year are discussed below.

*Assessing ECL on Financial Assets.* The Group applies the general approach in measuring the ECL. For cash in banks the Group assessed that cash is deposited with reputable banks that possess good credit ratings. For loan receivable, accrued interest receivable, advances to contractors and related parties, the Group considers the financial capacity of the counterparty.

*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, 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 properties.

*Assessing the Realizability of Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the 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 tax assets to be utilized in the future. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

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#### **4. 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.

#### *Acquisition of Non-controlling Interests*

On December 10, 2019, the BOD approved the additional acquisition of 389,530 shares from existing stockholders of JDVC for P=267.6 million. As a result, the Parent Company has 90.47% ownership of JDVC as at December 31, 2019.

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

The principal financial instruments of the Group comprise of cash, advances to contractors, advances to related parties, loan receivable, accrued interest receivable, accounts and other payables (excluding statutory payables), advances from contractors, loan payable, long-term debt and advances from a related party.

The BOD has overall responsibility for the establishment and oversight of the risk management framework of the Group. The risk management policies of the Group are established to identify and manage the exposure of the Group to the financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Group.



The main risks arising from the use of financial instruments of the Group are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.

### ***Credit risk***

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due.

The Group manages and controls credit risk by trading only with recognized and creditworthy third parties. There is no requirement for collateral. There are no other concentrations of credit risk within the Group. For transactions that involve special credit terms arrangement, the Group may require approval of the BOD.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets.

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Group determines if credit risk have increased significantly when financial assets are more than 30 days past due.

The Group's management considers none of the financial assets to be impaired or past due at the end of each financial reporting period.

*Cash in banks.* The credit risks for cash in banks are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

*Advances to contractors and related parties, loan receivable and accrued interest receivable.* These pertain to receivables from counterparties which are not expected to default in setting its obligations, hence there is no perceived credit risk.

### ***Liquidity risk***

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as these fall due. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when these fall due. The Group also has a committed line of credit that it can access to meet liquidity needs.

### ***Capital 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 maximized stockholder value.

The Group considers its total equity as its core capital. The Group manages its capital structure and makes adjustments to it when there are changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2020 (in 2019 and 2018).

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## 6. Cash

The account consists of:

	June 30, 2020	December 31, 2019
Cash on hand	₱ 20,000	₱ 20,000
Cash in banks	1,333,040	1,264,390
	₱1,353,040	₱1,284,390

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## 7. Other Current Assets

This account consists of:

	June 30, 2020	December 31, 2019
Input VAT	₱2,329,829	₱ 2,325,276
Claims from the BIR	1,237,509	1,237,509
Security deposit	71,772	71,772
	₱3,639,110	₱3,634,557

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

The loan of P=254.5 million was due from a former stockholder at 12% interest rate per year. Interest earned amounted to P=2.3 million in 2019.

The loan and related interest was collected in full in 2019.

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## 9. Advances to Contractors

	June 30, 2020	December 31, 2019
Agbiag Mining Development Corporation	₱42,705,953	₱ 41,690,538
Offshore Mining Chamber of the Philippines	1,000,000	1,000,000
Others	500	-
	₱43,706,453	₱42,690,538

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.

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## 10. Mine Properties

The Subsidiary was granted by the Department of Environment and Natural Resources (DENR) a Mineral Production Sharing Agreement (MPSA) -338-2010-II-OMR covering an area of approximately 14,240 hectares (ha) located within the municipal waters of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Appari, Buguey, and Gonzaga, in the Province of Cagayan for a term of 25 years and renewable for another 25 years.

Originally, the MPSA was granted to Bo Go Resources Mining Corporation (Bo Go) on June 9, 2010. On November 25, 2011, Bo Go executed a deed of assignment (DOA) to transfer to the Subsidiary all its rights and interest in and title to the MPSA. On January 27, 2012, the DOA was approved by the Mines and Geosciences Bureau (MGB) and was duly approved a year after, January 25, 2013, by the DENR.

The DOA, as approved, carries with it the responsibility to implement the Exploration Work Program and the Environmental Work Program which were eventually taken over by the Subsidiary, as well as the submission of the regular Technical/Progress reports. The Environmental Impact Assessment likewise was completed and presented to the various municipalities and stakeholders 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.

The Subsidiary through a DOA transferred all rights and interest in the 2,400 ha portion of the MPSA 338-2010-II-OMR to Sanlorenzo Mines, Inc. The DOA was approved by the DENR on May 20, 2016. The remaining 11,840 ha was redenominated as MPSA No. 338-2010-II-OMR-Amended A.

On March 14, 2017, 3,161.84 ha of the remaining 11,840 ha were relinquished by the Subsidiary in favor of the Government.

On August 9, 2017, the Subsidiary executed DOAs, which was registered with the DENR on April 2, 2018, assigning portion of MPSA No. 338-2010-II-OMR-Amended A as follows:

<u>Company Name</u>	<u>Area Assigned (ha)</u>
Catagayan Iron Sand Mining Resources Corp.	3,182.78
Cagayan Ore Metal Mining Exploration Corp.	2,149.85
Catagayan Mining Resources (Phils.) Inc.	1,448.51

These companies were all incorporated in the Philippines and registered with the SEC on July 1, 2016, primarily to engage on the business of exploring, prospecting and operating mines and quarries of all kind of ores and minerals.

On August 6, 2019, the Declaration of Mining Project Feasibility filed by the Subsidiary last May 25, 2016, was approved by the DENR authorizing the Subsidiary to proceed with the Development and Operating Periods of MPSA No. 338-2010-II-OMR-Amended A covering the 4,999.24 ha, including extraction and commercial disposition of magnetite iron sand and other associated minerals at the offshore areas in the Province of Cagayan.

As at December 31, 2019, the remaining 1,897.02 ha contract area of the MPSA No. 338-2010-II-OMR-Amended A which has been fully explored since 2017.

### **Mineral Assets**

Mineral assets pertain to the acquisition cost of the rights over mineral reserves represented by the excess of the fair value of shares issued by the Parent Company over the carrying amount of the net assets of JDVC when the Parent acquired 82.67% ownership JDVC.

### **Patent**

Patent was acquired by Agbiag for the siphon vessel used in the exploration of the mining in Cagayan. Agbiag allows the Group to use its research, study and intellectual property right on a non-exclusive basis, for the duly researched and studied siphon vessel for the offshore magnetite iron sand commercial extraction through a MOA signed on September 2014.

### **Mining Costs**

Mining costs include the costs incurred in the exploration and evaluation phase of mining. Such costs consist of expenditures related to 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.

The exploration activities for the mine area of the Group were completed in 2017, hence, the related exploration and evaluation assets were transferred to mine under development. Mine under development are not subject to depletion until the production has commenced.

#### *Estimated Units of Production 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 of the vessels. With the yearly production schedule of 6.91 million tons of raw sand with an average magnetite fraction of 19.79% and 95% material recovery, the operations can yield an iron concentrate of 1.30 million metric tons per annum production, using 3 units of production lines of platform.

### **11. Accounts Payable and Other Current Liabilities**

This account consists of:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Payable to a contractor	<b>₱37,500,000</b>	₱37,500,000
Statutory payables	<b>1,231,780</b>	1,166,299
Accrued expenses	<b>1,240,078</b>	821,450
Accounts payable	<b>714,107</b>	749,371
	<b>₱40,685,965</b>	₱40,237,120

Payable to a contractor pertains to the outstanding liability to Agbiag for the patent for the siphon vessel used in its exploration activities (see Note 10).

Statutory payables consist of withholding taxes and other payables to government agencies which are payable within the next month.

Accrued expenses include professional fees and interest from long-term debt which are generally payable within the next reporting year.

Accounts payable consist of liabilities arising from transactions with contractors and suppliers related to the normal course of business which are payable on a 30 to 60-day credit term.

### **12. Long-term Debt**

In 2019, the Group obtained loans aggregating to P=14.0 million from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO) for working capital purposes. The loans bear an interest of 6% per annum with a term of two years. These are convertible, at the option of CBO, at any time during the loan period into shares at P=100 a share.

### **13. Capital Stock**

The details of this account are shown below:

	<b>June 30, 2020</b>		<b>December 31, 2019</b>	
	<b>Number of shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>
<b>Authorized - par value of 0.01 share</b>	<b>600,000,000,000</b>	<b>₱6,000,000,000</b>	600,000,000,000	₱6,000,000,000
<b>Issued and outstanding</b>				
Balance, beginning of year	<b>280,336,349,297</b>	<b>₱2,803,363,493</b>	275,196,071,520	₱2,751,960,715
Conversion of loan	-	-	5,140,277,777	51,402,778
Balance, end of year	<b>280,336,349,297</b>	<b>₱2,803,363,493</b>	280,336,349,297	₱2,803,363,493

Below is the track record of issuance of the Parent Company's securities:

Date of Approval	Nature Authorized	Number of shares		Price
		Issued/Subscribed	Issue/Offer	
October 18, 2012	Listing of shares	100,000,000,000	27,800,000,000	P1.00
October 9, 2017	Share swap	600,000,000,000	247,396,071,520	0.01
September 11, 2019	Loan conversion	600,000,000,000	5,140,277,777	0.01

On October 9, 2017, the SEC approved the increase in the capital stock of the Parent Company from P=1,000.0 million divided into 100,000,000,000 shares to P=6,000.0 million divided into 600,000,000,000 shares both with a par value of P=0.01.

#### Convertible Loan Agreement

On February 20, 2019, the BOD authorized the Parent Company to enter into a convertible loan agreement with a third party amounting to P=50.0 million. The loan bears an interest of 5% per annum and will mature on February 20, 2021. The principal and interest are convertible to shares at P=0.01 per share any time until the 10th day before the maturity date at the option of the third party.

On September 11, 2019, the third party exercised the right to convert the loan at P=0.01 per share. On the same date, the BOD approved the conversion of the principal amount, including the interest accrued up to date of the conversion amounting to P=1,402,778 (see Note 11). The Parent Company issued additional 5,140,277,777 shares as a result of the conversion.

The total number of stockholders of the Parent Company is 799 as at June 30, 2020 and December 31, 2019.

## **14. 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 Corporation	With common shareholders	Philippines
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.

*Deposits for Future Stock Subscription.* Deposits for future stock subscription pertain to cash received from existing stockholders for payment of future issuance of capital stock.

#### **Loan payable**

In 2017, the Group obtained a secured loan from a related party amounting to P=10.0 million for working capital purposes. The loan bears a monthly interest rate of 0.5%. The loan was paid in full in 2019. Interest expense from loan payable amounted to P=0.6 million in 2019 and 2018.

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## 15. General and Administrative Expenses

This account consists of:

	June 30, 2020	June 30, 2019
Salaries & wages	₱ 919,351	₱ 1,187,000
Professional fees	822,900	800,675
Mobilization cost	919,366	976,388
Representation	428,388	394,399
Annual listing fee	292,320	280,000
Rent	143,545	-
Others	338,034	604,013
Depreciation	225,182	23,659
Office supplies	138,068	141,791
Association dues	106,642	-
Repairs & maintenance	633,503	176,599
Management fee	0	75,000
Miscellaneous	387,176	81,948
	₱ 5,354,475	₱ 4,741,472

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

	June 30, 2020	June 30, 2019
a) Net income attributable to the owners of the Parent	-₱ 5,518,863	-₱ 4,969,649
b) Weighted average common shares	280,336,349,297	275,196,071,520
(a/b) Weighted earnings per share	-₱ 0.00	-₱ 0.00

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## 17. Commitments and Contingencies

### Lease Agreements

In 2016, the Subsidiary entered into a cancellable lease agreement with a third party for its office space. The lease term is for a period of 2 years commencing on December 15, 2016 until January 14, 2018. The contract was renewed thereafter but was terminated by the Subsidiary on February 15, 2018. Upon termination of the lease agreement, the Parent Company allows its Subsidiary to use its office space at no cost to the Subsidiary.

In 2019, the Parent Company entered into a lease agreement with a third party for its office space with a term of one year and is renewable upon mutual agreement of both parties. The lease agreement has an escalation clause of 5% per annum. Security deposit amounted to P=0.1 million as at December 31, 2019 (see Note 6). As discussed in Note 2, the asset pertaining to such lease was classified as a short term lease and its related rental payments are recognized in profit or loss on a straight-line basis.

### Royalty Agreement

On September 1, 2014, the Subsidiary entered in a royalty agreement with Agbiag, 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-II-OMR with the Republic of the Philippines, whichever is shorter.

All costs and expenses related to the MPSA, commercial extraction permits and such other fees required by the Government and for non-government related expenses which include community expenses and social compliances among others shall be for the account of Agbiag.

As consideration, the Subsidiary shall earn royalty income of US\$4.00 up to US\$9.33 per ton or specifically in accordance with the proposed slide-up-slide-down net share remittance, or size percent (6%) of cost, whichever is shorter. In 2017, the Subsidiary received advance royalty payment from Agbiag amounting to P=51.5 million.

In a special meeting held by the BOD on October 10, 2018, it was resolved that due to the failure of both parties to conduct full extraction operation during the year, the advance royalty payment will be returned by the Subsidiary to Agbiag. This was presented under “Advances from a contractor” account in the consolidated statement of financial position.

### **Social and Environmental Responsibilities**

In 2019, the Subsidiary secured the regulatory approvals of the following programs:

#### *Social Development Management Program (SDMP)*

SDMP are five (5) year programs of the projects identified and approved for implementation, in consultation with the host communities. The Company provides an annual budget for SDMP projects that focus on health, education, livelihood, public utilities and socio-cultural preservation. The implementation of the program is monitored by the MGB.

#### *Environmental Protection and Enhancement Program (EPEP)*

EPEP refers to comprehensive and strategic environmental management plan to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment. This program is monitored by the Multipartite Monitoring Team, a group headed by a representative from the Regional MGB and representatives of Local Government Units (LGU), other government agencies, non-government organizations, the church sector and the representatives of the Company.

The Subsidiary will start implementing these programs upon commencement of operations.

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### **18. 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.