

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

- ☐ Preliminary Information Statement  
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter

Marcventures Holdings Inc.

3. Province, country or other jurisdiction of incorporation or organization

Metro Manila, Philippines

4. SEC Identification Number

12942

5. BIR Tax Identification Code

000-104-320-000

6. Address of principal office

4th Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City

Postal Code

1227

7. Registrant's telephone number, including area code

632-88314479

8. Date, time and place of the meeting of security holders

September 3, 2021 at 2:00 pm, 4th Floor, BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City via Virtual Meeting/Videoconferencing/Remote Communication

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Aug 12, 2021

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

-

Address and Telephone No.

-

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding	
COMMON	3,014,820,305	

13. Are any or all of registrant's securities listed on a Stock Exchange?

☒ Yes ☐ No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*

## Marcventures Holdings, Inc. MARC

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Sep 3, 2021
Type (Annual or Special)	ANNUAL
Time	2:00 P.M.
Venue	4th Floor, BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City via Virtual Meeting/Videoconferencing/Remote Communication
Record Date	Aug 3, 2021

#### Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

#### Other Relevant Information

PLEASE SEE ATTACHED DEFINITIVE INFORMATION STATEMENT

Filed on behalf by:

<b>Name</b>	Maila Lourdes De Castro
<b>Designation</b>	VP Legal

# COVER SHEET

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SEC Registration Number

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(Company's Full Name)

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

ROLANDO S. SANTOS
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(Contract Person)

(02) 8831-4479
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(Company Telephone Number)

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Month Day  
(Fiscal Year)

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(Form Type)

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Month Day  
(Annual Meeting)

2021 DEFINITIVE INFORMATION STATEMENT
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Secondary License Type, If Applicable)

Corporation Finance Department
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Dept. Requiring this Doc.

N/A
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Amended Articles Number/Section

2,168
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Total No. of Stockholders

Total Amount of Borrowings

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

Cashier

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**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 20-IS**  
**INFORMATION STATEMENT PURSUANT TO SECTION 20**  
**OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:  
  
[ ] Preliminary Information Statement  
[ ☒ ] Definitive Information Statement
2. **MARCVENTURES HOLDINGS, INC.**  
Name of the Registrant as specified in its charter
3. **METRO MANILA, PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number **12942**
5. BIR Tax Identification Code **000-104-320-000**
6. **4th Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City**  
Address of principal office Postal Code **1227**
7. **(02) 8831-4479 or 8856-7976**  
Registrant's telephone numbers, including area code
8. **September 03, 2021 at 2:00 pm, 4th Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City via Virtual Meeting/Videoconferencing/Remote Communication**  
Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders – **August 12, 2021**
10. In case of Proxy Solicitations:  
  
Name of Person Filing the Statement/Solicitor: **MARCVENTURES HOLDINGS, INC.**  
  
Address and Telephone No.: **4<sup>th</sup> Floor BDO Towers Paseo, (formerly Citibank Center)  
8741 Paseo de Roxas, Makati City  
Metro Manila, Philippines 1227  
Tel. (632) 8831-4479  
Attn: Atty. Maila G. De Castro**
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):



2021

August 5,

Securities and Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Blvd., Pasay City  
1307 Metro Manila

Attention : **Dir. Vicente Graciano P. Felizmenio, Jr.**  
Market and Securities Regulation Department

Re : **Marcventures Holdings, Inc.**  
Company Registration No. 00012942  
2021 Definitive Information Statement (SEC Form 20-IS)

Gentlemen:

We respectfully submit the Definitive Information Statement of **MARCVENTURES HOLDINGS, INC. ("MARC")** in relation to the conduct of its annual stockholders' meeting to be held on September 3, 2021 at 2:00 p.m., at the 4<sup>th</sup> Floor, BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City, via virtual meeting. Incorporated therein are the changes and comments of the Securities and Exchange Commission on MARC's Preliminary Information Statement.

<u>Checklist of Requirements</u>	<u>SEC Remarks</u>	<u>MARC's Actions</u>
SRC Rule 20.3.3.5 Information Statement and Management Report shall be uploaded to Issuer's Website for downloading by interested parties	Please upload SEC Form 20-IS and its attachments on the (1) Company's website and (2) PSE Edge, then send us (via msrd_covid19@sec.gov.ph).	MARC will upload and send SEC Form 20-IS to MSRD as instructed.
	Submit signed copy of the Notice of Annual Stockholders' Meeting	Please refer to the signed Notice of the Annual Stockholders' Meeting attached to the Definitive Information Statement.

COVER SHEET	The company is advised of the Notice dated March 17, 2021 re: Alternative Mode for Distributing and Providing Copies of the Notice of Meeting, Information Statement and other documents in connection with the holding of meeting for 2021. In this regard, provide us the proof of publication.	The target dates of publication are August 9 and 10, 2021. MARC will submit proof of publication of the Notice of Meeting once available.
Part I.		
A. General Information		
ITEM 1. DATE, TIME		
Date, time, place of meeting Page 3	Not complied with.  Please see Section 15 of MC 6, series 2020 which provides that the presiding officer shall call and prescribe the stockholders' meeting, whether regular or special, at the principal office of the corporation as provided in the articles of incorporation, or, if not practicable, in the city or municipality where the principal office of the corporation is located.	Please refer to revised Item 1 on page 3 of the Definitive Information Statement.
ITEM 5. DIRECTORS &		
(A)(1) Identify Directors, including Independent Directors and Executive Officers	Submit a Certification on the Qualifications and Disqualification of Mr. Carlos Alfonso T. Ocampo, one of the nominees for Independent Directors.	Please refer to the Certification on the Qualifications and Disqualification of Mr. Carlos Alfonso T. Ocampo dated July 26, 2021 which is attached to the Definitive Information Statement.

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS	Identify the Chairman and Members of the Audit Committee.	Please refer to revised Item 7 on page 17 of the Definitive Information Statement.
D. Other Matters		
ITEM 15. ACTIONS WITH RESPECT TO REPORTS		
COMPLIANCE WITH SECTION 49 OF THE REVISED CORPORATION CODE		
1) A description of the voting and vote tabulation procedures used in the previous meeting;	Indicate in the covering letter the explanation on the company's compliance with Section 49 of the Revised Corporation Code (RCC).	Please refer to Exhibit 1 (Disclosure Requirements under Section 49 of the Revised Corporation Code) of the Definitive Information Statement.
2) A description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given;		
3) the matters discussed and resolutions reached;		
4) a record of the voting results for each agenda item;		
5) A list of directors, officers and stockholders who attended the meeting; and		
6) such other items that the Commission may require in the interest of good governance and the protection of minority stockholders.		
7) Appraisals and performance reports for the board and the criteria and procedure for assessment;		
8) director disclosures on self- dealings and related party transactions.		

ITEM 17. AMENDMENTS OF CHARTER, BY-LAWS & OTHER DOCUMENTS		
Brief reason(s) for and the general effect of such amendment	Not complied with	Please refer to revised Item 17 on page 19 of the Definitive Information Statement.
MANAGEMENT REPORT		
Audited Financial Statements and Interim Financial Statements	Submit Consolidated Unaudited Interim Financial Statements as of June 30, 2021.	Please refer to the Consolidated Unaudited Interim Financial Statements as of June 30, 2021 attached to the Definitive Information Statement.
Management's Discussion and Analysis (MD&A) or Plan of Operation (Required by Part III(A) of "Annex C")		
<i>All other registrants shall provide the following information:</i>		
For both full fiscal years and interim periods, disclose the company's and its majority-owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.	Not complied with	Please refer to the Key Performance Indicators discussed under the following sections of the Management Report:  1. Part II, Item 5, Paragraph A 2. Part II, Item 5, Paragraph D
(a) Full fiscal years		

(1) Discussion of the Registrant's Financial Condition, Changes in Financial Condition and Results of Operations for each of the last 3 fiscal years.	Incomplete - Discussion of the financial condition and results of operation for the years 2018 vis-à-vis 2017.	Please refer to Paragraph D (Discussion for 2018 and 2017 Financial Results) under Item 5, Part II of the Management Report.
If Material:		
(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)	Disclose, if any	Please refer to page 11 of the Management Report.
(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation		
(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.		
(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures		
(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)		
(vi) Any Significant Elements of Income or Loss (from continuing operations)		

(b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). Disclose the required information under subparagraph (2)(a)(I) to (viii) above.	The company should discuss the financial condition and results of operation as of June 30, 2021. (2nd Quarter Report)	Please refer to Paragraph A [Discussion for June 30, 2021 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2020) and for the six-month period ended June 30, 2021 and 2020] under Item 5, Part II, of the Management Report.
INFORMATION ON INDEPENDENT ACCOUNTANT		
EXTERNAL AUDIT FEES (MC No. 14 Series of 2004)		
(a) Under the caption Audit and Audit-Related Fees, the aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor for:	Not complied with	Please refer to the revised discussion on INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS.

Very truly yours,

  
**ANA MARIA A. KATIGBAK**  
Assistant Corporate Secretary

REPUBLIC OF THE PHILIPPINES       )  
MAKATI CITY                               ) S.S.

**SECRETARY'S CERTIFICATE**


KNOW ALL MEN BY THESE PRESENTS:

I, **ANA MARIA A. KATIGBAK**, of legal age, Filipino, with office address at the 3<sup>rd</sup> Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, being the duly elected Assistant Corporate Secretary of **MARCVENTURES HOLDINGS INC.** (the "Corporation"), a corporation duly organized in accordance with Philippine law, with principal office at the 4<sup>th</sup> Floor, Citi Center Bldg., 8741 Paseo De Roxas, Makati City, do hereby certify that at the regular meeting of the Board of Directors of the Corporation held on June 25, 2021 via remote communication, the following resolutions were unanimously adopted and approved:

"**RESOLVED**, that the Board of Directors of **MARCVENTURES HOLDINGS, INC.** (the "Corporation") authorizes, as it hereby authorizes, the holding of the Annual Stockholders' Meeting of the Corporation on September 3, 2021 with the record date on August 3, 2021;

**RESOLVED FURTHER**, that that the annual meeting of stockholders, or any postponements or adjournments thereof be, as it is hereby, conducted virtually by remote communication or *in absentia*, and that the casting of votes by all qualified stockholders of the Company at that meeting be done by proxy or remote communication or *in absentia* in accordance with the internal procedure to be issued by the Company."

IN WITNESS WHEREOF, I have hereunto set my hand this AUG 05 2021  
in Makati City.

  
**ANA MARIA A. KATIGBAK**  
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this AUG 05 2021 at Makati City by affiant whose identity I have confirmed through her Passport with No. P1893381A issued on February 7, 2017 in Manila, bearing the affiant's photograph and signature.

Doc. No. 491;  
Page No. 100;  
Book No. 111;  
Series of 2021.



  
**PORTIA JESSICA J. MACLAN**  
Appointment No. M-54  
Notary Public for Makati City  
Until December 31, 2021  
Castillo Laman Tan Pantaleon  
& San Jose Law Firm  
The Valero Tower, 122 Valero Street  
Salcedo Village, Makati City  
PTR No. 8533747; 01-04-2021; Makati City  
IBP No. 141746; 01-04-2021; Makati Chapter  
Roll No. 73308





## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

### To All Stockholders:

Please be advised that the annual meeting of stockholders of **MARCVENTURES HOLDINGS, INC.** (the “**Corporation**”) will be held virtually on September 3, 2021 (Friday) at 2:00 p.m. at the 4th Floor, BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City. Due to the COVID-19 situation and for the health and safety of the stockholders, the meeting will be conducted by remote communication or *in absentia* and may be accessed through the following link: <https://conveneagm.com/ph/ASM-MHI-2021>.

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of Previous Stockholders' Meeting
4. Approval of the Management Report and Audited Financial Statements
5. Ratification of All Acts of the Board of Directors and Management
6. Amendment of the Articles of Incorporation to Reduce the Number of Directors
7. Election of Directors
8. Appointment of the Independent External Auditor
9. Other Matters
10. Adjournment

For purposes of the meeting, stockholders of record as of August 3, 2021 are entitled to receive notice of and to vote at the said meeting. Stockholders intending to participate by remote communication should register at <https://conveneagm.com/ph/ASM-MHI-2021> on or before August 24, 2021. The password to attend the meeting shall be provided by the Company to all stockholders of record or their proxies who have successfully registered to attend the meeting. Please refer to the **Procedure for Participation and Voting at the 2021 Annual Stockholders' Meeting** (attached to the Definitive Information Statement) for detailed information on participation by remote communication and voting *in absentia* (electronic voting) or by proxy.

The deadline for submission of proxies is on August 24, 2021. Validation of proxies will take place on August 27, 2021.

Pursuant to SEC Notice dated March 16, 2021, a copy of this Notice, the Definitive Information Statement, Management Report, Proxy Form, minutes of the previous meeting of the stockholders, and other documents related to the meeting may be accessed through the Company's website <https://www.marcventuresholdings.com/>.

For any questions about the conduct of the virtual meeting, you may send an email to [maila.decastro@marcventures.com.ph](mailto:maila.decastro@marcventures.com.ph) or [inquiries@marcventures.com.ph](mailto:inquiries@marcventures.com.ph).

Makati City, August 4, 2021.

  
**ROBERTO V. SAN JOSE**  
Corporate Secretary

\*All proxies which have been previously submitted shall remain valid unless revoked.

## ANNEX TO THE NOTICE OF THE 2021 ANNUAL STOCKHOLDERS' MEETING

### AGENDA Details and Rationale

#### **1. Call to order**

The Chairman of the Board of Directors, Mr. Cesar C. Zalamea, will call the meeting to order.

#### **2. Proof of Notice and Certification of Quorum**

The Assistant Corporate Secretary, Atty. Ana Maria A. Katigbak, will certify that pursuant to SEC's Notice dated March 16, 2021, the Notice of the meeting was published in the business section of two (2) newspapers of general circulation. She will confirm whether the attendees at the meeting hold or represent a sufficient number of shares for quorum to exist for the valid transaction of business.

A copy of the Notice of the meeting together with the Definitive Information Statement, Management Report, Proxy Form, minutes of the previous meeting of the stockholders, and other documents related to the meeting are accessible through the Company's website.

#### **3. Approval of the Minutes of Previous Stockholders' Meeting**

A copy of the draft minutes of the previous meeting of the stockholders is available for examination at the Company's website <https://www.marcventuresholdings.com/>.

The stockholders will be requested to approve the draft minutes. The following is the proposed resolution:

“RESOLVED, that the minutes of the Annual Stockholders' Meeting of the Corporation held on October 16, 2020 be, as it is hereby, approved.”

#### **4. Approval of the Management Report & Audited Financial Statements**

The Senior Vice President and Officer-in-charge, Mr. Rolando S. Santos, will present the Management Report, the Corporation's operational highlights and financial results, Audited Financial Statements for the year ended December 31, 2020, and latest interim period financial report. These documents are available on the Company's website <https://www.marcventuresholdings.com/>.

The audited financial statements were prepared by the Corporation's external auditor, Reyes Tacandong & Co., and approved by the Corporation's Audit and Governance Committee and the Board of Directors. In compliance with regulatory requirements,

the audited financial statements were submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

The stockholders will be requested to approve the Management Report and Audited Financial Statements for the year ended December 31, 2020. The following is the proposed resolution:

**“RESOLVED**, that the Management Report as presented by the Senior Vice President and Officer-in-charge and the Corporation’s audited financial statements for year ended December 31, 2020 be, as it is hereby, approved.”

**5. Ratification of All Acts of Board of Directors and Management**

The stockholders will be requested to approve the acts, contracts, resolutions and deeds of the Board of Directors and Management of the Corporation that were significant towards achieving the Corporation’s performance and results. The enumeration of acts for ratification were included in the Definitive Information Statement made available to all stockholders before the meeting. The following is the proposed resolution for approval of the stockholders:

**“RESOLVED**, that all acts, contracts, resolutions and actions, authorized and entered into by the Board of Directors and Management of Marcventures Holdings, Inc. from the date of the last annual stockholders’ meeting up to the present be, as these are hereby, confirmed, ratified and approved.”

**6. Amendment of Articles of Incorporation to Reduce the Number of Directors**

On June 25, 2021, the Board of Directors approved the amendment of the Articles of Incorporation to reduce the number of directors from eleven (11) to nine (9). The proposed reduction in the number of directors will be presented to the stockholders for approval. The following is the proposed resolution:

**“RESOLVED**, that the stockholders of Marcventures Holdings, Inc. (the “Corporation”) approve, as they hereby approve, the amendment of the Articles of Incorporation to reduce the number of directors from eleven (11) to nine (9);

**RESOLVED FURTHER**, that the directors and officers of the Corporation be, as they are hereby, authorized to sign, execute and file with the Securities and Exchange Commission and other relevant government agencies, such documents as may be required to give effect to the foregoing resolution.”

## **7. Election of Directors**

In view of the proposed amendment of the Articles of Incorporation to reduce the number of directors to nine (9), it is proposed to elect the individuals named below to the nine (9) available Board seats. The biographical profiles of the nominee-Directors are provided in the Definitive Information Statement that has been made available together with copies of this Notice to all stockholders of record. The nominee-Directors are the following:

For Regular Directors:

1. Cesar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Michael L. Escaler
4. Marianne Regina T. Dy
5. Augusto C. Serafica, Jr.
6. Ruby Sy
7. Antony M. Te

For Independent Directors:

1. Carlos Alfonso T. Ocampo
2. Kwok Yam Ian Chan

## **8. Appointment of Independent External Auditor**

Upon the favorable recommendation of the Corporation's Audit, Governance, Oversight and Related Party Transaction Committee, the Corporation's external auditor, Reyes Tacandong & Co., is proposed to be reappointed for the current year 2021-2022. The audit partner-in-charge is currently Ms. Carolina P. Angeles. The following is the proposed resolution for approval of the stockholders:

**"RESOLVED**, that the accounting firm of Reyes Tacandong & Company be re-appointed external auditors of the Company for the year 2021-2022.

## **9. Other Matters**

Stockholders may propose to discuss other issues and matters.

## **10. Adjournment**

After all matters in the agenda have been taken up, the meeting will be adjourned.

MARCVENTURES HOLDINGS, INC.  
ANNUAL STOCKHOLDERS' MEETING  
September 03, 2021

PROXY FORM

This proxy is being solicited on behalf of the Board of Directors and Management of Marcventures Holdings, Inc. (the "Company") for voting at the Annual Stockholders' Meeting to be held on September 03, 2021. facilitated *via a* virtual meeting.

I, the undersigned stockholder of the Company, do hereby appoint, name and constitute the Company's Chairman, Cesar C. Zalamea or Officer-in-Charge / Senior Vice President, Rolando S. Santos  
or

as my attorney-in-fact and proxy, to represent me at the Annual Stockholders' Meeting of the Company to be held on September 03, 2021 at 2:00 p.m. and any postponement(s) and adjournment(s) thereof, as fully and to all intents and purposes as I might or could do if present and voting in person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

AGENDA ITEMS	ACTION		
Item 1. Call to Order	No action necessary.		
Item 2: Proof of Notice and Certification of Quorum	No action necessary.		
	FOR	AGAINST	ABSTAIN
Item 3: Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 16 October 2020			
Item 4: Approval of the Management Report and Audited Financial Statements for the year ended 31 December 2020			
Item 5: Ratification of All Acts of the Board of Directors and Management			
Item 6: Amendment of the Articles of Incorporation to reduce the number of directors (from eleven to nine)			
Item 7: Election of Directors			
For Regular Directors:			
1. Cesar C. Zalamea			
2. Isidro C. Alcantara, Jr.			
3. Michael L. Escaler			
4. Marianne Regina T. Dy			
5. Augusto C. Serafica, Jr.			
6. Ruby Sy			
7. Antony M. Te			
For Independent Directors:			
1. Carlos Alfonso T. Ocampo			
2. Kwok Yam Ian Chan			
Item 8: Approval of Appointment of Reyes Tacandong & Co. as the Company's Independent External Auditor			
Item 9: Other Matters	According to Proxy's Discretion		
Item 10: Adjournment			

IN CASE A PROXY FORM IS SIGNED AND RETURNED IN BLANK

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

- FOR the approval of the minutes of previous Annual Meeting of the Stockholders;
- FOR the approval of the Management Report and Audited Financial Statements for year ended December 31, 2020;

- For Regular Directors:

1. Cesar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Michael L. Escaler
4. Marianne Regina T. Dy
5. Augusto C. Serafica, Jr.
6. Ruby Sy
7. Anthony M. Te

For Independent Directors:

1. Carlos Alfonso T. Ocampo
2. Kwok Yam Ian Chan

- FOR the approval of the appointment of Reyes Tacandong & Co. as the Company's external auditor; and
- TO authorize the Proxy to vote according to discretion of the Company's Chairman or Senior Vice President/Officer-in-charge of the Meeting on any matter that may be discussed under "Other Matters".

A Proxy Form that is returned without a signature shall not be valid.

## VALIDATION OF PROXIES

If you will not be able to attend the meeting but would like to be represented thereat, you must submit a duly signed and accomplished proxy form to the Office of the Corporate Secretary of Marcventures Holdings, Inc., 4<sup>th</sup> Floor Citi Center, 8741 Paseo de Roxas, Makati City or on before 6:00 p.m., of **August 24, 2021**. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank, or other fiduciary allowed by law, must likewise present a notarized certification from the owner of record (i.e. the broker, bank, or other fiduciary) that he is the beneficial owner indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized Secretary's Certificate attesting to the authority of its representative to attend and vote at the stockholder's meeting. Validation of proxies shall be made on **August 27, 2021** at the principal office of Marcventures Holdings, Inc.

## REVOCATION OF PROXIES:

A stockholder giving a proxy has the power to revoke it any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

Signed this \_\_\_\_\_ 2021 at \_\_\_\_\_  
(DATE) (PLACE)

Printed Name of Stockholder

Signature of Stockholder  
or Authorized Signatory

**PLEASE DATE AND SIGN YOUR PROXY**

**PLEASE MARK, SIGN, AND RETURN YOUR PROXY BY HAND OR MAIL (IN TIME FOR IT TO REACH THE COMPANY) ON OR BEFORE 6:00 P.M. OF AUGUST 24, 2021.**

REPUBLIC OF THE PHILIPPINES       )  
CITY OF                                       ) S.S

SECRETARY’S CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

I, \_\_\_\_\_, of legal age, Filipino and with business address at the \_\_\_\_\_, under oath, depose and state that:

I am the Corporate Secretary of \_\_\_\_\_, the (“Corporation”), a corporation duly organized and existing under the laws of the Philippines, with principal office and place of business at \_\_\_\_\_.

I hereby certify that at a meeting of the Board of Directors of the said Corporation held at its principal office on \_\_\_\_\_ at which a quorum was present and acting throughout, the following resolution was unanimously approved:

“RESOLVED, as it is hereby resolved that \_\_\_\_\_, be appointed by the Corporation to represent it at the meeting of the stockholders of MARCVENTURES HOLDINGS, INC. scheduled on September 03, 2021 or at any postponement thereof, and in connection therewith, to vote all shares registered in the name of the Corporation or to execute or give any proxies as she/he may deem proper.”

IN WITNESS WHEREOF, I have hereunto set my hand on this \_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ day of \_\_\_\_\_, affiant exhibiting to me his \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_ showing his photograph and signature.

Doc No.\_\_\_\_;  
Page No.: \_\_\_\_;  
Book No. \_\_\_\_;  
Series of 2021.



Title of Each Class

Number of Shares of Common Stock  
Outstanding or Amount of Debt Outstanding

**Common Stock**

**3,014,820,305\***

**\* As of 30 June 2021**

Are any or all of registrant's securities listed in a Stock Exchange?

**YES [X] NO [ ]**

If yes, disclose the name of such Stock Exchange and the class of securities therein:

**Philippine Stock Exchange - Common Stock**

**MARCVENTURES HOLDINGS, INC.**  
**INFORMATION STATEMENT**  
**(SEC FORM 20-IS)**

**PART 1: GENERAL INFORMATION**

**Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS**

Date of meeting :	September 03, 2021 (Friday)
Time of meeting :	2:00 pm
Place of meeting :	4 <sup>th</sup> Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City; However, due to safety and health precautions for the COVID-19 pandemic, all security holders and attendees are to be present via Virtual Meeting/Video Conferencing/Remote Communication

The Chairman of the Company, Mr. Cesar C. Zalamea, shall preside over the meeting in Makati City.

Approximate mailing date  
of this statement including  
proxy form:

August 12, 2021 (to be compliant with the  
requirements of publication of Notice of Meeting  
under Securities and Exchange Commission (SEC)  
Notice dated 20 April 2020 re Alternative Mode of  
Distribution)

Complete mailing address of the  
principal office of the registrant :

4<sup>th</sup> Floor BDO Towers Paseo (formerly Citibank Center),  
8741 Paseo de Roxas, Makati City

**Item 2. DISSENTERS' RIGHT OF APPRAISAL**

There are no matters to be taken up during the Annual Stockholders' Meeting on September 03, 2021 that will require the exercise of appraisal right by any dissenting stockholder.

Any stockholder of the Company may exercise his appraisal right against the proposed action which qualifies as instances that give rise to the exercise of such right, pursuant to the provisions and procedures set forth under Title X of the Revised Corporation Code of the Philippines. The application of such right is limited to the following instances:

- a. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 80);
- b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 80);

- c. In case of merger or consolidation (Section 80);
- d. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation (Section 80).

The Revised Corporation Code of the Philippines (Sec. 81) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

**Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

No incumbent member of the Board of Directors, or nominee for election as Director, at any time since the beginning of the last fiscal year has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting other than election to office.

No director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

**B. CONTROL & COMPENSATION INFORMATION**

**Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

- (1) The Registrant has 3,014,820,305 outstanding common shares as of June 30, 2021. Each common share shall be entitled to one vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.
- (2) The record date for determining stockholders entitled to notice and to vote during the Annual Stockholders Meeting and also to this Information Statement is on August 3, 2021.

(3) The election of the Board of Directors for the current fiscal year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 23 of the Revised Corporation Code of the Philippines. Section 23 provides that a stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

**(4) Security Ownership of Certain Record and Beneficial Owners and Management of more than 5%**

Security ownership of certain record (“r”) and beneficial (“b”) owners of five percent (5%) or more of the outstanding capital stock of the Registrant as of June 30, 2021:

<b>Title of Class</b>	<b>Name, address of record owner and relationship with Issuer</b>	<b>Name of Beneficial Owner &amp; Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent (Based on new no. of Outstanding Shares)</b>
Common	RYM Business Management Corp.	-	Filipino	309,999,946	10.28%
Common	Ruby Sy	-	Filipino	168,615,000	5.59%
Common	PCD Nominee Corporation (registered owner in the books of the stock transfer agent)	Bright Kindle Resources & Investments Inc.	Filipino	600,000,000	19.90%
		Rodolfo Yu	Filipino	172,635,000	5.73%
		Dy Family	Filipino	348,500,000	11.56%
		Isidro C. Alcantara, Jr.		109,378,982	3.63%

		Except those enumerated above, the Company is not aware of other persons with lodged shares who are the beneficial owners of more than 5% of its outstanding capital stock.  PCD authorizes its trading participants to vote the shares registered in their name.	Filipino	332,882,402	11.04%
<b>TOTAL</b>				<b>2,042,011,330</b>	<b>67.73%</b>

The Company has not yet received the proxy form appointing the attorney-in-fact who shall represent and vote the shares held by Bright Kindle Resources and Investments, Inc. and RYM Business Management Corporation in the 2021 Annual Stockholders' Meeting. In previous meetings, the authorized proxy was Mr. Isidro C. Alcantara, Jr.

As of June 30, 2021, the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 150,220,691 common shares or equivalent to 4.98%.

**Security Ownership of Management** – Record “r” and Beneficial “b” (direct/indirect) owners as of June 30, 2021:

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Amount and nature of ownership (Indicate record (“r”) and/or beneficial (“b”))</b>	<b>Citizenship</b>	<b>Percent of Class</b>
Common	Cesar C. Zalamea Chairman	1,000 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Isidro C. Alcantara, Jr. Director & President (retired as President effective 31 October 2020)	2,018 “r” (direct) 109,378,982 “b” (indirect)	Filipino	0.00% 3.63%
Common	Marianne Regina T. Dy Director	1 “r” (direct) 5,999,999 “b” (indirect)	Filipino	0.00% 0.20%
Common	Carlos T. Ocampo Independent Director	1,000 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Augusto C. Serafica, Jr. Director	10,000 “r” (direct) 0 “b” (indirect)	Filipino	0.00%

Common	Ruby K. Sy Director	168,615,000 0	"r" (direct) "b" (indirect)	Filipino	5.59%
Common	Anthony M. Te Director	27,000,500 55,629,100	"r" (direct) "b" (indirect)	Filipino	0.90% 2.74%
Common	Michael L. Escaler Director	0	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Kwok Yam Ian Chan Director	1,000 0	"r" (direct) "b" (indirect)	British	0.00%
Common	Rolando S. Santos Treasurer	1 0	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Roberto V. San Jose Corporate Secretary	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Ana A. Katigbak Asst. Corporate Secretary	0 150,000	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Reuben F. Alcantara SVP Marketing, Business Development, and Strategic Planning	499 0	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Maila G. De Castro VP Legal	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Dale A. Tongco VP Finance & Controller	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Deborra C. Ilagan VP for HR/ Admin	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
		195,631,019 - "r" 171,158,081 - "b"			

### ***Voting trust holders of 5% or More***

No person holds more than five per centum (5%) of a class under a voting trust agreement or similar arrangement.

### ***Changes in control***

There are no arrangements which may result in a change in control of the registrant.

## **Item 5. DIRECTORS AND EXECUTIVE OFFICERS**

### **Board of Directors and Executive Officers**

The names, ages, citizenship, position and business experience of all directors and executive officers held for the past five (5) years (except those years stated otherwise) are as follows:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>
Cesar C. Zalamea	92	Filipino	Chairman
Isidro C. Alcantara, Jr.	67	Filipino	President ( <i>retired as of October 31, 2020</i> ) / Director

Macario U. Te (resigned June 7, 2021)	91	Filipino	Director
Augusto C. Serafica, Jr.	59	Filipino	Director
Marianne Regina T. Dy	44	Filipino	Director
Ruby K. Sy	69	Filipino	Director
Michael L. Escaler	70	Filipino	Director
Anthony M. Te	51	Filipino	Director
Carlos Alfonso T. Ocampo	55	Filipino	Independent Director
Kwok Yam Ian Chan	34	British	Independent Director
Rolando S. Santos	71	Filipino	Treasurer/ Senior Vice President for Finance & Administration
Reuben F. Alcantara	38	Filipino	Senior Vice President for Marketing, Business Development and Strategic Planning
Maila G. De Castro	45	Filipino	Vice President and Head of Legal and Co. Asst. Corporate Secretary
Dale A. Tongco	56	Filipino	Vice President for Controllershship
Deborra C. Ilagan	58	Filipino	VP for HR/ Admin
Roberto V. San Jose	78	Filipino	Corporate Secretary
Ana Maria A. Katigbak	52	Filipino	Asst. Corporate Secretary and Corporate Information Officer

**Mr. Cesar C. Zalamea** was elected Chairman of Marcventures Holdings, Inc. (MHI) in June 2013. He served as the MHI's President from June 2013 to September 2014. He serves as Chairman of Marcventures Mining and Development Corp. (MMDC) and Bright Kindle Resources Inc. (formerly: Bankard Inc.). He is an independent director of Araneta Properties Inc., a company he joined as Director in December 2008. He was a member of the Advisory Board of Campbell Lutyens & Co. Ltd., an investment advisory company based in the U.K., from July 2011 until June 2015. In 1945, Mr. Zalamea joined AIG where he started as an Investment Analyst at the Philippine American Life Insurance Company (Philamlife) and, later, its President in May 1969. While with Philamlife, he was called to serve the Program Implementation Agency (PIA) in 1964 as Deputy Director General. PIA was an economic group that reported directly to the President of the Philippines. He returned to Philamlife in 1965. In 1969, Mr. Zalamea was appointed Member of the Monetary Board of the Central Bank of the Philippines, representing the private sector. In 1981, he left Philamlife to become Chairman of the Development Bank of the Philippines, giving up his post in the Monetary Board. In 1986, he left the DBP to go back to AIG. He was then stationed in Hong Kong to be the first President of AIG Investment Corporation (Asia) Ltd. At this time, he was elected to serve as Director in many AIG affiliated companies in Asia, such as the AIA Insurance Co., Nan Shan Life Insurance Co., and Philamlife. He left AIG in 2005 to work directly with Mr. Maurice R. Greenberg at C.V. STARR Companies, where he was appointed President and CEO of Starr Investment Co. (Asia) Ltd. In 2008, he became its Chairman until he retired in 2010.

Mr. Zalamea obtained his BS in Accounting and Banking in 1951 from Colegio de San Juan de Letran, where he graduated valedictorian. In 1953, Mr. Zalamea received his MBA from New York University.

**Mr. Isidro C. Alcantara, Jr.** was elected as Director of Marcventures Holdings, Inc. in August 2013 and concurrently served as MHI's Executive Vice President. He was then elected as President of MHI in September 2014, a position he held until his retirement effective on October 31, 2020. He currently sits as Director and President of Bright Kindle Resources and Investment Inc. and Financial Risk Resolutions Advisory, Inc.; as Director of BrightGreen Resources, Corp.; Alumina Mining Phils. Inc.; and Bauxite Resources, Inc. In April 2018, Mr. Alcantara was elected Chairman of Philippine Nickel Industry Association (PNIA).

As a long-time Senior Banker, he was the Senior Vice President and Head of Corporate & Institutional Banking at Hongkong and Shanghai Banking Corporation (HSBC). He was the former President and CEO of Philippine Bank of Communications (PBCom) from 2000 to 2004 when he led its corporate rehabilitation. In addition, he served as Executive Vice President of the Corporate Banking Group of Equitable PCI Bank (EPCIB) from 1981 to 2000 and as Director of Bankers Association of the Philippines from 2000 to 2003. Moreover, he occupied high-level posts at Bancor Finance Corporation, PCI Bank, and Insular Bank of Asia and America (a Bank of America affiliate) from 1975 to 1981. Mr. Alcantara is a Certified Public Accountant.

He obtained his BSC in Accounting and BS in Economics degrees from De La Salle University, graduating magna cum laude. He also attended the Special Studies in International Banking at the Wharton School, University of Pennsylvania.

**Mr. Macario U. Te** was elected as Director of MHI in June 2013, and resigned on June 7, 2021. He also served as director of Bright Kindle Resources & Investments, Inc. He was the previous President of Macte International Corp, and Linkwealth Construction Corp.; Chairman of Autobus Industries Corporation; and CEO of M.T. Holdings, Inc. He previously sat as director in Bulawan Mining Corp., PAL Holdings Inc., Philippine National Bank, Oriental Petroleum and Minerals Corp., Gotesco Land Inc., PNB Capital and Investment Corp., PNB General Insurers Co. Inc., PNB Holdings Corp., PNB Remittance Center, PNB Securities Inc., PNB-IFL, PNB Italy SPA, Balabac Resources and Holdings, Nissan North Edsa, Beneficial-PNB Life and Insurance Co. Inc., Waterfront Phils., Fontana Golf Club., Baguio Gold Holding Corp., Traders Royal Bank, Traders Hotel, Pacific Rim Oil Resources Corporation, Suricon Resources Corporation, Alcorn Petroleum & Minerals Corp., Associated Development Corp., and Palawan Consolidated Mining Corporation. Mr. Te obtained his BS in Commerce from Far Eastern University.

**Ms. Marianne Regina T. Dy** was elected Director in September 2014. She is the Vice President and Chief Operating Officer of So-Nice International Corporation and an active member of the Meat Importers and Traders Association (MITA). She is a graduate of De La Salle University with degrees in Psychology, Marketing Management, and Finance for Senior Executives from the Asian Institute of Management.

**Mr. Augusto Antonio C. Serafica Jr.** was elected as Director in June 2013. Mr. Serafica is currently the President and CEO of Premiere Horizon Alliance Corporation and the Managing Director of Asian Alliance Investment Corporation and Asian Alliance Holdings & Development



Corporation. He is the Chairman of the Board for Goshen Land Capital, Inc., West Palawan Premiere Development Corporation, Redstone Construction and Development Construction and TLC Manna Consulting, Inc. He sits as a Regular Director of Bright Kindle Resources, Inc., Concepts Unplugged Business Environment Solutions, Inc. and Premiere Horizon Alliance Corporation. He is also the Treasurer of Sinag Energy Philippines, Inc.

Mr. Serafica is also a member of the Board of Trustees of the AIM Scientific Research Foundation, Inc., President of the AIM Alumni Leadership Foundation, Inc., Treasurer of the Federation of AIM Alumni Associations, Inc. and Director of the Alumni Association of AIM – Philippines, Inc. He is also the National Treasurer of the Brotherhood of Christian Businessmen and Professionals (BCBP).

Mr. Serafica obtained a Bachelor of Commerce in Accountancy degree from San Beda College and Master's in Business Management from the Asian Institute of Management. Mr. Serafica is a Certified Public Accountant.

**Mr. Michael L. Escaler** was elected Director on November 14, 2014. He is the President and CEO of All Asian Countertrade Inc. known as the largest sugar trader in the Philippines, founded in 1994 in partnership with Louis Dreyfus and Nissho-Iwai. He is also the Chairman and President of PASUDECO Development Corp.; Chairman and CEO of Sweet Crystals Integrated Mill Corporation and Okeelanta Corporation; Chairman of Balibago Waterworks System Inc., South Balibago Resources Inc., Megaworld Capital Town Inc., JSY Transport Services Inc., Aldrew and Gray Transport Inc., Silverdragon Transport Inc. and Metro Clark Waste Management Inc.; President of San Fernando Electric Light and Power Company Inc. and Stanwich Philippines Inc. He serves as an Independent Director of Lorenzo Shipping Corporation, Director of PowerSource Philippines Inc., Empire Insurance Company, Trinity Insurance Brokers Inc., Trinity Healthcare Services Inc., Omnigrains Trading Corporation and Leyte Agri Corporation.

A sugar trader in New York and London from 1974 to 1993, Mr. Escaler began his career at Nissho- Iwai of America for two years and left for ACLI International, one of the largest privately held trading company. Later on, he transferred to Philipp Brothers as Vice-President to head its white sugar trading operations. Afterwards he started his own trading company in the Philippines. He is a Hall of Fame Sprinter for Ateneo de Manila University, where he graduated Cum Laude in Bachelor of Arts in Economics. He obtained his Master's in Business Administration in International Marketing in New York University.

A Philanthropist, Mr. Escaler supports various charities including Habitat for Humanity, Coca Cola Foundation, PGH Medical Foundation, Mano Amiga Academy, Productive Internships in Dynamic Enterprise (PRIDE), American Chamber Foundation Philippines Inc. and San Lorenzo Ruiz Charity.

**Mr. Anthony M. Te** was elected Director in October 2017 and has been a director of Marcventures Mining & Development Corp., MHI's wholly-owned subsidiary, since August 2013. He is currently the Chairman of the Board of Asian Appraisal Company, Inc., Amalgamated Project Management Services, Inc., Asian Asset Insurance Brokerage Corp. and AE Protiena Industries Corp. He serves as Chairman and Chief Finance Officer of Mactel Corp., and as Director and Treasurer for Manila Standard Today Management, Inc. Mr. Te is a licensed soliciting official for Non-Life Insurance with the Philippine Insurance Commission.

He previously sat as director in the following companies: AG Finance, Inc. Balabac Resources & Holdings Co., Inc., Commonwealth Savings & Loans Bank, EBECOM Holdings, Inc., Equitable PCI Bank, MRC Allied Industries, Inc., Oriental Petroleum & Minerals Corp., PAL Holdings, Inc., PGA Cars, Inc., and Phoenix Energy Corp. He obtained his Bachelor of Arts in Business Management from De La Salle University.

**Ms. Ruby K. Sy** was elected Director in April 2018. She previously served as President and Director of Asia Pilot Mining Philippines Corp. (APMPC), Director and Treasurer of Bauxite Resources, Inc. and Director and Treasurer of Alumina Mining Philippines, Inc.

**Atty. Carlos Alfonso T. Ocampo** was elected as Independent Director in August 2013. He is also an Independent Director of Bright Kindle Resources & Investments, Inc. He is the founder of Ocampo & Manalo Law Firm, which was established in 1997. He is a member of the Board in various corporations, including MAA General Assurance Phils. Inc., South Forbes City College Corporation, Columbian Autocar Corporation, Asian Carmakers Corp., Jam Transit Inc., Prestige Cars Inc., Autohaus Quezon City, Inc., and AVK Philippines, Inc. He is the Corporate Secretary of PSI Healthcare Development Services Corp., PSI Prescription Solutions Corp., Adrianse Phils. Inc., Bluelion Motors Corp., First Charters and Tours Transport Corp., Brycl Resorts and International Inc., AVK Philippines Inc., Jam Liner Inc., and Manila Golf and Country Club. He previously served as Vice President and General Counsel of Air Philippines Corporation. Upon graduating from college, he was admitted into the honor societies of Phi Kappa Phi and Pi Gamma Mu. Atty. Ocampo subsequently obtained his Bachelor of Laws from the University of the Philippines. He also completed an Executive Management Program at the Asian Institute of Management and earned Certificates from The Harvard Kennedy School of Government for the IME program in 2017 and MN program in 2016. In 2013, he was named as a leading adviser as well as a commercial law expert by Acquisition International and Global Law Experts, respectively.

**Mr. Kwok Yam Ian Chan** was elected as Independent Director of MHI on 25 September 2020. He is currently a Director of Zenith System and Heavy Equipment, Seaborne Shipping Inc., and Isky Empire Realty Inc. He is likewise a Director of Megalifters Cargo Handling Corp., King Dragon Realty Corp. and DK Ventures Inc. Previous to that, he was the Managing Director of Dunfeng Philippines International Inc. from 2010 to 2017. He was also the President of Dunfeng Shipping Inc. from 2013 to 2017 and served as a Director of Mannage Resource and Trading Inc. from 2015 to 2017. He obtained his master's degree in Economics majoring in Finance at California Polytechnic University. Mr. Chan graduated from DLSU - College of St. Benilde with a Bachelor of Science degree in Business Administration majoring in Export Management.

**Mr. Rolando S. Santos** was elected Treasurer in March 2014 and concurrently holds the position of Senior Vice President for Finance and Administration. He also serves as Treasurer for MMDC, Bright Kindle Resources and Investments, Inc., Prime Media Holdings Inc., BrightGreen Resources Holdings Corp. and BrightGreen Resources Corp. He previously served as Treasurer for AG Finance Inc., and was the Branch head/Cluster head of Branches for Banco De Oro from 2001 to 2013, Bank of Commerce from 1984 to 2001, Producers Bank of the Philippines from 1981 to 1984, and Far East Bank from 1972 to 1981. He obtained his degree in BS Business Administration from the University of the East.

**Mr. Reuben F. Alcantara** is the Senior Vice President for Marketing, Business Development, and Strategic Planning. He joined the Company in September 2013 and likewise serves as Senior Vice President for Marketing of Marcventures Mining and Development Corporation and Bright Kindle Resources and Investments, Inc. He previously served as the Vice President of Marketing for AG finance, Inc., as Relationship and Credit Officer for Security Bank and had stints in Corporate Banking in Bank of Commerce and Maybank Philippines. Mr. Alcantara obtained his Executive Master's in Business Administration Degree from the Asian Institute of Management in 2016.

**Atty. Maila G. De Castro** was appointed Vice President and Head of Legal; MHI Co-Asst. Corp. Secretary/Co-Compliance Officer/Co-Corporate Information Officer /Data Privacy Officer; Corp. Secretary for all MHI subsidiaries in August 2019. She completed her Bachelor of Arts in Mass Communications Major in Film and Audio-Visual Communications from the University of the Philippines in 1996 and proceeded to obtain her Juris Doctor from the Ateneo de Manila School of Law in 2000 and was admitted to the Integrated Bar of the Philippine in year 2001. She then subsequently earned her Master's Degree in Business Administration from the Asian Institute of Management (AIM) in 2006.

Before joining MHI and MMDC, she was a Legal Associate and Special Projects Counsel at Belo Gozon Elma Parel Law Offices, with secondment to GMA Network, Inc. and Subsidiaries reporting directly to the President, Chief Executive Officer, and the Board. She also served as the Corporate Counsel and Vice President/Head of Legal and Corporate Planning of UNITELE Productions, Inc. and Subsidiaries, and acted as an independent consultant for various companies in the Content, Entertainment, and Technology sectors. She is concurrently the Chairperson of the Rules Change Committee of the Philippine Electricity Market Corporation for the Wholesale Electricity Spot Market.

**Mr. Dale A. Tongco**, Mr. Dale A. Tongco was appointed VP and Financial Controller of MHI and its subsidiaries on 18 December 2019. He is a Licensed CPA with extensive experience in Public Accounting Firms as External Auditor/ Partner and with Corporations as an Internal Auditor and Risk Management Officer specifically in the areas of Fraud Management; ISO 9001 and 14001 Audit and Management; Process and Control Review; Policies and Procedures Documentation; Corporate Governance; and, Finance and Treasury. His professional experience over 13 years includes stints in KPMG, Deloitte, Phil-Am AIA, CP de Guzman & Co.-CPAs and recently, with Benguet Corporation as Head of Internal Audit and Risk Management. He was engaged in Benguet as Internal Auditor and Risk Officer in August 2015 with the specific task to co-lead the efforts to institute Control Procedures and implement System and Process Reviews especially in the areas of Funds Control, Purchasing and Disbursement in the operations of Benguet specifically in their mining operations in Nickel and Gold Operations.

**Ms. Deborra C. Ilagan** was elected Vice President for Human Resource (HR) and Administration on 4 May 2020. She has been a Human Resources practitioner for well over 20 years with solid background in various HR roles and office administration functions, as well as Finance. Her longest stint (1991-2014) was with Metro Drug, Inc. – a leading distributor of pharmaceutical and healthcare products – where she rose through the ranks from Management Services Supervisor, Treasury Supervisor, Assistant Manager, HR Manager, and Vice President for HR. She was instrumental in building the HR department's resources, led collective bargaining agreement negotiations from 2002 to 2013, and

implemented three (3) rightsizing and early retirement programs of the company. She transitioned to her role as Associate Director – Human Resources and Systems in 2017 at Pacific Cross Insurance, Inc. where she led overall HR operations.

**Atty. Roberto V. San Jose** is the Corporate Secretary of the Company and has held the office since 2010. He is also a Director, Corporate Secretary, or an officer of various companies which are clients of the law firm of Castillo Laman Tan Pantaleon & San Jose, where he is a Senior Consultant. He is a member of the Integrated Bar of the Philippines.

**Atty. Ana Maria A. Katigbak** is the Co-Assistant Corporate Secretary of the Company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, and Pantaleon & San Jose Law Offices and acts as director or corporate secretary for the firm's clients. She is a member of the Integrated Bar of the Philippines.

### **Nominations Committee and Nominees for Election as Members of the Board of Directors**

The Nominations Committee has screened the following nominees for election or re-election on 03 September 2021. The Nominations Committee determined that the candidates possess all the qualifications and none the disqualifications as director or independent director.

Nominees for Regular Directors:

1. Cesar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Michael L. Escaler
4. Marianne Regina T. Dy
5. Augusto C. Serafica, Jr.
6. Ruby K. Sy
7. Anthony M. Te

Nominees for Independent Director:

1. Carlos Alfonso T. Ocampo
2. Kwok Yam Ian Chan

All nominations for regular and independent director have been reviewed and approved by the Company's Nominations and Compensation Committee.

Please refer to the above biographical details of current directors that have been re-nominated.

### **Independent Directors**

As of the date of this Information Statement, the Nominations and Compensation Committee has received and approved the nomination of the following individuals for independent director/s of the Company:

1. **Carlos Alfonso T. Ocampo**
2. **Kwok Yam Ian Chan**

They both possessed all the qualifications and none of the disqualifications as independent director since their election in the year 2013 and 2020, respectively.

The Independent Directors named above were nominated by Mr. Isidro C. Alcantara, Jr., who has no relations to the nominees.

The nomination and election of independent director shall be in accordance with Section 38, as amended of Republic Act 8799 or the Securities Regulation Code.

The Nominations and Compensation Committee is composed of Mr. Cesar C. Zalamea as Chairman and Messrs. Augusto C. Serafica, Jr. and Michael L. Escaler as members.

In accordance with SEC Memorandum Circular No. 4 Series of 2017, the Independent Directors (IDs) have not exceeded the maximum cumulative term of nine (9) years. Furthermore, the Company understands that after a term of nine (9) years, the independent director shall be perpetually barred from re-election as such in the same company but may continue to qualify for nomination and election as a non-independent director. At the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and Reckoning of the cumulative nine-year term is from 2012.

#### **Period in Which Directors and Executive Officers Should Serve**

The directors and executive officers should serve for a period of one (1) year.

#### **Term of Office of a Director**

The directors shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and shall serve until the election and qualification of their successors.

If any vacancy shall occur among the directors by death, resignation or otherwise, such vacancy may be filled by the remaining directors at any meeting at which a quorum shall be present. Any such vacancy may also be filled by the stockholders by ballot at any meeting or adjourned meeting held during such vacancy. Provided the notice of the meeting shall have mentioned such vacancy or expected vacancy. The stockholders at any such meeting may also, in case of like mention, accept the resignation of any director and fill the vacancy thereby caused for the unexpired term. In case of a vacancy in the Board, the remaining directors shall forthwith fill the vacancy or call a special meeting of the stockholders for that purpose.

#### **Significant Employees**

The Company is not highly dependent on any individual who is not an executive officer.

## **Family Relationships**

Mr. Isidro C. Alcantara, Jr., Director and former President of MHI, is the father of Mr. Reuben F. Alcantara, SVP for Marketing, Business Development and Strategic Planning. Mr. Macario U. Te, former director of MHI, and Mr. Anthony M. Te, are also father and son.

Except for Mr. Isidro C. Alcantara, Jr. and Mr. Reuben F. Alcantara, as well as Mr. Macario U. Te (resigned as of June 7, 2021) and Mr. Anthony M. Te, the other directors and executive officers named above are not related to each other.

## **Involvement in Certain Legal Proceedings**

To the best of the knowledge and/or information of the Company, none of its directors or its executive officers, is presently or during the last five (5) years been involved in any material legal proceeding in any court or government agency on the Philippines or elsewhere which would put to question their ability and integrity to serve Marcventures Holdings, Inc. and its stockholders.

Further, to the best of its knowledge and/or information, the Company is not aware of: (a) any bankruptcy petition filed by or against any business of which a director or executive officer or person nominated to become a director or executive officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, excluding traffic violations and other minor offenses; (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

## **Certain Relationships and Related Transactions**

As of December 31, 2020, the related transactions have an outstanding balance of ₱140.27 million which represents a non-interest bearing unsecured loan payable on demand. Please refer to Note 19 on page 35 of the 2020 Audited Consolidated Financial Statements (ACFS).

The Company retains the law firm of Castillo Laman Tan Pantaleon & San Jose Law Offices (CLTPS) where its Corporate Secretary, Atty. Roberto V. San Jose, is a Senior Partner. During the last fiscal year, the Company paid CLTPS legal fees which the Company believes to be reasonable.

The Company is involved in nickel mining operations in Surigao del Sur, through its wholly-owned subsidiary, Marcventures Mining & Development Corporation (MMDC). The area covered by MMDC's Mineral Production Sharing Agreement, No. 016-93-XIII, is physiologically

located in the Diwata mountain range of Surigao del Sur and covers an area of 4,799 hectares. The mine is covered by ECC NO. 0807-022-1093 issued by the Department of the Environment and Natural Resources. Please refer to Note 1 of the 2019 ACFS.

Other than the foregoing, there has been no transaction outside of the ordinary course of business during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any director or executive officer of the Company, or owner of more than 10% of the Company's voting securities or any member of the immediate family of any of the foregoing persons had or is to have a direct or indirect material interest. In the ordinary and regular course of business, the Company had or may have had transactions with other companies in which some of the foregoing persons may have an interest.

#### **Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

The following table summarizes certain information regarding compensation paid or accrued during the last three fiscal years and to be paid in the ensuing fiscal year to the Company's President and each of the Company's three other most highly compensated executive officers:

<b>SUMMARY OF COMPENSATION TABLE</b>				
Names	Position	SALARY	BONUS	OTHER COMPENSATION
Executive officers				
Cesar Zalamea Isidro C. Alcantara, Jr.	Chairman President (retired effective 31 October 2020)			
Roberto San Jose	Corporate Secretary			
Maila G. De Castro	Asst. Corporate Secretary			
Ana Maria Katigbak	Asst. Corporate Secretary			
	2018	14,760,000	1,845,000	₱25,858,222
	2019	14,760,000	1,230,000	₱23,445,000
	2020	14,760,000	762,649	₱23,445,000
	June 2021 estimated	7,380,000	–	₱11,722,500
All other officers and directors as group unnamed	2018	–	–	₱6,600,000
	2019	–	–	₱7,650,000
	2020	–	–	₱8,000,000
	June 2021 estimated	₱–	₱	₱4,000,000

Compensation of key management personnel consists of salaries and other benefits.

The above executive officers are covered by standard employment contracts and can be terminated upon appropriate notice.

Non-executive Directors are entitled to a per diem allowance of ₱75,000 for each attendance in Regular Board meetings.

#### **Item 7. INDEPENDENT PUBLIC ACCOUNTANTS**

Independent Public Accountants, Reyes Tacandong & Co. ("RTC") will stand for re-election as the Company's auditor for the year 2021 which shall be subject to shareholders' approval

during the Annual Meeting. RTC is currently the Company's Independent Public Accountant. Representatives of RTC will be present during the annual meeting and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

In compliance with SRC Rule 68, Paragraph 3(b)(iv) which provides that the external auditor should be rotated every five (5) years or earlier or the handling partner shall be changed, the previous account partner handling the Company, Belinda B. Fernando, who has been the handling partner since December 2013, was replaced by Carolina P. Angeles last 2018. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual.

There was no event in the past years where RTC and the Company had any disagreements with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

The following are members of the Audit Committee:

Chairman:	Carlos Alfonso T. Ocampo (ID)	Members:	Augusto C. Serafica, Jr Kwok Yam Ian Chan
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#### **Item 8. COMPENSATION PLANS**

There is no action proposed to be taken during the stockholders' meeting with regard to any bonus, profit sharing, pension/retirement plan, granting of any extension of options, warrants or rights to purchase any securities.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities other than for Exchange**

There are no matters or actions to be taken up with respect to authorization or issuance of securities.

#### **Item 10. Modification or Exchange of Securities**

There are no matters or actions to be taken up with respect to modification or exchange of securities.

#### **Item 11. Financial and Other Information**

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2020, 17Q or the Quarterly Unaudited Financial Statements as of 30 June 2021 are attached hereto.

The Management's Discussion and Analysis of Financial Condition and Result of the Operations are discussed in the attached Management Report. The notes to the Consolidated Financial Statements are incorporated hereto by reference.



The Company has not made any changes in and has not had any disagreements with its external auditor on accounting and financial disclosures.

Representatives of the Company's external auditor, Reyes Tacandong & Co., are expected to be present at the Annual Shareholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

**Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no action to be taken with respect to any merger, consolidation, or acquisition.

**Item 13. Acquisition or Disposition of Property**

No action is to be taken with respect to the acquisition or disposition of any property.

**Item 14. Restatement of Accounts**

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

**D. OTHER MATTERS**

**Item 15. ACTION WITH RESPECT TO REPORTS & OTHER PROPOSED ACTION/S**

The following matters shall be submitted to the vote of stockholders of the Company during the stockholders' meeting.

1. Approval of Minutes of Previous Stockholders' Meeting
2. Approval of the Management Report and Audited Financial Statements
3. Ratification of All Acts of the Board of Directors and Management
4. Amendment of the Articles of Incorporation to Reduce the Number of Directors
5. Election of Directors
6. Appointment of the Independent External Auditor
7. Other Matters

Please refer to Exhibit 1 of the Definitive Information Statement for a discussion on certain matters required under Section 49 of the Revised Corporation Code.

**Item 16. MATTERS NOT REQUIRED TO BE SUBMITTED**

All corporate actions to be taken up at the annual stockholders' meeting this **September 03, 2021** will be submitted to the stockholders of the Registrant for their approval in accordance with the requirements of the Revised Corporation Code of the Philippines.

Matters not required to be submitted are the Call to Order and Certification of Notice and Quorum.

## ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

There is a proposed action to be taken in relation to the amendment of the Company's Articles of Incorporation for the reduction of the number of directors from 11 to 9. The purpose of the amendment is to make it easier for the Company to reach quorum in Board meetings.

The proposed Sixth Article of the Amended Articles of Incorporation (AOI) of MHI, as amended, will appear as follows:

*"SIXTH: The number of directors of the said corporation shall be nine(9) xxx xxx xxx"*

## ITEM 18. OTHER PROPOSED ACTIONS

Action is to be taken on the ratification and approval of the acts of the Board of Directors and Management from the last stockholders' meeting until the date of the 2021 Annual Stockholders' Meeting. The resolution to be adopted will be the ratification and approval of the acts of the Board of Directors and Management from the last stockholders' meeting in year 2020 until the date of the 2021 Annual Stockholders' Meeting, including the following:

### Highlights

- Opening of Online Corporate Payroll Account with RCBC
- Postponement of the Annual Stockholders' Meeting
- Approval of the 2019 Audited Financial Statements of the Corporation
- Approval of the Corporation's 2019 Sustainability Report
- Approval of the Corporation's 2020 Revised Manual on Corporate Governance
- Approval of Required Disclosures and/or Documents for the Posting on the Corporation's Website to Comply with the Security and Exchange Commission's Prescribed Template for Publicly-Listed Companies' Website
- Authority to Enter into Transactions with University of the Philippines – Department of Mining Metallurgical and Materials Engineering
- Approval of Enterprise Resource Planning (ERP) System
- Election of Officers
- Appointment of the Members of the Different Committees/ Reorganization of Board Committees
- Approval of 3M Seedling Project
- Approval of loans and guarantees in the usual course of business
- Approval of service contracts and supply contracts in the usual course of business
- Controllership Report/ Findings on Adjustments
- Approval of 2020 Audited Financial Statements
- Approval of MHI Sustainability Report for Year 2020
- Amendment of Material Related Party Transactions (MRPT) Policy
- Postponement of the Annual Stockholder's Meeting (ASM)
- Approval of Annual Corporate Governance Report for 2020

## **Item 19. VOTING PROCEDURES**

- (a) the vote required for approval or election

The proposed amendment to the Article of Incorporation will require the affirmative vote of the stockholders holding at least two-thirds (2/3) of the outstanding capital stock.

For other matters other than the election of directors, the affirmative vote by stockholders holding at least a majority of the outstanding capital stock shall be sufficient.

During the election of directors, every stockholder entitled to vote shall have the right to vote the number of shares of stock standing, in his own name on the stock books of the Company; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the whole number of directors to be elected.

The Chairman shall ensure that two seats or at least 20% of the number of directors to be elected, whichever is lesser, shall be allotted for the election of independent directors as required by the SRC and Corporation's Code of Corporate Governance.

- (b) Method by which Votes will be counted

At each meeting of the stockholders, every stockholder shall be entitled to vote in person or by proxy, for each share of stock held by him, which has voting power upon the matter in question.

The method and manner of counting the votes of shareholders shall be by proxies. The votes shall be counted by the Corporate Secretary and Assistant Corporate Secretary, who shall be assisted by the stock transfer agent.

## **PART II: INFORMATION REQUIRED IN A PROXY FORM**

### **PLEASE USE THE ATTACHED PROXY FORM**

#### **Item 1. Identification**

This proxy is solicited by the Board of Directors and Management of Marcventures Holdings Inc. The solicited proxy shall be exercised by the Chairman, Cesar C. Zalamea or the Officer-in-Charge, Rolando S. Santos or the stockholder's authorized representative.

## Item 2. Instruction

- a. For all agenda items other than “Call to Order”, “Proof of Notice and Certification of Quorum”, the proxy form shall be accomplished by marking in the appropriate box either “FOR”, “AGAINST” or “ABSTAIN” according to the stockholder’s/proxy’s preference.

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

- FOR the approval of the minutes of the previous Annual Meeting of the Stockholders;
- FOR the approval of the Management Report and Audited Financial Statements for year ended 31 December 2020;
- FOR the confirmation and ratification of all acts and resolutions of Board of Directors and Management from the date of the last stockholders’ meeting to date as reflected in the books and records of the Company;
- FOR the approval on the amendment of the Company’s Articles of Incorporation to reduce the number of Board seats (from 11 to 9 seats)
- FOR the election of the following directors:

For Regular Directors:

1. Cesar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Michael L. Escaler
4. Marianne Regina T. Dy
5. Augusto C. Serafica, Jr.
6. Ruby Sy
7. Anthony M. Te

For Independent Director:

1. Carlos Alfonso T. Ocampo
2. Kwok Yam Ian Chan

- FOR the approval of the appointment of Reyes Tacandong & Co. as the Company’s external auditor; and to authorize the Proxy to vote according to discretion of the Company’s Officer-in-charge or Chairman of the Meeting on any matter that may be discussed under “Other Matters”.
- b. A Proxy Form that is returned without a signature shall not be valid.
- c. The matters to be taken up in the meeting are enumerated opposite the boxes on the accompanying Proxy Form. The names of the nominee directors are likewise enumerated opposite an appropriate space.
- d. If a stockholder will not be able to attend the meeting but would like to be represented thereat, he may submit his Proxy Form, duly signed and accomplished,

to the Office of the Co-Assistant Corporate Secretary at the head office of Marcventures Holdings Inc., 4<sup>th</sup> Floor BDO Towers Paseo (formerly Citibank Center Bldg), 8741 Paseo de Roxas, Makati City, on or before **24 August 2021**. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required I.D., present a notarized certification from the owner of record (i.e. the broker, bank or other fiduciary) that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting.

Validation of proxies will take place on **27 August 2021**, at the principal office of the Company.

### **Item 3. Revocability of Proxy**

A shareholder may revoke his proxy on or before the date of the Annual Meeting. The proxy may be revoked by the shareholder's written notice to the Corporate Secretary advising the latter of the revocation of the proxy, or by a shareholder's personal attendance during the meeting and appropriate advice to the Corporate Secretary of such revocation.

### **Item 4. Persons Making the Solicitation**

This solicitation is made by the Company. No director has informed the Company in writing or otherwise of his intention to oppose any action intended to be taken up at the meeting.

Solicitation of proxies will be done mainly by mail. Certain regular employees of the Company will also solicit proxies in person or by telephone.

The estimated amount to be spent by the Company to solicit proxies is Philippine Pesos: PhP20,000. The cost of solicitation will be borne by the Company.

### **Item 5. Interest of Certain Persons in Matters to be Acted Upon**

Other than the interest of those persons mentioned below, no member of the Board of Directors or executive officer since the beginning of the last fiscal year, or nominee for election as director, or their associates, has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

## **PART III: SIGNATURE PAGE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on August 5, 2021.

**MARCVENTURES HOLDINGS INC.**

By:   
**Ana Maria A. Katigbak**  
Asst. Corporate Secretary

**THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED, UPON HIS WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. AT THE DISCRETION OF MANAGEMENT, A REASONABLE FEE MAY BE CHARGED FOR THE EXPENSE INCURRED IN PROVIDING A COPY OF THE EXHIBITS. ALL REQUESTS MAY BE SENT TO THE COMPANY'S HEAD OFFICE AND ADDRESSED TO:**

Attention: **MAILA LOURDES G. DE CASTRO  
MARCVENTURES HOLDINGS INC.  
4th Floor BDO Towers Paseo  
(formerly Citibank Center),  
8741 Paseo de Roxas, Makati City**

Transfer Office:

**RIEL JOHN SIMON C. REVELAR  
PROCESSOR**

**STOCK TRANSFER SERVICE, INC.  
34-D RUFINO PACIFIC TOWER  
6784 AYALA AVENUE, MAKATI CITY  
TEL. NOS. 403-9853, 403-2410, 403-2412**

Exhibit 1  
**Disclosure Requirements under  
Section 49 of the Revised Corporation Code**

**a. A description of the voting and vote tabulation procedures used in the previous meeting:**

*See attached Minutes of the Annual Stockholders' Meeting held on October 16, 2020*

**b. A description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given:**

*See attached Minutes of the Annual Stockholders' Meeting held on October 16, 2020*

**c. The matters discussed and resolutions reached:**

*See attached Minutes of the Annual Stockholders' Meeting held on October 16, 2020*

**d. A record of the voting results for each agenda item:**

*See attached Minutes of the Annual Stockholders' Meeting held on October 16, 2020*

**e. A list of the directors or trustees, officers and stockholders or members who attended the meeting:**

Cesar C. Zalamea	Chairman of the Board/ Chairman of the Nomination and Compensation Committee
Isidro C. Alcantara, Jr.	Director/ President
Macario U. Te	Director
Marianne Regina T. Dy	Director
Augusto C. Serafica, Jr.	Director/ Chairman of the Investment Committee
Ruby Sy	Director
Anthony M. Te	Director/ Chairman of the Executive Committee
Retired Court of Appeals Justice Sesinando E. Villon	Director
Carlos Alfonso T. Ocampo	Independent Director/ Chairman of the Audit, Governance, Oversight and Related Party Transaction Committee
Kwok Yam Ian Chan	Independent Director
Atty. Roberto V. San Jose	Corporate Secretary
Atty. Ana Maria A. Katigbak	Assistant Corporate Secretary/ Compliance Officer/ Corporate Information Officer
Atty. Maila G. De Castro	Co-Assistant Corporate Secretary/ Co-Compliance Officer/ Corporate Information Officer/ Data Privacy Officer/ Vice-President and Head of Legal
Reuben F. Alcantara	Senior Vice-President for Marketing/ Business

	Development and Strategic Planning
Rolando S. Santos	Treasurer/ Senior Vice-President for Finance and Administration
Deborra C. Ilagan	Vice-President for HR/ Admin
Dale A. Tongco	Vice-President for Controllershship

During the meeting of the stockholders on October 16, 2020, there were present, in person and by proxy, stockholders owning at least 2,495,436,972 shares representing at least 82.77% of the outstanding capital stock. The list of stockholders present and the proxies executed by stockholders is available at the office of the Corporation.

**f. Other items that the Commission may require in the interest of good governance and the protection of minority stockholders:**

The Company complies with the SEC and PSE disclosure requirements which protects the interests of minority stockholders and is in the interest of good governance. The Company also complies with the PSE rule on additional listing of securities which requires, in certain cases, the consent of at least a majority of the minority stockholders present at a stockholders' meeting.

**g. Appraisals and performance report for the Board and the criteria and procedure for assessment:**

The Company is in the process of establishing a formal policy and processes for the conduct of an annual assessment of the performance of the Board as a body, of the Chairman, of each of the individual directors, the committees, and corporate officers for continual improvement and effective Board, Chairman, Committee and individual performance.

Although the Board has not yet implemented a formal assessment process and has yet to decide on the need to do individual assessments and the means by which such assessments or evaluations should be undertaken, the Company discloses all relevant information to its stakeholders and the investing public through regular and timely disclosures to the SEC and PSE which will enable them to gauge the performance of the Board.

**h. Director disclosures on self-dealing and related party transactions:**

Directors' disclosures on self-dealings are disclosed to the SEC by submission of SEC Form 23-A Initial Statement of Beneficial Ownership of Securities and SEC Form 23-B Statement of Changes in Beneficial Ownership of Securities. As of June 30, 2021, the beneficial ownership of directors was included in the security ownership of management section of information statement. Disclosures on related party transactions can also be found in the 'Certain Relationships and Related Transactions' section of the Definitive Information Statement and Note 20 of the Audited Consolidated Financial Statements and unaudited quarterly reports.



MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS

OF

**MARCVENTURES HOLDINGS, INC.**

Held on October 16, 2020 at 2:00 P.M. at Makati City  
By remote communication<sup>1</sup>

The 2020 Annual Stockholders' Meeting of Marcventures Holdings, Inc. ("**MARC**" or the "**Company**") was conducted by remote communication or *in absentia* at:

<https://agm.conveneagm.org/marcventures/#/agm>

Prior to the start of the meeting proper, a video of the Philippine National Anthem was shown, after which it was announced by the host, Ms. Theresa Defensor, that the meeting would be recorded in accordance with Securities and Exchange Commission ("SEC") Memorandum Circular No. 6, Series of 2020.

**CALL TO ORDER**

The Chairman, Mr. Cesar C. Zalamea, presiding from Makati City, called the meeting to order and presided over the same. He announced that due to the COVID-19 pandemic, the Annual Stockholders' Meeting was being conducted via remote communication for the first time in the Company's history. He thanked all those joining the live webcast and those who participated in the meeting by remote communication, by voting *in absentia* or appointed proxies for the meeting.

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<sup>1</sup> <https://agm.conveneagm.org/marcventures/#/agm>.

The Chairman then acknowledged the presence of the following members of the Board of Directors and Management at the meeting:

Cesar C. Zalamea	Chairman of the Board/ Chairman of the Nomination and Compensation Committee
Isidro C. Alcantara, Jr.	Director/ President
Macario U. Te	Director
Marianne Regina T. Dy	Director
Augusto C. Serafica, Jr.	Director/ Chairman of the Investment Committee
Ruby Sy	Director
Antony M. Te	Director/ Chairman of the Executive Committee
Retired Court of Appeals Justice Sesonando E. Villon	Director
Carlos Alfonso T. Ocampo	Independent Director/ Chairman of the Audit, Governance, Oversight and Related Party Transaction Committee
Kwok Yam Ian Chan	Independent Director
Atty. Roberto V. San Jose	Corporate Secretary
Atty. Ana Maria A. Katigbak	Assistant Corporate Secretary/ Compliance Officer/ Corporate Information Officer
Atty. Maila G. De Castro	Co-Assistant Corporate Secretary/ Co-Compliance Officer/ Corporate Information Officer/ Data Privacy Officer/ Vice-President and Head of Legal
Reuben F. Alcantara	Senior Vice-President for Marketing/ Business Development and Strategic Planning
Rolando S. Santos	Treasurer/ Senior Vice-President for Finance and Administration

Deborra C. Ilagan	Vice-President for HR/ Admin
Dale A. Tongco	Vice-President for Controllershship

**PROOF OF NOTICE AND CERTIFICATION OF QUORUM**

The Assistant Corporate Secretary, Ana Maria A. Katigbak, with the permission of the Corporate Secretary, Atty. Roberto V. San Jose, reported that pursuant to SEC Notice dated 20 April 2020, the notice (or “**Notice**”) of the meeting was published in print and online format in the business section of the Philippine Daily Inquirer and Manila Standard, both newspapers of general circulation, for 2 consecutive days at least 21 days before the meeting. A copy of the Notice, together with the Definitive Information Statement, minutes of the previous meeting, and other documents related to this meeting were also made accessible through the Company’s website and the meeting portal.

Qualified stockholders who successfully registered within the prescribed period were included in the determination of quorum. By voting *in absentia* or by proxy or by participating remotely in this meeting, a stockholder was deemed present for purposes of determining quorum.

Based on this, the Assistant Corporate Secretary certified that there were present at the meeting stockholders owning at least 2,495,436,972 shares representing at least 82.77% of the outstanding capital stock of the Company. Therefore, there was a quorum for the transaction of business.

The Chairman then said that while the Company was holding the meeting virtually, the Company had taken steps to ensure that the stockholders would have an opportunity to participate in the meeting to the same extent as they would have had the meeting been done in person. In this regard, the Assistant Corporate Secretary explained the participation and voting procedures adopted for the meeting. She stated that under the Company’s By-Laws, every stockholder shall be entitled to one vote for each share of stock standing in his/her name in the books of the Company. For the election of directors, each stockholder may cumulate his/her votes.

Stockholders who successfully registered for the meeting were given the opportunity to cast their votes by voting *in absentia* or by proxy. There were six (6) items for approval excluding the adjournment, as indicated in the agenda set out in the Notice. The proposed resolutions for each of these items would be read out and flashed on the screen during the meeting when the proposal to approve the resolution was presented.

For all items in the agenda to be approved in the meeting other than the election of directors, the stockholders had the option to either vote in favor of or against a matter for approval, or to abstain. For the election of directors, the stockholders had the option to vote their shares for each of the nominees, not vote for any nominee, or vote for one or some nominees only, in such number of shares as the stockholders prefer; provided that the total number of votes cast did not exceed the number of shares owned by them multiplied by the number of directors to be elected.

Votes received through ballots or by proxy forms were validated by Stock Transfer and Services, Inc., the Company's Stock and Transfer Agent. The results of the voting, with full details of the affirmative and negative votes, as well as abstentions, were set out in Annex "A" of these Minutes.

For all items in the agenda approved at the meeting other than the election of directors and the proposed amendment of the Articles of Incorporation of the Company, the vote of the stockholders representing at least a majority of the outstanding capital stock was sufficient to approve the matter. For the election of directors, the eleven (11) nominees receiving the highest number of votes would be declared the duly elected members of the Board of Directors for the current term. For the proposed amendment of the Articles of Incorporation to change the corporate name, the affirmative vote of stockholders representing at least 2/3 of the outstanding capital stock was sufficient to approve the matter.

Finally, the Assistant Corporate Secretary explained that stockholders, once successfully registered, were also given an opportunity to raise questions or express comments limited to the agenda items by submitting the same through the meeting portal or by e-mail. She stated that Management would endeavor to reply to these questions or address these comments at the end of the meeting. Questions not answered would be answered by email.

The Assistant Corporate Secretary announced that out of the issued and outstanding capital stock, there were present, in person and by proxy, stockholders owning at least 2,495,436,972 shares representing at least 82.77% of the outstanding capital stock. (The list of attendees and proxies is available at the office of the Corporation). She then certified that there was a quorum for the transaction of business.

#### **APPROVAL OF THE MINUTES OF PREVIOUS ANNUAL STOCKHOLDERS' MEETING**

The next item of business was the approval of the minutes of the previous meeting of the stockholders held on September 26, 2019, an electronic copy of which was made available at the Company's website.

The Assistant Corporate Secretary presented Management's proposal to adopt the following resolution approving the minutes of the annual stockholders' meeting held on September 26, 2019:

**"RESOLVED,** that the minutes of the Annual Stockholders' Meeting of the Corporation held on September 26, 2019 be, as it is hereby, approved."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least 2,495,436,972 shares representing at least 82.77% of the

outstanding capital stock approved the resolution while zero shares voted against and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

**MANAGEMENT REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

The next matter on the agenda was the approval of the management report and audited financial statements. The President, Mr. Isidro C. Alcantara, Jr. reported on the Company's operational highlights and financial results, the audited financial statements for the year ended December 31, 2019, and interim period financial report.

After the report, the Assistant Corporate Secretary presented management's proposal to adopt the following resolution, approving the annual report of management as presented by the President and the audited financial statements for the year ended December 31, 2019:

**"RESOLVED**, that the Management Report as presented by the President and the Corporation's audited financial statements for year ended December 31, 2019 be, as it is hereby, approved."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least at least 2,495,436,972 shares representing at least 82.77% of the outstanding capital stock voted in favor of approving the resolution while zero shares voted against and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

## **RATIFICATION AND APPROVAL OF CORPORATE ACTS**

The next item was the ratification and approval of the acts of management and directors of the Corporation undertaken from the date of the last stockholders' meeting to date. The Chairman stated that a summary of the acts of the Board and management for ratification was included in the Definitive Information Statement.

The Assistant Corporate Secretary presented Management's proposal to adopt the following resolution, ratifying all acts, contracts, resolutions, and deeds authorized and entered into by the management and the Board of Directors from the last annual stockholders' meeting up to the present:

**"RESOLVED**, that all acts, proceedings, transactions, contracts, agreements, resolutions and deeds, authorized and entered into by the Board of Directors, management, and/or officers of Marcventures Holdings, Inc. from the date of the last annual stockholders' meeting up to the present be, as they are hereby, ratified, confirmed, and approved."

Thereafter, the Assistant Corporate Secretary announced that stockholders owning at least 2,495,436,972 shares representing at least 82.77% of the outstanding capital stock voted in favor of the resolution while zero shares voted against and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

## **AMENDMENT OF ARTICLES OF INCORPORATION**

The next item on the agenda was the amendment of the Articles of Incorporation and By-Laws of the Company to change the corporate name from *"Marcventures Holdings, Inc."* to *"Marcventures Nickel Holdings, Inc."* The



Chairman requested the Assistant Corporate Secretary to present the proposed amendment.

The Assistant Corporate Secretary informed the stockholders that management had deferred taking up the proposed amendment to change the corporate name as the matter was being restudied. She said that the stockholders would be informed as soon as the proposed change in name is submitted for their approval.

## **ELECTION OF DIRECTORS**

The next matter on the agenda was the election of the members of the Board of Directors.

The Assistant Corporate Secretary stated that under the SIXTH Article of the Company's Articles of Incorporation, there were eleven (11) seats in the Board of Directors. She explained that under existing SEC rules, the Corporation was required to have at least two (2) independent directors. The SEC rules provided that all nominations for director shall be submitted to and evaluated by the Nominations and Compensation Committee. Nominations for Independent Directors shall appear in the Final List of Candidates set forth in the Definitive Information Statement or other reports submitted to the Securities and Exchange Commission, and no other nominations shall be entertained.

The Assistant Corporate Secretary noted that the Company received a total of nine (9) nominations for Regular Directors, and two (2) for Independent Directors. She explained that nominees receiving the highest number of votes for the 9 available seats for Regular Director, and for the 2 available seats for Independent Director, would be declared as the duly elected members of the Board of Directors for 2020-2021.

She announced the names of the following nominees for regular and independent directors and that full details of the background and qualifications of the nominees were disclosed in the Company's Definitive Information Statement:

For Regular Directors:

1. CESAR C. ZALAMEA
2. ISIDRO C. ALCANTARA, JR.
3. MACARIO U. TE
4. MICHAEL L. ESCALER
5. MARIANNE REGINA T. DY
6. AUGUSTO C. SERAFICA, JR.
7. RUBY SY
8. ANTHONY M. TE
9. SESINANDO E. VILLON

and as Independent Directors:

10. CARLOS T. OCAMPO
11. KWOK YAM IAN CHAN

At the Chairman's request, the Assistant Corporate Secretary announced that based on the tabulation and validation by the Company's stock and transfer agent, stockholders owning at least 2,495,436,972 shares representing at least 82.77% of the outstanding capital stock, voted to elect all the eleven (11) candidates to the Board of Directors. The above eleven (11) candidates were therefore declared as the duly elected members of the Board of Directors of the Company for the term 2020-2021 to act as such until their successors are duly elected and qualified.

#### **APPOINTMENT OF EXTERNAL AUDITOR**

The Chairman stated that the next item in the agenda was the appointment of the Company's external auditor for the current year.

The Chairman of the Audit and Governance Committee, Independent Director Carlos Alfonso T. Ocampo, informed the stockholders that the Audit and Governance Committee reviewed the qualifications and performance of the Company's current external auditor, Reyes Tacandong & Company, and endorsed its reappointment for the current year.

The Assistant Corporate Secretary presented Management's proposal to adopt the following resolution, reappointing Reyes Tacandong & Company as the Company's external auditor for the current year:

**"RESOLVED**, that the accounting firm of Reyes Tacandong & Company be re-appointed external auditors of the Corporation for the year 2020-2021."

Thereafter, she announced that that stockholders owning at least 2,495,436,972 shares representing at least 82.77% of the outstanding capital stock, voted in favor of approving the resolution while zero shares voted against and zero shares abstained on the motion. It was noted that the affirmative votes were sufficient to approve the resolution.

## **OTHER MATTERS**

The Chairman inquired whether any questions were raised or comments made on the agenda, by email or through the meeting portal.

The Assistant Corporate Secretary replied that no questions or comments were received by email through the meeting portal prior to and during the meeting.

**ANNEX "A"**  
**(VOTING RESULTS)**

<b>AGENDA ITEMS</b>	<b>ACTION</b>			
Item 1. Call to Order	No action necessary.			
Item 2. Proof of Notice and Certification of Quorum	No action necessary.			
	<b>FOR</b>	<b>%</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Item 3. Approval of the Minutes of the Previous Annual Stockholders' Meeting	2,495,436,972	82.77%	0	0
Item 4. Approval of the Management Report and Audited Financial Statements for the year ended December 31, 2019	2,495,436,972	82.77%	0	0
Item 5. Ratification of Previous Corporate Acts	2,495,436,972	82.77%	0	0
Item 6. Amendment of Articles of Incorporation and By-Laws to Change the Corporate Name of "Marcventures Holdings, Inc.".	Matter deferred	Matter deferred	Matter deferred	Matter deferred
Item 6. Election of Directors	Votes per nominee shown below			
<b>For Regular Director:</b>				
Cesar C. Zalamea	2,495,436,972	82.77%	0	0
Isidro C. Alcantara, Jr.	2,495,436,972	82.77%	0	0
Macario U. Te	2,495,436,972	82.77%	0	0
Michael L. Escaler	2,495,436,972	82.77%	0	0
Marianne Regina T. Dy	2,495,436,972	82.77%	0	0
Augusto C. Serafica, Jr.	2,495,436,972	82.77%	0	0
Ruby Sy	2,495,436,972	82.77%	0	0
Anthony M. Te	2,495,436,972	82.77%	0	0
Sesinando E. Villon	2,495,436,972	82.77%	0	0
<b>For Independent Director:</b>				
Carlos Alfonso T. Ocampo	2,495,436,972	82.77%		
Kwok Yam Ian Chan	2,495,436,972	82.77%	0	0
Item 9. Approval of appointment of Reyes & Tacandong as the Company's external auditor	2,495,436,972	82.77%	0	0
Item 10. Adjournment	2,495,436,972	82.77%	0	0

\* Percentage is based on total outstanding voting shares of MHI at 3,014,820,305 common shares

The President, Mr. Isidro C. Alcantara, then thanked the Board and stockholders for the support they have provided to the Company. He also informed the stockholders that he will be retiring from the Company effective October 31, 2020.

## **ADJOURNMENT**

There being no other matters on the agenda, the Chairman adjourned the meeting. He then conveyed his wishes for the safety and good health of the stockholders and their families.

Attested By:

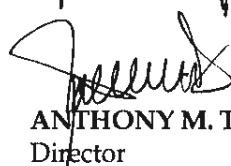
  
**CESAR C. ZALAMEA**  
Chairman

**MACARIO U. TE**  
Director

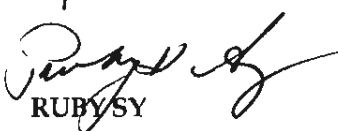
**ISIDRO C. ALCANTARA JR.**  
Director

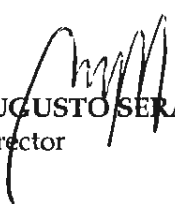
  
**MARIANNE T. DY**  
Director

  
**CARLOS ALFONSO T. OCAMPO**  
Independent Director

  
**ANTHONY M. TE**  
Director

**MICHAEL ESCALER**  
Director

  
**RUBY SY**  
Director

  
**AUGUSTO SERAFICA, JR.**  
Director

  
**KWOK YAM IAN CHAN**  
Independent Director

**Procedure for Registration, Participation and Voting**  
**in the 2021 Annual Stockholders Meeting**  
**of MARCVENTURES HOLDINGS, INC.**

As a precautionary and safety measure in view of the Corona Virus Disease 2019 (Covid-19) pandemic, Marcventures Holdings, Inc. (the "Company") will be conducting its Annual Stockholder Meeting ("ASM") scheduled on September 3, 2021 at 2:00 PM by remote communication or *in absentia*.

Only Stockholders of record as of August 03, 2021 are entitled to participate and vote in the 2021 ASM. Stockholders intending to participate by remote communication or by proxy should register according to Step I below on or before August 24, 2021. The password to attend the meeting through the link provided in the Notice, shall be sent to all stockholders of record or their proxies who have successfully registered to attend the meeting.

**Step I. Registration and Participation/Attendance Procedure:**

1. Stockholders who intend to participate in the virtual ASM may register at <https://conveneagm.com/ph/ASM-MHI-2021> with the following requirements for registration:
  - a. *For individual stockholders:*
    - i. Scanned copy of any valid government-issued ID;
    - ii. Scanned copy of stock certificate in the name of the individual stockholder; and
    - iii. Active contact number, either landline or mobile.
  - b. *For stockholders with joint accounts:*
    - i. Scanned copy of authorization letter signed by other stockholders indicating the person among them authorized to participate and/or vote in the 2021 ASM;
    - ii. Documents required under items 1.a (i) and (iii) for the authorized stockholder;
    - iii. Scanned copy of stock certificate in the name of the joint stockholders.
  - c. *For stockholders under PCD Participant / Brokers Account or "Scripless Shares":*
    - i. Coordinate with the broker and request for the full account name and reference number or account number;
    - ii. Documents required under items 1.a (i) and (iii).

d. *For corporate stockholders:*

- i. Secretary's Certificate attesting to the authority of the representative to participate and / or vote in the 2021 ASM;
  - ii. Documents required under items 1.a (i) and (iii) for the authorized representative;
  - iii. Scanned copy of stock certificate in the name of the corporate stockholder.
2. Upon successful registration and validation of the documents submitted through the portal <https://conveneagm.com/ph/ASM-MHI-2021>, the stockholder will receive an email confirmation and a unique link which can be used to log in and view the 2021 ASM.
  3. Only those stockholders who have registered following the procedure above, and stockholders who have voted by providing their executed Proxy Form or through the Online Stockholder Voting System shall be included for purposes of determining the existence of a quorum.
  4. For purposes of voting during the 2021 ASM, please see section on Voting Procedure below.
  5. For the Question and Answer portion during the 2021 ASM, stockholders may send their questions related to the agenda at <https://conveneagm.com/ph/ASM-MHI-2021>. Due to limitations on technology and time, not all questions may be responded to during the 2021 ASM but the Company will endeavor to respond to all the questions through email.
  6. The proceedings during the 2021 ASM will be recorded as required by the Securities and Exchange Commission.
  7. Stockholders intending to participate by remote communication in the 2021 ASM are required to register not later than ten (10) calendar days before the scheduled ASM, or not later than August 24, 2021.
  8. In compliance with the SEC Notice dated March 16, 2021, the Information Statement, Management Report, Proxy Form and other pertinent documents may be accessed through the Company's website at [www.marcventuresholdings.com](http://www.marcventuresholdings.com).

**Step II. Voting Procedure:**

Stockholders may vote during the 2021 ASM either (1) by Proxy or (2) by voting *in absentia* through our Online Stockholder Voting System.

1. Voting by Proxy:

- a. Download and fill up the Proxy Form at <https://conveneagm.com/ph/ASM-MHI-2021>. The Chairman, or in his absence, the Officer-in-Charge / Senior Vice President or the stockholder's attorney-in-fact is authorized to cast the votes pursuant to the instructions in the Proxy Form.



- b. Send a scanned copy of the executed Proxy Form by email to [maila.decastro@marcventures.com.ph](mailto:maila.decastro@marcventures.com.ph).
- c. The scanned copy of the executed Proxy Form should be emailed to the above not less than ten (10) calendar days prior to the scheduled ASM, or not later than August 24, 2021.
- d. The hard copy of the signed Proxy Form should be delivered to:

The Corporate Secretary,  
4th Floor, BDO Towers Paseo (formerly, Citibank Center), 8741 Paseo de Roxas,  
Makati City

2. Voting in absentia through the Online Stockholder Voting System:

- a. Follow the Registration and Participation/Attendance Procedure set forth above.
- b. Stockholders may vote in absentia through the Online Stockholder Voting System not later than ten (10) calendar days before the scheduled 2021 ASM, or not later than August 24, 2021.
- c. Upon validation, the Company will send an email to the stockholder containing the link for the Online Stockholder Voting System and the instructions for casting votes in the Online Stockholder Voting System. Registered stockholders shall have until 5:00 PM of August 24, 2021 to cast their votes.
- d. All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:
  - i. For items other than election of the Directors, the stockholder may vote: “For”, “Against”, or “Abstain”. The vote shall be considered as cast for all the stockholder’s shares.
  - ii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.
- e. Once voting is completed in the Online Stockholder Voting System, the stockholder shall proceed to click on the “Submit” button which shall complete the process. Once submitted, the stockholder may no longer change the votes cast. The votes cast *in absentia* will have same effect as votes cast by proxy.

For any questions or clarification, you may contact us through:

- Email at [maila.decastro@marcventures.com.ph](mailto:maila.decastro@marcventures.com.ph); or
- Telephone number at 8831-4479; or
- Our stock transfer agent, Stock Transfer Service, Inc. (STSI), through
  - ✓ Riel Revelar at [rcrevelar@stocktransfer.com.ph](mailto:rcrevelar@stocktransfer.com.ph) or
  - ✓ Richard D. Regala at [rdregala@stocktransfer.com.ph](mailto:rdregala@stocktransfer.com.ph), or
  - ✓ STSI’s telephone number at 8403-2410 or 8403-2412

**MARCVENTURES HOLDINGS INC.**

**MANAGEMENT REPORT  
Pursuant to SRC Rule 20**

**For the Annual Stockholders' Meeting  
On September 03, 2021**

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**I. Consolidated Audited Financial Statements**

The Consolidated Audited Financial Statements of Marcventures Holdings, Inc. (MHI or the "Company") for the year ended as of December 31, 2020 and unaudited financial statements for the period ended June 30, 2021 are attached to this report.

**II. Disagreements with Accountants on Accounting and Financial Disclosures**

There was no event in the past years where **Reyes Tacandong & Co. (RTC)**, the Company's Independent Public Accountant, and the Company had any disagreements with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

**ITEM 1. BUSINESS**

**Background**

Marcventures Holdings, Inc. (Formerly: AJO.net Holdings, Inc.), the Parent Company (or Company), was incorporated and registered with the Securities and Exchange Commission (SEC) on August 7, 1957, with primary purpose to acquire by purchase, exchange, assignment, gift or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in, and with, and otherwise operate, manage, enjoy and dispose of, any and all properties of every kind and description and wherever situated, including land as and to the extent permitted by law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements and bonds, debentures, promissory notes, shares of stock, or other securities or obligations, created, negotiated or issued by any corporation, association or other entity, foreign or domestic and while the owner, holder or possessors thereof, to exercise all rights, powers and privileges of ownership or any other interest therein, including the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom, and the right to vote on any proprietary or other interest, on any shares of the capital stock, and upon any bonds, debentures or other securities having voting power, so owned or held; and provided it shall not engage in the business of an open-end or close-end investment company as defined in the Investment Company Act (Republic Act 2629), or act as a securities broker or dealer; to aid either by guaranty and/or surety, any subsidiary and/or affiliate of the corporation.

On December 15, 2009, the Parent Company entered into a Memorandum of Agreement (MOA) with the shareholders of Marcventures Mining & Development Corporation (MMDC) (Investor Group) and their partners to exchange their stake in MMDC for a total value of ₱1.3 billion consisting of: (i) new Parent Company shares worth ₱100.0 million representing the full payment of the balance for the subscription to the increase in authorized capital stock; (ii) additional Parent Company shares worth ₱1.15 billion to be issued from the authorized capital stock as increased, and

the new par value of the Parent Company after its corporate restructuring; and (iii) 488 membership certificates of The Metropolitan Club, Inc. (Metroclub Certificates) with an agreed net value of ₱50.0 million together with the Parent Company's rights, obligation and interests. The consolidated financial statements assumed June 30, 2010 as the acquisition date.

In March 2010, the Company reduced the par value of its capital stock from ₱0.10 to ₱0.01, which resulted in a reduction in its issued and outstanding capital stock in the amount of ₱459 million and in a corresponding increase in its Additional Paid-in Capital account. Subsequently, the Company issued 5 billion new shares (par value of ₱0.01) at a price of ₱0.02, which resulted in additional paid-in capital of ₱50.0 million. The Company also transferred the amount of ₱441.0 million from its Additional Paid-in Capital to reduce its Deficit account.

On September 30, 2010, the Securities and Exchange Commission (SEC) approved the change in the par value of its capital stock from ₱0.01 to ₱1.00.

Marcventures Mining & Development Corporation (MMDC), a wholly-owned Subsidiary of the Parent Company, is incorporated in the Philippines and is primarily engaged to carry on the business of mining, smelting, extracting, smelting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource from the earth; to operate, manage and/or engage in the business of smelting, and/or operate smelting plant, to refine and/or convert metals, ore, and other precious metals into finished products within the commerce of man; to carry on the business of operating coal mines; and of prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing and dealing in all other kinds of ores, metals, and minerals, hydrocarbons, acids and chemicals, and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced; to purchase, lease, option, locate, or otherwise acquire, own, exchange, sell or otherwise dispose of, pledge, mortgage, deed in trust, hypothecate, and deal in mines, mining claims, mineral lands, coal lands, timber lands, water and water rights, and other property, both real and personal.

MMDC obtained its ISO 14001:2004 + Cor. 1:2009 Certification from TÜV Rheinland Cert GmbH, an International Certification Body performing system certification and training as well as providing third-party audit/certification based on various international standards. The certificate issued in favor of MMDC dated 16 May 2016 complies with Department of Environment and Natural Resources (DENR) Administrative Order No. 2015-07. It confirms that MMDC's Environment Management Systems implemented for Mining and Shipping of Nickel Laterite Ore and Post-Mining Activities are compliant with International Standards.

Going beyond regulatory demand, MMDC integrated three (3) management systems to raise business standards and more importantly, protect the environment and people. After rigorous, simultaneous audits, MMDC's Surigao Nickel Mining project obtained International Organization for Standardization (ISO) certification for Environmental Management System (ISO 14001:2015), Quality Management System (ISO 9001:2015), and the Occupational Health and Safety Management System (ISO18001:2007). It also received certification for the migration from OHSAS 18001:2007 (Occupational Health and Safety Assessment Series [OHSAS]) to ISO 45001:2018 (Occupational Health and Safety Management System). The British certifying body National Quality Assurance (NQA), which granted MMDC the ISO certification in September 2017, also certified the Company's integrated Management Systems (IMS).

On December 29, 2017, the SEC approved the merger of MHI with Asia Pilot Mining Philippines Corp. ("APMPC") and BrightGreen Resources Holdings Inc. ("BHI") with MHI as the surviving entity. The

merger resulted to MHI's acquisition of APMPC's subsidiaries, namely, Alumina Mining Philippines Inc. ("AMPI") and Bauxite Resources Inc. ("BARI") as well as BHI's subsidiary, BrightGreen Resources Corp. ("BRC"). Moreover, this resulted in the increase in authorized capital stock of the Parent Company to accommodate the merger from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

BHI owns 100% interest in BRC and APMPC owns 100% interest in AMPI and BARI.

The merger allowed MHI to grow its business, diversify its products and expand its source of income. Bauxite has been observed to be more stable in prices as compared to other commodities even during the slump of metal prices.

The Company is not involved in any bankruptcy, receivership, or similar proceedings.

The Company is listed in the Philippine Stock Exchange (PSE). The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC, BRC, AMPI and BARI as at June 30, 2021 and December 31, 2020 and for the period ended June 30, 2021 and December 31, 2020.

The Parent Company's current registered office is located at Unit 4-3 4th Flr. BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City.

Pursuant to the approval of the Board of Directors of the Company on 15 February 2018, MHI executed, on 23 May 2018, a Subscription Agreement with Mr. Isidro C. Alcantara, Jr. then MHI's President & CEO, accepting the subscription of the latter to 45,731,706 MARC shares at ₱1.64 per share equivalent to ₱74,999,997.84. The subscription price was based on the average 30 day high and low prices from January 3, 2018 to February 9, 2018 as disclosed.

Simultaneously, the Company entered into a Subscription Agreement with its subsidiary, MMDC wherein the Company subscribed to additional 7,500,000 MMDC shares with a par value of Ten Pesos (₱10.00) per share for a total amount of Seventy-Five Million Pesos (₱75,000,000.00). The subscription proceeds are to be used by MMDC for its operations and infrastructure development.

During the annual meeting held on December 19, 2018, the Stockholders of MHI approved the amendment of the Seventh Article of the Articles of Incorporation to increase the MHI's authorized capital stock from ₱4.0 Billion to an amount of up to ₱7.0 Billion and to create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of ₱10.00 per share or aggregate par value of ₱1,000,000,000, thereby amending the Seventh Article as follows:

SEVENTH. That the authorized capital stock of the corporation is SEVEN BILLION PESOS (₱7,000,000,000.00) and said capital stock is divided into:

(a) SIX BILLION (6,000,000,000) common shares with a par value of One Peso (₱1.00) each share or an aggregate par value of SIX BILLION PESOS (₱6,000,000,000.00); AND

(b) ONE HUNDRED MILLION (100,000,000) Preferred Shares with a par value of TEN PESOS (₱10.00) each share or an aggregate par value of ONE BILLION PESOS (₱1,000,000,000.00)

Furthermore, the Stockholders also authorized the MHI to enter into Placing and Subscription Transactions. The Stockholders authorized the Board of Directors to determine the terms and conditions of the Placing and Subscription Transaction, provided that:

- (i) The number of Placing Shares shall not exceed 600,000,000 listed common shares to be provided by existing shareholders of the Corporation, and the number of Subscription Shares shall be equivalent to the number of Placing Shares actually sold; and
- (ii) The Placing price shall not be less than the par value of the common shares.

The Stockholders likewise approved the issuance of warrants to stockholders, directors, officers and/or third-party consultants under such terms and conditions as the Board of Directors may deem proper.

The foregoing has yet to be implemented.

On February 21, 2019, the PSE approved MHI's listing application of shares issued in connection with the merger of APMC and BHI and further approved the listing application for two (2) private placements - BDO Unionbank, Inc. and Investment Group as Escrow Agent.

During the annual stockholder's meeting held on September 26, 2019, stockholders representing 81.22% ratified all acts of the Board of Directors and Management from the last stockholders' meeting until the date of the 2019 Annual Stockholders' Meeting including Board Resolutions authorizing MHI to act as Surety or Guarantor or to issue Pledges or Mortgages to secure the loan obligations of its Subsidiaries, namely, Alumina Mining Phils. Inc. (AMPI), Bauxite Resources, Inc. (BARI), BrightGreen Resources Corporation (BRC), and Marcventures Mining and Development Corporation (MMDC).

### **Updates and Developments in 2021**

The Security Agreements of MHI for the loan obligations of its subsidiaries are as follows:

- a. AMPI as regards its loan obligations to Philippine Business Bank;
  - Authority of MHI to act as surety, binding itself jointly and severally to pay the loan/ credit accommodation granted by Philippine Business Bank to AMPI in the principal amount of Two Hundred Million Pesos (₱200,000,000.00), Philippine currency, together with interests, penalties, and other charges therein; the authority of the then President, Mr. Isidro C. Alcantara, Jr., and the Treasurer, Mr. Rolando S. Santos, to sign, execute, and deliver any and all documents and instruments on behalf of MHI; and the authority of MHI to mortgage the following:

Description	CCT	Area	Location
Unit 4-1	006-2018002292	178.19 sqm.	4F, BDO Towers Paseo
Unit 4-3	006-2014001598	313.76 sqm.	4F, BDO Towers Paseo
Unit 4-4	006-2014001597	469.55 sqm.	4F, BDO Towers Paseo
Parking B351	006-2014001599	36 sqm.	Basement, BDO Towers Valero
Parking B352			
Parking B353			
Parking LB70	006-2018002293	12 sqm.	Basement, BDO Towers

			Valero
--	--	--	--------

b. MMDC as regards its loan obligations to United Coconut Planters Bank

- Authority of MHI to act as surety to guarantee the payment of the obligations of MMDC under the credit accommodation in the form of term loan at the aggregate principal amount of not more than One Hundred Seventy Million Pesos (₱170,000,000.00), ("Credit Accommodation") granted by United Coconut Planters Bank; grant of authority to the officers of MHI to sign, execute, and deliver any and all documents and instruments on behalf of MHI; and authority of MHI to mortgage, pledge and/or assign the following properties of MHI as security for the Credit Accommodation:

Issued by	Stock Certificate No.	No. of Shares
BrightGreen Resources Corporation	77	20,000,000

c. MMDC as regards its loan obligations to Philippine Veterans Bank.

- Authority of MHI to act as guarantor for the loan obligations and corporate borrowings of MMDC with Philippine Veterans Bank up to the aggregate amount of Two Hundred Million Pesos (₱200,000,000.00) Philippine currency, and to pledge its Ten Million (10,000,000) shares of stock in MMDC as added security or collateral to the obligation or corporate borrowings; grant of authority to the officers of MHI to sign, execute, and deliver any and all documents and instruments on behalf of MHI.

### **Information about the Subsidiaries**

All of the subsidiaries of the Parent Company are wholly owned.

### **Subsidiaries**

Below are the Parent Company ownership interests in its subsidiaries:

Subsidiaries	June 30, 2021	December 31, 2020
Marcventures Mining and Development Corporation (MMDC)	100%	100%
BrightGreen Resources Corporation (BRC)	100%	100%
Alumina Mining Philippines Inc. (AMPI)	100%	100%
Bauxite Resources Inc. (BARI)	100%	100%

*MMDC.* MMDC was incorporated and registered with the SEC on January 18, 1995 primarily to engage and/or carry on the business of extracting, mining, smelting, refining and converting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource.

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-XIII covering an area of approximately 4,799 hectares located in the municipalities of Carrascal, Cantilan and Madrid, Surigao Del Sur.

Originally, the MPSA was granted to Ventura Timber Corporation (VTC) on June 19, 1992. In January 1995, VTC executed a Deed of Assignment (the Deed) to transfer to MMDC all its rights

and interest in and title to the MPSA. On January 15, 2008, the Deed was approved by the Mines and Geosciences Bureau (MGB).

On June 24, 2016, the DENR issued an order approving the extension of MMDC's MPSA for a period of nine (9) years starting from the expiration of the first 25-year term.

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA due to alleged impairment of the functions of the watershed caused by MMDC's operation, failure to comply with the penalty of planting three million seedlings, and violation of environment-related laws and regulations.

On 17 February 2017, MMDC filed a Notice of Appeal to the Office of the President (OP) and filed its Appeal Memorandum on 17 March 2017. The Appeal is based, among others, on the grounds that it is the good faith belief of Management and both its external and internal Legal Counsel, that the Order is without basis in fact and in law. MMDC asserts that it is engaged in clean and responsible mining, and it has implemented all the necessary measures to ensure that it is environmentally compliant. Further, there was no indication in the said Order as to the specific facts and provisions of law allegedly violated. Likewise, while its operations are within a proclaimed watershed, Presidential Proclamation No. 1747 recognizes its prior legal right to mine in the area considering that its MPSA was approved in 1993 prior to issuance of the said proclamation in 2009. To wit: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President GMA; and (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area.

MMDC subsequently wrote a letter to the Office of the President (OP) requesting for the issuance of a formal Stay of Execution Order pending Appeal. In a letter dated 02 May 2017, the OP stated that the issuance of a Stay of Execution Order is not necessary because the execution of the Order of the DENR Secretary is deemed stayed as a matter of course on account of the pendency of the Appeal. The OP ordered the DENR to file its Comment on the Appeal and DENR filed its Comment dated 17 April 2017. Thereafter, MMDC filed a Reply on 12 July 2017, as well as a Supplement thereto on 26 July 2017. The case remains pending to date.

Management and its legal counsel are of the good faith belief that the order has no basis and the outcome of legal actions taken will not likely have a material adverse effect on MMDC's operations. Accordingly, MMDC has continued its mining operations in areas covered by the MPSA.

*BRC.* BRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business.

On July 1, 1993, the DENR approved BRC's application for MPSA No. 015-93-XI (SMR) covering an area of approximately 4,860 hectares located in the municipalities of Carrascal and Cantilan, Surigao del Sur. BRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category.

*AMPI.* AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 179-2002-VIII-SBMR covering 6,694 hectares in the municipalities of San Jose de Buan and Paranas Samar in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.

*BARI*. BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

On December 5, 2002, the DENR approved BARI's application for MPSA No. 180-2002-VIII-SBMR covering 5,519 hectares in the Municipalities of Gandara, San Jose de Buan, Matuguinao, and San Jorge, Province of Samar (formerly known as Western Samar) in Eastern Visayas (Region VIII) , valid for 25 years and renewable for another 25 years.

BRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled for being within a protected watershed. BRC, AMPI and BARI submitted their respective reply explaining that BRC, AMPI and BARI have prior right as duly recognized by the law through the National Integrated Protected Areas System (NIPAS) Act.

Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

**Complaint for Damages filed by Datu Kasaligan against MHI's subsidiaries, MMDC, BRC, AMPI and BARI**

On 4 March 2021, the Company received a Summons dated 22 January 2021 from the Regional Trial Court of Makati City, Branch 58, addressed to various defendants, including MHI subsidiaries (MMDC, BRC, AMPI and BARI). The Summons included a Complaint dated 20 October 2020 filed by Indigenous Cultural Communities or Indigenous Peoples represented by a Jose Romel Agustin Murio a.k.a Datu Kasaligan (Plaintiff) who represented himself as the Indigenous Tribal Prime Minister of 110 tribe chieftains whose ancestral domains comprise the entire Philippines. He alleged that the defendants extract minerals within said ancestral domains without his consent in violation of Section 59 (Certification Precondition) of the IPRA, and prays that the trial court orders all defendants to pay damages (1% and 30% royalties), stop transporting minerals outside the country without his written consent, and attorney's fees. After filing a Motion for Extension to file the Answer and after the Supreme Court issued announcements and a series of Administrative Circulars (A.C.) ordering the physical closure of courts in the National Capital Region, MHI subsidiaries timely filed their respective Answer on 4 May 2021.

The Management and legal counsel of MHI subsidiaries are of the good faith belief that the Complaint has no basis in fact and in law as the Plaintiff, to wit:

- Plaintiffs' application for Certificate of Ancestral Domain Title (CADT) remains pending. Thus, there is no guarantee that their claim of ownership over the MPSA of MMDC is valid and as such Plaintiff has no right, not even an inchoate one, that has to be protected or enforced.
- There was non-payment of correct filing fees for failure to specify the amount of the damages claimed.
- The Complaint fails to state a cause of action because the Complaint is not brought in the name of the real parties in interest and there is no clear showing that the Plaintiff is duly authorized by the IP/ICCs he allegedly represents, and the allegations in the Complaint are insufficient to constitute a cause of action against the defendants.
- There was failure to observe rules on joinder of causes of action and parties because defendants have no commonality of interests with the other defendants, even with the other defendants who are likewise engaged in mining, as their respective MPSAs do not overlap with that of the other defendants as a matter of law and as conferred by the DENR.



- For AMPI and BARI: Complaint has no cause of action considering that the contract areas of the defendants do not overlap with any ancestral domain/land and no tribe is represented to be from Region VIII where the mining tenements are located.

Plaintiff's allegations or claims are unsubstantiated and/or not duly supported by the documentary evidence attached in the Complaint.

### **Products/Sales/Competition**

MMDC's main product is nickel ore. All its nickel ore productions were exported to China. China remains the principal market for nickel ore production from the Philippines. After Indonesia implemented a ban on nickel ore exports, the Philippines has become the main source of Chinese nickel ore. Chinese imports of ores from the Philippines accounted for 97% of total imports. Chinese companies prefer Philippine-sourced nickel ore due to savings in freight costs because of the proximity of the Philippines to China. Nickel ore is sold to Chinese customers based on FOB shipping point and customers handle the charter of vessels. China also relies heavily on imported nickel ore due to insufficient domestic supplies. While MMDC does not rely heavily on a single customer, it is affected by the market price of nickel ore depending on domestic and foreign supply and demand.

### **Sources and availability of Raw Materials**

MMDC's nickel ore is extracted from its mining tenement covered by MPSA No. 016-93-XIII in Surigao del Sur in the municipalities of Cantilan, Carrascal and Madrid.

Equipment, spare parts, and other operating supplies are readily available both locally and abroad and as such, MMDC is not expected to be dependent upon one or a limited number of suppliers.

### **Mining Claim**

MMDC was granted by Philippine National Government, through the DENR, an MPSA No. 016-93-XIII covering an area of approximately 4,799 hectares located in Surigao Del Sur. As the holder of the said MPSA, MMDC has the exclusive right to conduct and develop mining operations within the contract area over a period of 25 years from July 1, 1993. The MPSA is valid until 2018 and renewable for another 25 years. MMDC has identified Nickel Ore as the primary mineral that will be extracted and sold to third parties due to the abundance and favorable characteristics of nickel within the mineral property.

The MPSA was originally granted to Ventura Timber Corporation on June 19, 1992 and subsequently approved on July 1, 1993. In January 1995, a Deed of Assignment (Deed) was executed, wherein Ventura assigned to MMDC all its rights, title and interest in and to MPSA No. 016-93-XIII. The Deed was duly registered with the Mines and Geosciences Bureau (MGB) Regional Office (RO) No. XIII on February 9, 1995, and was subsequently approved on January 15, 2008, making MMDC the official contractor of DENR for the mining tenement.

To date, MMDC has done exploration work on 1,659 hectares and has performed mining operations on 282.8 hectares on the above MPSA covered area.

On June 24, 2016, the DENR issued an order approving the extension of MPSA for a period of nine (9) years starting from the expiration of the 25-year term.

Aside from the above discussed MPSA, the approval of the merger of the Parent Company with Asia Pilot Mining Philippines Corp. (AMPC) and the holding company of Brightgreen Resources Corp. (BRC)

gave the Parent Company 3 additional mining tenements, particularly, under MPSA 179-2002 VIII (SBMR) with an area of 6,694 Hectares located in Motiong, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002 to Alumina Mining Philippines Inc. and MPSA 180-2002 VIII (SBMR) with an area of 5,519 Hectares located in Gandara, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002 in favor of Bauxite Resources Inc. and MPSA 015-93-XIII issued to BrightGreen Resources Corp. which was approved on 01 July 1993, covering approximately 4,860 hectares of Carrascal and Cantilan, Surigao del Sur.

### **Government Regulation and Approvals**

As mentioned above, the MHI's wholly owned subsidiaries are respective holders of MPSAs issued by the MGB, which define the percentage share of the local and national government in the mining revenues. MGB also regulates the export of mineral ores with the issuance of Ore Transport/Mineral Ore permits before any shipment can be made. The DENR monitors compliance with the Environmental Protection and Enhancement Program (EPEP), as well as the Social Development and Management Programs (SDMPs) of the Company and requires a certain percentage of the Company's operating cost to be allotted to these programs. The costs of complying with the above regulatory requirements are appropriately reflected in the books either as an expense or as a capital asset under the GAAP.

Determination of the effect of probable government regulations cannot be known until specific provisions are made clear.

### **Compliance with Environmental Laws**

The Company is strongly committed to its policy of protecting and enhancing the environment. It spent ₱52.83 million and ₱42.61 million on its EPEP for the period ended June 30, 2021 and 2020.

### **Related Party Transactions**

As at June 30, 2021 and December 31, 2020, the total advances to related parties have an outstanding balance of ₱71.72 million and ₱39.18 million, respectively, which represent a non-interest bearing unsecured and payable on demand.

On the other hand, the total advances from related parties as at June 30, 2021 and December 31, 2020 have an outstanding balance of ₱324.46 million and ₱140.27 million, respectively, which represent a non-interest bearing unsecured loan payable on demand.

### **Employees**

- **Parent Company- Marcventures Holdings, Inc. (MHI)**

The Company currently has a total of 5 employees, consisting of 2 executive positions, 1 in Treasury and 2 messenger personnel. For the ensuing 12 months, the Company anticipates it will have the same number of employees. There is no employees' union and neither is there a collective bargaining agreement with the employees. There has not been a strike by the employees in the Company's history. The Company believes relations with the employees are good.

- **Marcventures Mining & Development Corporation (MMDC)**

As of June 30, 2021, MMDC engaged a total of 889 workers. Out of the 889 workers, 57 are employed by security agencies engaged by MMDC.

Table below show the distribution of our workforce:

	Makati Office	Mine Site	Total
Senior Management	14	1	15
Managers	9	8	17
Supervisors	16	76	92
Rank and File	21	687	708
<b>Subtotal</b>	<b>60</b>	<b>772</b>	<b>832</b>
Security Agency	0	57	57
<b>Total</b>	<b>60</b>	<b>829</b>	<b>889</b>

The table below show a breakdown of the workforce hired from the local communities:

	Makati Office	Mine Site	Total
Regular	54	211	265
Probationary	3	4	7
Service Contract	1	4	5
Regular Seasonal	0	140	140
Project Based	2	413	415
<b>Subtotal Total</b>	<b>60</b>	<b>772</b>	<b>832</b>
Security Agency	0	57	57
<b>Total</b>	<b>60</b>	<b>829</b>	<b>889</b>

There is a collective bargaining agreement with Samahan ng Responsableng Manggagawa ng Marcventures Mining and Development Corporation (SRMMMDC) for Rank-and-File Union and Marcventures Mining and Development Corporation Supervisory Union (MMDCSU) – Associated Professional Supervisory Office and Technical Employees Union (APSOTEU) – Trade Union Congress of the Philippines (TUCP) for Supervisory Union. The agreement is still in full force and there has not been any strike by the employees in the Company. The Company believes relations with the employees are good.

### **Risks Related to our Business and Industry**

#### **Market Risk**

MMDC Revenues are dependent on both the volume and on the world market demand and price of nickel. The sales price of nickel or is correlated with the world market demand and price of nickel. The nickel price is subject to volatile price movements over time and is affected by numerous factors that are beyond the Company's control.

From the start of the Company's shipment operations, 100% of its revenues are derived from sale of nickel ore into China. While China has become a significant source of global demand for commodities, the Company's exposure to the Chinese Market and its short-term supply agreements with Chinese customers have resulted in increased volatility in our business.

#### **Operational Risk**

Mining operations are influenced by changing conditions that can affect the production levels and cost for varying periods that can diminish revenues and income. Severe weather conditions and other

events constituting Force Majeure, changing prices of fuels and other supplies, increase in taxes and repair costs could have significant impact on the productivity of the Company's operating results.

### **Socio-Political Risk**

Mining operations can be affected by relevant changes in the rules and regulations in the mining laws of the Philippines, as well as its implementation, both local and national. Impact would include changes in the Company's mining methods and processes to avoid related fines and penalties, and also on any required rehabilitation efforts by local and national government. The Company actively participates in mining related organizations and discussions with relevant agencies on various development projects, especially those that may involve environmental concerns and regional politics.

### **Foreign exchange risk**

As all revenues are in US dollars, the Company revenues are affected by fluctuations in the US\$/PHP exchange rate. To mitigate this risk, the Company closely monitors foreign exchange rates trends and properly timed conversion of dollars into peso to attain the best rates.

### **Other risks**

Other risks affecting the Company were discussed in Note 25 of the June 30, 2021 CFS.

### **Risk Management**

#### *Risk Policy Statement*

The Organization is committed to integrating risk management practices into its business strategy and performance to drive consistent, effective and accountable management in achieving the Organization's business objectives.

The Organization recognizes that risk is dynamic and is inherent in all external and internal operating environments, and that managing risks is vital in defining the organization's purpose, process and expected results, which are the foundations of its daily operations.

Risk Management activities are carried out through a systematic and disciplined process. The process starts with a Board-approved, comprehensive and Risk Management Policy Manual which encompasses the Enterprise Risk Management (ERM) framework for managing risk at enterprise-wide level.

ERM framework provides the means to ensure that all risks – operational, financial, compliance, security and safety as well as reputational are identified, assessed, monitored, mitigated and controlled.

#### *Purpose*

The Enterprise Risk Management Framework Manual forms part of the Organization's compliance policies and shall:

- Establish the risk management framework – the risk philosophy, strategy, objectives, policies and procedures of the Company;
- Define the roles and responsibilities of the Board and the senior management in their oversight role, as well as the roles and responsibilities of the entire workforce;
- Communicate and provide rules or guidelines to the whole organization in the implementation of risk management practices;

- Provide baseline reference to the internal and external audit activities as they perform their function in the risk evaluation, assessment and other related audit activities
- Sets the scope and application of risk management within the organization
- Details the process of risk reporting obligations to external and internal stakeholders

To meet this commitment, risk management is to be every employee's business. All employees are responsible and accountable for managing risks within their area of responsibility and that the Board and senior management is responsible of its oversight. Three lines of defense are also identified within the organization to be the operational staff and associates, line supervisors and managers and lastly, the Compliance and Audit function.

Through the Framework and its supporting processes, the organization formally establishes and communicates its risk appetite in managing risks.

The organization is averse to risks relating to:

1. health, safety and well-being of our employees, staff and the community
2. administration of finances and assets
3. compliance with applicable regulations – especially those in relation to environmental protection as issued by the MGB and DENR, among others.

There is a potentially higher appetite where benefits created by potential innovation or improvisation outweigh the risks. Benefits may include improved production, and/or increased efficiency and effectiveness of the organization's operations.

The framework follows the model of the 2017 Enterprise Risk Management – Integrating with Strategy and Performance of COSO or Committee of the Sponsoring Organizations of the Treadway Commission.

This Enterprise Risk Management Framework also demonstrates that it has incorporated the four areas of sound risk management practices, as required by the Security and Exchange Commission and Philippine Stock Exchange:

1. Adequate and active board management oversight
2. Acceptable policies and procedures
3. Appropriate monitoring and management information system
4. Comprehensive internal controls and audit

## **ITEM 2. DESCRIPTION OF PROPERTIES**

### **Mineral Properties**

MHI currently has four (4) wholly-owned mining subsidiaries, namely, Marcventures Mining and Development Corporation, (MMDC), BrightGreen Resources Corp. (BRC), Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI).

### **MMDC**

The Company, through its subsidiary Marcventures Mining & Development Corporation, holds Mineral Production Sharing Agreement No. 016-93-XIII which covers 4,799 hectares in the province of Surigao Del Sur. It is physiologically located within the Diwata Mountain Range.

## **BRC**

BrightGreen Resources Corp. holds MPSA No. 015-93-XIII approved on 01 July 1993, covering approximately 4,860 hectares of the Municipalities of Carrascal and Cantilan in the Province of Surigao del Sur.

## **AMPI**

Alumina Mining Philippines Inc. holds MPSA No. 179-2002 VIII (SBMR), with an area of 6,694 hectares located in the Province of Samar, issued on December 5, 2002.

## **BARI**

Bauxite Resources Inc. holds MPSA No. 180-2002 VIII (SBMR), with an area of 5,519 hectares located in the Province of Samar, issued on December 5, 2002.

Estimates of the MHI's mineral resources and reserves are as follows:

<b>MMDC</b>	<b>BRC</b>	<b>AMPI</b>	<b>BARI</b>
<b>Measured &amp; Indicated</b> Saprolite: 11.8 million WMT at 1.34% Ni, 12.59% Fe  Limonite: 63.0 million WMT at 0.87% Ni, 44.17% Fe  <b>Inferred</b> Saprolite: 5.1 million WMT at 1.30% Ni, 12.81% Fe  Limonite: NA	<b>Measured &amp; Indicated</b> Saprolite: 3.1 million WMT at 1.59% Ni, 14.85% Fe  Limonite: 13.0 million WMT at 1.07% Ni, 39.73% Fe  <b>Inferred</b> Saprolite: 0.3 million WMT at 1.61% Ni, 14.25% Fe  Limonite: 4.7 million WMT at 0.90% Ni, 39.61% Fe	<b>Measured &amp; Indicated</b> Bauxite Ore: 41.7 million WMT at 40.06% Al <sub>2</sub> O <sub>3</sub> and 14.50% SiO <sub>2</sub>  <b>Inferred</b> Bauxite Ore: 17.3 WMT at 38.96% Al <sub>2</sub> O <sub>3</sub> and 16.59% SiO <sub>2</sub>	<b>Measured &amp; Indicated</b> Bauxite Ore: 31.5 million WMT at 43.78% Al <sub>2</sub> O <sub>3</sub> and 7.96% SiO <sub>2</sub>  <b>Inferred</b> Bauxite Ore: 28.4 million WMT at 43.75% Al <sub>2</sub> O <sub>3</sub> and 8.09% SiO <sub>2</sub>

### Notes:

1. MMDC Mineral Resource as of Dec. 31, 2020 has been generated by Ms. Arlene A. Morales under the supervision of Ms. Jayvhel T. Guzman, both of which are licensed geologists and accredited Competent Persons under the definition of the Philippine Mineral Reporting Code (PMRC).
2. BRC Mineral Resource was estimated by PMRC-accredited Competent Person Radegundo S. de Luna in March 2016. CP de Luna passed away in 2017.
3. AMPI and BARI Mineral Resource was reviewed and certified by PMRC-accredited Competent Person Tomas D. Malihan in June 2017.

The mineral resources are reported in accordance with the PMRC 2007.

These estimates are based on the measured and indicated mineral resource computed which was readily convertible to prove and probable ore reserve. For other discussion of mining properties, please refer to Note 10 of the June 30, 2021 CFS.

## **Property and Equipment**

### **Office Space**

In January 2014, the Company acquired two (2) condominium units of the BDO Towers Condominium Project located at BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City, with an aggregate floor area of, more or less, nine hundred sixty-seven and 7/100 (967.07) square meters and amounting to Sixty-Eight million pesos (₱68,000,000). The property is covered by Condominium Certificates of Title Nos. 006-2011006557 and 006-2011006558 issued by the Register of Deeds of Makati City. The said property became the site of the Company's new principal office starting September 2014.

In November 2017, the Company acquired another condominium unit BDO Towers Condominium located also at the 4th Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City, with with an approximate area of 220 square meters inclusive one (1) parking slot amounting to twenty five million (₱25,000,000.00). The property is covered by Condominium Certificates of Title No. 006-2012006781. The said condominium unit was purchased for the Makati office expansion.

### **MMDC Properties**

The table below sets forth a summary of the properties owned and rented by MMDC.

#### **Land and Improvements owned**

	<b>Lot Area (sqm)</b>	<b>Amount</b>
Haulage Roads	117,596	10,268,670
Stockyards	426,583	24,400,086
Causeway	38,856	4,000,000
Campsite	14,700	450,000
Butuan Lot	3,544	15,948,000
Others	85,357	4,280,130
<b>Total Land &amp; improvements</b>	<b>686,636</b>	<b>59,346,886</b>

#### **Rented**

	<b>Lot Area (sqm)</b>	<b>Monthly Rental</b>
Haulage Roads	224,106	641,013
Stockyards	119,386	171,567
Causeway	19,555	120,279
Others	129,012	156,335
<b>Total</b>	<b>512,060</b>	<b>1,089,194</b>

The renewals of the above leases are subject to agreement by the parties.

The above leased properties are used by MMDC for hauling roads and stockpile areas.

MMDC will acquire and/or lease additional properties to be utilized for hauling roads and stockpile areas as needed for its operations. The cost of such acquisitions will depend on negotiations with

prospective owners and lessors. MMDC plans to finance such acquisitions from internally generated funds and borrowing from banks.

The Company's equipment mostly pertains to transportation equipment. For details of the property and equipment, please refer to Note 9 of the June 30, 2021 CFS.

### **ITEM 3. LEGAL PROCEEDINGS**

As of December 31, 2020, the Company is a party to the following legal proceedings and/or assessment or pending governmental investigation:

- **BIR Formal Letter of Demand No. FLD-RR8A-RDO50-2016-eLA No. 201500084258-289 ("FLD") and (ii) Final Assessment Notices with Assessment Nos. IT-ELA84258-16-19-289, VT-ELA84258-16-19-289, WE-ELA84258-16-19-289, and WC-ELA84258-16-19-289 ("FAN") TY2016**

On 6 September 2017, MHI received Letter of Authority (LOA) No. eLA201500084258 dated 29 August 2017 issued by Revenue District Office (RDO) No. 050 on the conduct an audit and examination covering MHI's taxable period ending 31 December 2016.

However, it was only on 11 December 2019 that MHI received a Preliminary Assessment Notice ("PAN") dated 11 December 2019 for which MHI filed a Reply dated 20 December 2019 ("Protest Letter") contesting the findings in the audit examination and was received by the BIR on 23 December 2019.

BIR issued its Formal Letter of Demand Notice on 06 January 2020 to which MHI filed a Request for Reinvestigation/Reconsideration dated 07 February 2020. In MHI's Request for Reinvestigation/Reconsideration, Management and Legal Counsel put forth its good faith defenses including the procedural defense of prescription and other substantive defenses. Said request was accordingly granted. On 30 June 2020, MHI then submitted its supporting documents for reinvestigation within the extended periods prescribed by the BIR in view of the pandemic.

As a result of the request for reinvestigation and the submitted documents, the deficiency tax for 2016 was reduced from PhP84,057,628.32 to PhP4,001,598.79, which the Company settled in full as of 1 October 2020.

- **BIR Final Decision on Disputed Assessment No. FDDA-058-RR8A-RDO50-2014-eLA No. 201500087180-A.N.0771, Bureau of Internal Revenue Region No. 8A – Makati City; MHI Assessment for TY2014;**

On 11 May 2018, MHI received a Notice for Informal Conference from RDO 50 with alleged deficiency taxes amounting to PhP12,259,060.08 (for IT, VAT, EWT, FBT, and DST).

On 28 August 2018, MHI received the Preliminary Assessment Notice (PAN) dated August 23, 2018 for alleged Deficiency Taxes amounting to PhP8,813,617.70.

On 12 September 2018, MHI wrote to Revenue Region 8 to dispute the PAN with a request for a reinvestigation and detailing its explanation and reconciliation of the assessment. An appeal on prescription was also cited on the protest letter.



On 1 October 2018, MHI received the Formal Assessment Notice (FAN) dated September 27, 2018 indicating Deficiency Taxes at Php8,632,645.06.

On 31 October 2018, MHI wrote to Revenue Region 8 to dispute the FAN requesting for a reinvestigation and asserting assessment has already prescribed. On 29 Nov. 2018, MHI received a letter dated November 15, 2018 from the Regional Director granting MHI's request for reinvestigation. On December 27, 2018 MHI submitted supporting documents to the protest letter to FAN.

On 23 Jan. 2019, MHI received an advance copy of the revised assessment (Php3,974,419.10) On 7 Feb. 2019, MHI submitted a protest letter to the revised assessment to the RDO. On 15 June 2020, MHI received an FDDA dated 04 June 2020 from the BIR requesting MHI to pay its deficiency tax liabilities for TY2014 broken down as follows:

Income Tax	Php607,530.54
Value Added Tax	392,875.10
Expanded Withholding Tax	434,718.93
Documentary Stamp Tax	1,601,352.48
<b>TOTAL</b>	<b>Php3,036,477.05</b>

MHI was requested to pay and submit proof of payment on or before 6 July 2020. On 7 July 2020, MHI paid its alleged deficiency tax liabilities for TY2014 as computed above.

Except for the above-cited cases and assessment, which have already been settled, the Company is not a party to any pending material legal proceedings. It is not involved in any pending legal proceedings with respect to any of its properties. Apart from the foregoing, therefore, it is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

MMDC, one of MHI's subsidiaries, is a party to a number of legal proceedings that commonly arise in the course of running a fully operational business concern.

To the best of the knowledge and/or information of the Company, none of its directors or its executive officers, is presently or during the last five (5) years been involved in any material legal proceeding in any court or government agency on the Philippines or elsewhere which would put to question their ability and integrity to serve Marcventures Holdings, Inc. and its stockholders.

Further, to the best of its knowledge and/or information, the Company is not aware of: (a) any bankruptcy petition filed by or against any business of which a director or executive officer or person nominated to become a director or executive officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, excluding traffic violations and other minor offenses; (c) being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 4. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### Market Information

The principal market for the registrant’s common stock is the Philippine Stock Exchange (PSE). The Company’s stock symbol is “MARC”

#### Stock Prices – Common Shares

The following table sets forth the high and low closing sales prices per share of the Common Shares listed on the PSE during the respective periods indicated as per published financial sources.

	Price per Share (In Pesos) **	
	High	Low
	<b>2018</b>	
January – March	<b>1.81</b>	<b>1.39</b>
April – June	<b>1.77</b>	<b>1.39</b>
July - September	<b>1.67</b>	<b>1.15</b>
October – December	<b>1.54</b>	<b>0.99</b>
	<b>2019</b>	
January – March	<b>1.31</b>	<b>1.00</b>
April – June	<b>1.12</b>	<b>1.00</b>
July - September	<b>1.44</b>	<b>1.00</b>
October – December	<b>1.21</b>	<b>0.80</b>
	<b>2020</b>	
January – March	<b>1.00</b>	<b>0.45</b>
April – June	<b>0.70</b>	<b>0.50</b>
July-September	<b>1.09</b>	<b>0.57</b>
Oct-December	<b>1.66</b>	<b>0.81</b>
	<b>2021</b>	
January – March	<b>1.97</b>	<b>1.11</b>
April – June	<b>1.46</b>	<b>1.14</b>

#### Latest Market Price

On June 30, 2021 trading date, the closing market price of the Company’s common stock was ₱1.17 per share.

#### Stockholders

The number of shareholders of record as of June 30, 2021 were 2,168. The outstanding shares as of June 30, 2021 were 3,014,820,305 common shares, 2,864,599,614 or 95.02% of which is owned by Filipinos.

**MARCVENTURES HOLDINGS, INC.**  
**TOP 20 STOCKHOLDERS**  
**AS OF JUNE 30, 2021**

1	PCD NOMINEE CORPORATION (FILIPINO)	FILIPINO	2,531,804,345	83.98%
2	PCD NOMINEE CORP. (NON-FILIPINO)	FILIPINO	150,133,558	04.98%
3	STINSON PROPERTIES INC.	FILIPINO	87,834,569	02.91%
4	SUREGUARD PROPERTIES INC.	FILIPINO	86,514,534	02.87%
5	MYOLNER PROPERTIES INC.	FILIPINO	86,514,533	02.87%
6	GLORIOUS DECADE PROPERTIES, INC	FILIPINO	30,000,000	01.00%
7	ANTHONY M. TE	FILIPINO	27,000,500	00.90%
8	GLORIOUS DECADE PROPERTIES, INC.	FILIPINO	13,013,000	00.43%
9	ATC SECURITIES, INC.	FILIPINO	808,023	00.03%
10	BENJAMIN S. GELI	FILIPINO	100,000	00.00%
11	JOHN C. JOVEN	FILIPINO	100,000	00.00%
12	ANSALDO GODINEZ & CO., INC.	FILIPINO	92,255	00.00%
13	PACIFICO B. TACUB	FILIPINO	50,000	00.00%
14	OTILIA D. MOLO OR ELAINE D. MOLO	FILIPINO	48,419	00.00%
15	ARNOLD JANSSEN T. BANTUGANOR CHRISTINE ANGELI L. BANTUGAN	FILIPINO	45,000	00.00%
16	TERESITA N. LIM	FILIPINO	40,000	00.00%
17	VICENTE GOQUIOLAY & CO., INC.	FILIPINO	39,599	00.00%
18	ALBERTO MENDOZA&/ OR JEANIE MENDOZA	FILIPINO	30,000	00.00%
19	ENRIQUE B. PERALTA	FILIPINO	23,000	00.00%
20	INDEPENDENT REALTY CORPORATI	FILIPINO	20,400	00.00%
	<b>TOTAL TOP 20 SHAREHOLDERS</b>		<b>3,014,211,735</b>	<b>99.98%</b>

The Company has no other class of registered securities outstanding aside from common shares.

### **Dividends**

Subject to the availability of unrestricted retained earnings and the funding requirements of the Company's operations, it is the Company's policy to declare regular dividends, whether cash, stock or property dividends, twice a year in such amounts and at such dates to be determined by the Board. The declaration of stock dividends is subject to stockholders' approval in accordance with the requirements of the Revised Corporation Code of the Philippines.

### **Cash Dividends**

Earnings	Date			Amount	
	Declared	Record	Payable	Dividends Per Share	Total Declared (in millions)
2021	No dividends were declared for the period ended June 30, 2021				
2020	No dividends were declared for the year 2020				
2019	No dividends were declared for the year 2019				
2018	No dividends were declared for the year 2018				
2017	No dividends were declared for the year 2017				

2016	No dividends were declared for the year 2016				
2015	No dividends were declared for the year 2015				
2014	Nov. 14, 2014	Dec. 19, 2014	Jan. 16, 2015	₱0.15	₱273.2
2014	Sept. 19, 2014	Oct. 31, 2014	Oct. 22, 2014	0.15	273.2

### Stock Dividends

There were no stock dividends declared for years 2015 to 2021.

### Sales of Securities

As at June 30, 2021, there are no sales of unregistered or exempt Securities.

## ITEM 5. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION FOR MARCVENTURES HOLDINGS INC.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as at June 30, 2021, December 31, 2020, 2019 and 2018 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the six-month ended June 30, 2021 and three years ended December 31, 2020, 2019 and 2018 and as at June 30, 2021, December 31, 2020, 2019, and 2018 are discussed below.

### A. Discussion for June 30, 2021 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2020) and for the and six-month period ended June 30, 2021 and 2020

#### Results of Operations

	Amounts in ₱'000			
	For the six-month ended June 30		Increase (Decrease)	
	2021	2020	Amount	Percentage
Revenues	<b>₱299,853</b>	₱1,161,297	(₱861,444)	(74.18%)
Cost of Sales	<b>(278,707)</b>	(719,237)	440,530	(61.25%)
Gross Profit	<b>21,147</b>	442,060	(420,913)	(95.22%)
Operating expenses	<b>(206,372)</b>	(202,200)	(4,172)	2.06%
Income from operations	<b>(185,225)</b>	239,860	(425,085)	(177.22%)
Other Income (Expenses)	<b>(23,635)</b>	(18,033)	(5,602)	31.07%
Net income (loss) for the period	<b>(208,861)</b>	221,827	(430,688)	(194.15%)
Provision for income tax	<b>42,546</b>	(84,307)	126,854	(150.47%)
Net income (loss) for the period	<b>(₱166,315)</b>	₱137,520	(₱303,834)	(220.94%)

#### Revenues

For the six-month period ended June 30, 2021, total revenues amounted to ₱299.85 million, lower by ₱861.44 million or 74.18% as compared with ₱1,161.30 million reported in the same period of prior year. This is attributable to a lower volume of nickel ore shipped out during the period which led to a decrease of revenue as compared to last year of the same period.

### **Cost of Sales**

Cost of sales went down to ₱278.71 million or a decrease of 61.3% or ₱440.53 million equivalent as compared to ₱719.24 million last year due to lower volume of nickel ore sold during the period.

- Contracted Services decreased by ₱153.92 million or equivalent to 36.8%.
- Production Overhead increased by ₱34.05 million or equivalent to 44.2%.
- Depletion decreased by ₱32.83 million or equivalent to 76.6%.
- Excise tax decreased by ₱37.53 million or equivalent to 75.8%
- Demurrage cost increased by ₱27.40 million, these are penalty charges borne by the company because of extended loading periods of ore to foreign vessels.

### **Operating expenses**

Operating expenses increased by 2.06% or ₱4.17 million from P202.20 million for the second quarter period last year to ₱206.37 million this year. The increase was mainly accounted for by the following:

- Increase in Environmental Expenses amounting ₱10.22 million due to the continuing implementation of the projects on the Environmental Protection and Enhancement Program (EPEP) including the protection and rehabilitation of the affected mined environment.
- Increase in Taxes and Licenses by ₱8.23 million or equivalent to 30.79% due to higher assessment of LGU business tax on the gross revenue in 2020 as basis for payment of business permits and licenses.
- Increase in Professional Fees by ₱7.68 million or equivalent to 49.62% due to higher consultancy and professional engagements.
- Increase in Community Relations Expenses by ₱4.57 million or 151.76% aside from SDMP, the Company also provides livelihood to the community, public utilities and socio-cultural preservation.
- Increase in Other Expenses by ₱81.69 million or equivalent to 302.96% which substantially contributed the increase in operating expenses.

The above cost increases were partly offset by the following:

- Decrease in Salaries and Wages by ₱7.10 million or 17.28% due to restructuring and reorganization to promote efficiency.
- Decrease in Depreciation by ₱7.50 million or equivalent to 38.19% due to most of the service and mining equipment were already fully depreciated.
- Decrease in Social Development Program Expenses by ₱15.02 million or equivalent to 75.38%, were due to unfavorable weather conditions in the covered period, the Company was prevented from and correspondingly slowed down the implementation of health, livelihood and educational programs as compliance with the Department of Environment and Natural Resources (DENR).
- Decrease in Royalties by ₱8.78 million or equivalent to 73.62% due to lower revenue generated as compared to last year of the same period.

### **Financial Position**

Audited (in million Pesos)	Increase (Decrease)

	June 30, 2021	Dec. 31, 2020	Amount	%
Assets	<b>₱6,206.69</b>	₱6,163.70	₱42.99	0.70%
Liabilities	<b>2,076.43</b>	1,867.12	209.31	11.21%
Stockholders' Equity	<b>4,130.26</b>	4,296.58	(166.31)	(3.87%)

### Assets

The consolidated total assets of the Company increased by ₱42.99 million from ₱6,163.7 million as of December 31, 2020 to ₱6,206.69 million as of June 30, 2021. The 0.70% increase was mainly due to the net effect of the following:

- Cash decreased by ₱113.21 million or 46.79%. Apart from the lower proceeds from the sale of nickel ore, the decrease was also from partial payment of loans, and suppliers and contractors' payables.
- Trade and Other Receivables decreased from ₱542.26 million to ₱312.09 million. The decrease of ₱230.2 million or 42.45% was due to the lower volume of nickel ore shipment resulting to lower revenues.
- Ore inventory increased by ₱252.25 million or 198.28% from ₱127.22 million in 2020 to ₱379.47 million in 2020. The increase was mainly due to higher production towards the second quarter of the year as compared to last year of the same period.
- Other current assets increased by ₱52.26 million or 39.12% mainly due to advances to contractors for the mining operations.

### Liabilities

As at June 30, 2021, the total liabilities of the Company increased by ₱209.31 million or 11.21% from ₱1,867.12 million as of December 31, 2020 to ₱2,076.43 million as of June 30, 2021. The increase was due to the net effect of the following:

- Trade and other payables increased by ₱237.43 million or 57.99%, primarily due to the unpaid balance of contractors' services and purchases from suppliers.
- Advances from related parties increased by ₱184.15 million or 131.28% due to additional funding for company's working capital requirements.
- Loan payable decreased by ₱76.17 million or 12.24% due to partial payment of the loan principal.
- Income tax payable decreased by ₱136.11 million or 100.00% due to settlement within the tax deadline.

### Equity

The stockholders' equity of the Company decreased by ₱166.31 million or 3.87% from ₱4,296.58 million as of December 31, 2020 to ₱4,130.26 million as of June 30, 2021, due to the net loss incurred during the period.

### Consolidated Cash Flow

	Audited (in million Pesos)		Increase (Decrease)	
	2021	2020	Amount	%
Cash (used) provided by operating	<b>(₱76.82)</b>	₱70.14	(₱146.96)	(209.52%)

activities				
Cash used in investing activities	<b>(30.72)</b>	(3.45)	(27.27	7.90%
Cash used in financing activities	<b>(99.75)</b>	(45.10)	(54.65)	121.18%

The cash used by operating activities decreased by ₱146.96 million in 2021 due to lower sales proceeds and payments of payables to contractors, suppliers and settlement of advances from customers.

The Company's net cash used in investing activities are primarily due to the decrease in mine and mining properties amounting to ₱34.91 million due to the depletion of the active mining areas. Offset, with an increased in property and equipment amounting to ₱5.36 million for the additional purchases of service vehicles.

The Company's net cash used in financing activities are mainly due to the partial payment of loans and interest.

### **Horizontal and Vertical Analysis:**

	Consolidated		Increase (Decrease)	
	June 30, 2021	Dec. 31, 2020	Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	₱128,739,722	₱241,951,074	(₱113,211,352)	(46.79%)
Trade and other receivables	312,085,604	542,258,519	(230,172,915)	(42.45%)
Inventories	71,720,239	39,179,557	32,540,682	83.06%
Advances to related parties	379,469,866	127,217,784	252,252,082	198.28%
Other current assets	185,880,031	133,615,250	52,264,781	39.12%
Total Current Assets	1,077,895,462	1,084,222,184	(6,326,722)	(0.58%)
<b>Noncurrent Assets</b>				
Property and equipment	204,005,752	209,369,331	(5,363,579)	(2.56%)
Mining rights on explored resources	4,467,840,048	4,435,089,769	32,750,279	0.74%
Net deferred tax assets	56,957,873	36,193,214	20,764,659	57.37%
Other noncurrent assets	399,991,026	398,821,130	1,169,896	0.29%
Total Noncurrent Assets	5,128,794,699	5,079,473,444	49,321,255	0.97%
<b>TOTAL ASSETS</b>	<b>₱6,206,690,161</b>	<b>₱6,163,695,628</b>	<b>₱ 42,994,533</b>	<b>0.70%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Trade and other payables	₱646,856,230	₱409,425,087	₱237,431,143	57.99%
Current portion of loans payable	288,379,681	335,975,945	(47,596,264)	(14.17%)
Advances from related parties	324,425,593	140,272,674	184,152,919	131.28%
Dividends payable	4,707,885	4,707,886	-	0.00%
Income tax payable	-	136,107,191	(136,107,191)	(100.0%)
Total Current Liabilities	₱1,264,369,389	₱1,026,488,783	₱237,880,606	23.17%
<b>Noncurrent Liabilities</b>				
Long-term debt - net of current portion	₱257,958,194	₱286,529,622	(₱28,571,428)	(9.97%)
Provision for mine rehabilitation and decommissioning	55,675,292	55,675,292	-	0.00%
Retirement benefit liability	33,160,260	33,160,260	-	0.00%
Deferred tax liability	465,262,760	465,262,759	-	0.00%
Total Noncurrent Liabilities	812,056,506	840,627,933	(28,571,427)	(3.40%)
Total Liabilities	₱2,076,425,895	₱1,867,116,716	₱209,309,179	11.21%
<b>Equity</b>				
Capital stock	3,014,820,305	3,014,820,305	-	0.00%
Additional paid-in capital	269,199,788	269,199,788	-	0.00%
Retained earnings	814,359,335	980,673,981	(166,314,646)	(16.96%)
Remeasurement gain on retirement benefit liability - net of deferred tax	31,884,838	31,884,838	-	0.00%
Total Equity	4,130,264,266	4,296,578,912	(166,314,646)	(3.87%)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,206,690,161</b>	<b>₱6,163,695,628</b>	<b>₱42,994,533</b>	<b>(0.70%)</b>



## **Key Performance Indicators**

Marcventures' Management uses the following KPIs for the Company' and its subsidiaries:

	June 30, 2021	June 30, 2020
Net Loss	(P166,314,646)	137,519,618
Quick assets	628,625,008	1,079,796,298
Current assets	1,077,895,462	1,365,979,699
Total assets	6,206,690,161	6,612,194,384
Current liabilities	1,264,369,389	1,800,864,722
Total liabilities	2,076,425,895	2,550,984,312
Stockholders' Equity	4,130,264,266	4,061,210,072
Number of common shares outstanding	3,014,820,305	3,014,820,305

Liquidity ratios:	June 30, 2021	June 30, 2020
Current ratio <sup>(1)</sup>	0.85:1	0.76:1
Quick ratio <sup>(2)</sup>	0.5:1	0.60:1
Solvency Ratios:		
Debt ratio <sup>(3)</sup>	0.33:1	0.39:1
Debt to Equity ratio <sup>(4)</sup>	0.5:1	0.63:1
Profitability ratios:		
Earnings (Loss) per share <sup>(5)</sup>	(0.06)	0.05
Book value per share <sup>(6)</sup>	1.37	1.35

Note:

1. Current Assets / Current liabilities
2. Quick Assets / Current liabilities
3. Total Liabilities / Total assets
4. Total Liabilities / Shareholders' equity
5. Net Income (Loss) / Common shares outstanding
6. Stockholders' Equity / Common shares outstanding

## **B. Discussion for 2020 and 2019 Financial Results**

### **Results of Operations**

	Audited (in million Pesos)		Increase (Decrease)	
	2020	2019	Amount	%
Revenues	P2,876.68	P1,432.53	P1444.1	100.81%
Cost of Sales	1,647.83	847.98	799.85	94.32%
Operating Expenses	599.37	458.60	140.77	30.69%
Income (Loss) Before Income Tax	629.48	125.96	503.52	399.75%
Income Tax	254.43	88.12	166.32	188.75%
Net Income (Loss)	P375.05	P37.84	P337.21	891.08%

### **Revenues**

For the year ended December 31, 2020, MMDC sold an aggregate of 1,732,327 wet metric tonnes (WMT) of nickel ore, or equivalent to 32 shipments of which all vessels were saprolite, as compared to the year 2019 with a total of 1,429,402 wet metric tonnes (WMT) of nickel ore, or equivalent to 26 shipments, of which 11 vessels were saprolite and 15 vessels were limonite hence, registering an increase of 302,925 WMT. The increase was mainly due to operational

efficiency, improved business management, organizational structure and processes which increased output and production as compared to the previous year.

The Company's total revenue in 2020 was ₱2,876.68 million which is notably higher by ₱1,444.14 million or 100.81% as compared to ₱1,432.53 million in 2019. The increase in shipment volume and the improvement in average ore prices resulted to an increase in gross sales. The result of operations was a net income after tax of ₱375.05 million in 2020 resulting to an increase of ₱337.21 million or 891.08% compared to 2019 with net income of ₱37.84 million.

The increase in revenue was due to higher volume of nickel ore shipped out during the period. Shipment details of volume and prices are as follows:

#### WMT

	2020	2019	Increase (decrease)
Limonite	-	826,692	(826,692)
Saprolite	<b>1,732,327</b>	602,710	1,129,617

#### Average Price per wmt (in US\$)

	2020	2019	Increase (decrease)
Limonite	-	\$10.90	(\$10.90)
Saprolite	<b>\$33.99</b>	\$31.08	\$2.91

#### **Cost of Sales**

Due to increase in revenue, the Company's cost of sales increased by ₱799.85 million or 94.32% from ₱847.98 million in 2019 to ₱1,647.83 million in 2020. The increase was mainly due to the additional contracted services and production overhead needed to produce higher volume of ores.

#### **Operating Expenses**

The Company's total operating expenses in 2020 was ₱599.37 million, an increase of ₱140.77 million or 30.69%. as compared to ₱458.60 million in 2019. The increase was due to the following:

- Environmental expenses increased by ₱90.89 million or 162.18% in compliance with the required minimum of 3.0% of the direct mining cost be allocated to mitigate environmental issues.
- Social Development Program increased by ₱23.41 million or 143.79% in compliance with implementing rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of the operating cost be allocated for the development of host and neighboring mining communities.
- Taxes and licenses increased by ₱36.54 million or 97.67% due to higher assessment of LGU business tax for 2019 gross revenue which is the basis in computing the business permit.
- Royalties increased by ₱15.35 million or 103.30%. These expenses were computed and paid based on the percentage of gross sales.
- Professional Fees increased by ₱6.24 million or 18.73% due to more consultancy and professional engagements.

- Representation increased by ₱8.25 million or 200.12% due maximal meetings/ dialogue with the stakeholders and clients.
- Community Relations Expenses increased by ₱0.49 million or equivalent to 4.49% as the Company continues its projects on education and health for the community.
- The increase in other expenses such supplies, utilities and other operating expenses also contributed to the total increase in operating expense.

The above increases in cost were partly offset by the following:

- Salaries and wages decreased by ₱22.79 million or 22.13% due the management reorganization meant to promote efficiency.
- Depreciation expense decreased by ₱16.93 million or 32.42% due to most of the property and equipment were already fully depreciated.
- Retirement benefit expense decreased by ₱0.11 million or equivalent to 1.26% due to the result of the actuarial valuation on the retirement benefit of the employees.

### Financial Position

	Audited (in million Pesos)		Increase (Decrease)	
	2020	2019	Amount	%
Assets	<b>₱6,163.70</b>	₱6,091.35	₱72.35	1.19%
Liabilities	<b>1,867.12</b>	2,167.66	(300.54)	(13.86%)
Stockholders' Equity	<b>4,296.58</b>	3,923.69	72.35	9.50%

#### Assets

The consolidated total assets of the Company increased from ₱6,091.35 million as of December 31, 2019 to ₱6,163.70 million as of December 31, 2020. The 1.19% increase was mainly due to the net effect of the following:

- Cash decreased by ₱72.49 million or 23.05%. Apart from the proceeds from the sale of nickel ore, the decrease was also from partial payment of loans.
- Trade and other receivables increased by ₱337.79 million or 165.21% due to the uncollected proceeds from sales.
- Ore inventory increased by ₱50.28 million or 65.36% from ₱76.93 million in 2019 to ₱127.22 million in 2020. The increase was mainly due to higher production towards the last quarter of the year.
- Property and Equipment decreased by ₱66.51 million or 24.11% due to accumulated depreciation for the year.
- Other noncurrent assets decreased by ₱100.23 million or 20.08% mainly due to the decreased of the advances to contractors.

#### Liabilities

As of December 31, 2020, the total liabilities of the Company decreased by ₱300.54 million or 13.86% from ₱2,167.66 million in December 2019 to ₱1,867.12 million in 2020. The decrease was due to the net effect of the following:

- Trade and other payables decreased by ₱359.91 million or 46.78%, primarily due to the payment of trade payables and advances from customer.
- Advances from related parties increased by ₱29.43 million or 26.55% due to additional funding for company's working capital requirements.
- Loan payable decreased by ₱96.56 million due to partial payment of the loan principal.
- Retirement benefit liability decreased by ₱4.23 million or 11.32% due to actuarial valuation made.

#### **Stockholders' Equity**

The stockholders' equity increased by ₱372.89 million from ₱3,923.69 million in 2019 to ₱4,296.58 million in 2020. The increase pertains to the consolidated net income for the year.

#### **Consolidated Cash Flow**

	Audited (in million Pesos)		Increase (Decrease)	
	2020	2019	Amount	%
Cash provided by operating activities	<b>₱36.70</b>	₱651.63	(₱614.93)	(94.37%)
Cash provided by (used) in investing activities	<b>25.25</b>	(237.44)	212.19	89.37%
Cash provided by (used in) financing activities	<b>(134.44)</b>	127.104	(261.55)	(205.77%)

The cash provided by operating activities decreased from ₱651.63 million in 2019 to ₱36.70 million in 2020 due to the payment of payables to suppliers and settlement of advances from customers.

In 2020, the Company's net cash used in investing activities were primarily due to the increase in mine and mining properties amounting to ₱104.68 million (as these were utilized in various stockyards in the form of matting, a meter-thick layer of nickel blanketing the ground to prevent dilution of the ore stockpile currently stored or beneficiated), and an increase in other noncurrent asset amounting to ₱167.48 million.

In 2020, the Company's net cash used in financing activities are mainly due additional availments of loans and were partially offset on partial settlement of its interest-bearing loan.

### **C. Discussion for 2019 and 2018 Financial Results**

#### **Results of operations**

	Audited (in million Pesos)		Increase (Decrease)	
	2019	2018	Amount	%

Revenues	<b>₱1,432.53</b>	₱987.26	₱445.28	45.10%
Cost of Sales	<b>847.98</b>	921.27	(73.29)	(7.96%)
Operating Expenses	<b>458.60</b>	546.65	(88.05)	(16.11%)
Income (Loss) before Income Tax	<b>125.96</b>	(480.66)	606.62	481.60%
Income Tax	<b>88.12</b>	(91.86)	179.97	204.24%
Net Income (Loss)	<b>₱37.84</b>	(₱388.81)	₱426.65	1127.44%

### **Revenues**

For the year ended December 31, 2019, MMDC sold an aggregate of 1,429,402 wet metric tonnes (WMT) of nickel ore, or equivalent to 26 shipments of which, 11 vessels were saprolite and 15 vessels were limonite, as compared to the year 2018 with a total of 1,087,599 wet metric tonnes (WMT) of nickel ore, or equivalent to 20 shipments of which 12 vessels were saprolite and 8 vessels were limonite hence, registering an increase of 341,803 WMT. The increase was mainly due to operational efficiency, improved business management, organizational structure and processes which increased output and production as compared to the previous year.

The Company's total revenue in 2019 was ₱1,432.53 million which is notably higher by ₱455.28 million or 45.10% as compared to ₱987.26 million in 2018. The increase in shipment volume and the improvement in average ore prices resulted to an increase in gross sales. The result of operations was a net income after tax of ₱37.84 million in 2019 resulting to an increase of ₱426.65 million or 1127.44% compared to 2018 with net loss of ₱388.81 million.

The increase in revenue was due to higher volume of nickel ore shipped out during the period. Shipment details of volume and prices are as follows:

### **WMT**

	<b>2019</b>	2018	Increase (decrease)
Limonite	<b>826,692</b>	428,909	397,783
Saprolite	<b>602,710</b>	658,690	(55,980)

### **Average Price per wmt (in US\$)**

	<b>2019</b>	2018	Increase (decrease)
Limonite	<b>\$10.90</b>	\$8.20	\$2.70
Saprolite	<b>\$31.08</b>	\$22.90	\$8.18

### **Cost of Sales**

Despite higher revenue in 2019, the Company's cost of sales decreased by ₱73.29 million or 7.96% from ₱921.27 million in 2018 to ₱847.98 million in 2019. The decrease was mainly due to the significant drop on contractual services, as the result of cost rationalizations and greater operational efficiencies.

### **Operating Expenses**

The Company's total operating expenses in 2019 was ₱458.60 million, a decrease of ₱88.05 million or 16.11% as compared to ₱546.65 million in 2018. The decreased was due to the following:

- Social Development Program decreased by ₱27.73 million or 63.01% in compliance with implementing rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of the

operating cost be allocated for the development of host and neighboring mining communities.

- Taxes and licenses decreased by ₱17.10 million or 31.36% due to lower assessment of LGU business tax for 2018 gross revenue which is the basis in computing the business permit.
- Salaries and wages decreased by ₱13.45 million or 11.55% due the management reorganization meant to promote efficiency.
- Professional Fees decreased by ₱10.28 million or 23.58% due to lesser consultancy and professional engagements.
- Outside services decreased by ₱9.88 million or 47.80% due to lesser outsourced manpower services engagement.
- Representation decreased by ₱5.39 million or 56.66% due minimal meetings/ dialogue with the stakeholders and clients.
- Repairs and maintenance decreased by ₱4.93 million or equivalent to 84.60% due lower number of defective service and other equipment during the year.
- The decline in other expenses such as transportation, rent, supplies and other operating expenses also contributed to the total decrease in operating expense.

The above increases in cost were partly offset by the following:

- Royalties increased by ₱4.49 million or 43.32%. These expenses were computed and paid based on the percentage of gross sales.
- Retirement benefit expense increased by ₱3.83 million or equivalent to 78.62% due to the result of the actuarial valuation on the retirement benefit of the employees.
- Community relation increased by ₱1.14 million or equivalent to 11.55% as the Company continues its projects on education and health for the community.

### Financial Position

	Audited (in million Pesos)		Increase (Decrease)	
	2019	2018	Amount	%
Assets	<b>₱6,091.35</b>	₱ 5,829.38	₱261.97	4.49%
Liabilities	<b>2,167.66</b>	1,939.24	228.42	11.78%
Stockholders' Equity	<b>3,923.69</b>	3,890.15	33.54	0.86%

### Assets

The consolidated total assets of the Company increased from ₱5,829.38 million as of December 31, 2018 to ₱6,091.35 million as of December 31, 2019. The 4.49% increase was mainly due to the net effect of the following:

- Cash increased by ₱287.08 million or 1049.29%. Apart from the proceeds from the sale of nickel ore, the increase was also the advances from customer for the reservation / allocation of nickel ore.

- Ore inventory decreased by ₱68.92 million or 47.25% from 145.86 million in 2018 to ₱76.93 million in 2019. The ore inventory decreased by 101,655 wet metric tonnes (WMT) or 36.8% left at stockyard by the end of year.
- Property and Equipment decreased by ₱68.15 million or 19.8% due to accumulated depreciation for the year.
- Other current assets increased by ₱11.32 million or 9.38% attributable to the advance payment of excise taxes.
- Other noncurrent assets increased by ₱67.25 million or 15.58% mainly due to the funds allocated for final rehabilitation and decommissioning.

### **Liabilities**

As of December 31, 2019, the total liabilities of the Company increased by ₱228.42 million or 11.78% from ₱1,939.24 million in December 2018 to ₱2,167.66 in 2019. The increase was due to the net effect of the following:

- Trade and other payable increased by ₱291.83 million or 61.12%, primarily due to the advances from customer for the reservation/allocation of nickel ore.
- Advances from a related party decreased by ₱14.97 million or 11.90% due to partial settlement of advances.
- Loan payable decreased by 72.34 million due to partial payment of the loan principal.
- Retirement benefit liability increased by ₱14.84 million or 65.82% due to actuarial valuation made.

### **Stockholders' Equity**

The stockholders' equity increased by ₱33.54 million from ₱3,923.69 million in 2019 to ₱3,890.15 million in 2018. The increase pertains to the Consolidate net income for the year.

### **Consolidated Cash Flow**

	Audited (in million Pesos)		Increase (Decrease)	
	2019	2018	Amount	%
Cash provided by operating activities	<b>₱651.63</b>	₱3.65	₱647.98	17752.88%
Cash used in investing activities	<b>(237.44)</b>	(637.83)	400.39	(62.77%)
Cash (used) provided in financing activities	<b>(127.10)</b>	614.48	(741.58)	(120.68%)

The net cash provided by operating activities increased from ₱3.65 million in 2018 to ₱610.28 million in 2019. The Company reported a Net Loss before income tax of ₱480.66 in 2018 as compared to Net Income before income tax of ₱125.96 million in 2019.

Net cash used in investing activities are lower in 2019 as compare to 2018 of ₱269.27 million. This was mainly due to the minimal mining improvement and development during the year.

Net cash used in financing activities in 2019 amounted to ₱85.74 million which is mainly due to the partial settlement of bank loans and payments of its interest. In 2018, net cash provided from

financing activities resulted from the proceeds of the bank loan availments with the amount of ₱843.34 million.

#### D. Discussion for 2018 and 2017 Financial Results

##### Results of operations

	Audited (in million Pesos)		Increase (Decrease)	
	2018	2017	Amount	%
Revenues	<b>₱987.26</b>	₱2,040.86	(₱1,053.60)	(51.63%)
Cost of Sales	<b>921.27</b>	1,335.91	(414.64)	(31.04%)
Operating Expenses	<b>546.65</b>	589.46	(42.81)	(7.26%)
Income (Loss) before Income Tax	<b>(480.66)</b>	115.49	(596.16)	(516.18%)
Income Tax	<b>(91.86)</b>	68.21	(160.07)	(234.66%)
Net Income (Loss)	<b>(₱388.81)</b>	₱47.28	(₱439.09)	(922.33%)

##### Revenues

For the year ended December 31, 2018, MMDC sold an aggregate 1,087,599 wet metric tonnes (WMT) of nickel ore, or equivalent to 20 shipments of 12 vessels of saprolite and 8 vessels of limonite, as compared to 2,179,657 wet metric tonnes (WMT) of nickel ore, or equivalent to 40 shipments of 26.5 vessels of saprolite and 13.5 vessels of limonite for the year 2017. Lower revenue was due to the decrease in the number of vessel shipped in 2018 as compared from 2017.

##### Cost of Sales

The Company's cost of sales amounted to ₱921.27 million in 2018 as compared to ₱1,335.91 million in 2017, a decrease of ₱414.64 million or 31.04%, due to lower volume of nickel ore shipped in 2018.

The decrease in revenue was due to lower volume of saprolite nickel ore shipped out during the period. Shipment details of volume and prices are as follows:

##### WMT

	2018	2017	Increase (decrease)
Limonite	<b>428,909</b>	744,679	(1,150,433)
Saprolite	<b>658,690</b>	1,434,978	732,988
	<b>1,087,599</b>	2,179,657	(417,445)

##### Average Price per wmt (in US\$)

	2018	2017	Increase (decrease)
Limonite	<b>\$8.20</b>	\$9.67	(\$1.47)
Saprolite	<b>\$22.90</b>	\$22.26	\$0.64



### Operating Expenses

The Company's total operating expenses amounted to ₱546.65 million in 2018 as compared to ₱589.46 million in 2017, a decrease of ₱42.81 million or 7.26%, due to the following:

- Royalties decreased by ₱10.03 million or 49.17% due to lower amount of gross sales of nickel ore for the year 2018.
- Loading fee decreased by ₱21.95 million or 99.36% due to lower volume of ore shipped in 2018.
- Retirement benefit expense decreased by ₱4.54 million or equivalent to 48.24% mainly due to decrease in employees in 2018.
- Environmental expenses decreased by ₱7.85 million or 12.62% due to the lesser company's environmental activities in 2018.
- Outside services decreased by ₱23.11 million or 52.79% pertains to lower outsourced manpower and security services.
- Rental decreased by ₱5.51 million or 63.51% due to lesser rental of equipment, service vehicle and non-subscription to Bloomberg in 2018.
- Transportation and travel decreased by ₱9.19 million or 54.77% due minimal seminars and conferences attended during the year.
- Decrease in other expenses by ₱26.37 million or 53.14%, a significant decrease mainly due to moisture penalty.

### **The above increases in cost were partly offset by the following:**

- Repairs and maintenance increased by ₱4.33 million or equivalent to 289.10% due to frequent defect on service vehicle during the year.
- Social Development Program increased by ₱10.93 million or equivalent to 33.05% is consistent with the increase in operating cost in 2017 wherein 1.5% was allocated to the development of host and neighboring communities.
- Community relations increased by ₱5.04 million or equivalent to 104% is parallel with the increase in social development program.
- Representation increased by ₱2.17 million or 29.61% due to meetings with various stakeholders (employees, IPs and regulatory agencies such as NCIP, DOLE and others) and existing and prospective customers.
- Recognition of doubtful account expense during the year as compliance with the New Accounting Standard amounting to ₱25.81 million.

### **Financial Position**

	Audited (in million Pesos)		Increase (Decrease)	
	2018	2017	Amount	%
Assets	<b>₱5,829.38</b>	₱5,316.11	₱513.27	9.65%
Liabilities	<b>1,939.24</b>	1,108.19	831.05	74.99%
Stockholders' Equity	<b>3,890.15</b>	4,207.93	(317.78)	(7.55%)

### Assets

The consolidated total assets of the Company increased to ₱5,829.38 million as of December 31, 2018 from ₱5,316.11 million as of December 31, 2017. The 9.65% increase was mainly due to the net effect of the following:

- Cash decreased by ₱19.70 million or 41.87% is attributable to the payments of liabilities, acquisition of property and equipment used for the mining operations.
- Trade receivables decreased by ₱28.89 million or 12.41% as a result of the recognition of allowance on doubtful account during the year.
- Ore inventory decreased by ₱83.59 million or 36.43% from the 2017 level of ₱229.45 million to ₱145.86 million in 2018. The ore inventory decreased by 41,806 wet metric tonnes (WMT) which is 18.92% lower than last year.
- Advances to related parties increased by ₱10.44 million or 24.37%.
- Mining rights and other mining assets increased by ₱529.91 million or equivalent to 13.71% was largely due to the construction of roads, bridges and development of mine yard of MMDC and increase in mining assets of the subsidiaries AMPI, BARI and BRC.

### Liabilities

As of December 31, 2018 the total liabilities of the Company increased by ₱831.05 million or 74.99% from ₱1,108.19 million in December 2017 to ₱1,939.24 in 2018. The increase was due to the net effect of the following:

- Trade and other payable increased by ₱189.68 million or 65.90%, primarily due to contractors and suppliers.
- Loans payable increased by ₱652.92 million or 471.48% due to additional bank loans.
- Advances from related party increased by ₱115.82 million or 1,158.21% due to additional loan from AMPI.
- Income tax payable decreased by ₱40.71 million or 100.00% due to the net loss for the period.
- Retirement liability decreased by ₱13.85 million or 38.05% due to retrenchment of employees.

### Stockholders' Equity

The stockholders' equity decreased by ₱317.78 million from ₱4,207.93 million in 2017 to ₱3,890.15 million in 2018. The decrease pertains to the Company's total comprehensive loss for the year. Increased in Capital amounting to 75,000,000 of the Parent Company's common shares were mainly due to the subscription of MMDC shares at ₱1 per share.

### **Consolidated Cash Flow**

	Audited (in million Pesos)		Increase (Decrease)	
	2018	2017	Amount	%
Cash provided by operating activities	<b>₱3.65</b>	₱173.68	(₱170.03)	(97.90%)
Cash used in investing activities	<b>637.83</b>	368.56	269.27	73.06%

Cash used in financing activities	<b>614.48</b>	77.37	537.11	694.23%
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The cash provided by operating activities decreased from ₱173.68 million in 2017 to ₱3.65 million in 2018. The Company reported a net loss before income tax of ₱480.66 million in 2018 as compared to net income of ₱115.49 million in 2017.

In 2018, the company's net cash used in investing activities are primarily due to the increase in mine and mining properties amounting to ₱269.28 million as these were utilized in various stockyards in the form of matting, a meter-thick layer of nickel blanketing the ground to prevent dilution of the ore stockpile currently stored or beneficiated. There is also an increase in other noncurrent asset amounting to ₱6.32 million.

In 2018, the company's net cash used in financing activities are mainly due additional availments of loans and were partially offset on partial settlement of its interest-bearing loan.

### INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The Company's Independent Accountant is Reyes Tacandong and Company, a professional services firm that provides a wide range of financial services in digital transformation, due diligence, tax, advisory, and audit. The firm provides its services nationwide.

External Audit Fees and Services (no changes in the fees for 2020 and 2019)

	Year Ended December 31	
	2020	2019
Audit Fees	<b>₱1,230,000</b>	₱1,230,000
Audit-Related Fees	<b>123,000</b>	123,000
<b>Total</b>	<b>₱1,353,000</b>	₱1,353,000

**Audit Fees.** Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2020.

**Audit-Related Fees.** Represents the out-of-pocket expenses of the individuals who will perform the audit, it also includes postage and reproduction of Financial Statements as billed by the external auditor.

**Tax Fees.** Represents professional fees for tax advisory/consultation services rendered.

Audit services provided to the Company by external auditor have been pre-approved by the Audit Committee. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

(i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)	None
(ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation	None
(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.	None
(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures	None
(v) Any Known Trends, Events or Uncertainties (Material Impact on Sales)	None
(vi) Any Significant Elements of Income or Loss (from continuing operations)	None

## **Financial Indicators**

### **Key Performance Indicators (KPI's)**

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2020 and December 31, 2019:

	<b>2020</b>	<b>2019</b>
Net Income (Loss)	<b>₱ 375,047,465</b>	₱37,842,406
Current assets	<b>1,084,222,184</b>	779,290,957
Total assets	<b>6,163,695,628</b>	6,091,350,455
Current liabilities	<b>1,026,488,783</b>	1,403,367,545
Total liabilities	<b>1,867,116,716</b>	2,167,660,001
Stockholders' Equity	<b>4,296,578,912</b>	3,923,690,454
No. of common shares outstanding	<b>3,014,820,305</b>	3,014,820,305
	<b>2020</b>	<b>2019</b>
Current ratio <sup>1</sup>	<b>1.06</b>	0.56
Book value per share <sup>2</sup>	<b>1.43</b>	1.30
Debt to equity ratio <sup>3</sup>	<b>0.43</b>	0.55
Earnings per share <sup>4</sup>	<b>0.12</b>	0.01
Return on assets <sup>5</sup>	<b>0.06</b>	0.01

Note:

1. Current assets / current liabilities
2. Stockholder's Equity / Total outstanding number of shares
3. Total Liabilities / Stockholder's Equity
4. Net Income (Loss) / Total outstanding number of shares
5. Net income / average total assets

### **Other Information**

Other material events and uncertainties known to management that would address the past and would have an impact on the Company's future operations are discussed below.

1. Except as disclosed in the management discussion and notes to the financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
2. Except as disclosed in the management discussion and notes to the financial statements, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from operations.
3. All significant elements of income or loss from continuing operations are already discussed in the management discussion and notes to financial statements. Likewise, any significant elements of income or loss that did not arise from the registrant's continuing operations are disclosed either in the management discussion or notes to financial statements.

4. There is no material off-balance sheet transaction, arrangement, obligation, and other relationship of the company with unconsolidated entities or other persons created during the reporting period.
5. The Company does not expect any liquidity or cash problem within the next twelve months.
6. There no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between cost and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.
7. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
8. The Company's mining operations starts during dry season and ends during rainy season, for a period of approximately six (6) to eight (8) months. During off-season months, it implements measures to prepare for the next production season with emphasis on mine planning and development as well as its mine rehabilitation programs and community relations initiatives and commitments.

### **PART III - FINANCIAL SOUNDNESS INDICATORS**

#### **Liquidity Ratio**

- a. Current Ratio  
Total Current Assets/ Total Current Liabilities = 0.85:1
- b. Quick Ratio  
Quick asset / Total Current Liabilities = 0.50:1

#### **Solvency Ratio**

- a. Debt Ratio  
Total liabilities / Total assets = 0.33:1
- b. Debt to Equity Ratio  
Total liabilities / Shareholder's Equity = 0.50:1

#### **Profitability Ratio**

- a. Return on Equity Ratio  
Net Income (Loss) / Average shareholder's equity = (0.04):1
- b. Return on Assets  
Net Income (Loss)/ Average Total assets = (0.03):1
- c. Fixed Assets Turnover Ratio:  
Revenue/Property Plant and Equipment = 1.47:1
- d. Asset to Equity Ratio:  
Total Assets / Stockholders' Equity = 1.50:1
- e. Asset Turnover  
Revenue/Total Assets = 0.05:1

#### **Interest Coverage Ratio**

- Net Income (Los) / Interest expense = (7.05):1

#### **PART IV - OTHER INFORMATION**

Any information not previously reported in a report on SEC Form 17-C

**NONE**

**THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED, UPON HIS WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. AT THE DISCRETION OF MANAGEMENT, A REASONABLE FEE MAY BE CHARGED FOR THE EXPENSE INCURRED IN PROVIDING A COPY OF THE EXHIBITS. ALL REQUESTS MAY BE SENT TO THE COMPANY'S HEAD OFFICE AND ADDRESSED TO:**

Attention: **ATTY. MAILA LOURDES G. DE CASTRO  
MARCVENTURES HOLDINGS INC.  
4th Floor BDO Towers Paseo (formerly Citibank Center), Paseo de Roxas,  
Makati City**

## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARLOS ALFONSO T. OCAMPO**, Filipino, of legal age and with office Address at 28th Floor, Pacific Star Building, Makati Avenue corner Sen. Gil Puyat Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am elected for Independent Director of **MARCVENTURES HOLDINGS INC. ("MARC")** and have been its independent director since August 2013 (where applicable).
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Bright Kindle Resources & Investments, Inc.	Independent Director	January 2014 to Present
Ocampo & Manalo Law Firm	Senior Partner	October 1997 to present
MAA General Assurance Phils., Inc.	Director	March 2003 to Present
South Forbes City College Corporation	Director	May 2009 to Present
Columbian Autocar Corporation	Director	October 2009 to April 2012
Asian Carmakers Corporation	Director	April 2008 to Present
Jam Transit, Inc.	Director	July 2009 to Present
Prestige Cars	Director	June 2006 to Present
Timebound Trading Corporation	Director	April 2013 to Present
Adrianse Phils. Inc.	Director/ Corporate Secretary	March 2012 to Present
Bluelion Motors Corp.	Director/ Corporate Secretary	February 1999 to Present
First Charters & Tours Transport Corp.	Director/ Corporate Secretary	July 2012 to Present
Brycl Resorts International Inc.	Director/ Corporate Secretary	July 2009 to Present
Autohaus Quezon City, Inc.	Director/ Corporate Secretary	April 2008 to Present
AVK Philippines, Inc.	Director/ Corporate Secretary	July 2000 to Present
Jam Liner, Inc.	Director/ Corporate Secretary	July 2009 to Present
Manila Golf & Country Club	Corporate Secretary	April 2008 to Present
Solen Innovations Holdings Inc.	Director	November 2016 to Present
Nearsol Philippines, Inc.	Corporate Secretary	December 2020 to present
The Vsquare Group Construction	Corporate Secretary	December 2020 to present
Integrated Bar of the Philippines	Member	
Management Association of the Philippines	Member	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.



4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NA	NA	NA

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NA	NA	NA

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of any changes in the above mentioned information within five days from its occurrence.

Done, this JUL 26 2021 day of MAKATI CITY

CARLOS ALFONSO T. OCAMPO

*Affiant*

JUL 26 2021

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_ at MAKATI CITY affiant personally appeared before me and exhibited to me his Passport with Passport No. P2096384A issued at Manila on 02 March 2017.

Doc. No. 226;  
Page No. 46;  
Book No. 281;  
Series of 2021.

**ATTY. JOSHUA P. LAPUZ**  
Notary Public for and in Makati City  
Appointment No. M-6 until 12/31/2021  
PTR No. 8531012, Jan. 4, 2021 until Dec. 31, 2021 Makati City  
Roll No. 45790, IEP Lifetime N. 04897  
MCLE No. VI-0019565 / Jan. 14, 2019  
G/F Fedman 5-1000 S. Legaspi Blvd.  
Makati City

### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **Kwok Yam Ian Chan**, British, of legal age and with Residence Address at 21C Kirov The Procenium at Rockwell, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am elected for Independent Director of **MARCVENTURES HOLDINGS INC. ("MARC")** and have been its independent director since September 2020 (where applicable).
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
DK VENTURES INC.	DIRECTOR	AUGUST 2020 UP TO PRESENT
KING DRAGON REALTY CORP	DIRECTOR	JUNE 2018 UP TO PRESENT
MEGALIFTERS CARGO HANDLING CORP.	DIRECTOR	MAY 2018 UP TO PRESENT
ISKY EMPIRE REALTY INC.	DIRECTOR	APRIL 2018 UP TO PRESENT
SEABORNE SHIPPING INC.	DIRECTOR	JANUARY 2013 UP TO PRESENT
ZENITH SYSTEM AND HEAVY EQUIPMENT	DIRECTOR	APRIL 2012 UP TO PRESENT
MANNAGE RESOURCE AND TRADING INC.	DIRECTOR	MARCH 2015 TO OCT 2017
DUNFENG SHIPPING INC.	PRESIDENT	JANUARY 2013 TO OCTOBER 2017
DUNFENG PHILIPPINES INTERNATIONAL INC.	MANAGING DIRECTOR	JANUARY 2010 TO OCTOBER 2017

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NA	NA	NA

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NA	NA	NA

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

ATTY. GEORGE DAVID D. SITON  
 NOTARY PUBLIC FOR MAKATI CITY  
 APPT. NO. 21-10-10 UNTIL DEC. 31, 2021  
 ROLL NO. 62432 / NOTARY COMMISSION NO. VI-0021936/3-29-2019  
 TMBP O.R. No. 217590 - UPTIME MEMBER MAY. 8, 2017  
 PTR NO. 023363 - JAN 01, 2021 - MAKATI CITY  
 EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST. MAKATI CITY

REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) S.S.

### SECRETARY'S CERTIFICATE

I, **MAILA LOURDES G. DE CASTRO**, of legal age, Filipino, with office address at 4<sup>th</sup> Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City, after having been duly sworn to in accordance with law, do hereby depose and state that:

1. I am the duly elected and qualified Co-Assistant Corporate Secretary of **MARCVENTURES HOLDINGS INC.** ("MHI" or the "Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office address at 4<sup>th</sup> Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City.

2. I hereby certify that none of the Corporation's Regular Directors, Independent Directors and Officers are appointed or employed in any government agency.

IN WITNESS WHEREOF, I have hereunto set my hand this 14 AUG 05 2021  
2021 at Makati City.

**MAILA LOURDES G. DE CASTRO**  
*Co-Assistant Corporate Secretary*

SUBSCRIBED AND SWORN to before me this AUG 03 2021 2020 in Makati City, affiant exhibited to me her Driver License No. NO2-95-296472 valid until 18 October 2021.

**NOTARY PUBLIC**

Doc. No.: 41  
Page No.: 10  
Book No.: 150  
Series of 2021.

**ATTY. GEORGE DAVID D. SITON**  
NOTARY PUBLIC - JUPITER CITY  
APPT. NO. \_\_\_\_\_ 2011  
ROLL NO. 684037-4-10-11 1996/129-2019  
IBP O.R. NO. 2179554-LIC. MAY 8, 2017  
PTR NO. B533058-JAN 01, 2011-MAKATI CITY  
**EXECUTIVE BLDG. CENTER MAKATI AVE., COR., JUPITER ST.-MAKATI CITY**

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

1	2	9	4	2
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COMPANY NAME

[illegible]**PRINCIPAL OFFICE** (No. /Street/Borough/City/Town/Province)[illegible]

Form type

A	A	S	F	S
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Department requiring the report:

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable:

N	I	A
---	---	---

## COMPANY INFORMATION

Company's Email Address

maila.decastro@marcventures.com.ph

Company's Telephone Number/s

**(02) 8831-4479**

Mobile Number

0919-993-7231

No. of Stockholder.

2.184

Annual Meeting (Month / Day)

May of each year

Fiscal Year (Month / Day)

December 31

#### CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation.

NAME OF CONTACT PERSON

Mr. Rolando S. Santos

Email Address

rolly.santos@marcventures.com.ph

Telephone Number/s:

(02) 8831-4479

Mobile Number

0998-985-0229

## CONTACT PERSON'S ADDRESS

4th Floor, BDO Towers Paseo (formerly Citi Center), B741 Paseo de Roxas, Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**NOTE 2:** All boxes must be properly and completely filled in. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Delinquencies. Further, non-receipt shall not excuse the corporation from liability for its delinquencies.

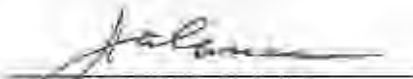


**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **Mareventures Holdings Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2020 and 2019, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacanlang & Co., the independent auditor appointed by the stockholders for the period December 31, 2020 and 2019, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

  
**CESAR C. ZALAMEA**  
Chairman of the Board

  
**ROLANDO S. SANTOS**  
Officer-in-charge

  
**DALE A. TONGCO**  
Vice President - Controller



SUBSCRIBED AND SWORN to before me this 14<sup>th</sup> of May of 2021  
affiant(s) exhibiting to their evidence of identity, as follows:

NAMES	Competent Evidence of Identity (TIN)	DATE OF ISSUE	PLACE OF ISSUE
Cesar C. Zalamea	137-712-551		
Rolando S. Santos	127-551-054		

*Pelle Tongco*

Doc. No. 46;  
Page No. 11;  
Book No. L;  
Series of 2021.

**Notary Public**

REUBEN CARLO O. GENERAL  
Notary Public for Makati City  
Appt. No. M-136 Until 31 Dec. 2021  
Roll of Attorneys No. 58007  
IBP Membership No. 148757: 02/02/2021  
PTR No. MGT-854242ME: 01/15/2021  
MCLE Compliance No. VI-0029476: 03/6/2019  
11500 Tamar, 6741 Pineda 4th Floor, Makati City

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors,  
Marventures Holdings, Inc.,  
4th Floor, BDO Towers Paseo (formerly Citi Center)  
8741 Paseo de Roxas, Makati City

### Quinton

We have audited the separate financial statements of Marcventures Holdings, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the separate financial statements, including a summary of significant accounting policies.

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

### Basis for Options

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

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

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.





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

*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

**REYES TACANDONG & CO.**

*Carolina P. Angeles*

CAROLINA P. ANGELES

Partner

CPA Certificate No. 86984

Tax Identification No. 705-067-076-000

BDA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 86081-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2021

BIR Accreditation No. 08-005144-007-2019

Valid until October 16, 2022

PIR No. 8534277

Issued January 3, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

**MARCVENTURES HOLDINGS, INC.**  
**SEPARATE STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	P22,428,338	P12,358,677
Dividends and other receivables	6	746,123,420	929,919,138
Advances to related parties	12	233,365,840	197,913,995
Other current assets	7	56,701,265	54,133,700
Total Current Assets		1,058,618,863	1,194,325,510
<b>Noncurrent Assets</b>			
Investments in subsidiaries	8	2,746,546,182	2,746,546,182
Property and equipment	9	86,524,454	92,485,614
Deferred input vat		1,148,696	1,785,217
Total Noncurrent Assets		2,834,219,332	2,840,817,013
		P3,892,838,195	P4,035,142,523
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Dividends payable and other current liabilities	10	P18,432,576	P25,449,638
Advances from a related party	12	—	55,430,795
Total Current Liabilities		18,432,576	80,880,433
<b>Noncurrent Liabilities</b>			
Retirement benefit liability	14	1,370,659	6,993,278
Deferred tax liability	15	241,884	540,932
Total Noncurrent Liabilities		1,612,543	7,534,210
Total Liabilities		20,045,119	88,414,643
<b>Equity</b>			
Capital stock	11	3,014,820,305	3,014,820,305
Additional paid-in capital		269,199,788	269,199,788
Retained earnings		588,208,587	661,445,613
Remeasurement gain on retirement benefit liability	14	564,396	1,262,174
Total Equity		3,872,793,076	3,946,727,880
		P3,892,838,195	P4,035,142,523

See accompanying Notes to Separate Financial Statements.

**MARCVENTURES HOLDINGS, INC.**  
**SEPARATE STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2020	2019	2018
<b>OPERATING EXPENSES</b>	13	<b>P73,237,199</b>	<b>P73,648,813</b>	<b>P75,938,590</b>
<b>INTEREST INCOME</b>	5	<b>173</b>	<b>1,947</b>	<b>5,386</b>
<b>LOSS BEFORE INCOME TAX</b>		<b>(73,237,026)</b>	<b>(73,646,866)</b>	<b>(75,933,204)</b>
<b>PROVISION FOR INCOME TAX</b>	15	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET LOSS</b>		<b>(73,237,026)</b>	<b>(73,646,866)</b>	<b>(75,933,204)</b>
<b>OTHER COMPREHENSIVE LOSS</b>				
<i>Not to be reclassified to profit or loss</i>				
Remeasurement gain/loss on retirement benefit liability – net of deferred income tax	14	(697,778)	(203,084)	(1,538,860)
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(P73,934,804)</b>	<b>(P73,849,950)</b>	<b>(P77,472,064)</b>

*See accompanying Notes to Separate Financial Statements.*

**MARVENTURES HOLDINGS, INC.**  
**SEPARATE STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31		
	Note	2020	2019	2018
<b>CAPITAL STOCK - ₱1 par value</b>				
Authorized - 4,000,000,000 shares	11			
Issued and outstanding:				
Balance at beginning of year		₱3,014,820,305	₱3,014,820,305	₱2,969,088,599
Issuance during the year		—	—	45,731,706
Balance at the end of year		3,014,820,305	3,014,820,305	3,014,820,305
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year	11	269,199,788	269,199,788	239,931,494
Proceeds in excess of par		—	—	29,268,294
Balance at end of year		269,199,788	269,199,788	269,199,788
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		661,445,613	735,092,479	811,025,683
Net loss		(73,237,026)	(73,646,866)	(75,933,204)
Balance at end of year		588,208,587	661,445,613	735,092,479
<b>REMEASUREMENT GAIN ON RETIREMENT</b>				
<b>LIABILITY - Net of deferred tax asset</b>	14			
Balance at beginning of year		1,262,174	1,465,258	3,004,118
Remeasurement loss		(697,778)	(203,084)	(1,538,860)
Balance at end of year		564,396	1,262,174	1,465,258
		<b>₱3,872,793,076</b>	<b>₱3,946,727,880</b>	<b>₱4,020,577,830</b>

*See accompanying Notes to Separate Financial Statements.*

**MARCVENTURES HOLDINGS, INC.**  
**SEPARATE STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax		(P73,237,026)	(P73,646,866)	(P75,933,204)
Adjustments for:				
Depreciation	9	6,201,436	5,790,089	7,994,926
Retirement benefit expense	10	635,350	771,079	(343,812)
Interest income	5	(173)	(1,947)	(5,386)
Operating loss before working capital changes		(66,400,413)	(66,097,645)	(68,287,176)
Decrease (increase) in:				
Dividends and other receivables		183,795,718	(7,555)	35,310
Other current assets		(2,567,565)	(1,538,793)	(1,554,680)
Deferred input vat		636,521	230,948	909,450
Increase (decrease) in dividends payable and other current liabilities		(7,017,062)	6,099,997	(109,428)
Net cash generated from (used for) operations		108,447,199	(60,713,048)	(69,006,824)
Benefits paid	14	(7,254,795)	-	-
Interest received		173	1,947	5,386
Net cash generated from (used in) operating activities		101,192,577	(60,711,101)	(69,001,438)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additional advances to related parties		(35,455,845)	(287,134)	(80,541,321)
Acquisition of property and equipment	9	(240,276)	(164,136)	(44,077)
Payments from a related party		4,000	102,670,371	132,183,804
Payment for additional subscription	8	-	(13,750,000)	(75,000,000)
Net cash provided by (used in) investing activities		(35,692,121)	93,469,041	(23,461,594)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of advances from related parties		(55,430,795)	(26,088,007)	(53,499,517)
Proceeds from related parties		-	18,319	135,000,000
Net cash provided by financing activities		(55,430,795)	(26,069,688)	81,500,483
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>10,069,661</b>	<b>6,683,252</b>	<b>(10,902,549)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>12,358,677</b>	<b>5,670,425</b>	<b>16,572,974</b>
<b>CASH AT END OF YEAR</b>		<b>P22,428,338</b>	<b>P12,358,677</b>	<b>P5,670,425</b>
<b>NONCASH FINANCIAL INFORMATION</b>				
Issuance of capital stock through conversion of deposit for future stock subscription	11	P-	P-	P75,000,000

See accompanying Notes to Separated Financial Statements.



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**MARVENTURES HOLDINGS, INC.**  
**NOTES TO SEPARATE FINANCIAL STATEMENTS**

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**I Corporate Information**

**General Information**

Marcventures Holdings, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957 with a primary purpose to acquire by purchase, exchange, assignment, gift or otherwise, and to hold, own and use for investment or otherwise, and to transfer any and all properties of every kind and description and wherever situated to the extent permitted by law provided it shall not engage in the business of an open-end or close-end investment company as defined in the Republic Act 2629, *Investment Company Act*, or act as a securities broker or dealer. On August 7, 2007, the SEC approved the extension of the Company's corporate life for another 50 years.

The Company's shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2020 and 2019, 3,014,820,305 shares of the Company's shares of stock, are listed in the PSE.

The registered address of the Company is at 4th Floor, BDO Towers Paseo (formerly Citi Center), 874-1 Paseo de Roxas, Makati City.

**Approval of Separate Financial Statements**

The Company's separate financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on May 10, 2021.

**Merger of the Company, BrightGreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC)**

On December 29, 2017, the SEC approved the application for merger of the Company, BHI and APMPC, with the Company as the surviving entity and the increase in authorized capital stock of the Company to accommodate the merger from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share (see Note 4).

BHI owns 100% interest in BrightGreen Resources Corporation (BGRC) and APMPC owns 100% interest in Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI) (see Note 8).

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**II Summary of Significant Accounting Policies**

**Basis of Preparation and Statement of Compliance**

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

The Company also prepares and issues consolidated financial statements for the same year as the separate financial statements. Users of these separate financial statements should read them together with the consolidated financial statements of the Company and its Subsidiaries (collectively referred to as the Group) in order to obtain full information on the financial position, financial performance and cash flows of the Group as a whole. The consolidated financial statements can be obtained in the registered office address of the Company or from SEC.

#### **Measurement Bases**

The separate financial statements are presented in Philippine Peso, which is the Company's functional currency. All amounts are in absolute values unless otherwise indicated.

The separate financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further disclosures are included in Note 16, *Financial Risk Management Objectives and Policies*.

#### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

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

- Amendments to References to the Conceptual Framework in PFRS – The amendments include new concepts affecting measurement, presentation and disclosure and derecognition; improved definitions and guidance in particular the definition of an asset and a liability, and clarifications in important areas, such as the roles of stewardship, prudence, measurement uncertainty and substance over form in financial reporting.



- **Amendments to PFRS 3 – *Definition of a Business*** – This amendment provides an improved 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 include, at a minimum, ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The clarification is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- **Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* – *Definition of Material*** – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The adoption of the foregoing amended PFRS did not have any material effect on the separate financial statements of the Company. Additional disclosures have been included in the separate financial statements, as applicable.

#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the separate financial statements, are summarized below:

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

- **Amendments to PFRS 3, *Reference to Conceptual Framework*** – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Leases*, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- **Amendments to PAS 16, *Property, Plant and Equipment* – *Proceeds Before Intended Use*** – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle -
  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

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

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

Deferred effectivity

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

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

## **Financial Assets and Liabilities**

### **a. Recognition**

The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade 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 initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

*“Day 1” Difference:* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company 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 Company 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 Company determines the appropriate method of recognizing the “Day 1” difference.

### **b. Classification and Subsequent Measurement Policies**

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

As at December 31, 2020 and 2019, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL), 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 December 31, 2020 and 2019, cash, dividends and other receivables (excluding advances to officers and employees) and advances to related parties are classified under this category.

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

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

As at December 31, 2020 and 2019, the Company's dividends payable and other current liabilities (excluding statutory payables) and advances from a related party are classified under this category.

c. **Reclassification**

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

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 other comprehensive income (OCI).

d. **Impairment Policy on Financial Assets at Amortized Cost**

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

For financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.



## e. 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 Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company 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 Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company'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 Company 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 profit or loss.

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 Company 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 profit or loss.

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

### f. Offsetting of Financial Assets and Liabilities

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

### g. 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 Company; 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 Company 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**

This account consists of prepaid income tax, input value-added tax (VAT) and prepayments.

*Prepaid Income Tax.* Prepaid income tax represents creditable withholding tax (CWT) and other tax credits of the Company. CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

*Input VAT.* Input VAT arising from purchase of goods and services are carried at cost. The account balance is presented net of applicable output VAT or vice versa, whichever is higher as at reporting date. These may either be applied against future output tax liabilities or claimed for tax credit or refund.

*Prepayments.* Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time. Prepayments are classified in the separate statement of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

### **Investments in Subsidiaries**

The Company's investments in subsidiaries are accounted for in the separate financial statements at cost less any impairment in value.

Under the cost method, the Company recognizes income from the investment only to the extent that the Company received distributions from accumulated profits of the subsidiaries after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

A subsidiary is an entity in which the Company has control. Specifically, the Company controls an investee if it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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 Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

An assessment of the carrying amount of the investment in subsidiaries is performed when there is an indication that the investment has been impaired.

#### **Property and Equipment**

Property and equipment are initially measured at cost less accumulated depreciation and any impairment in value. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

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 Company. All other subsequent expenditures are recognized as expense in the period in which these are incurred.

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

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Building and improvements	5-20
Office furniture, fixtures and equipment	1-5
Transportation equipment	3-5

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

Fully depreciated property and equipment are retained in the account until they are no longer in use and no further depreciation are credited or charged to current operations.

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

### **Impairment of Nonfinancial Assets**

The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount, which is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to 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 CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

### **Equity**

*Capital Stock.* Capital stock is measured at par value of the shares issued.

*Additional Paid-in Capital (APIC).* APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

*Retained Earnings.* Retained earnings represent the cumulative balance of all current and prior period operating results, less any dividends declared in the current and prior periods.

*Other Comprehensive Income (OCI).* OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. OCI pertains to remeasurement gain on retirement benefit liability.

### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.



The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company 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 in profit or loss as it accrues, taking into account the effective yield on the asset.

#### **Operating Expenses**

Expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Operating expenses include the cost of administering the business and are expensed as incurred.

#### **Employee Benefits**

*Short-term Benefits.* The Company provides short-term benefits to its employees in the form of basic 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits. The Company recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefits.* The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs and interest cost in profit or loss. Interest cost is calculated by applying the discount rate to the retirement benefit liability.

Current service costs are the increase in the present value of the defined benefit obligation resulting from employee service and are recognized in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses and any change in the effect of the asset ceiling (excluding interest cost on retirement benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefit liability is the aggregate of the present value of the defined benefit obligation which is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Income Taxes**

*Current Tax:* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused 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 carry forward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 taxable profit will be available to allow all or part of the deferred tax asset 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 rates 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 that have been enacted or substantively enacted at the reporting date.

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

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.

### **VAT**

*Input VAT:* Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense (item as applicable); and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the separate statements of financial position.

**Deferred Input VAT** In accordance with the Revenue Regulations (RR) No. 10-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

#### **Related Party Transactions and Related Parties**

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Company; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) members of the key management personnel of the Company.

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

#### **Provisions**

Provisions are recognized when the Company 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.

#### **Contingencies**

Contingent liabilities are not recognized in the separate financial statements. These are disclosed in the notes to separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to separate 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 Company's financial position at the end of reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

### **2. Significant Judgment, Accounting Estimates and Assumptions**

PFRS requires management to make judgment, accounting estimates and assumptions that affect the amounts reported in the separate financial statements. The judgment, accounting estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

### Accounting Estimates and Assumptions:

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

*Estimating Allowance for ECL on Other Financial Assets at Amortized Cost:* The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- ▶ actual or expected external and internal credit rating downgrade;
- ▶ existing or forecasted adverse changes in business, financial or economic conditions;
- ▶ actual or expected significant adverse changes in the operating results of the borrower; and
- ▶ significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

For cash and advances to related parties, the Company applies low credit risk simplification because the Company only enters into reputable counterparty banks and related parties that possessed good credit ratings. The Company's policy is to measure ECL on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

No provision for impairment loss was recognized on the Company's financial assets in 2020 and 2019.

The carrying amount of financial assets at amortized cost as at December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Cash	5	<b>₱22,428,338</b>	₱12,358,677
Dividends and other receivables*	6	<b>746,090,338</b>	929,834,038
Advances to related parties	12	<b>233,365,840</b>	197,913,995

\*Excluding advances to officers and employers

*Estimating Useful Lives of Property and Equipment:* The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

There were no changes in the estimated useful lives of the Company's property and equipment in 2020 and 2019.

Property and equipment, net of accumulated depreciation, amounted to ₱86.5 million and ₱92.5 million as at December 31, 2020 and 2019, respectively (see Note 9).



**Assessing Impairment of Nonfinancial Assets.** The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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; or
- significant negative industry or economic trends.

The recoverable amount of nonfinancial assets represents the higher of value in use or fair value less cost to sell. Estimating the value-in-use requires the Company to make an assessment of the expected future cash flows from nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on management's assessment, the Company's nonfinancial assets are not impaired.

The carrying amount of the Company's nonfinancial assets is as follows:

	Note	2020	2019
Advances to officers and employees	6	<b>₱33,082</b>	₱85,100
Other current assets	7	<b>56,701,265</b>	54,133,700
Investments in subsidiaries	8	<b>2,746,546,182</b>	2,746,546,182
Property and equipment	9	<b>86,524,454</b>	92,485,614
Deferred input vat		<b>1,148,696</b>	1,785,217

**Estimating Retirement Benefit Liability.** The determination of the Company's retirement benefit obligation and costs is dependent on the selection by management of assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate.

Actual results that differ from the Company's assumptions are recorded as addition to or deduction from retirement benefit liability and recognized in profit or loss or other comprehensive income. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated as at reporting date may differ significantly from the amount reported.

Retirement benefit expense (income) recognized in profit or loss amounted to ₱0.6 million, ₱0.8 million and (₱0.3 million) in 2020, 2019 and 2018, respectively (see Note 14).

Retirement benefit liability amounted to ₱1.4 million and ₱7.0 million as at December 31, 2020 and 2019, respectively (see Note 14).

**Recognizing Deferred Tax Assets.** The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's unrecognized deferred tax assets amounted to ₱67.1 million and ₱49.3 million as at December 31, 2020 and 2019, respectively (see Note 15). Management assessed that there will be no sufficient future taxable profits against which the deferred tax assets can be utilized.

**Contingencies:** The Company is currently involved in various legal proceedings which the Company believes to have no material adverse effect on its financial position. It is possible however, that changes in estimates relating to these proceedings may materially affect the results of operations of the Company.

#### **¶ Acquisition of Group of Assets**

On December 29, 2017, the SEC approved the application for merger of the Company, BHI and APMPC, with the Company as surviving entity. As at acquisition date, BHI and APMPC assets consist mainly of investments. Management determined that based on the substance of the underlying circumstances at that date, BHI and APMPC did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed based on their relative fair values.

Allocation of the acquisition cost of assets and liabilities of BHI and APMPC are as follows:

	BHI	APMPC	Total
<b>Assets</b>			
Current assets:	₱60,075	₱63,022,520	₱63,082,595
Investment in subsidiaries	450,768,702	612,027,480	1,062,796,182
	450,828,777	675,050,000	1,125,878,777
<b>Liabilities</b>			
Other liabilities	828,777	50,000	878,777
<b>Net assets acquired</b>	<b>₱450,000,000</b>	<b>₱675,000,000</b>	<b>₱1,125,000,000</b>

The consideration for the acquisition cost consists of 1,125,000,000 common shares of the Company issued at ₱1 per share.

#### **Information about the Absorbed Companies**

**BHI.** BHI was incorporated and registered with the SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BGRC (see Note 8).

**APMPC.** APMPC was incorporated and registered with the SEC on August 14, 2013 to engage in mining activities. APMPC owns 100% interests in AMPI and BARI (see Note 8).

#### **¶ Cash**

This account consists of:

	2020	2019
Cash on hand	₱54,545	₱54,545
Cash in banks	22,373,793	12,304,132
	<b>₱22,428,338</b>	<b>₱12,358,677</b>

Cash-in-banks earn interest at prevailing bank deposit rates. Interest income earned amounted to P173, P1,947 and P5,386 in 2020, 2019 and 2018, respectively.

## 6 Dividends and Other Receivables

This account consists of:

	Note	2020	2019
Dividends receivable	8	<b>P741,532,189</b>	<b>P923,502,420</b>
Advances to officers and employees		<b>33,082</b>	<b>85,100</b>
Others		<b>4,558,149</b>	<b>6,241,618</b>
		<b>P746,123,420</b>	<b>P929,919,138</b>

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

Others include reimbursable expenses from third party and claims to regulatory agency.

## 7 Other Current Assets

This account consists of:

	2020	2019
Prepaid income tax	<b>P49,403,933</b>	<b>P49,403,933</b>
Input VAT	<b>6,290,085</b>	<b>4,729,767</b>
Prepayments	<b>1,007,247</b>	<b>-</b>
	<b>P56,701,265</b>	<b>P54,133,700</b>

## 8 Investments in Subsidiaries

As at December 31, 2020 and 2019, the balance of investments in subsidiaries consist of:

	Note	2020	2019
<b>Marcventures Mining and Development Corp. (MMDC) -</b>			
Balance at beginning of year		<b>P1,683,750,000</b>	<b>P1,670,000,000</b>
Additional subscription during the year		<b>-</b>	<b>13,750,000</b>
Balance at end of year		<b>1,683,750,000</b>	<b>1,683,750,000</b>
<b>Acquired through merger - BGRC, AMPI and BARI</b>	4	<b>1,062,796,182</b>	<b>1,062,796,182</b>
		<b>P2,746,546,182</b>	<b>P2,746,546,182</b>

**Information about the Subsidiaries**

The subsidiaries of the Company are all wholly-owned.

***MMDC***

MMDC was incorporated and registered with the SEC on January 18, 1995 primarily to engage and/or carry on the business of extracting, mining, smelting, refining and converting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and natural metallic or non-metallic resource.

MMDC's registered address is Unit E, One Luna Place, E. Luna St., Butuan City, Agusan del Norte

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-X Surigao Mineral Reservation (SMR) covering an area of approximately 4,799 hectares located in the municipalities of Cartasdal, Cantilan and Madrid, Surigao Del Sur.

Originally, the MPSA was granted to Ventura Timber Corporation (VTC) on June 19, 1992. In January 1995, VTC executed a deed of assignment (the Deed) to transfer to MMDC all its rights and interest in and title to the MPSA. On January 13, 2008, the Deed was approved by the Mines and Geosciences Bureau (MGB).

On December 31, 2010, the Company acquired all the issued and outstanding common stock of MMDC consisting of 2.0 million shares valued at ₱1,300.0 million in exchange for the Company's common stock with par value of ₱1,250.0 million and Metroclub shares valued at ₱50.0 million. The Company made additional investments in MMDC by way of converting advances aggregating ₱245.0 million. The conversion was approved by the SEC in January 2014.

In 2019 and 2018, the Company made an additional subscription of 1,375,000 and 7,500,000 shares at ₱10 per share for ₱13.8 million and ₱75.0 million, respectively.

Dividends receivable amounted to ₱741.5 million and ₱923.6 million as at December 31, 2020 and 2019, respectively (see Note 6).

The credit facilities of MMDC are secured by the interests and rights of the Company over 547,692 shares of stocks of MMDC.

On February 13, 2017, MMDC received an order from the DENR cancelling its MPSA due to alleged violations of environment related laws and regulations. The Technical Committee Report on MMDC shows only a recommendation for fine and suspension. The Management and its legal counsel have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining.

On February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum. MMDC asserted that the grounds for cancellation cited by the DENR: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President GMA; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area. As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to circumstances beyond its control.



As at December 31, 2020, MMDC has not received any decision nor update from the Office of the President. MMDC's Legal Counsel is of a good faith position that the it may continue its operations because the execution of the Order of the DENR Secretary is deemed automatically stayed as a matter of law on account of the pendency of MMDC's appeal.

MMDC has continuously been granted the necessary regulatory permits and licenses to operate, including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits. As proof of its compliance, MMDC has also secured a certification from the MGB as of January 22, 2020, attesting to the validity and existence of its MPSA and that MMDC has an approved Declaration of Mining Project Feasibility covering its entire contract mining area as of 15 October 2014.

MMDC has continued mining operations in areas covered by the MPSA.

#### **BGRC**

BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business.

BGRC's registered office address is at 2nd Floor, One Luna Bldg., E. Luna St., Butuan City 8600.

On July 1, 1993, the DENR approved BGRC's application for MPSA No. 015-93-XI (SMR) covering an area of approximately 4,860 hectares located in the municipalities of Carrascal and Cantilan, Surigao del Sur. BGRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category.

In 2019, MHI pledged the shares held in BGRC as part of MMDC's restructuring of loans.

#### **AMPI**

AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

AMPI's principal address is at 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 179-2002-VIII-SBMR covering 6,694 hectares in the municipalities of San Jose de Buen and Paranas Samar in Eastern Visayas (Region VIII) valid for 25 years and renewable for another 25 years.

#### **BARI**

BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

BARI's registered office address is at 4th Floor Citibank Center, Paseo de Roxas, Makati City.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 180-2002-VIII-SBMR covering 5,519 hectares in the Municipalities of Gandara, San Jose de Buen, Matuguinao, and San Jorge, Province of Samar (formerly known as Western Samar) in Eastern Visayas (Region VIII) , valid for 25 years and renewable for another 25 years.

BGRC, AMPI and BARI received Show-Cause Orders dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. The companies submitted a reply explaining that BGRC, AMPI and BARI have prior legal right. Management believes that the potential outcome of any legal proceedings will not have a material adverse effect on the operations of the subsidiaries.

As at December 31, 2020, the DENR has not issued any other Show Cause Orders for BGRC, AMPI and BARI. Basing on the letters from FMB and DENR, the Management and Legal Counsel of BGRC, AMPI and BARI take a good faith position that these have rendered that Show-Cause Orders moot and academic. Of note is the recent letter-approval of the DENR, through the MGB, dated 18 May 2020, granting the requested extension of the Exploration Period of AMPI and BARI's respective MPSAs from 18 June 2020 to 18 June 2022.

The summarized financial information of the subsidiaries are as follows:

	2020			
	MMDC	BGRC	AMPI	BARI
Current assets	₱1,091,159,730	₱2,582,721	₱11,015,515	₱1,776,538
Noncurrent assets	2,299,109,074	71,852,946	125,287,911	58,371,239
Current liabilities	1,877,116,284	116,532,045	60,173,110	2,021,378
Noncurrent liabilities	217,764,384	-	131,819,788	57,829,162
Equity (capital deficiency)	1,295,388,136	(42,096,378)	(55,689,472)	297,237
Revenue	2,876,676,296	-	-	-
Net income (loss)	530,544,394	(4,480,542)	(21,889,911)	(720,415)
Total comprehensive income (loss)	529,083,165	(4,480,542)	(21,889,911)	(720,415)

	2019			
	MMDC	BGRC	AMPI	BARI
Current assets	₱798,008,100	₱2,398,123	₱59,843,555	₱169,364
Noncurrent assets	2,483,185,230	68,327,313	117,602,706	56,696,156
Current liabilities	2,421,706,379	108,341,272	9,656,440	3,401,129
Noncurrent liabilities	93,181,980	-	201,589,382	52,444,739
Equity (capital deficiency)	766,304,971	(37,615,836)	(33,799,561)	1,019,652
Revenue	1,432,534,095	-	-	-
Net income (loss)	165,435,649	(3,702,568)	(26,410,498)	(2,462,156)
Total comprehensive income (loss)	161,340,608	(3,702,568)	(26,410,498)	(2,462,156)

### 9. Property and Equipment

The balances and movements in this account are as follows:

		2020		
	Note	Building and Improvements	Office Furniture, Fixtures and Equipment	Total
<b>Cost</b>				
Balances at beginning of year		₱125,665,001	₱5,747,584	₱131,412,585
Acquisitions		—	240,276	240,276
Balances at end of year		125,665,001	5,987,860	131,652,861
<b>Accumulated Depreciation</b>				
Balances at beginning of year		33,423,878	5,503,093	38,926,971
Depreciation	13	6,027,163	174,273	6,201,436
Balances at end of year		39,451,041	5,677,366	45,128,407
Carrying Amount		₱86,213,960	₱310,494	₱86,524,454

		2019			
	Note	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
<b>Cost</b>					
Balances at beginning of year		₱125,665,001	₱5,583,388	₱3,450,000	₱134,698,389
Disposal		—	—	(3,450,000)	(3,450,000)
Acquisitions		—	164,196	—	164,196
Balances at end of year		125,665,001	5,747,584	—	131,412,585
<b>Accumulated Depreciation</b>					
Balances at beginning of year		24,386,741	5,160,141	3,450,000	35,596,882
Depreciation	13	6,437,147	347,952	—	6,780,089
Disposal		—	—	(3,450,000)	(3,450,000)
Balances at end of year		33,423,878	5,503,093	—	38,926,971
Carrying Amount		₱92,241,123	₱244,491	₱—	₱92,485,614

Fully depreciated property and equipment with cost of ₱6.3 million and ₱5.8 million as at December 31, 2020 and 2019 are still being used by the Company and retained in the accounts.

### 10. Dividends Payable and Other Current Liabilities

This account consists of:

	Note	2020	2019
Statutory payables		₱11,862,658	₱14,761,097
Dividends payable	11	4,707,886	4,707,886
Accrued expenses	11	789,401	5,408,024
Others		1,072,631	1,072,631
		<b>₱18,432,576</b>	<b>₱25,449,638</b>

Statutory payables include deferred output VAT, other taxes payable and mandatory contributions. These are normally settled within one month after the end of the reporting period.

Accrued expenses primarily pertain to utilities and settled within the month after the end of the reporting period.

Others pertain to advances from a former related party.

## 1.3. Equity

### Capital Stock

Movements in this account are as follows:

	2020		2019		2018	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized Capital Stock: at P1 par value	4,000,000,000	P4,000,000,000	4,000,000,000	P4,000,000,000	4,000,000,000	P4,000,000,000
<b>Capital Stock</b>						
Balance at beginning of year	3,014,820,305	P3,014,820,305	3,014,820,305	P3,014,820,305	2,209,088,599	P2,209,088,599
Issuance of shares	-	-	-	-	45,731,706	P45,731,706
Balance at end of year	3,014,820,305	P3,014,820,305	3,014,820,305	P3,014,820,305	3,014,820,305	P3,014,820,305
<b>Additional Paid-in Capital</b>						
Balance at beginning of year	269,199,788	P269,199,788	269,199,788	P269,199,788	239,931,494	P239,931,494
Proceeds in excess of par value	-	-	-	-	29,268,294	P29,268,294
	269,199,788	P269,199,788	269,199,788	P269,199,788	269,199,788	P269,199,788

On December 29, 2017, the SEC approved the increase in authorized capital stock of the Company to accommodate the merger, as stated in Note 1, from 2,000,000,000 shares at P1 par value to 4,000,000,000 shares at P1 par value a share. Out of this increase, a total of 1,125,000,000 of the Company's common shares were issued to BH and APMPC shareholders at P1 per share.

In 2017, the Parent Company received an advance from a stockholder for future stock subscription of P75.0 million. In 2018, the advances was applied as payment for the subscription of 45,731,706 shares and resulted to additional paid-up capital of P29.3 million.

### Retained Earnings

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Payment Date On or after
November 14, 2014	P0.15	P273,203,790	December 19, 2014	January 16, 2015
September 19, 2014	0.15	273,203,790	October 1, 2014	October 22, 2014

Dividends payable amounted to P4.7 million as at December 31, 2020 and 2019 (see Note 10).

## 12. Related Party Transactions

Transactions with related parties are summarized below:

	Transactions during the year		Outstanding Balances		Nature
	2020	2019	2020	2019	
<b>Dividends Receivable</b>					
<i>Subsidiary</i>	P=	P=	P741,532,189	P923,592,420	Dividends
<b>Advances to Related Parties</b>					
<i>Subsidiaries</i>	P35,455,845	P287,134	P148,365,840	P112,913,995	Working fund
			85,000,000	85,000,000	Management fee
			P233,365,840	P197,913,995	
<b>Dividends Payable</b>					
<i>Stockholders</i>	P=	P=	P4,707,886	P4,707,886	Working fund
<b>Advances from a Related Party</b>					
<i>Subsidiary</i>	P=	P18,319	P=	P55,430,795	Working fund

Outstanding balances are unsecured, noninterest bearing, and settled on demand in cash.

The changes in advances from a related party arising from financing activities as at December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	P55,430,795	P81,500,483
Financing cash flow	(55,430,795)	(26,069,688)
Balance at end of year	P=	P55,430,795

### Management Contract

In December 2014, the Company entered into a management contract with MMDC to oversee and supervise MMDC's operations. The management contract shall be effective for a period of three (3) years commencing January 1, 2014. In 2017, the management contract was extended for another three (3) years. In 2020 and 2019, the Company did not charge management fee to MMDC. Management fee charged to MMDC in 2017 amounted to P85.0 million.

As at December 31, 2020 and 2019, the Company has not provided any allowance for impairment losses for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related party operates.

### Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to P39.0 million, P44.3 million and P83.2 million in 2020, 2019 and 2018, respectively. Retirement benefit expense of key management personnel amounted to P0.6 million, P0.8 million and P1.4 million in 2020, 2019 and 2018, respectively.

### 13. Operating Expenses

This account consists of:

	Note	2020	2019	2018
Salaries and allowances		<b>P29,447,348</b>	P41,245,442	P39,457,536
Professional fees		<b>17,792,348</b>	13,051,715	15,493,696
Penalties		<b>7,038,076</b>	—	—
Depreciation	9	<b>6,201,436</b>	6,780,089	7,994,926
Outside services		<b>4,061,497</b>	1,391,610	3,549,674
Dues and subscriptions		<b>3,217,161</b>	3,153,260	3,680,369
Representation		<b>1,810,161</b>	205,746	451,836
Retirement benefit expense (income)	14	<b>635,350</b>	771,079	(343,812)
Communication, light and water		<b>571,876</b>	948,139	1,009,045
Taxes and licenses		<b>34,541</b>	2,171,148	1,719,436
Others		<b>2,427,405</b>	3,930,585	2,925,884
		<b>P73,237,199</b>	P73,648,813	P75,938,590

Others include insurance and transportation, among others.

### 14. Retirement Benefit Liability

The Company has an unfunded, noncontributory defined benefit plan covering all its permanent employees. Under this plan, the employees are entitled to retirement benefits ranging from 50% to 200% of the final monthly salary for each year of credited service. This plan is in accordance with Republic Act No. 7641, which mandates a minimum retirement benefit equivalent to one-half month salary per year of service.

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2020.

The components of retirement benefit expense (income) presented under "Operating expenses" account in profit or loss are as follows:

	2020	2019	2018
Current service cost	<b>P292,110</b>	P139,599	P233,920
Net interest cost	<b>324,488</b>	435,415	228,341
Past service cost	<b>38,752</b>	196,065	(806,073)
	<b>P635,350</b>	P771,079	(P343,812)



The retirement benefit liability recognized in the separate statements of financial position and changes in the present value of defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	<b>₱6,993,278</b>	₱5,932,079
Retirement benefit expense (income) recognized in profit or loss:		
Interest cost	<b>324,488</b>	435,415
Current service cost	<b>292,110</b>	139,599
Past service cost	<b>18,752</b>	196,065
Remeasurement losses (gains) recognized in OCI arising from:		
Deviation of experience from assumptions	<b>885,720</b>	359,800
Changes in financial assumptions	<b>111,106</b>	(69,680)
Benefits paid	<b>(7,254,795)</b>	-
Balance at end of year	<b>₱1,370,659</b>	₱6,993,278

The principal actuarial assumptions used to determine retirement benefit liability are as follows:

	2020	2019
Discount rate	<b>3.53%</b>	4.64%
Salary increase rate	<b>3.00%</b>	3.00%

The plan exposes the Company to actuarial risks, such as interest rate risk and salary rate risk.

Sensitivity analysis on retirement benefit liability as at December 31, 2020 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate:	+1%	(₱100,005)
	-1%	115,651
Salary increase rate:	+1%	114,580
	-1%	(102,900)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

The changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed more responsible.

The cumulative remeasurement gain recognized in other comprehensive income (loss) follows:

	2020		
	Accumulated Actuarial Gain (Loss)	Deferred Tax Liability (see Note 15)	Net Actuarial Gain
Balance at beginning of year	₱1,803,106	₱540,932	₱1,262,174
Actuarial loss	(996,826)	(299,048)	(697,778)
Balance at end of year	₱806,280	₱241,884	₱564,396

	2019		
	Accumulated Actuarial Gain (Loss)	Deferred Tax Liability (see Note 15)	Net Actuarial Gain
Balance at beginning of year	₱2,093,226	₱627,968	₱1,465,258
Actuarial loss	(290,120)	(87,036)	(203,084)
Balance at end of year	₱1,803,106	₱540,932	₱1,262,174

The maturity analysis of the undiscounted benefit payments as at December 31, 2020 follow:

Less than one (1) year	568,257
One (1) year to less than five (5) years	195,443
Five (5) years to less than 10 years	321,898
10 years and above	10,292,793
	₱11,378,391

The average duration of the expected benefit payments at the end of the reporting period is 5.81 years.

## 15 Income Taxes

The Company has no current provision for income tax in 2020 and 2019 due to its net taxable loss position.

Deferred tax liability amounting to ₱0.2 million and ₱0.5 million as at December 31, 2020 and 2019, respectively, pertains to remeasurement gain on retirement liability (see Note 14).

The reconciliation of provision for income tax computed at the applicable statutory tax rate to provision for income tax shown in the separate statements of comprehensive income is as follows:

	2020	2019	2018
Income tax at statutory rate	(₱21,971,108)	(₱22,094,060)	(₱22,779,961)
Change in unrecognized deferred tax assets	17,981,386	20,294,644	13,020,453
Expired MCIT	1,700,000	1,800,000	1,700,000
Add (deduct) tax effects on:			
Nondeductible expense	2,259,494	—	—
Expired NOICO	30,280	—	3,060,124
Interest income subjected already to final tax	(52)	(584)	(1,615)
	₱	₱	₱



Management believes that it may not be probable that future taxable profit will be available against which the deferred tax assets can be utilized. Details of unrecognized deferred tax assets are as follows:

	2020	2019
NOLCO	₱64,269,101	₱44,778,320
Retirement benefit liability	2,829,520	2,638,915
Excess MCIT over RCIT	-	1,700,000
	<b>₱67,098,622</b>	<b>₱49,117,235</b>

Details of NOLCO are as follows:

Year incurred	Expiry date	Amount	Incurred	Expired	Balance
2020	2025	₱-	₱65,070,203	₱-	₱65,070,203
2019	2022	72,877,734	-	-	72,877,734
2018	2021	76,282,402	-	-	76,282,402
2017	2020	100,932	-	100,932	-
		<b>₱149,261,068</b>	<b>₱65,070,203</b>	<b>₱100,932</b>	<b>₱214,230,339</b>

On September 30, 2020, BIR issued the RR No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as “Bayanihan to Recover as One Act”. This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

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

On March 26, 2021, Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises” or “CREATE” was approved and signed into law by the Philippine President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The enactment of the CREATE Act is considered a non-adjusting subsequent event. Accordingly, the income tax rate used in preparing the separate financial statements as at and for the year ended December 31, 2020 is 30% for RCIT. The change in income tax rates does not have financial impact to the Company due to its net loss position.

## **16. Financial Risk Management Objectives and Policies**

### **General**

The Company has financial risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company’s objectives are achieved. The Company’s risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company’s established business objectives.

### Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, dividends and other receivables (excluding advances to officers and employees), advances to related parties, dividends payable and other current liabilities (excluding statutory payables) and advances from a related party. The primary purpose of these financial instruments is to finance the Company's operations. The main risks arising from the use of these financial instruments are credit risk and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

**Credit Risk.** Credit risk arising from the inability of counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company.

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

	December 31, 2020						Allowance for Impairment Loss
	High Grade	Standard Grade	Past Due			Total	
			1 - 30 Days	31 - 90 Days	More than 90 Days		
12-Month ECL							
Cash in bank	₱22,373,793	B-	P-	P-	B-	₱22,373,793	P-
Dividends and other receivables*	746,090,338	-	-	-	-	746,090,338	-
Advances to related parties	233,365,840	-	-	-	-	233,365,840	-
	₱1,001,829,971	P-	P-	P-	B-	₱1,001,829,971	P-

\*Excluding advances to officers and employees amounting to ₱13,022.

	December 31, 2019						Allowance for Impairment Loss
	High Grade	Standard Grade	Past Due			Total	
			1 - 30 days	31 - 90 days	More than 90 Days		
12-Month ECL							
Cash in bank	₱12,304,137	B-	B-	P-	P-	₱12,304,137	P-
Dividends and other receivables*	779,814,038	-	-	-	-	779,814,038	-
Advances to related parties	197,513,995	-	-	-	-	197,513,995	-
	₱1,180,632,169	P-	P-	P-	P-	₱1,180,632,169	P-

\*Excluding advances to officers and employees amounting to ₱95,710.

Credit risk from dividends and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Generally, dividend and other receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

The credit quality of the financial assets is managed by the Company using internal credit quality ratings. High grade accounts consist of receivable from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts.

Cash in Banks are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under high grade because the Company only enters to reputable related parties with low credit risk.

**Liquidity Risk.** The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal and interest payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2020 and 2019, based on contractual undiscounted payments.

	On Demand	Less than Three Months	Three to Six Months	Within One Year	More than One Year	Total
<b>December 31, 2020</b>						
Dividends payables and other current liabilities*	₱6,569,918	—	—	—	—	₱6,569,918
<b>December 31, 2019</b>						
Dividends payables and other current liabilities*	₱11,188,541	—	—	—	—	₱11,188,541
Advances from a related party	55,430,795	—	—	—	—	55,430,795
	₱66,619,336	—	—	—	—	₱66,619,336

\*Excluding statutory payables amounting to ₱11.9 million and ₱14.3 million as at December 31, 2020 and 2019, respectively.

#### **Fair Value of Financial Assets and Liabilities**

The following are the fair value of the Company's financial instruments as at December 31, 2020 and 2019:

	2020	2019
<b>Financial Assets</b>		
Cash	₱22,428,338	₱12,358,677
Dividends and other receivables*	746,090,338	929,834,038
Advances to related parties	233,365,840	197,913,995
	<b>₱1,001,884,516</b>	<b>₱1,340,106,710</b>
<b>Financial Liabilities</b>		
Dividends payable and other current liabilities**	₱6,569,918	₱11,188,541
Advances from a related party	—	55,430,795
	<b>₱6,569,918</b>	<b>₱66,619,336</b>

\*Excluding advances to officers and employees amounting to ₱13,082 and ₱15,309 as at December 31, 2020 and 2019, respectively.

\*\*Excluding statutory payables amounting to ₱11.9 million and ₱14.3 million as at December 31, 2020 and 2019, respectively.

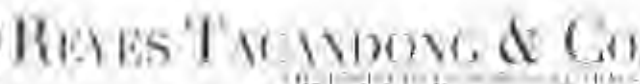
Due to the short-term nature of transactions, the fair values of the Company's financial assets and financial liabilities approximate the carrying amounts at reporting period.

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**17. Capital Management Objectives, Policies and Procedures**

The Company considers its capital stock and APIC aggregating R\$284.0 million as at December 31, 2020 and 2019, as its core capital. The Company maintains its current capital structure and makes adjustments to it, if necessary, to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

There were no changes in the Company's objectives, policies or processes in 2020 and 2019.



Country	Year	Value
France	1990	1.00
France	1991	1.00
France	1992	1.00
France	1993	1.00
France	1994	1.00
France	1995	1.00
France	1996	1.00
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France	2105	1.00
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France	2107	1.00
France	2108	1.00
France		

09-11-11

09-11-11

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 2 9 4 2

## COMPANY NAME

M	A	R	C	V	E	N	T	U	R	E	S		H	O	L	D	I	N	G	S	,		I	N	C		A	N	D		S	U	B	S	I	D	I
A	R	I	E	S																																	

## PRINCIPAL OFFICE (No./Street/Banuegay/City/Town/Province)

4	t	h		F	l	o	o	r	,		B	D	O		T	o	w	e	r	s		P	a	s	e	o		(	f	o	r	m	e	r	l	y		C
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i				C	i	t	y																															

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

malli.decastro@marcventures.com.ph

Company's Telephone Number/s

(02) 8831-4479

Mobile Number

0919-993-7231

No. of Stockholders

2,184

Annual Meeting (Month / Day)

September 26

Fiscal Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Mr. Rolando S. Santos

Email Address

rolly.santos@marcventures.com.ph

Telephone Number/s

(02) 8831-4479

Mobile Number

0998-985-0229

## CONTACT PERSON'S ADDRESS

4th Floor, BDO Towers Paseo (formerly Citi Center), 8741 Paseo de Roxas, Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**NOTE 2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non receipt of Notice of Deficiencies. Further non-recopy shall not excuse the corporation from liability for its deficiencies.

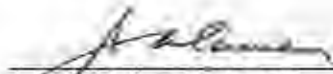


**STATEMENT OF MANAGEMENT RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **Marcventures Holdings Inc. and Subsidiary** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2020 and 2019, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the period December 31, 2020 and 2019, have examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.



**CESAR C. ZALAMEA**  
Chairman of the Board



**ROLANDO S. SANTOS**  
Officer-in-Charge



**DALE A. TONGCO**  
Vice President - Controller




SUBSCRIBED AND SWORN to before me this 11th day of May of 2021  
affiant(s) exhibiting to their evidence of identity, as follows:

NAMES	Competent Evidence of Identity (TIN)	DATE OF ISSUE	PLACE OF ISSUE
Cesar C. Zalamea	137-712-551		
Rolando S. Santos	127-551-054		
<i>Dale Tonyo</i>			

Doc. No. 182;  
Page No. 18;  
Book No. 1;  
Series of 2021.

**Notary Public**

  
NEUBEN CARLO O. GENERAL  
Notary Public for Makati City  
Appl. No. M-138 Undt 21 Dtd. 2021  
RCd of Admission No. 50587  
IBP Membership No. 143157, 1/2012/2021  
MTRPS, MKT-054/MSME: 01/15/2021  
MCLE Compliance No. VI 6021476: 2/20/2019  
87 BVO Tower, 8741 Piedad de Rorai, Makati City





**Flora:** *Conium maculatum*  
**Type:** *Conium maculatum*  
**Stridings:** *Conium maculatum*

The Stockholders and the Board of Directors  
Manventures Holdings, Inc. and Subsidiaries  
4th Floor, BDO Towers Paseo (formerly Citi Center)  
8741 Paseo de Roxas, Makati City

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

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

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

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



Assessment for Impairment of Mining Rights and other Mining Assets

The Company carries significant amounts of mining rights and other mining assets with aggregate carrying amount of ₱4.4 billion and ₱4.5 billion as at December 31, 2020 and 2019, respectively. Under the PFRS, the Company is required to assess the carrying amounts of these assets if there is any indication of impairment. The assessment is significant to our audit because the assessment process requires significant judgment, assumptions and estimates.

We performed the necessary procedures by reviewing the assumptions used by the management in the impairment assessment, in particular, those involving the forecasted cash flows and discount rate, and evaluated whether a reasonably possible change in these assumptions could cause the carrying amounts to exceed the estimated recoverable amounts.

Further disclosures are included in Note 3, *Significant Judgments, Accounting Estimates and Assumptions - Estimating Depletion Rate and Recoverable Reserves*, and Note 9, *Mining Rights and Other Mining Assets*.

Other Information

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

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Carolina P. Angeles.

**REYES TACANDONG & CO.**

*Carolina P. Angeles*

CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 86981-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005146-007-2019

Valid until October 16, 2022

PRR No. 8694277

Issued January 21, 2021; Makati City

May 10, 2021

Makati City, Metro Manila

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2020	2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	P241,951,074	P314,440,796
Trade and other receivables	5	542,258,519	204,463,789
Advances to related parties	19	39,179,557	51,366,755
Inventories	6	127,217,784	76,934,360
Other current assets	7	133,615,250	132,085,257
Total Current Assets		1,084,222,184	779,290,957
<b>Noncurrent Assets</b>			
Property and equipment	8	209,369,331	275,879,333
Mining rights and other mining assets	9	4,435,089,769	4,504,413,119
Net deferred tax assets	21	36,193,214	32,716,374
Other noncurrent assets	10	398,821,130	499,050,672
Total Noncurrent Assets		5,079,473,444	5,312,059,498
		<b>P6,163,695,628</b>	<b>P6,091,350,455</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	P409,425,087	P769,333,142
Current portion of loans payable	13	335,975,945	510,069,579
Advances from related parties	19	140,272,674	110,846,820
Dividends payable	14	4,707,886	4,707,886
Income tax payable		136,107,191	8,410,118
Total Current Liabilities		1,026,488,783	1,403,367,545
<b>Noncurrent Liabilities</b>			
Loans payable - net of current portion	13	286,529,622	208,999,799
Provision for mine rehabilitation and decommissioning	12	55,679,292	52,634,827
Retirement benefit liability	18	33,160,260	37,395,071
Deferred tax liability	21	465,262,759	465,262,759
Total Noncurrent Liabilities		840,627,933	764,292,456
Total Liabilities		1,867,116,716	2,167,660,001
<b>Equity</b>			
Capital stock	14	3,014,820,305	3,014,820,305
Additional paid-in capital	14	269,199,788	269,199,788
Retained earnings		980,673,981	605,628,516
Cumulative Remeasurement gain on retirement benefit liability - net of deferred tax	16	31,884,838	34,043,845
Total Equity		4,296,578,912	3,923,690,454
		<b>P6,163,695,628</b>	<b>P6,091,350,455</b>

See accompanying Notes to Consolidated Financial Statements.



**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

		Years Ended December 31		
	Note	2020	2019	2018
REVENUE		₱2,876,676,296	₱1,432,534,095	₱987,255,064
COST OF SALES	15	1,647,827,569	847,975,370	921,069,786
GROSS INCOME		1,228,848,727	584,558,725	65,985,278
OPERATING EXPENSES	16	572,046,872	407,983,396	507,959,941
INCOME (LOSS) FROM OPERATIONS		656,801,855	176,575,329	(441,974,663)
INTEREST EXPENSE	13	(64,492,696)	(61,630,647)	(40,763,016)
INTEREST INCOME	4	766,044	736,547	149,306
OTHER INCOME	17	36,406,306	10,777,723	1,926,242
INCOME (LOSS) BEFORE INCOME TAX		629,481,509	125,958,952	(480,662,131)
INCOME TAX EXPENSE (BENEFIT)	21	254,434,044	88,116,546	(91,855,012)
NET INCOME (LOSS)		375,047,465	37,842,406	(388,807,119)
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax	18	(2,159,007)	(4,298,125)	2,878,596
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱372,888,458</b>	<b>₱33,544,281</b>	<b>(₱385,928,523)</b>
Basic and diluted earnings (loss) per share	22	₱0.124	₱0.013	(₱0.129)

See accompanying Notes to Consolidated Financial Statements.

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

		Years Ended December 31		
	Note	2020	2019	2018
<b>CAPITAL STOCK - ₱1 par value</b>				
Authorized - 4,000,000,000 shares	14			
Issued and outstanding:				
Balance at beginning of year		₱3,014,820,305	₱3,014,820,305	₱2,969,088,599
Issuance		-	-	45,731,706
Balance at end of year		3,014,820,305	3,014,820,305	3,014,820,305
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year	14	269,199,788	269,199,788	239,931,494
Proceeds in excess of par value		-	-	29,268,294
Balance at end of year		269,199,788	269,199,788	269,199,788
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		605,626,516	567,784,110	956,591,229
Net income (loss)		375,047,465	37,842,406	(388,807,119)
Balance at end of year		980,673,981	605,626,516	567,784,110
<b>CUMULATIVE REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - Net of deferred tax</b>				
	18			
Balance at beginning of year		34,043,845	38,341,970	35,469,374
Remeasurement gain (loss)		(2,159,007)	(4,298,125)	2,878,596
Balance at end of year		31,884,838	34,043,845	38,341,970
		<b>₱4,296,578,912</b>	<b>₱3,923,690,454</b>	<b>₱3,890,146,173</b>

See accompanying Notes to Consolidated Financial Statements.

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>₱629,481,509</b>	<b>₱125,958,957</b>	<b>(₱480,662,131)</b>
Adjustments for:				
Depletion	9	<b>174,132,163</b>	<b>61,542,082</b>	<b>57,456,596</b>
Interest expense	13	<b>64,492,696</b>	<b>61,630,647</b>	<b>40,763,016</b>
Depreciation and amortization	8	<b>48,866,200</b>	<b>68,138,439</b>	<b>67,736,982</b>
Provision for expected credit loss	5	<b>20,000,000</b>	<b>20,000,000</b>	<b>25,808,706</b>
Retirement expense	19	<b>8,592,588</b>	<b>8,702,664</b>	<b>4,872,143</b>
Interest income	4	<b>(766,044)</b>	<b>(236,547)</b>	<b>(149,306)</b>
Operating income (loss) before working capital changes		<b>944,799,112</b>	<b>345,736,237</b>	<b>(284,173,994)</b>
Decrease (increase) in:				
Trade and other receivables		<b>(357,794,730)</b>	<b>(20,848,638)</b>	<b>(6,705,472)</b>
Inventories		<b>(50,283,424)</b>	<b>68,921,379</b>	<b>83,590,881</b>
Other assets		<b>(726,818)</b>	<b>(16,087,056)</b>	<b>(27,000,181)</b>
Increase (decrease) in trade and other payables		<b>(354,858,055)</b>	<b>286,780,681</b>	<b>189,544,430</b>
Net cash generated from (used for) operations		<b>181,136,085</b>	<b>664,503,603</b>	<b>(44,744,336)</b>
Income tax paid		<b>(129,288,522)</b>	<b>(37,000)</b>	<b>(42,533,115)</b>
Retirement benefits paid	18	<b>(15,911,695)</b>	<b>—</b>	<b>(14,608,627)</b>
Interest received		<b>766,044</b>	<b>236,547</b>	<b>149,306</b>
Net cash provided by (used in) operating activities		<b>36,701,912</b>	<b>664,703,150</b>	<b>(101,736,772)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Mining rights and other mining assets	9	<b>(64,146,344)</b>	<b>(168,834,748)</b>	<b>(532,399,980)</b>
Property and equipment	8	<b>(23,018,667)</b>	<b>(1,352,188)</b>	<b>(85,469,959)</b>
Decrease (increase) in:				
Other noncurrent assets		<b>100,229,542</b>	<b>(67,252,935)</b>	<b>(10,963,627)</b>
Advances to related parties		<b>12,187,198</b>	<b>1,897,842</b>	<b>(10,436,220)</b>
Net cash provided by (used in) investing activities		<b>25,251,729</b>	<b>(235,542,029)</b>	<b>(648,269,786)</b>

(Continued)



Years Ended December 31				
	Note	2020	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Loans	26	(P96,796,646)	(P72,555,662)	(P190,421,095)
Interest	26	(57,072,571)	(54,548,881)	(38,440,950)
Availment of loans	33	—	—	843,344,896
Increase (decrease) in advances from related parties		29,425,854	(14,975,434)	115,820,824
Net cash provided by (used in) financing activities		(134,443,363)	(142,079,977)	730,303,675
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(72,489,722)</b>	<b>287,081,144</b>	<b>(19,702,883)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>314,440,796</b>	<b>27,359,652</b>	<b>47,062,535</b>
<b>CASH AT END OF YEAR</b>		<b>P241,951,074</b>	<b>P314,440,796</b>	<b>P27,359,652</b>
<b>NONCASH FINANCIAL INFORMATION</b>				
Completed constructions transferred to mining rights and other mining assets	8	P40,662,469	P—	P52,138,951
Accretion of interest on provision for mine rehabilitation and decommissioning	12	1,040,485	654,498	2,088,831
Amortization of debt issue cost on loans payable	13	232,835	216,157	141,582
Capitalized depreciation to mine development costs	8	—	1,367,440	2,824,999
Issuance of capital stock through conversion of deposit for future stock subscription	14	—	—	25,000,000

See accompanying Notes to Consolidated Financial Statements.

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**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

**General Information**

Marcventures Holdings, Inc. (the Parent Company), singly and collectively with its subsidiaries, is referred herein as "the Company"

The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957. Its primary purpose is to deal with properties of every kind and description to the extent permitted by law without engaging in the business of an investment company as defined in the Investment Company Act (Republic Act 2629), or act as a securities broker or dealer. On August 7, 2007, the SEC approved the extension of the Parent Company's corporate life for another 50 years. However, as prescribed by the Revised Corporation Code of the Philippines, effective February 23, 2019, the Company shall have perpetual existence.

The Parent Company's shares of stocks were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2020 and 2019, 3,014,820,305 shares of the Parent Company's shares of stocks are listed in The Philippine Stock Exchange, Inc. (PSE).

The registered address of the Parent Company is 4th Floor, BDO Towers Paseo (formerly Citi Center), 8741 Paseo de Roxas, Makati City.

**Approval of Financial Statements**

The consolidated financial statements as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on May 10, 2021, as reviewed and recommended for approval by the Audit Committee on the same date.

**Information about the Subsidiaries**

All of the subsidiaries of the Parent Company are wholly-owned.

**Marcventures Mining and Development Corp. (MMDC)**

MMDC was incorporated and registered with the SEC on January 18, 1995 primarily to engage and/or carry on the business of extracting, mining, smelting, refining and converting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource.

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-X Surigao Mineral Reservation (SMR) covering an area of approximately 4,799 hectares located in the municipalities of Carrascal, Cantilan and Madrid, Surigao Del Sur.

Originally, the MPSA was granted to Ventura Timber Corporation (VTC) on June 19, 1992. In January 1995, VTC executed a deed of assignment (the Deed) to transfer to MMDC all its rights and interest in and title to the MPSA. On January 15, 2008, the Deed was approved by the Mines and Geosciences Bureau (MGB).

On June 24, 2015, the DENR issued an order approving the extension of MMDC's MPSA for a period of 9 years starting from the expiration of the first 25-year term.

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MP5A. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the MMDC's operations (see Notes 3 and 23). Accordingly, MMDC has continued its mining operations in the area covered by its MP5A.

***BrightGreen Resources Corporation (BGRC)***

BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business. The Parent Company acquired BGRC from its merger with Brightgreen Resources Holdings, Inc. (BHI) in 2017.

On July 1, 1993, the DENR approved BGRC's application for MP5A No. 015-93-XI (SMR) covering an area of approximately 4,860 hectares located in the municipalities of Carrascal and Cantilan, Surigao del Sur. BGRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category.

***Alumina Mining Philippines, Inc. (AMPI)***

AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business. The Parent Company acquired AMPI from its merger with Asia Pilot Mining Phils. Corp. (APMPC) in 2017.

On December 5, 2002, the DENR approved AMPI's application for MP5A No. 179-2002-VIII-SBMR covering 6,694 hectares in the municipalities of San Jose de Buan and Paranas Samar in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.

***Bauxite Resources, Inc. (BARI)***

BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business. The Parent Company acquired BARI from its merger with Asia Pilot Mining Phils. Corp. (APMPC) in 2017.

On December 5, 2002, the DENR approved BARI's application for MP5A No. 180-2002-VIII-SBMR covering 5,519 hectares in the Municipalities of Gandara, San Jose de Buan, Matuguináo, and San Jorge, Province of Samar (formerly known as Western Samar) in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.

BGRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MP5A should not be cancelled pursuant to an alleged violation. The companies submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 23).

Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

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## **2. Summary of Significant Accounting Policies**

### **Basis of Preparation and Statement of Compliance**

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

### Measurement Bases

The consolidated financial statements are presented in Philippine Peso, which is the Company's functional currency. All values are in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further disclosures are included in Note 24, *Financial Risk Management Objectives and Policies and Fair Value Measurement*.

### Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amended PFRS which the Company adopted effective for annual periods beginning January 1, 2020:

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



- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The adoption of the foregoing amended PFRS does not have any material effect on the consolidated financial statements of the Company.

#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below:

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

- Amendments to PFRS 16, *Leases – Covid-19-related Rent Concessions* – The changes amend PFRS 16 to (1) provide lessees with an exemption from assessing whether Covid-19-related rent concession is a lease modification; (2) require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications; (3) require lessees that apply exemption to disclose this fact; and (4) require lessees to apply the exemption retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, but not require them to restate prior period figures.

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

- Amendments to PFRS 3, *References to the Conceptual Framework* – 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.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 9, *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the “10% test” in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
  - Amendment to PFRS 16, *Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* – The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* – The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labor and direct materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

#### Deferred effectivity -

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

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 Company. Additional disclosures will be included in the consolidated financial statements, as applicable.

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018.

#### Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company and is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date on which control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as that of the company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest in a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Company: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Company's share of components previously recognized in other comprehensive income (OCI) to profit or loss.

## Financial Assets and Liabilities

### **a. Recognition**

The Company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade 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 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 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 Company 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 Company 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 Company determines the appropriate method of recognizing the "Day 1" difference.

### **b. Classification and Subsequent Measurement Policies**

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

As at December 31, 2020 and 2019, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (EL), 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 December 31, 2020 and 2019, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties and rehabilitation cash fund (RCF), rental deposit and monitoring trust fund (MTF) (included under "Other noncurrent assets") accounts are classified under this category (see Notes 4, 5, 10 and 19). Cash in the consolidated statements of financial position comprise cash on hand and in banks, excluding any restricted cash. Restricted cash, which includes RCF and MTF, is not available for use by the Company and therefore is not considered highly liquid.

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

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

As at December 31, 2020 and 2019, the Company's trade and other payables (excluding advances from customers and excise tax and other statutory payables), loans payable, advances from related parties and dividends payable are classified under this category (see Notes 11, 13, 14 and 19).

#### ◄ Reclassification

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

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 the difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.



#### 4. Impairment Policy on Financial Assets at Amortized Cost

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

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

#### 5. 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 Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company 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 Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company'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 Company 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 profit or loss.

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 Company 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 profit or loss.

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

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

Financial assets and financial liabilities are offset and the net amount 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 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.

#### **g 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 Company; 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 Company 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.

#### **Inventories**

Inventories, which consist of ore stockpiles, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). Cost consists of contractual services, personnel costs, depletion, depreciation and other costs that are directly attributable in bringing the ore in its saleable conditions. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

### **Other Current Assets**

Other current assets include prepaid income tax, advances to contractors and suppliers, mining and office supplies and prepaid expenses.

*Prepaid Income Tax.* Prepaid income tax represents creditable withholding tax (CWT) and other tax credits of the Company. CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

*Prepaid Expenses.* Prepaid expenses represent expenses not yet incurred but paid in advance and are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

*Advances to Contractors and Suppliers.* Advances to contractors and suppliers represent advance payments on goods or services to be purchased in connection with the mining operation. These are reclassified to proper asset account in the consolidated statements of financial position or charged to expense in profit or loss upon actual receipt of goods or services, which is normally within 12 months or within the normal operating cycle. Otherwise, these are classified as noncurrent assets.

*Mining and Office Supplies.* Mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method. These are charged to expense in profit or loss upon use.

### **Property and Equipment**

Property and equipment, except for land, are initially measured at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Cost also includes any asset retirement obligation and capitalized interest on borrowed funds used in the case of a qualifying asset.

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 Company. All other subsequent expenditures are recognized as expense in the period in which these are incurred.

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

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Building and improvements	5-20
Office furniture, fixtures and equipment	7-9
Heavy and transportation equipment	4-10

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

Construction-in-progress is included in property and equipment and stated at cost which includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time the relevant assets are ready for operational use.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation are credited or charged to current operations.

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

### **Mining Rights and Other Mining Assets**

*Mining Rights.* Mining rights include costs incurred in connection with the acquisition of rights over mineral reserves. Rights over mineral reserves, which are measured, indicated or inferred, are capitalized as part of mining rights 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.

Mining rights are subject to amortization or depletion from 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.

*Deferred Exploration Costs.* Deferred exploration costs include costs incurred in connection with exploration activities. Deferred exploration cost 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.
- Once the reserves are established and development is sanctioned, deferred exploration costs are tested for impairment and reclassified to mine development costs.

*Mine and Mining Properties.* Upon start of commercial operations, mine development costs are reclassified as part of mine and mining 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 and mining properties.



Deferred exploration costs and construction-in-progress related to an already operating mine are reclassified to mine and mining properties and stated at cost. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, which are not depleted or amortized until the development has been completed and become available for use.

#### **Impairment of Nonfinancial Assets**

The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount, which is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to 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 CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

#### **Employee Benefits**

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

*Retirement Benefits.* The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and interest cost in profit or loss. Interest cost is calculated by applying the discount rate to the retirement benefit liability.

Current service costs are the increase in the present value of the defined benefit obligation resulting from employee service and are recognized in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are directly recognized in equity or in OCI and are not reclassified to profit or loss in subsequent periods.

The retirement benefit liability is the present value of the defined benefit obligation which is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued and outstanding. Incremental costs directly attributable to the issuances of capital stock are recognized as a reduction from equity.

*Additional Paid-In Capital (APIC).* APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock.

*Retained Earnings.* Retained earnings represent the cumulative balance of the Company's operating results, dividend distributions and effect of change in accounting policy.

*OCI.* OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. OCI pertains to cumulative remeasurement gain or loss on retirement benefit liability.

### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company 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:

*Sale of Ore.* Sale of ore is recognized at a point in time upon delivery of goods to and acceptance by the customers.

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

*Interest Income:* Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

*Other Income:* Income from other sources is recognized when earned.

### **Cost and Expense Recognition**

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefits related to a decrease in an asset or an increase in a liability that can be measured reliably.

*Cost of Sales:* Cost of sales is recognized when the related goods are sold.

*Operating Expenses:* Operating expenses constitute costs of administering the business and costs incurred to sell and market goods and services. These are expensed as incurred.

*Interest Expense:* Interest expense is recognized in profit or loss using the effective interest method.

### **Leases**

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the following:

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

If the Company 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 Company also assesses whether a contract contains a lease for each potential separate lease component.

### **Company as Lessee**

The Company has elected to apply the recognition exemption on its short-term lease. The Company recognized the lease payments associated with this lease as an expense on a straight-line basis over the lease term.

### **Foreign Currency-Denominated Transactions**

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in the profit or loss in the period these arise.

### **Income Taxes**

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused 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 benefits of unused excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 taxable profit will be available to allow all or part of the deferred tax asset 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 asset to be recovered.

Deferred 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 rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as OCI.

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

### **Value Added Tax (VAT)**

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other noncurrent assets" in the consolidated statements of financial position.



### **Related Party Transactions and Related Parties**

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Company; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) members of the key management personnel of the Company.

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

### **Provisions**

Provisions are recognized when the Company 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

*Provision for Mine Rehabilitation and Decommissioning.* The Company recognizes provision when there is partial fulfillment of obligation to restore operating locations at the end of the reporting period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste site and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location.

Where applicable, the Company recognizes a mine rehabilitation asset under the mine and mining properties related to the obligation arising from the mine rehabilitation and decommissioning. The cost of such asset corresponds to the present value of future cost of rehabilitation and decommissioning and amortized over expected settlement of the obligation using units of production method. The estimated future costs of rehabilitation and decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. Any amount deducted from the cost of asset shall not exceed its carrying amount. In case the decrease in the obligation exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

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

### **Earnings (Loss) Per Share**

*Basic.* Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any.

*Diluted.* Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential dilutive common shares during the period.

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

Post year-end events that provide additional information about the Company's financial position at the end of reporting date (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.

### **Segment Reporting**

The Company has one operating segment which consists of mining exploration, development and production. The Company's asset producing revenues are located in the Philippines.

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

PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect the amounts reported in the consolidated financial statements. The judgments and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

### **Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effects on the amounts recognized in the consolidated financial statements.

*Assessing the Ability of the Company to Continue as a Going Concern.* The Company received an order from the DENR for the cancellation of its MPSA (see Note 1). The management and its legal counsel believe that the order has no basis and the outcome of the legal actions taken will not have a material adverse effect on the Company's operations. The Company has continued its mining operations in the areas covered by the MPSA and has continuously been granted the necessary regulatory permits and licenses to operate (see Note 23). Accordingly, the management assessed that the Company will continue as a going concern.

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

*Determining Operating Segments.* Determination of operating segments is based on the information about the components that management uses to make decisions about the operating matters of the Company. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's BOD, in order to allocate resources to the segment and assess its performance.

Management has assessed that the Company has only one operating segment which consists of mining exploration, development and production.

*Defining Default and Credit-Impaired Financial Assets.* Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

- a. Quantitative Criteria – the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.
- b. Qualitative Criteria – The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent;
  - The borrower is in breach of financial covenants; and
  - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

*Accounting for Operating Lease - Company as Lessee.* The Company's lease agreement for its office space qualifies as a short-term lease with a lease term of less than twelve (12) months. The Company has elected to apply the recognition exemption on its short term leases.

Rental expense recognized by the Company amounted to ₱0.3 million, ₱0.6 million and ₱3.2 million in 2020, 2019 and 2018, respectively (see Note 20).

#### **Accounting Estimates and Assumptions**

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

*Estimating Allowance for ECL on Trade and Other Receivables.* The Company uses a provision matrix based on historical default rates for trade and other receivables (excluding advances to officers and employees). The provision matrix specifies provision rates depending on the number of days that receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

Provision for ECL amounted to ₱20.0 million in 2020, ₱20.0 million in 2019 and ₱25.8 million in 2018. The allowance for ECL amounted to ₱86.6 million and ₱66.6 million as at December 31, 2020 and 2019, respectively. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱507.9 million and ₱175.9 million as at December 31, 2020 and 2019, respectively (see Note 5).

*Estimating Allowance for ECL on Other Financial Assets at Amortized Cost.* The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus the ECL on these financial assets in 2020, 2019 and 2018 are not significant and not recognized.

The carrying amounts of the Company's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 24, *Financial Risk Management Objectives and Policies*.

*Estimating NRV of Inventories.* The Company recognizes loss on inventories whenever NRV becomes lower than costs due to damage, physical deterioration, obsolescence, changes in price levels or other causes. NRV is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

No provision for inventory obsolescence was recognized in 2020, 2019 and 2018. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱127.2 million and ₱76.9 million as at December 31, 2020 and 2019, respectively (see Note 6).

*Estimating the Realizability of Input VAT.* The Company assesses the realizability of input VAT based on its ability to utilize the asset. The assessment is made on a continuing basis year on year.

No provision for impairment loss was recognized in 2020, 2019 and 2018. The carrying amount of noncurrent input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱307.7 million and ₱304.7 million as at December 31, 2020 and 2019, respectively (see Note 10).



*Estimating Useful Lives of Property and Equipment.* The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

There were no changes in estimated useful lives of property and equipment in 2020, 2019, and 2018. Property and equipment, net of accumulated depreciation, amounted to ₱209.4 million and ₱275.9 million as at December 31, 2020 and 2019, respectively (see Note 8).

*Estimating Depletion Rate and Recoverable Reserves.* Depletion rates used to amortize mine and mining properties and mining rights under “Mining rights and other mining assets” account presented in the consolidated statements of financial position are assessed on an annual basis based on the results of latest estimate of recoverable reserves, which is subject to future revisions. Recoverable reserves and resource estimates for development project are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cost based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. The Company’s reserves are estimated based on local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a competent person.

The carrying amounts of mining rights and other mining assets are as follows:

	Note	2020	2019
Mining rights	9	<b>₱2,527,633,755</b>	₱2,582,800,790
Mine and mining properties	9	<b>1,744,699,198</b>	1,771,077,160

*Estimating Provision for Mine Rehabilitation and Decommissioning.* The Company recognizes provision for its obligation to decommission and rehabilitate mine sites at the end of term of its MPSA. The provision represents the best estimate of the expenditures required to settle the present obligation at the current reporting date. The amount of provision depends on the completeness of rehabilitation and decommissioning activities performed by the Company during and immediately after every mining operation. Changes in rehabilitation and decommissioning costs are recognized as additions or charges to the corresponding provision when these occur.

While the Company has made its best estimate in establishing the decommissioning and rehabilitation provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and rehabilitation activities, the ultimate provision requirements could either increase or decrease significantly from the Company’s current estimates. The obligation to rehabilitate and decommission a mine generally arises when the ground/environment is disturbed at the production location.

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of “Mining assets” in the consolidated statements of financial position, amounted to ₱34.1 million and ₱36.2 million as at December 31, 2020 and 2019, respectively (see Note 9).

Provision for mine site rehabilitation and decommissioning, amounted to ₱55.7 million and ₱52.5 million as at December 31, 2020 and 2019, respectively (see Note 12).

*Assessing Impairment of Nonfinancial Assets.* The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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; or
- significant negative industry or economic trends.

The Company's subsidiaries, BGRC, AMPI and BARI, have not yet started commercial operations. The Company considered this as an indicator of impairment on the mining rights and deferred exploration costs attributable to these subsidiaries and, therefore, performed an impairment review.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Recoverable amount of an asset is higher of its fair value less costs to sell or value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the Company's expected mining operations. The estimated cash flows are discounted using pre-tax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Based on management assessment, the estimated recoverable amount of the CGU is higher than its carrying amount. Accordingly, no impairment loss was recognized in 2020, 2019 and 2018.

The carrying amounts of the Company's nonfinancial assets are as follows:

	Note	2020	2019
Mining rights and other mining assets	9	<b>₱4,435,089,769</b>	₱4,504,413,119
Property and equipment	8	<b>209,369,331</b>	275,879,333
Other current assets	7	<b>133,615,250</b>	132,085,257
Other noncurrent assets (excluding financial assets and input VAT)	10	<b>85,011,606</b>	186,580,281
Advances to officers and employees	5	<b>34,346,965</b>	28,579,937

*Estimating Retirement Benefit Liability.* The determination of the Company's retirement benefit liability and costs is dependent on the selection by management of assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate.

Actual results that differ from the Company's assumptions are recorded as addition to or deduction from retirement benefit liability and recognized in profit or loss or OCI. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated as at reporting date may differ significantly from the amount reported.

Retirement benefit liability amounted to ₱33.2 million and ₱37.4 million as at December 31, 2020 and 2019, respectively (see Note 18).

*Recognizing Deferred Tax Assets.* The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's recognized deferred tax assets amounted to ₱36.9 million and ₱33.4 million as at December 31, 2020 and 2019, respectively (see Note 21).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at December 31, 2020 and 2019 because the management assessed that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.

The Company's unrecognized deferred tax assets amounted to ₱89.7 million and ₱72.0 million as at December 31, 2020 and 2019, respectively (see Note 21).

*Contingencies.* The Company is currently involved in various legal proceedings which the Company believes to have no material adverse effect on its financial position. It is possible however, that changes in estimates relating to these proceedings may materially affect the results of operations of the Company (see Note 23).

#### 4 Cash

This account consists of:

	2020	2019
Cash on hand	<b>₱247,195</b>	₱214,091
Cash in banks	<b>241,703,879</b>	314,226,705
	<b>₱241,951,074</b>	₱314,440,796

Cash in banks earn interest at prevailing bank deposit rates. Interest income was earned from the following sources:

	Note	2020	2019	2018
Cash in banks		<b>₱731,382</b>	₱179,319	₱105,815
RCF and MTF (shown under other noncurrent assets account)	10	<b>34,662</b>	57,228	43,491
		<b>₱766,044</b>	₱236,547	₱149,306

## 5. Trade and Other Receivables

This account consists of:

	2020	2019
Trade receivables	₱586,334,701	₱232,879,543
Advances to officers and employees	34,346,965	28,579,937
Others	8,208,439	9,635,896
	628,890,105	271,095,375
Allowance for ECL	(86,631,586)	(66,631,586)
	₱542,258,519	₱204,463,789

Trade receivables are noninterest-bearing and usually collected within 30 days.

Advances to officers and employees are unsecured, noninterest-bearing and subject to liquidation within one (1) year.

Movements in allowance for ECL are as follows:

	Note	2020	2019
Balance at beginning of year		₱66,631,586	₱46,631,586
Provision	16	20,000,000	20,000,000
Balance at end of year		₱86,631,586	₱66,631,586

## 6. Inventories

This account consists of beneficiated nickel ore amounting to ₱127.2 million and ₱76.9 million as at December 31, 2020 and 2019, respectively, which is stated at cost. The cost of inventories is lower than its NRV.

Inventories charged to "Cost of sales" account in the consolidated statements of comprehensive income amounted to ₱1,647.8 million, ₱848.0 million and ₱921.3 million in 2020, 2019 and 2018, respectively (see Note 15).

## 7. Other Current Assets

This account consists of:

	2020	2019
Prepaid income tax	₱49,492,733	₱49,529,464
Prepaid expenses	29,285,862	32,340,725
Advances to contractors and suppliers	20,662,835	17,541,605
Mining and office supplies	17,957,398	18,201,636
Others	16,216,422	14,471,827
	₱133,615,250	₱132,085,257

Prepaid income tax represents creditable withholding tax and other tax credits of the Parent Company.



Prepaid expenses pertain to insurance, excise tax and rent.

Advances to contractors and suppliers include materials and fuel and oil to be supplied for the use of the heavy equipment and are deductible against contractors' future billings.

Mining and office supplies include mechanical, electrical and other materials that will be used in the Company's mining operation.

Others include advances made to National Commission of Indigenous People (NCIP).

### 8. Property and Equipment

The balances and movements of this account are as follows:

	2020					Total
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction In-progress	
<b>Cost</b>						
Balances at beginning of year	P58,597,484	P169,768,530	P100,108,592	P378,846,725	P45,063,720	P752,385,051
Additions	-	502,059	11,348,689	11,167,919	-	23,018,667
Reclassification	-	3,925,051	-	476,200	(45,063,720)	(40,662,469)
Balances at end of year	58,597,484	174,195,640	111,457,281	390,490,844	-	734,741,249
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year	-	74,293,407	89,799,986	312,412,325	-	476,505,718
Depreciation and amortization	-	9,628,449	7,276,530	31,961,221	-	48,866,200
Balances at end of year	-	83,921,856	97,076,516	344,373,546	-	525,371,918
<b>Net Carrying Amount</b>	<b>P58,597,484</b>	<b>P90,273,784</b>	<b>P14,380,765</b>	<b>P46,117,298</b>	<b>P-</b>	<b>P209,369,331</b>

	2019					Total
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction In-progress	
<b>Cost</b>						
Balances at beginning of year	P58,597,484	P169,717,730	P88,672,006	P382,296,725	P45,188,516	P752,482,461
Additions	-	-	1,416,186	-	(83,998)	1,332,188
Disposal	-	-	-	(3,450,000)	-	(3,450,000)
Reclassification	-	(40,800)	-	-	(40,308)	-
Balances at end of year	58,597,484	169,768,530	100,108,592	378,846,725	45,063,720	752,385,051
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year	-	62,962,064	80,555,340	266,912,430	-	410,429,839
Depreciation and amortization	-	11,331,341	9,244,646	45,329,890	-	66,505,877
Disposal	-	-	-	(3,450,000)	-	(3,450,000)
Balances at end of year	-	74,293,407	89,799,986	312,412,325	-	476,505,718
<b>Net Carrying Amount</b>	<b>P58,597,484</b>	<b>P95,475,123</b>	<b>P10,308,606</b>	<b>P66,434,400</b>	<b>P45,063,720</b>	<b>P275,879,333</b>

Heavy and transportation equipment with carrying amounts of P6.8 million and P35.3 million as at December 31, 2020 and 2019, respectively, are held as collaterals for loans payable. In 2017, MIMDC obtained additional long-term loans with transportation equipment held as collateral with carrying amount of nil and P0.6 million as at December 31, 2020 and 2019, respectively (see Note 13). In 2017, BGRC obtained a four-year promissory note with transportation equipment held as collateral with carrying amount of P0.3 million and P0.8 million as at December 31, 2020 and 2019, respectively (see Note 13).

In 2020, the Company completed the construction of road trails and bridges at its mine site in Surigao del Sur amounting to ₱40.7 million. Accordingly, the cost was transferred to mine development costs (see Note 9).

In 2019, the Company disposed a fully depreciated asset with a total cost of ₱3.5 million.

Depreciation and amortization are allocated to profit or loss as follows:

	Note	2020	2019	2018
Charged to:				
Cost of sales	15	₱13,575,789	₱15,920,112	₱12,541,427
Operating expenses	16	35,290,411	52,218,327	55,195,555
		48,866,200	68,138,439	67,736,982
Capitalized to mine development costs	9	—	1,367,440	2,824,999
		₱48,866,200	₱69,505,879	₱70,561,981

Fully depreciated property and equipment with cost of ₱191.2 million and ₱190.7 million as at December 31, 2020 and 2019, respectively, are still being used by the Company and retained in the accounts.

## 9. Mining Rights and Other Mining Assets

The balances and movements of this account are as follows:

	2020					
	Mine and Mining Properties					Total
	Mining Rights	Deferred Exploration Cost	Mine Development Costs	Mine Rehabilitation Asset	Total Mine and Mining Properties	
<b>Cost</b>						
Balances at beginning of year	₱2,935,579,522	₱150,535,169	₱2,066,297,519	₱44,167,841	₱5,196,580,051	₱5,196,580,051
Additions	—	12,221,647	51,924,697	—	51,924,697	64,146,344
Reclassification	—	—	40,662,469	—	40,662,469	40,662,469
Balances at end of year	2,935,579,522	162,756,816	2,158,884,685	44,167,841	2,203,052,526	5,301,388,864
<b>Accumulated Depletion</b>						
Balances at beginning of year	352,778,732	—	331,442,381	7,945,819	339,388,200	692,166,932
Depletion	55,167,035	—	116,843,786	2,121,342	118,965,128	170,132,163
Balances at end of year	407,945,767	—	448,286,167	10,067,161	458,353,328	866,299,095
<b>Net Carrying Amount</b>	₱2,527,633,755	₱162,756,816	₱1,710,598,518	₱34,100,680	₱1,744,699,198	₱4,435,089,769

	2019					
	Mine and Mining Properties					Total
	Mining Rights	Deferred Exploration Cost	Mine Development Costs	Mine Rehabilitation Asset	Total Mine and Mining Properties	
<b>Cost</b>						
Balances at beginning of year	₱2,935,579,522	₱142,224,307	₱1,304,405,593	₱44,167,841	₱4,346,377,263	₱5,026,377,263
Additions	—	8,311,862	167,897,926	—	166,891,920	170,202,188
Balances at end of year	2,935,579,522	150,536,169	2,066,297,519	44,167,841	2,110,465,360	5,196,580,051
<b>Accumulated Depletion</b>						
Balances at beginning of year	591,407,578	—	292,003,078	7,324,344	290,734,999	640,629,850
Depletion	21,374,154	—	89,309,383	621,375	90,170,228	51,547,082
Balances at end of year	352,778,732	—	331,442,381	7,945,819	339,388,200	692,166,932
<b>Net Carrying Amount</b>	₱2,582,800,790	₱150,536,169	₱1,734,855,138	₱36,222,022	₱1,771,077,160	₱4,504,413,119

### **Mining Rights**

Mining rights of the Company consist of:

	2020	2019
Mining rights on explored resources of MMDC	<b>P886,820,390</b>	P941,987,425
Mining rights of BGRC, AMPI and BARI	<b>1,640,813,365</b>	1,640,813,365
	<b>P2,527,633,755</b>	P2,582,800,790

*Mining Rights on Explored Resources of MMDC.* This represent the excess of the fair value of shares issued by the Parent Company over the book value of the net assets of MMDC when the Parent Company acquired 100% ownership in MMDC.

A third party was commissioned for a fairness opinion on the fair and reasonable value of MMDC, primarily for the explored mineral resources covered by MMDC's MPSA. The assumptions used on the valuation include, among others, discount rate of 25% and a constant nickel price of US\$11,000 per metric ton over a ten-year projection period.

*Mining rights of BGRC, AMPI and BARI.* This represents the mining rights resulting from the merger of the Parent Company with BHI and APMPC in 2017 (see Note 1).

### **Deferred Exploration Costs**

Deferred exploration costs pertains to the capitalized expenditures associated with finding specific mineral resources such as acquisition of rights to explore, geological and geophysical studies and exploration drilling and sampling.

### **Mine and Mining Properties**

*Mine Development Costs.* Mine development costs include the costs incurred on an already operating mine area. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, road developments and developing additional mine yards.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to nil, P1.4 million and P2.8 million in 2020, 2019 and 2018, respectively (see Note 8).

In 2020, the Company reclassified the cost of completed road trails and bridges amounting to P40.7 million from property and equipment to mine development costs (see Note 8).

*Mine Rehabilitation Asset.* Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of its ore activities, as required in its MPSA (see Note 12).

Carrying value of mine and mining properties amounted to P1,744.7 million and P1,771.1 million as at December 31, 2020 and 2019, respectively

## 10. Other Noncurrent Assets

This account consists of:

	Note	2020	2019
Input VAT		<b>₱307,734,715</b>	<b>₱306,438,245</b>
Rehabilitation cash fund (RCF)		<b>5,545,217</b>	<b>5,511,116</b>
Rental deposit	20	<b>363,250</b>	<b>355,250</b>
Monitoring trust fund (MTF)		<b>166,342</b>	<b>165,780</b>
Advances to a contractor		<b>—</b>	<b>101,139,441</b>
Others		<b>85,011,606</b>	<b>85,440,840</b>
		<b>₱398,821,130</b>	<b>₱499,050,672</b>

RCF is reserved as part of the Company's compliance with the approved rehabilitation activities and schedules for specific mining project phase, including research programs as defined in the Environmental Protection and Enhancement Program (see Note 20).

MTF is exclusively used in activities approved by the Mine Rehabilitation Fund Committee.

Advances to a contractor are advance payments made to the contractor in connection with the Company's plan to build and operate a nickel processing plant.

Others pertain to deposit in compliance with the requirements of regulatory agencies.

Interest income from RCF and MTF amounted to ₱34,662, ₱57,228 and ₱43,491 in 2020, 2019 and 2018, respectively (see Note 4).

## 11. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade payables		<b>₱149,953,857</b>	<b>₱328,322,949</b>
Advances from customers		<b>206,249,090</b>	<b>343,997,812</b>
Excise tax and other statutory payables		<b>22,269,466</b>	<b>28,244,589</b>
Accrued expenses:			
Interest	13	<b>277,094</b>	<b>5,327,094</b>
Others		<b>24,435,258</b>	<b>57,186,872</b>
Others		<b>6,240,322</b>	<b>6,253,826</b>
		<b>₱409,425,087</b>	<b>₱769,333,142</b>

Trade payables primarily consist of liabilities arising from transactions with contractors and suppliers related to the normal course of business and are generally noninterest bearing. Trade payables are generally on a 90-day credit term.

Advances from customers pertain to noninterest-bearing advances and refundable deposit made by customers for future ore shipments.

Other statutory payables include other taxes payable and mandatory contributions. These are normally settled within one (1) month.

Other accrued expenses include accruals for rent and accrual of expenditures for Social Development Management Programs as required by the MGB, among others.

## 12. Provision for Mine Rehabilitation and Decommissioning

Movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		<b>₱52,634,827</b>	₱51,980,329
Accretion of interest	13	<b>3,040,465</b>	654,498
Balance at end of year		<b>₱55,675,292</b>	₱52,634,827

A provision is recognized for the estimated rehabilitation costs of the Company's mine site upon termination of the Company's ore extraction activities, which is about 13 years. The provision is calculated by the Company's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 4.53% as the effective interest rate.

## 13. Loans Payable

This account consists of:

	2020	2019
Short-term loans - MMDC	<b>₱256,000,000</b>	₱490,733,751
Long-term loans:		
AMRI	<b>₱156,230,131</b>	₱198,854,439
MMDC	<b>210,275,436</b>	29,114,165
BGRC	—	367,023
	<b>366,505,567</b>	228,335,627
Less current portion	<b>79,975,945</b>	19,335,828
	<b>₱286,529,622</b>	₱208,999,799

### Short-term Loans

MMDC obtained short-term loans from local banks to finance working capital requirements. The short-term loans bear interest rates ranging from 6.28% to 8.75% in 2020 and 5.00% to 8.00% in 2019. Interest rates are subject to repricing normally every month.

On January 19, 2015, MMDC obtained a credit facility amounting to ₱200.0 million and a domestic bills purchase line amounting to ₱5.0 million from a local bank. The credit facilities are secured by the interests and rights of the Parent Company over 647,692 shares of stocks of MMDC.

In 2018, MMDC obtained credit facilities limited to ₱400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 100% of the credit facility limit. In 2019, the Parent Company pledged the shares held in BGRC as part of MMDC's loan restructuring. In 2020, part of the ₱400.0 million loan facility was restructured into a long-term loan.



The outstanding balance of the loans from these credit facilities are summarized below:

Classification	2020	2019
₱200.0 million credit facility	₱60,000,000	₱75,000,000
₱400.0 million credit facilities	170,000,000	390,288,125
	<b>₱230,000,000</b>	<b>₱465,288,125</b>

In 2018, MMDC obtained a short-term loan from a related party amounting to ₱26.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 19). No principal payments were made in 2020 and 2019, and the loan was renewed for another term.

### **Long-term Loans**

#### **AMPI**

On September 21, 2018, AMPI obtained a five-year promissory note of ₱200.0 million which will be used to finance AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.5%. The principal is due on maturity. In 2019, the loan was restructured to include the Parent Company to act as a surety or guarantor to jointly and severally pay the loan.

As at December 31, 2020 and 2019, the outstanding balance of the loan is as follows:

	2020	2019
Principal amount	₱157,142,857	₱200,000,000
Unamortized debt-issue cost	(912,726)	(1,145,561)
	<b>₱156,230,131</b>	<b>₱198,854,439</b>

Movements of unamortized debt-issue costs are as follows:

	Note	2020	2019
Balance at beginning of year		₱1,145,561	₱1,361,718
Amortization	26	(232,835)	(216,157)
Balance at end of year		<b>₱912,726</b>	<b>₱1,145,561</b>

#### **MMDC**

On July 15, 2015, MMDC obtained a five-year promissory note amounting to ₱100.0 million from a local financing company, which is covered by a chattel mortgage on transportation equipment and bears an annual interest rate of 6%. The principal payments and interest are payable monthly until maturity. This was fully settled in 2020.

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱6.8 million and ₱35.3 million as at December 31, 2020 and 2019, respectively (see Note 8).

On July 11, 2017, MMDC obtained a five-year promissory note amounting to ₱1.6 million from a local bank, which is covered by a chattel mortgage on MMDC's transportation equipment and bears an annual interest rate of 10.34%. As at December 31, 2020 and 2019, the balance of the promissory note amounted to ₱0.6 million and ₱1.1 million, respectively.

The carrying amount of transportation equipment held as collateral amounted to nil and ₱0.6 million as at December 31, 2020 and 2019, respectively (see Note 8).

On February 18, 2020, MMDC's short-term loans amounting to ₱200.0 million was restructured into a three (3)-year term loan. The loan bears an annual interest rate of 8.97% payable quarterly and the interest rate is subject to repricing. Principal payments are payable quarterly starting May 18, 2021 until maturity.

#### BGRC

On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortgage and bears an annual interest rate of 9.02%. This was fully settled in 2020.

The carrying amount of transportation equipment held as collateral amounted to ₱0.3 million and ₱0.8 million as at December 31, 2020 and 2019, respectively (see Note 8).

Movements in the loans payable follows:

	2020	2019
Balance at beginning of year	₱719,069,378	₱791,408,883
Payments	(96,796,646)	(72,555,662)
Amortization of debt-issue cost	232,835	216,157
Balance at end of year	₱622,505,567	₱719,069,378

Interest expense of the Company was incurred from the following sources:

Note	2020	2019	2018
Loans payable	₱61,452,231	₱60,976,149	₱38,579,497
Provision for mine rehabilitation and decommissioning	12 3,040,465	654,498	2,183,519
	₱64,492,696	₱61,630,647	₱40,763,016

Accrued interest payable amounted to ₱0.3 million and ₱5.3 million as at December 31, 2020 and 2019, respectively (see Note 11)

The expected loan repayments over the remaining term of the loans are as follows:

	Amounts
Not later than one (1) year	₱79,975,945
Later than one year but not more than five (5) years	286,529,622
	₱366,505,567

#### 14. Equity

Movements in this account are as follows:

	2020		2019		2018	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized at P1 par value	4,000,000,000	P4,000,000,000	4,000,000,000	P4,000,000,000	4,000,000,000	P4,000,000,000
Issued and Outstanding						
Balance at beginning of year	3,014,820,305	P3,014,820,305	3,014,820,305	P3,014,820,305	2,969,088,599	P2,969,088,599
Issuance of Shares	-	-	-	-	45,731,706	45,731,706
Balance at end of year	3,014,820,305	P3,014,820,305	3,014,820,305	P3,014,820,305	3,014,820,305	P3,014,820,305
<b>Additional Paid-in Capital</b>						
Balance at beginning of year		P269,199,788		P269,199,788		P269,931,494
Proceeds in excess of par value		-		-		29,268,290
Balance at end of year		P269,199,788		P269,199,788		P269,199,788

In 2017, the Parent Company received an advance from a stockholder for future stock subscription of P75.0 million. In 2018, the advances was applied as payment for the subscription of 45,731,706 shares and resulted to additional paid-in capital of P29.3 million.

Dividends payable amounted to P4.7 million as at December 31, 2020 and 2019.

#### 15. Cost of Sales

This account consists of:

	Note	2020	2019	2018
Contractual services		P1,032,007,627	P451,977,195	P597,181,332
Production overhead		191,272,884	87,560,434	59,304,571
Depletion	9	174,132,163	61,542,082	57,456,596
Personnel costs		156,709,857	100,638,603	48,757,667
Excise tax		115,067,052	57,301,364	44,442,402
Demurrage costs		15,345,621	4,113,200	17,994,910
Depreciation	8	13,575,789	15,920,112	12,541,427
		1,698,110,993	779,052,991	837,678,905
Net movement in inventories		(50,283,424)	68,922,379	83,590,881
		P1,647,827,569	P847,975,370	P921,269,786

Contractual services pertain to activities directly related to mining. The services include, among others, mine extraction, loading, hauling, barging and stevedoring.

Production overhead consists of repairs and maintenance of heavy equipment, utilities, mining supplies used, among others.

Demurrage costs are fees charged by the chartered ship for failure to load the mineral ores to ship within the agreed period.



Under Section 80 of the Republic Act No. 7942, *The Mining Act of 1995*, Government share in an MP5A shall be an excise tax of 2.0% on gross output on mineral products. Beginning January 1, 2018, the excise tax was changed from 2.0% to 4.0% due to the amendments made to the National Internal Revenue Code under the Tax Reform for Acceleration and Inclusion Act.

# 16. Operating Expenses

This account consists of:

	Note	2020	2019	2018
Environmental expenses	20	<b>₱145,929,598</b>	₱56,042,520	₱54,367,101
Salaries and allowances		<b>80,197,516</b>	102,984,634	116,433,559
Taxes and licenses		<b>73,958,234</b>	37,415,478	54,512,018
Social development programs	20	<b>39,688,936</b>	16,279,884	44,011,111
Professional fees		<b>39,554,245</b>	33,315,431	43,593,614
Depreciation and amortization	8	<b>35,290,411</b>	52,218,327	55,195,555
Royalties	20	<b>30,205,101</b>	14,857,247	10,366,178
Provision for ECL	5	<b>20,000,000</b>	20,000,000	25,808,706
Representation		<b>12,367,183</b>	4,120,691	9,508,685
Community relations		<b>11,529,160</b>	11,034,181	9,891,815
Outside services		<b>11,451,722</b>	10,786,391	20,662,398
Retirement benefit expense	10	<b>8,592,588</b>	8,702,664	4,872,143
Communication, light and water		<b>6,029,291</b>	5,889,692	5,581,826
Dues and subscriptions		<b>3,217,161</b>	3,153,260	3,680,369
Transportation and travel		<b>2,129,059</b>	5,709,344	7,591,282
Office supplies		<b>1,220,601</b>	933,282	7,788,915
Rent expense	20	<b>323,302</b>	645,034	3,164,289
Advertisement		<b>29,157</b>	314,046	1,707,802
Others		<b>49,333,607</b>	23,581,290	29,222,575
		<b>₱572,046,872</b>	₱407,983,396	₱507,959,941

Others include insurance, trainings and seminars, security services, fines and penalties, among others.

# 17. Other Income

This account consists of:

	2020	2019	2018
Foreign exchange gain	<b>₱1,371,735</b>	₱1,261,403	₱1,405,162
Others	<b>35,034,571</b>	9,516,320	521,080
	<b>₱36,406,306</b>	₱10,777,723	₱1,926,242

Others include charges to contractor and supplier discount, among others.

## 18. Retirement Benefit Liability

The Company has an unfunded, noncontributory defined benefit plan covering all its permanent employees. Under this plan, the employees are entitled to retirement benefits ranging from 50% to 200% of the final monthly salary for each year of credited service. This plan is in accordance with Republic Act No. 7641, which mandates a minimum retirement benefit equivalent to one-half month salary per year of service.

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2020.

The components of retirement benefit expense presented under "Operating expenses" account in profit or loss are as follows:

	2020	2019	2018
Current service cost	₱5,416,152	₱4,735,379	₱5,354,636
Net interest cost	1,820,256	1,660,320	2,064,314
Past service cost	1,356,180	2,306,965	—
Settlement loss	—	—	(2,546,807)
	<b>₱8,592,588</b>	<b>₱8,702,664</b>	<b>₱4,872,143</b>

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2020 and 2019 and changes in the present value of defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	<b>₱37,395,071</b>	<b>₱22,552,229</b>
Retirement benefits expense recognized in profit or loss:		
Current service cost	5,416,152	4,735,379
Net interest cost	1,820,256	1,660,320
Past service cost	1,356,180	2,306,965
Remeasurement losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	4,115,333	634,254
Deviations of experience from assumptions	(1,031,037)	5,505,924
Benefits paid	(15,911,695)	—
Balance at end of year	<b>₱33,160,260</b>	<b>₱37,395,071</b>

The principal actuarial assumptions used to determine retirement benefit liability for 2020 and 2019 are as follows:

	2020	2019
Discount rates	3.53% - 3.64%	4.64% - 4.97%
Salary increase rates	3.00%	3.00%

The plan exposes the Company to actuarial risks, such as interest rate risk and salary risk.

Sensitivity analysis on defined benefit obligation as at December 31, 2020 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(P3,302,601)
	-1%	3,982,497
Salary increase rate	+1%	3,960,989
	-1%	(3,380,066)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

The changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed more responsive.

The cumulative remeasurement gain recognized in OCI as at December 31, 2020 and 2019 follows:

	2020		
	Cumulative Remeasurement Gain	Deferred Tax Liability (see Note 21)	Net Remeasurement Gain
Balance at beginning of year	P48,634,055	(P14,590,220)	P34,043,845
Actuarial loss	(3,084,296)	925,289	(2,159,007)
Balance at end of year	P45,549,759	(P13,664,931)	P31,884,838

	2019		
	Cumulative Remeasurement Gain	Deferred Tax Liability (see Note 21)	Net Remeasurement Gain
Balance at beginning of year	P54,774,243	(P16,432,273)	P38,341,970
Actuarial gain	(6,140,178)	1,842,053	(4,298,125)
Balance at end of year	P48,634,065	(P14,590,220)	P34,043,845

The average duration of the expected benefit payments at the end of the reporting period is 17 years.

## 19. Related Party Transactions

Significant transactions with related parties include the following:

### Related Parties under Common Management

	Note	Transaction Amounts		Outstanding Balances		Nature and Terms
		2020	2019	2020	2019	
Advances to related parties		<b>₱12,187,198</b>	<b>₱2,627,329</b>	<b>₱39,179,557</b>	<b>₱51,366,756</b>	Working fund; unsecured; noninterest-bearing; collectible on demand
Advances from related parties		<b>₱29,423,853</b>	<b>₱5,818,974</b>	<b>₱140,372,674</b>	<b>₱110,046,620</b>	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	13	<b>₱—</b>	<b>₱—</b>	<b>₱26,000,000</b>	<b>₱26,000,000</b>	Short-term loan; unsecured; interest-bearing; payable on demand

As at December 31, 2020 and 2019, the Company has not provided any allowance for ECL for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

### Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to ₱84.3 million, ₱80.0 million and ₱127.3 million in 2020, 2019 and 2018, respectively. Retirement benefit expense of key management personnel amounted to ₱2.8 million, ₱2.4 million and ₱3.2 million in 2020, 2019 and 2018, respectively.

## 20. Commitments

### Social and Environmental Responsibilities

#### **Social Development and Management Programs (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.

The Company's implemented social development programs to host communities amounted to ₱39.7 million, ₱16.3 million and ₱44.0 million in 2020, 2019 and 2018, respectively (see Note 16).

#### **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 Multiparty 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 Company is required to set up a fund to ensure compliance with the program. The balance of the fund, presented as RCF under "Other noncurrent assets" account, amounted to ₱5.5 million as at December 31, 2020 and 2019.

The Company implemented projects amounting to ₱146.9 million, ₱56.0 million and ₱54.4 million in 2020, 2019 and 2018, respectively (see Note 16).

#### **Royalty Agreement**

In July 2008, the Company entered into a memorandum of agreement with the Indigenous Cultural Communities/Indigenous People (ICC/IP) and NCIP pursuant to the requirements, the Company pays royalties equivalent to a certain percentage of gross revenue to the ICC/IP.

Royalty expense amounted to ₱30.2 million, ₱14.9 million and ₱10.4 million in 2020, 2019 and 2018, respectively (see Note 16).

#### **Lease Commitment**

The Company leases an office space for its operations. Rental deposit amounted to ₱0.4 million as at December 31, 2020 and 2019 (see Note 10).

Rental expense arising from short-term leases amounted to ₱0.3 million, ₱0.6 million and ₱3.2 million in 2020, 2019 and 2018, respectively (see Note 16).

## **21. Income Taxes**

Components of income tax expense (benefit) are shown below:

	2020	2019	2018
Current	₱251,173,036	₱12,337,430	₱1,787,769
Deferred	(6,738,992)	75,779,116	(93,642,781)
	<b>₱254,434,044</b>	<b>₱88,116,546</b>	<b>(₱91,855,012)</b>

The reconciliation of income (loss) before tax computed at the statutory income tax rate to the provision for (benefit from) income tax are as follows:

	2020	2019	2018
Income tax at statutory rate	₱188,844,453	₱37,787,686	(₱144,198,639)
Changes in unrecognized deferred tax assets	17,208,380	23,990,659	18,977,388
Add (deduct) income tax effects of:			
Nondeductible expenses	38,851,805	20,477,569	22,620,740
Expired NOLCO	8,041,460	4,122,716	9,089,291
Expired MCIT	1,717,760	1,808,880	1,701,000
Interest income subjected to final tax	(229,814)	(70,964)	(44,792)
	<b>₱254,434,044</b>	<b>₱88,116,546</b>	<b>(₱91,855,012)</b>



The Company's net deferred tax assets arising from temporary differences as at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Deferred tax assets:		
Allowance for ECL on receivables	₱24,020,408	₱18,020,408
Retirement benefit liability	9,294,996	8,579,606
Provision for mine rehabilitation	3,553,148	2,651,008
Excess MCIT over RCIT	—	4,187,441
	<b>36,878,552</b>	<b>33,438,463</b>
Deferred tax liabilities:		
Unrealized foreign exchange gain	(411,521)	(378,421)
Debt issue cost	(273,817)	(343,668)
	<b>(685,338)</b>	<b>(722,089)</b>
	<b>₱36,193,214</b>	<b>₱32,716,374</b>

The presentation of net deferred tax assets are as follows:

	Note	2020	2019
Through profit or loss		₱49,858,145	₱47,306,594
Through other comprehensive income	18	(13,664,931)	(14,590,220)
		<b>₱36,193,214</b>	<b>₱32,716,374</b>

The Company's deferred tax liability amounting to ₱465.3 million as at December 31, 2020 and 2019 is attributable to the mining rights of BGRC, AMPI and BARI, as a result of business combination.

Management believes that it may not be probable for future taxable profit to be available in the future against which the benefits of the following deferred tax assets can be utilized.

	2020	2019
NOLCO	₱86,306,189	₱67,570,654
Retirement benefit liability	2,829,520	2,638,915
Excess MCIT over RCIT	32,560	1,750,320
	<b>₱89,168,269</b>	<b>₱71,959,889</b>

Details of NOLCO of the Company are as follows:

Year incurred	Expiry date	Amount	Expired/ Application	Balance
2020	2025	₱89,256,645	₱—	₱89,256,645
2019	2022	98,920,446	—	98,920,446
2018	2021	99,510,205	—	99,510,205
2017	2020	26,804,863	(26,804,863)	—
		<b>₱314,492,159</b>	<b>(₱26,804,863)</b>	<b>₱287,687,296</b>

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of the Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of a business or enterprise for taxable years 2020 and 2021 are to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of Excess MCIT over RCIT of the Company are as follows:

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2019	2022	₱2,432,232	(₱2,417,432)	₱—	₱14,800
2018	2021	1,787,769	(1,770,009)	—	17,760
2017	2020	1,717,760	—	(1,717,760)	—
		₱5,937,761	(₱4,187,441)	(₱1,717,760)	₱32,560

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

On March 26, 2021, Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises" or "CREATE" was approved and signed into law by the Philippine President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The enactment of the CREATE Act is considered a non-adjusting subsequent event. Accordingly, the income tax rate used in preparing the financial statements as at and for the year ended December 31, 2020 is 30% for RCIT.

The table below summarizes the financial impact of the change in income tax rate to the Company's financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Balances Using Revised Income Tax Rate	Differences
Net deferred tax assets	₱36,193,214	₱30,161,012	₱6,032,202
Income tax payable	136,107,191	114,325,713	21,781,478
Deferred tax liability	465,262,759	387,718,966	77,543,793
Retained earnings	980,673,981	1,071,689,561	(91,015,580)
Cumulative remeasurement gain on retirement benefit liability - net of deferred tax	31,884,838	34,162,327	(2,277,489)
Income tax expense - current	261,173,036	239,391,558	21,781,478
Income tax expense (benefit) - deferred	(5,738,992)	1,570,699	(8,309,691)
Net income	375,047,465	388,519,252	(13,471,787)
Other comprehensive income (loss) - net of deferred tax	(2,159,007)	118,482	(2,277,489)

## 22. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows.

	2020	2019	2018
Net income (loss) shown in the consolidated statements of comprehensive income (a)	<b>₱375,047,465</b>	₱37,842,406	(₱388,807,119)
Weighted average number of common shares (b)	<b>3,014,820,305</b>	3,014,820,305	3,007,198,354
Basic earnings (loss) per share (a/b)	<b>₱0.124</b>	₱0.013	(₱0.129)

The Company does not have potentially dilutive common shares.

## 23. Contingencies

### **Cancellation of MMDC's MPSA**

On February 13, 2017, MMDC received an order from the DENR cancelling its MPSA due to alleged violations of environment-related laws and regulations. The Technical Committee Report on MMDC however only shows a recommendation for fine and suspension.

The Management and its legal counsel have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining. On February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum. MMDC asserted that the grounds for cancellation cited by the DENR: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President Gloria Macapagal Arroyo; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area. As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to circumstances beyond its control.

As at December 31, 2020, MMDC has not received any decision nor any notice from the Office of the President. MMDC's Legal Counsel is of a good faith position that the it may continue its operations because the execution of the Order of the DENR Secretary is deemed automatically stayed as a matter of law on account of the pendency of MMDC's appeal, as likewise confirmed by the Office of the President.

MMDC has continuously been granted the necessary regulatory permits and licenses to operate including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits. As proof its compliance, MMDC has also secured a certification from the MGB as of February 18, 2021, attesting to the validity and existence of its MPSA and that MMDC has an approved Declaration of Mining Project Feasibility covering its entire contract mining area as of October 15, 2014.

MMDC has continued mining operations in areas covered by the MPSA (see Note 1).



**Show-Cause Orders of BGRC, AMPI and BARI**

On 27 February 2017, BGRC, AMPI and BARI received Show-Cause Orders dated 13 February 2017. The said Show Cause Orders indicated that the covered areas of their respective MPSAs (MPSA No. 015-93-X-SMR for BRC, 179-2002-VIII- SBMR for AMPI and 180-2002-VIII- SBMR for BARI) are within a watershed and they are directed to show cause why their respective MPSAs should not be cancelled.

**BGRC**

The Management and the Legal Counsel of BGRC take the good faith position that the operations of BGRC under said MPSA is granted with prior rights as duly recognized by law. The alleged impairment and damage in the BGRC MPSA area is not supported by any specific acts of impairment because BGRC is not yet operating in the area but has only completed exploration and drilling.

**AMPI and BARI**

The Management and the Legal Counsel of AMPI and BARI take the good faith position that there is no legal basis for the cancellation.

The Forest Management Bureau (FMB) issued a letter dated 27 July 2017 indicating that the MPSAs of AMPI and BARI fall outside any proclaimed watersheds.

Subsequently, the DENR issued a letter dated 10 August 2017 stating that the MPSA Nos. 179-2002-VIII- SBMR (for AMPI) and 180-2002-VIII- SBMR (for BARI) are not located within any proclaimed watershed.

As at December 31, 2020, the DENR has not issued any other Show Cause Orders for BGRC, AMPI and BARI. Basing on the above letters from FMB and DENR, the Management and Legal Counsel of BGRC, AMPI and BARI take a good faith position that these have rendered that Show-Cause Orders moot and academic. Of note is the recent letter-approval of the DENR, through the MGB, dated 18 May 2020, granting the requested extension of the Exploration Period of AMPI and BARI's respective MPSAs from 18 June 2020 to 18 June 2022.

**Legal Proceedings**

The Company is a party of certain legal proceedings and the Management, after consultation with its legal counsel, believes that none of these contingencies will materially affect the Company's financial position and results of operations.

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**24. Financial Risk Management Objectives and Policies and Fair Value Measurement****General**

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

### **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments consist of cash and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as trade and other receivables (excluding advances to officers and employees), RCF, MTF, rental deposit, trade and other payables (excluding excise tax and other statutory payables and advances from customers), dividends payable and advances to and from related parties, which arise directly from operations. The main risks arising from the use of these financial instruments are foreign currency risk, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

**Foreign Currency Risk.** The Company's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar with respect to US dollar-denominated financial assets.

The Company's transactional currency exposures arise from its cash in banks and trade receivables which are denominated in US dollar. The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk.

The following table shows the Company's US dollar-denominated financial assets and their Philippine Peso equivalent as at December 31, 2020 and 2019:

	2020		2019	
	Philippine Peso	US Dollar	Philippine Peso	US Dollar
Cash in banks	<b>₱142,812,658</b>	<b>\$2,974,025</b>	₱239,250,801	\$4,714,859
Trade receivables	<b>586,334,701</b>	<b>12,210,219</b>	232,349,372	4,588,711
	<b>₱729,147,359</b>	<b>\$15,184,244</b>	₱471,600,173	\$9,303,570

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at December 31, 2020 and 2019, the exchange rates applied were ₱48.02 and ₱50.74 per US\$1, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2020 and 2019 (due to changes in the fair value of financial assets). There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
<b>December 31, 2020</b>	<b>+2.28</b>	<b>₱16,624,560</b>
	<b>-2.28</b>	<b>(16,624,560)</b>
<b>December 31, 2019</b>	<b>+1.27</b>	<b>5,989,322</b>
	<b>-1.27</b>	<b>(5,989,322)</b>

**Interest Rate Risk.** Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows on the fair values of financial instruments. The Company follows a prudent policy on managing its assets or liabilities so as to ensure that exposures to fluctuations in interest rate are kept within acceptable limits.

The Company's loans payable are exposed to changes in market interest rates since the loans are subject to variable interest rates.

The table below set forth the estimated change in the Company's income before tax to a reasonably possible change in the market prices of loans payable brought about by reasonably possible change in interest rates as at December 31, 2020 and 2019.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
<b>December 31, 2020</b>	<b>+2.70%</b>	<b>(P1,741,303)</b>
	<b>-2.70%</b>	<b>1,741,303</b>
<b>December 31, 2019</b>	<b>+3.42%</b>	<b>(2,107,768)</b>
	<b>-3.42%</b>	<b>2,107,768</b>

**Credit Risk.** Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, trade and other receivables (excluding advances to officers and employees) and advances to related parties, RCF, MTF and rental deposit, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

	2020						Total
	High Grade	Standard Grade	Past Due but not Impaired			Impaired	
			1 - 30 Days	31 - 90 Days	More than 90 Days		
Lifetime ECL (not credit-impaired):							
Trade and other receivables*	0-	P6,206,439	P77,580,111	P84,203,374	P337,919,530	P86,631,586	P594,503,140
12-month ECL:							
Cash in banks	241,703,879	-	-	-	-	-	241,703,879
Advances to related parties	-	39,179,557	-	-	-	-	39,179,557
RCF and MTF	5,711,559	-	-	-	-	-	5,711,559
Rental deposit	-	363,250	-	-	-	-	363,250
	247,415,438	39,542,807	-	-	-	-	286,958,245
	P247,415,438	P47,751,246	P77,580,111	P84,203,374	P337,919,530	P86,631,586	P881,501,385

\*Excluding advances to officers and employees amounting to P343 million as at December 31, 2020.

	2019						Total
	High Grade	Standard Grade	Past Due but not Impaired			Impaired	
			1 - 30 Days	31 - 90 Days	More than 90 Days		
Lifetime ECL (not credit-impaired):							
Trade and other receivables*	0-	P9,635,386	P10,892,891	P12,787,354	P142,587,577	P66,631,586	P284,515,438
12-month ECL:							
Cash in banks	314,226,705	-	-	-	-	-	314,226,705
Advances to related parties	-	51,356,755	-	-	-	-	51,356,755
RCF and MTF	5,676,656	-	-	-	-	-	5,676,656
Rental deposit	-	363,250	-	-	-	-	363,250
	319,903,601	51,720,005	-	-	-	-	371,623,606
	P319,903,601	P51,357,001	P10,892,891	P12,787,354	P142,587,577	P66,631,586	P614,141,030

\*Excluding advances to officers and employees amounting to P286 million as at December 31, 2019.

Customer credit risk from trade and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Generally, trade receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For other financial assets consisting of cash in banks, advances to related parties, RCF and MTF and rental deposit, the Company manages credit risk based on the Company's policy and uses judgment in making assumptions for estimating the risk of default and expected loss rates. This is based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The credit quality of the financial assets is managed by the Company using internal credit quality ratings. High grade accounts consist of receivable from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts.

Cash in banks, RCF and MTF are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under standard grade since the counterparties are reputable related parties with low credit risk.

**Liquidity Risk.** The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal and interest payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2020 and 2019, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

	2020					Total
	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	
Trade and other payables*	P6,517,416	P24,435,258	P149,953,857	P-	P-	P180,906,531
Dividends payable	4,707,886	-	-	-	-	4,707,886
Loans payable**	258,429,963	23,449,904	98,000,621	94,548,567	247,977,330	672,406,385
Advances from a related party	140,272,674	-	-	-	-	140,272,674
	<b>P409,927,939</b>	<b>P47,885,162</b>	<b>P197,954,478</b>	<b>P94,548,567</b>	<b>P247,977,330</b>	<b>P998,293,476</b>

\*Excluding excise tax and other statutory payables and advances from customers amounting to P228.5 million as at December 31, 2020.

\*\*Including interest payable up to maturity amounting to P24.1 million as at December 31, 2020.



	2019					Total
	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	
Trade and other payables*	₱11,580,920	₱57,186,272	₱325,372,949	₱-	₱-	₱397,090,741
Dividends payable	4,707,886	-	-	-	-	4,707,886
Loans payable**	101,000,000	10,226,561	191,075,052	244,563,541	258,605,573	₱65,471,529
Advances from a related party	110,846,820	-	-	-	-	110,846,820
	₱228,135,626	₱67,413,433	₱519,398,601	₱244,563,541	₱258,605,573	₱1,318,116,774

\*Excluding excise tax and other statutory payables and advances from customers amounting to ₱372.2 million as at December 31, 2019

\*\*Including interest payable on borrowings amounting to ₱86.4 million as at December 31, 2019

### **Fair Value of Financial Assets and Financial Liabilities**

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the consolidated financial statements:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets</b>				
Cash	₱241,951,074	₱241,951,074	₱314,440,796	₱314,440,796
Trade and other receivables*	507,911,554	507,911,554	175,883,852	175,883,852
Advances to related parties	39,179,557	39,179,557	51,366,755	51,366,755
RCF and MTF	5,711,559	5,711,559	5,676,896	5,676,896
Rental deposit	363,250	363,250	355,250	355,250
	₱795,116,994	₱795,116,994	₱547,723,549	₱547,723,549
<b>Financial Liabilities</b>				
Trade and other payables**	₱180,906,531	₱180,906,531	₱397,090,741	₱397,090,741
Dividends payable	4,707,886	4,707,886	4,707,886	4,707,886
Loans payable	622,505,567	649,932,918	719,069,378	805,470,588
Advances from related parties	140,272,674	140,272,674	110,846,820	110,846,820
	₱948,392,658	₱975,820,009	₱1,231,714,825	₱1,318,116,035

\*Excluding advances to officers and employees amounting to ₱24.3 million and ₱28.6 million as at December 31, 2020 and 2019, respectively.

\*\*Excluding excise tax and other statutory payables and advances from customers amounting to ₱228.5 million and ₱372.2 million as at December 31, 2020 and 2019, respectively.

*Cash, Trade and Other Receivables (excluding advances to officers and employees), Advances to Related Parties, RCF and MTF, Trade and Other Payables (excluding excise tax and other statutory payables and advances from customers), Dividends Payable and Advances from Related Parties.* Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

*Rental Deposit.* The fair value of rental deposit has not been determined using observable market data because management believes that the difference between fair value and carrying amount is not significant.

*Loans Payable.* Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDST-RZ rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

## 25. Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Company manages its capital structure and makes adjustments to it, whenever there are changes in economic conditions. The Company monitors its capital using debt to equity ratio. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or by conversion of related party advances to an equity component item.

The Company's debt-to-equity ratio is show below.

	2020	2019
Total debt	₱1,857,116,716	₱2,167,660,001
Total equity (excluding remeasurement gain on retirement benefit liability)	4,264,696,074	3,889,646,609
Debt-to-equity ratio	0.44:1.00	0.56:1.00

There were no changes in the Company's objectives, policies or processes in 2020, 2019 and 2018.

## 26. Notes to Consolidated Statements of Cash Flows

The table below details changes in the liabilities and equity of the Company arising from financing activities, including both cash and non-cash changes.

	2020		
	Loans Payable (see Note 13)	Accrued Interest (see Note 11)	Total
Balance at beginning of year	₱719,069,378	₱5,327,094	₱724,396,472
Cash flows from financing activities:			
Payments of:			
Loans payable	(96,796,646)	-	(96,796,646)
Interest	-	(67,072,571)	(67,072,571)
Noncash changes:			
Amortization of debt issue costs	232,835	-	232,835
Interest expense	-	62,022,571	62,022,571
Balance at end of year	₱622,505,567	₱277,094	₱622,782,661

	2019		
	Loans Payable (see Note 13)	Accrued Interest (see Note 11)	Total
Balance at beginning of year	₱793,408,883	₱277,094	₱791,685,977
Cash flows from financing activities:			
Payments of:			
Loans payable	(72,555,662)	-	(72,555,662)
Interest	-	(54,548,881)	(54,548,881)
Noncash changes:			
Amortization of debt issue costs	216,157	-	216,157
Interest expense	-	59,598,881	59,598,881
Balance at end of year	₱719,069,378	₱5,327,094	₱724,396,472



Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 City: \_\_\_\_\_  
 State: \_\_\_\_\_  
 Zip: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 E-mail: \_\_\_\_\_  
 Website: \_\_\_\_\_

How frequently is your overall health status changing? (1 = "not at all", 2 = "a little", 3 = "moderately", 4 = "a great deal")

**MARVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Ratio	Formula	2020	2019
Current ratio	Total Current Assets	<b>₱1,084,222,184</b>	<b>₱779,290,957</b>
	Divided by: Total Current Liabilities	<b>1,026,488,783</b>	<b>1,403,367,545</b>
	Current ratio	<b>1.06:1</b>	<b>0.56:1</b>
Solvency ratio	Net Income Before Depreciation and Amortization, and Depletion	<b>₱598,045,828</b>	<b>₱167,522,927</b>
	Divide by: Total Liabilities	<b>1,867,116,716</b>	<b>2,167,660,001</b>
	Solvency ratio	<b>0.32:1</b>	<b>0.08:1</b>
Debt-to-equity ratio	Total Liabilities	<b>₱1,867,116,716</b>	<b>₱2,167,660,001</b>
	Divide by: Total equity	<b>4,296,578,912</b>	<b>3,923,690,454</b>
	Debt-to-equity ratio	<b>0.43:1</b>	<b>0.55:1</b>
Asset-to-equity ratio	Total Assets	<b>₱6,163,695,628</b>	<b>₱6,091,350,455</b>
	Divide by: Total equity	<b>4,296,578,912</b>	<b>3,923,690,454</b>
	Asset-to-equity ratio	<b>1.43:1</b>	<b>1.55:1</b>
Interest rate coverage Ratio	Pretax income before interest	<b>₱693,974,205</b>	<b>₱187,589,599</b>
	Divided by: Interest expense	<b>64,492,696</b>	<b>61,630,647</b>
	Interest rate coverage ratio	<b>10.76:1</b>	<b>3.04:1</b>
Profitability Ratio	Net income	<b>₱375,047,465</b>	<b>₱37,842,406</b>
	Divide by: Total equity	<b>4,296,578,912</b>	<b>3,923,690,454</b>
	Profitability ratio	<b>0.09:1</b>	<b>0.01:1</b>



**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**SUPPLEMENTARY SCHEDULE OF PARENT COMPANY'S**  
**RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Amount
Unappropriated retained earnings available for dividend declaration at the beginning of year	P661,445,613
Net loss during the year closed to retained earnings	(73,237,026)
Unappropriated retained earnings available for dividend declaration at end of year	P588,208,587



**Phone:** +31 (0) 20 674 4200  
**Fax:** +31 (0) 20 674 4201  
**Website:** [www.royalddp.nl](http://www.royalddp.nl)

The Stockholders and the Board of Directors  
Marcventures Holdings, Inc. and Subsidiaries  
4th Floor, BDO Towers Paseo (formerly Citi Center)  
8741 Paseo de Roxas, Makati City

- Schedule of Parent Company's Retained Earnings Available for Dividend Declaration for the year ended December 31, 2020
- Schedules Required by Annex 68-I of the Revised Securities Regulation Code (SRC) Rule 68 as at December 31, 2020
- Conglomerate Map as at December 31, 2020

These schedules are presented for purposes of complying with the Revised SRC Rule 68, and are not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG &amp; CO.

Carolina A. Angeles  
CAROLINA P. ANGELES

## Partner

CPA Certificate No. 86911

Tax Identification No. 205-067-976-000

BQA Accreditation No. 4782, Valid until August 15, 2021

SEC Accreditation No. 86981-SEC Group A

Received March 24, 2020

Valid for Financial Periods 2019 to 2023

IR Accreditation No. DE-505144-007-2019

Valid until October 16, 2022

PTA No. 8534277

Issued January 5, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

THE FUTURE OF ASSESSMENT  
AND VALUE EDUCATION

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RSM

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES  
SCHEDULES REQUIRED UNDER ANNEX 68-J OF THE REVISED  
SECURITIES REGULATION CODE RULE 58:  
DECEMBER 31, 2020

Table of Contents

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>1</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>1</u>
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>2</u>
D	Long-Term Debt	<u>3</u>
E	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	<u>4</u>
F	Guarantees of Securities of Other Issuers	<u>5</u>
G	Capital Stock	<u>6</u>

## Schedule A. Financial Assets

December 31, 2020

Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end reporting period	Income received and accrued
Not Applicable -				

*Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)*

December 31, 2020

Name and designation of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off		Current:	Noncurrent:	Balance at the end of the period
					-Not Applicable-			

*Schedule C. Amounts Receivable from Related Parties Eliminated during the Consolidation of Financial Statements*  
December 31, 2020

Name of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
Marcventures Mining and Development Corporation	P141,152,007	P-	P-	P-	P141,152,007	P-	P141,152,007
BrightGreen Resources Corporation	5,628,288	-	-	-	5,628,288	-	5,628,288
Alumina Mining Philippines Inc.	-	30,067,422	-	-	30,067,422	-	30,067,422
Bauxite Resources Inc.	50,944,812	5,474,623	-	-	56,419,435	-	56,419,435
	P197,725,107	P35,542,045	P-	P-	P233,267,152	P-	P233,267,152

*Schedule D, Long-term Debt*  
December 31, 2020

Title of issue and type of obligation	Amount shown under caption "Current portion of Loans payable"	Amount shown under caption "Loans payable - net of current"
<i>Notes Payable</i>		
United Coconut Planters Bank	₱170,411,984	₱195,775
Philippine Veterans Bank	75,000,000	125,000,000
Philippine Business Bank	60,000,000	156,230,131
Prima Media Holdings, Inc.	26,000,000	—
Orix Metro Leasing and Finance Corp.	4,563,961	5,103,716
	₱335,975,945	₱286,529,622

## Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)

December 31, 2020

Name of Related Party	Beginning Balance	Ending Balance
Bright Kindle Resources & Investments, Inc.	₱6,800,000	₱808,398
Prime Media Holdings, Inc.	33,011,281	32,843,689
Strong Mighty Steel, Inc.	15,000,000	15,000,000
Trans Middle East Phils. Equities, Inc.	38,514,716	74,099,764
RYM Business Management Corp.	43,520,823	43,520,823
	₱136,846,820	₱166,272,674



Schedule F. Guarantees of Securities of Other Issuers  
December 31, 2020

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
- Not Applicable -				

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by related parties	Directors, officers and employees	Others
Common Stock	4,000,000,000	3,014,820,305	—	—	57,228,208	2,957,592,097

**MARVENTURES HOLDINGS, INC. AND SUBSIDIARIES**

**CONGLOMERATE MAP**

DECEMBER 31, 2020

*Stockholders*

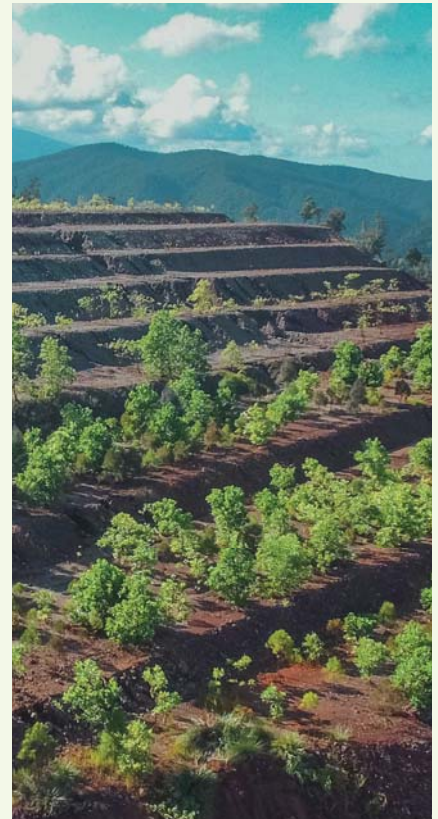


*Parent Company*



*Subsidiaries*





# Sustaining Our Ecosystem

2020 Sustainability Report



# Board Statement

The Company's Sustainability Report for 2020 sets out our sustainability measures in the face of the global impact of the Corona Virus Disease (Covid-19) pandemic. Our focus on the health and safety of our people and the continued livelihood of our host communities despite the hardships brought about by Covid-19 speaks of our commitment to sustainable mining practices.

Through the collective efforts of our employees, in cooperation and through extensive coordination with various external stakeholders, contractors, suppliers, host communities, and local government agencies, we weathered the impact of Covid-19 with minimal business disruption and equally as important, while safeguarding the welfare of the local communities where we operate in. MHI actively took part in relief operations throughout the communities in Cantillan, Carrascal, and Madrid in Surigao del Sur, reaching at least 1,040 families and 175 Senior Citizens needing immediate aid, and in the communities in Paranas, Catbalogan, San Jorge, and Matuguinao in Samar, where public scoping activities were conducted.

Our financial performance of Php332.78 Million in 2020 signified a steady return to a position of strength. MMDC's operating profits is 105.4% higher than its 2019 performance, we were better able to perform and meet our sustainable goals. We aim to continuously focus on mitigating and reducing our operations' environmental impact.

As we ease back into a new normal, we are optimistic that the Company's operations will continue to bring about positive changes to the communities we serve and in turn, translate better stakeholder value. Metal and mining remain integral to social and economic development. For 2020, the country's nickel industry projected a strong year with the rise in demand in the foreign market. While we saw a 14% drop in the country's output from 21.6 Million Dry Metric Tons (DMT) in 2019 to 18.5 Million DMT in 2020, especially between the months of March and May due to the strict quarantine measures that limited logistics across the country, the nickel industry's export value improved to almost Php 25 Billion during the January-September period, from Php 24 Billion in the same period in 2019<sup>1</sup>. The Company is proud to contribute to this collective economic value which has proven invaluable especially amidst the business closures and economic slowdown our country has experienced.

On April 14, President Duterte signed Executive Order No. 130, lifting the moratorium on new mining agreements. This was imposed in 2012 by former President Benigno Aquino III. The Executive Order will reopen doors to investments, allow new mining deals, and possible renegotiation of existing contracts.

We, at MHI, believe in building a business model that not only delivers both long-term value to our internal and external stakeholders but also one that promotes sustainable considerations in our mining practices. We believe that sustainability will become even more integral to the Group as we move forward. In accordance with this belief:

- We take our stewardship of the environment seriously as we continue to work on implementing responsible mining methods while providing a sustainable solution to mine rehabilitation and instituting long-term livelihood opportunities for future generations - our Bamboo initiatives is a testament to this stewardship mindset.
- We also put utmost emphasis on the health, security, and safety of our employees as well as partnering with our host communities to facilitate their economic and social growth and development - we demonstrated this through our prompt and active response to the threat of Covid-19 in light of relief efforts and livelihood programs for local communities.
- Lastly, but equally as important, MHI remains committed to complying with national and local government laws and regulations bearing in mind that good governance is at the heart of our future as an organization and as an on-going business concern, we immediately reallocated Php 7.59 Million pursuant to the directive of the Mines and Geosciences Bureau (MGB) in its Memorandum dated March 27, 2020, directing mining companies to realign its unutilized Social Development and Management Program (SDMP) funds to support communities needing aid and support.

On the basis of such factors in mind, the scope of this Sustainability Report therefore encompasses the MHI Group's performance (including its Subsidiaries) - its actions, challenges, results, and achievements. Although some measures are applicable across the board to other types of industries, the scope and manner of presentation of this Sustainability Report will be unique to MHI's industry-specific risks, concerns, and sustainable development goals.

Our overall approach to sustainability is guided by our Sustainability Framework, and the conduct of our business, based on our Code of Conduct and Corporate Governance policies. This approach establishes our sustainability vision, topics deemed material to the Company, and our future commitments which we strive to align with the United Nations Sustainable Development Goals. Mindful that there is a need to increase focus on non-financial and sustainability reporting, this Report was prepared in accordance with Principle 10 of the Code of Corporate Governance for Publicly-Listed Companies (PLCs) stating that companies should ensure that material and reportable non-financial and sustainability issues are disclosed.

With the foregoing considerations in mind, the Board of MARCVENTURES HOLDINGS, INC. ("MHI" or the "Group" or the "Company") proudly presents its second Sustainability Report pursuant to Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 4, Series of 2019<sup>2</sup> for the period 1 January to 31 December 2020. This Report is prepared for all stakeholders with an interest in the mining industry and/or sustainability performance of the Company and is recommended to be read in conjunction with its Annual Report.

For any queries about this report, please email us at [inquiries@marcventures.com.ph](mailto:inquiries@marcventures.com.ph).

<sup>1</sup> <https://www.bworldonline.com/foreign-demand-seen-to-boost-nickel-industry/>  
<sup>2</sup> Sustainability Reporting Guidelines for Publicly-Listed Companies, 15 February 2019

## Contents

Message to Our Stakeholders	1
Our Group Structure and Business Context	3
Materiality Process	4
Sustainability Tree	7
Responsible Mining	8
Energizing Community Engagement	22
Good Corporate Governance	28
Index of Material Topics	30



## To Our Stakeholders

**S**ustainability is at the center of Marcventures. The strength of our mining business lies in good governance and economic contribution. But underneath our adherence to regulations and business efficiency is our commitment to our host communities. Our mining operation covers 42 communities throughout the municipalities of Carrascal, Cantillan and Madrid in Surigao del Sur. Our initiatives go beyond basic needs. We work closely with communities to optimize empowerment by providing opportunities like educational assistance, sustainable livelihood and protecting socio-cultural values.

We recognize the value of education in uplifting lives. Marcventures has the most number of college-level scholars among all mining companies in the Caraga region. The scholars are from low-income families and members of indigenous communities. We support local economy by helping organizations start their own business. We give farmers rice seeds, we provide rotavators, utility vehicles and even carabaos to support their agricultural business.

We consider our communities our trusted partners in sustainability. We take part in their traditional celebrations like fiestas, foundation days and other church-related activities. In planning our operations, we always take into account what lies ahead for the communities when mining stops? For now, we can provide jobs, health care, livelihood and education. But what will happen if mining stops? It is important that they have a reliable source of livelihood.

Marcventures is the acknowledged pioneer in bamboo and has been cited by the Department of Environment and Natural Resources (DENR). The planting of Bamboo for mine rehabilitation is now mandated by the DENR for all mining companies.

Bamboo is a US\$60.0 Billion Global Industry and produces numerous products like chopsticks, toys, construction materials to textiles. It has a 100-year genetic life and requires very low maintenance. The bamboo plantation in our mining rehabilitation areas can pave the way for processing companies and factories for continued income for the communities.



We began our journey to sustainability in 2019, armed with our passion for environmental enhancement and community livelihood. But all these were put to a test, as the global pandemic challenged all industries. Despite the difficulties, we at Marcventures worked doubly hard and was even cited for our efficient response. Our efforts were recognized by the Employers Confederation of the Philippines.

In Surigao, we were the first mining company to release an operations manual on Safety Protocols. As an export-oriented company, we were allowed to operate during the quarantine under strict protocols. We aimed for minimal business interruption so we can work efficiently, contribute to the economy and continue to support the livelihood of our communities.

We will continue to be inspired by our stakeholders as we continue our journey to sustainability. Along with our initiatives we likewise pay close attention to the health and wellness of our employees and members of our communities. We will continue to enrich our programs and follow protocols for everyone's safety.

We thank God Almighty for guiding us through our journey to sustainability and for consistently blessing us with a good and productive year.



**Rolando Santos**  
Senior Vice President - OIC





# Our Group Structure & Business Context

**M**arcventures Holdings, Inc. ("MHI"), formerly AJO.net Holdings, Inc., was incorporated on August 7, 1957 and became a publicly-listed company in 1958.

On March 30, 2010, the Securities and Exchange Commission (SEC) approved the change in name to the present one, and further approved the change in its primary purpose to include land ownership.

On December 29, 2017, the Securities and Exchange Commission approved MHI's merger with Asia Pilot Mining Philippines Corp. (APMPC) and BrightGreen Resources Holdings Inc. (BRC) with MHI as the surviving entity. The merger resulted in MHI's acquisition of APMPC's subsidiaries, namely, Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI), the only two (2) bauxite mines in the Philippines, as well as MHI's subsidiary, BrightGreen Resources Corporation (BRC).

Through its subsidiaries, MHI conducts business by investing in mining and associated activities. Currently, it has investments in four (4) wholly-owned subsidiaries: a) Marcventures Mining and Development Corporation (MMDC), b) BrightGreen Resources Corporation (BRC); c) Alumina Mining Philippines Inc. (AMPI) and d) Bauxite Resources Inc. (BARI).

At present, of the four (4) subsidiaries, MMDC is fully operational while the other three (3) subsidiaries are in various permitting, exploratory, and developmental phases. Thus, through MMDC, MHI participates in addressing the growing worldwide demand for nickel, with a majority, if not all, of its ore production exports currently geared towards the Asian market. MHI conducts its businesses in a way that not only generates returns for its shareholders, but also provides a positive contribution to its host communities.

To this end, MHI focuses on key strategic elements to achieve its desired results. It strives to embed Responsible Mining and Sustainable Greening Solutions with a focus on business governance practices and operations that mitigate, manage, and rehabilitate potential negative impacts of its operations on the environment.

MHI, through its operating subsidiary MMDC, provides opportunities to local communities to improve their quality of life while championing their right to a healthy, safe, and secure working environment. It likewise aims to develop and maintain a team of trained professionals accountable to both its internal and external stakeholders. In sum, MHI advocates responsible consumption and production, facilitates partnerships to improve living standards, and adheres to the principles of transparency and compliance. In so doing, MHI pursues shareholder value premised on good corporate governance.



# Subsidiaries

## Marcventures Mining and Development Corporation

**Location:** Surigao Del Sur (Cantilan, Carrascal and Madrid)

**Ownership:** 100% MHI

**MPSA No.:** 016-93- XIII (approved on July 01, 1993)

**Area:** 4799 hectares

**Mining Method:** Contour Mining

**Ore Type:** Nickel (Saprolite and Limonite)

**Market/ Buyers:** Direct shipment to China (primarily); Japan and Asia (prospective)

**Mineral Resource Report** as of December 31, 2020:

- Total Measured and Indicated Saprolite Mineral Resource: 11.83 Million Wet Metric Tons (WMT) with an average grade of 1.34% Ni and 12.59% Fe
- Total Measured and Indicated Limonite Mineral Resource : 62.80 Million Wet Metric Tons (WMT) with an average grade of 0.87% Ni and 44.17% Fe

## BrightGreen Resources Corporation

**Location:** Surigao del Sur (Carrascal and Cantilan)

**Ownership:** 100% MHI

**MPSA No.:** 015-93-XIII approved on July 01, 1993

**Area:** 4,860 hectares

**Mining Method:** Contour Mining

**Ore Type:** Nickel (Saprolite and Limonite)

**Mineral Resource Report** signed by a Competent Person on March 2016:

- Total Measured and Indicated Mineral Resource is 16.03M WMT with average grade of 1.17% Ni and 34.98% Fe.
- This is further broken down to 3.06M WMT saprolite with an average grade of 1.59% Ni and 14.85% Fe, and 12.97M WMT limonite with an average grade of 1.07% Ni and 39.73% Fe.

BRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category. BRC also completed its public scoping activity for its Environmental Impact Assessment (EIA) process in January, 2021.

## Alumina Mining Philippines Inc.

**Location:** Samar (Paranas, Motiong)

**Ownership:** 100% MHI

**MPSA No.** 179-2002 VIII (SBMR) issued on December 5, 2002

**Area:** 6,694 hectares

## Bauxite Resources Inc.

**Location:** Samar (Matuguinao, Gandara, San Jose de Buan, San Jorge)

**MPSA No.** 180-2002 VIII (SBMR) issued on December 5, 2002.

**Area:** 5,519.01 hectares

**Ownership of AMPI & BARI:** 100% MHI through a merger and acquisition deal with Asia Pilot Mining Philippines Corporation (APMPC)

**Ore Type:** Bauxite, raw material of Aluminum

**Mineral Resource Report** signed by a Competent Person on March 2016 reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person (CP) for Geology in June 2017: 73.2 Million WMT

**Mineable Ore:** 67.3 Million Metric Tons

**Shippable Ore:** 60.1 Million Metric Tons

Both AMPI and BARI are in the process of securing Environmental Compliance Certificate (ECC) for the planned development and mine operation of the Samar Bauxite Project. Notwithstanding the imposed country-wide lockdown due to the COVID-19 pandemic, AMPI and BARI were able to complete the public scoping and technical scoping stages of the Environmental Impact Assessment (EIA) process in January, 2021.





# Materiality Process

For our year 2020 Report, we identified material topics on the basis of Global Reporting Initiative (GRI) Standards which defines “materiality” as “topics and indicators that reflect the organization's significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders”.

This approach is based on the principles of materiality which requires organizations to report on significant economic, environmental, and social impacts that are deemed material by stakeholders.

## Sustainability Context and Challenges of Mining Operations

Sustainability is one of the main drivers of MHI's businesses. As a responsible miner, process efficiency is geared towards protecting the environment while generating value to the stakeholders.

MHI is committed to contributing to the socio-economic development of the communities surrounding its mining

tenements. As it pursues its corporate goals, the Company aims to be a catalyst for the upliftment of the lives of its host communities and aspire to be a responsible steward of Mineral Resources, a gift from the Divine Providence.

Year 2020 was marked by various challenges, economic and social disruption among others, due to Covid-19. Its effect on day-to-day operations, community concerns, and stakeholders' relationships were instrumental in directing the Company's efforts in identifying and evaluating material topics for this year's report.

## Group-Wide Sustainability Reporting

To complete MHI's 2019 Sustainability Report, the Company's first stand-alone Sustainability Report, MHI engaged Atty. Teodoro Y. Kalaw IV, a certified sustainability trainer by the Global Reporting Initiative and a sustainability report assurer by the Institute of Certified Sustainable Practitioners. Atty. Kalaw facilitated an extensive sustainability orientation and materiality assessment workshop in 2019 for key officers and staff of the Company.



## Defining Materiality

There are 14 topics of high significance for 2020 and these guide the flow and content of this Sustainability Report vis-à-vis the UN Sustainable Development Goals (SDGs).

During the 2019 materiality assessment workshop, material issues facing the Company as well as topics and business aspects deemed important to its stakeholders were identified and analyzed based on its current business model and strategic plans. We identified material sustainability topics of importance to both our internal and external stakeholders through a materiality determination process consisting of a five-stage method:

- **Definition of purpose and scope of assessment**
- **Topic identification and categorization**
- **Focus prioritization**
- **Validation**
- **Reporting**

The sustainability reporting process was then further enhanced with the set-up of the Company's Technical Working Group (TWG) composed of members of the Corporate Communications, Legal, and Compliance Departments. The group developed a working understanding of the issues that are material to MHI's operations. These issues were further cascaded to different departments such as Engineering and Technical Services, Compliance, Community Relations, Human Resources and Legal, who then sought to verify issues with concerned stakeholders.

While the TWG followed the same process for the completion of the Company's year 2020 Sustainability Report using the same scoreboard and metrics as that of 2019 which underscore material sustainable topics relevant to the Company performance, it also placed special emphasis on the topics like community health, food security and other significant areas challenged by the ongoing global pandemic. The Company also plans to institute a review of material topics every two years from the time it submitted its first Sustainability Report in 2019 and incorporate wider external feedback into the assessment process as it remains committed to the continual improvement of its materiality assessments.

For the year 2020, the topics chosen signify MHI's Economic, Environment, and Social Impact in the light of its engagement with various stakeholders. We follow the reporting template on the topic guide provided by the Securities and Exchange Commission Memorandum Circular No. 4, Series of 2019.

## Highlights of 2020 Material Topics

### GOOD CORPORATE GOVERNANCE

MHI, as a publicly-listed corporation, ensures continuous adherence to corporate governance rules, regulations, and requirements imposed by the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).



#### CORPORATE GOVERNANCE STEWARDSHIP

The Board of Directors is the most senior governance body of the Company and exercises its oversight functions through the Executive Committee which meets regularly once a month or at least once every quarter. Corollary to setting the policies for the accomplishment of the corporate objectives, it provides an independent check on Management.



#### ECONOMIC PERFORMANCE

By achieving its financial goals, MHI is able to create and generate value for its employees, suppliers, stockholders, community and government.



#### CLIMATE-RELATED RISKS AND OPPORTUNITIES

Disruption in supply chain is largely affected by changes in rainfall rate and extreme weather events which we consider the top climate-related risk that causes delays, suspension of operations, prevention of shipments or loading process.



#### ENVIRONMENTAL IMPACT MANAGEMENT

MHI continues to review its historical data to determine steps that can reduce its operations' impact to the environment. Regular inspections and monitoring of the Company's tenement areas are conducted to identify existing and potential environmental hazards for early detection and remediation.



#### PROCUREMENT PROCEDURE

MHI, through MMDC, supports local suppliers and directly contributes to the growth of the adjacent local economy. It follows a systematic procurement process through its bidding procedure which requires procurement of materials and services to be undertaken through competitive bidding to promote fair, economic, efficient, and effective competition and determine market price in the purchase of materials and services.

## RESPONSIBLE MINING



### RESOURCE MANAGEMENT

The environmental team has established a system for managing energy, water and material consumptions. We recognize the critical importance of water as a shared resource with our local stakeholders and view water management as one of our most material sustainable issues.



### ECOSYSTEM AND BIODIVERSITY

MMDC continues to lead in the propagation of bamboo as a sustainable and rewarding livelihood project for mined-out areas. It is one of MHI's ongoing efforts to promote the progressive rehabilitation of land resources of its mined-out areas through reforestation projects. We also consider the overall eco-footprint of our projects when we design and evaluate their viability. Mine planning considers optimal land use and mitigation measures to the impact on land, flora, and fauna.



### ENVIRONMENTAL IMPACT

Emissions, wastes and effluents are regularly monitored and regulated to manage environmental threat, risks, and hazard and to ensure that environmental impacts are within prescribed standards.



### ENVIRONMENTAL COMPLIANCE

The Company has a dedicated Legal and Compliance team that monitors relevant laws, rules and regulations enforced by the Mines and Geosciences Bureau (MGB) and the Department of Environment and Natural Resources (DENR) to ensure the Company's compliance with environmental laws and the protection of the country's natural resources.

## COMMUNITY ENGAGEMENT



### EMPLOYEE MANAGEMENT

MHI firmly believes that its people are its primary asset in attaining its business objectives. As partners in providing value to its stakeholders, MHI ensures that their well-being are well cared for; and that in the conduct of its business, its employees are respected, rewarded, and secured.

This viewpoint extends to members of Indigenous Peoples (IP) and members of host communities who the Company also employs. The Company understands that recruiting and hiring from the communities where it operates in is foundational to local economic and social development.



### WORKPLACE CONDITIONS, LABOR STANDARDS AND HUMAN RIGHTS

MMDC is committed to safety, health, security, and welfare of all the people involved in the mining operation. Apart from ensuring compliance with government-mandated benefits, MHI also offers extra compensation that fulfill its employees' medical, livelihood, and educational needs. These extend to their family members in the form of food subsidies, educational assistance, and health insurance.



### SUPPLY CHAIN MANAGEMENT

The Company has a Supplier Accreditation Policy which evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment (DOLE).



### DATA PRIVACY AND SECURITY

The entire organization along with its customers strictly complies with the rules and regulations of the Republic Act No. 10173, or the "Data Privacy Act of 2012."

Responsible stewardship is also demonstrated as it engages in responsible data security, a vital material topic as the Company continues to search for other investment opportunities that could diversify its sources of revenue and add to shareholder value.

All assets are secure and kept confidential, with data security measures being properly enforced. For 2020, there were no reported incidents of data breaches, leaks, or losses in the Company.

## Topics Deemed Non-Material

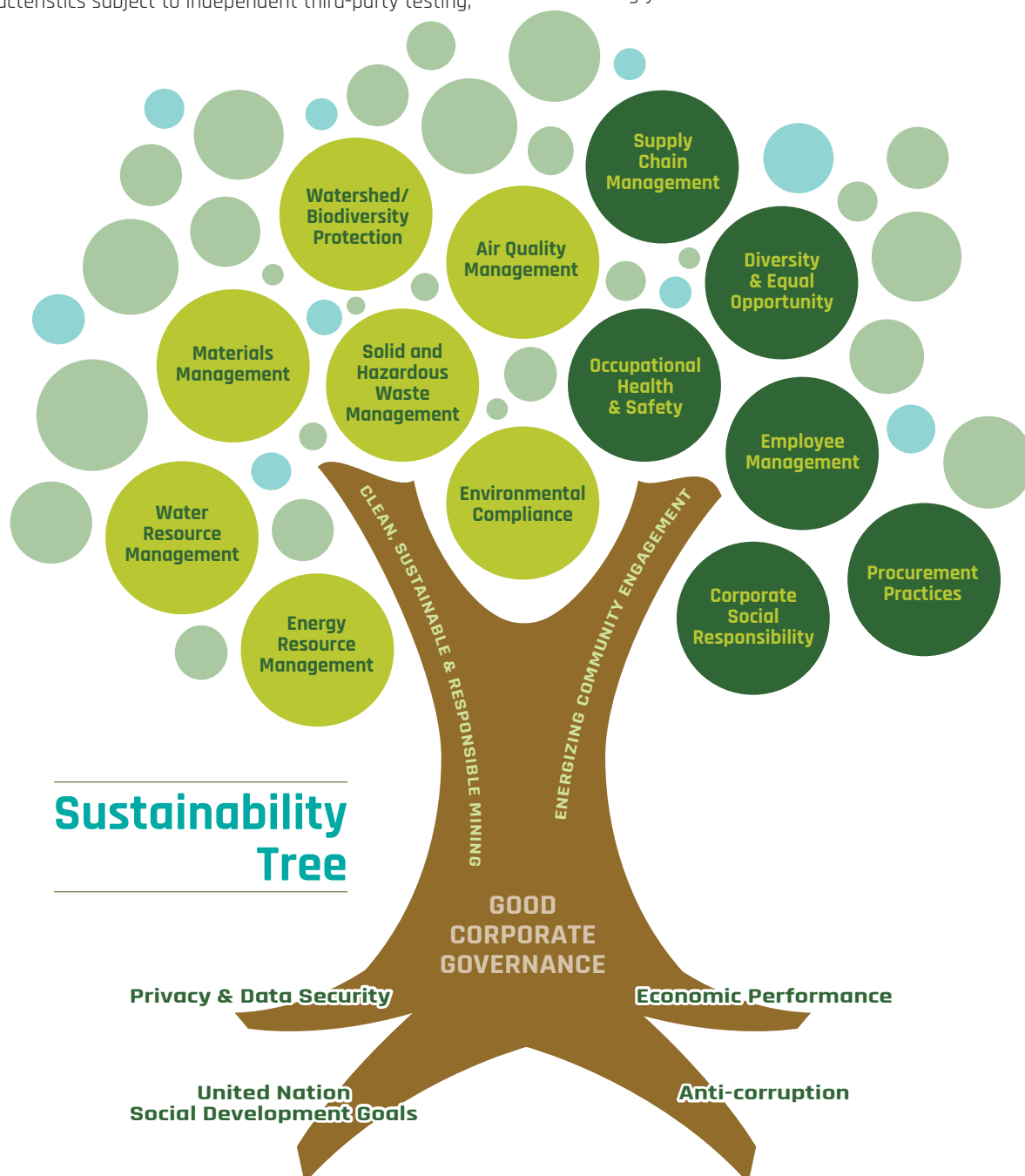
Upon review and appropriate deliberation, there are some topics which we deem non-material. Discussions on Customer Management, Product Health and Safety, and Product Marketing and Labelling, are currently not material to its business model from a sustainability perspective.

Our current main product, nickel ore, is exported in its raw form. While relationships with customers are vital to any organization, Customer Management and Marketing are deemed, at present, not material topics from a sustainability perspective. The increasing demand for nickel products worldwide outweighs supply which gives rise to a demand-driven and mutually desired long-term buyer relationships while prices are based primarily on the market rates and bidding processes. Moreover, since nickel products are extracted and shipped in its raw states with pre-agreed characteristics subject to independent third-party testing,

Product Labelling is also not considered as a material topic. Product Health and Safety is likewise not a going concern - under the mining supply chain, our commercial ore exports are not transmitted directly to end consumers but to traders or processing plants for refining. Moreover, nickel ore is not considered a hazardous substance as it does not emit toxic fumes and can be safely handled with bare hands.

## Strengthening Our Sustainability Reporting Processes

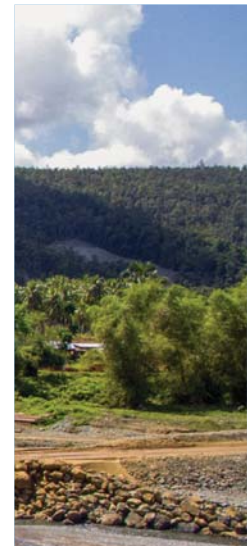
Moving forward, the Company aims to institute the regular review of its materiality assessments and strengthen the materiality matrix to encourage a more engaged participation and collaborative validation from its stakeholders. This comes with a vision to improve the process behind the preparation of the contents of this Sustainability Report and serve as reliable basis where stakeholders may track developments in the coming years.





# Responsible Mining

## A. Safeguarding Our Shared Future: Responsible Mining Through Sustainable Greening Solutions



**R**esponsible Mining means providing Sustainable Greening Solutions that safeguard both the environment and long-term livelihood prospects of host communities. It is the guiding principle of MHI's day-to-day operations at the mine site. Together with stakeholders, the Company continues its initiatives to build, nurture and empower communities, promote social development and management, improve health and safety practices, and minimize the impact of our operations on the environment. The potential for growth continues to drive the Company's business prospects.

In its latest industry report, Fitch Solutions Macro Research forecasted nickel mine production to grow by 8.3% in 2021, above the average growth of 5.9% year-on-year experienced over 2010-2019.<sup>5</sup> Growth will be driven by a recovery in output in the Philippines and Indonesia. Fitch emphasized that lockdowns and supply chain constraints in the Philippines in 2020 had reduced output by 27.7%.

In the longer term, Fitch forecasts global nickel mine production to grow by an annual average rate of 3.7% year-on-year over 2021-2029, a significant slowdown from the 5.9% year-on-year average achieved over 2010-2019, which was boosted by higher nickel prices at the time and strong Indonesian output before another export ban in 2014.

By 2029, Fitch expects global annual nickel production to reach 2.7 Million Tonnes (MT), up from 2.0 MT in 2020.

Fitch is confident that in 2020 onwards, the Philippines will regain its spot as the largest global producer due to a restriction on nickel ore exports in Indonesia leading to a halt to mining operations. Growth potentials drive the Company's business prospects and as a responsible investor in the mining sector, we prioritize land rehabilitation as it is the backbone of environmental sustainability.

MHI is also the leader in the propagation of bamboo as a sustainable and rewarding livelihood project for communities. Bamboo nurseries and revegetation are carried out to restore disturbed areas with the goal of returning the land to its natural state after operations.

Bamboo provides huge environmental benefits as it is a renewable resource, absorbs greenhouse gases, fast growing, enriches and protects the soil, and is highly adaptable. This grass specie offers opportunities for job generation and is a good substitute for wood in many applications, such as paper, furniture, and building materials.

<sup>5</sup> <https://www.mining.com/rising-nickel-prices-to-support-project-development-report/>





# THRIVING COMMUNITIES AFTER EXTRACTION ACTIVITIES

MHI's host and neighboring communities will continue to thrive even after mining activities have drawn to a close. MHI considers progressive mine rehabilitation as an important factor in sustainability. Apart from the initiatives to restore and enhance mined-out areas to its natural state, it is important to leave a sustainable livelihood for the community even after mining has stopped.

In 2017, Marcventures embarked on a Bamboo Plantation Development program that will help the community tap into the country's bamboo industry.

In 2018, Marcventures formed the Pili Kawajan Association (PKJA), composed of community members, to manage the Company's bamboo plantation. PKJA also completed a service excellence training that aims to strengthen their capacity to grow the bamboo plantation business. Also known as the grass of hope, bamboo has a wide range of application.

It can be used for furniture, clothing fiber, pulp and paper products, food ingredients, beauty products, architecture and construction. It is an effective tool in addressing soil erosion, landslides and flooding which are common disasters in any mine site.

The biggest impact of MHI's bamboo project was DENR's direct acknowledgement of the global potential of bamboo. DENR Secretary Roy A. Cimatu has instructed mining companies in the Philippines to develop bamboo plantation in their mining properties as part of the mine rehabilitation program.

To date, Marcventures has planted a total of 50,577 seedlings covering over 69.68 hectares. Currently growing at the mined-out areas are Giant Bamboo (*Dendrocalamus giganteus*) and Kawayang Tinik (*Bambusa blumeana*), the two commercially viable varieties.

## Improving Safety, Health, and Well-being of Our Stakeholders

MHI's commitment to the safety, health and well-being of all people involved in its business endures and remains at the forefront of its operations. It provides and maintains safe and healthy working conditions, promotes regular safety training, follows standard operating procedures, and applies technically proven and economically feasible environmental protection measures that safeguard the lives and health of all its employees and adjoining communities.

## Adaptive and Proactive Health and Safety Measures in the Face of Covid-19

In February 2020, with talks of a possible lockdown in Metro Manila, MHI, through MMDC Management, proactively prioritized the drafting of an Emergency Interim Work-From-Home (WFH) Guidelines. When the Enhanced Community Quarantine (ECQ) was announced in mid-March 2020, MMDC seamlessly implemented the flexible work program for the Makati Head Office and likewise developed step-by-step operating protocols for its mine site operations. The Company kept employees informed of the initiatives undertaken to allay fears and promote a sense of continuity despite uncertainties of the times. Fortunately, the Company has a robust IT network that its office staff could WFH with little disruption.

At the mine site, additional safety measures were immediately included in the MMDC's Manual of Operations. The site adopted embarkation and disembarkation protocols, quarantine provisions for on-board personnel and the use of face mask, face shield and personal protective equipment.

As a result of its quick and efficient response, MMDC is the only mining company in Surigao that was able to ship out during the month of March.

Once government eased regulations on lockdowns and quarantine restrictions, we gradually implemented a return-to-work program for our Makati Office. This entailed redesigning work practices and spaces to allow physical and social distancing where possible, including flexible work arrangements. Employees at the Makati head office were required to fill-out a daily Health Declaration Checklist. Temperatures are checked every day, physical distancing is strictly implemented, face masks and face shield are worn at all time. To minimize contact with the general public, we also provided transportation services for employees. We adopted contact tracing measures, testing prioritization, and quarantine procedures which continue to evolve in response to the growing situation. Also, we posted Covid-19 Prevention infographics in strategic places to remind everyone to keep safe.

## ISO Certification

MMDC received recertification for Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015) and the migration from OHSAS 18001:2007 (Occupational Health and Safety Assessment Series [OHSAS]) to ISO 45001:2018 (Occupational Health and Safety Management System).

The International Organization for Standardization (ISO) is an independent, non-governmental, international organization composed of representatives from various national standards organizations. It promotes worldwide propriety, industrial and commercial standards to ensure the quality, safety, and efficiency of products, services, and systems.

The Quality Management System (ISO 9001:2015) is an integral part of an organization's sustainable development. It demonstrates the organization's ability to enhance customer satisfaction through a process improvement system, thereby consistently resulting in products and services that meet customer and applicable statutory and regulatory requirements.

The Environmental Management System (ISO 14001:2015) is an internationally agreed standard used to manage environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. Environmental performance is improved through the more efficient use of resources and reduction of waste. As it provides value for the environment, the organization is gaining competitive advantage and the trust of stakeholders. It is consistent with the organization's environmental policy which covers enhancement of environmental performance, fulfillment of compliance obligations, and achievement of environmental objectives.

The Department of Environment and Natural Resources mandates ISO 14001:2015 certification for mining companies as per DAO 2015-07 otherwise known as Mandating Mining Contractors to Secure ISO 14001 Certification. As a measure of responsible mining in the country, this ensures that appropriate measures are in place to achieve minimal negative impacts on the environment.

The National Quality Assurance Philippines Inc. (NQA) has also recommended MMDC to migrate from OHSAS 18001:2007 into ISO 45001:2018. This certification enables MMDC to provide safe and healthy workplaces by preventing work-related injury and ill-health, as well as by proactively improving its occupational health and safety performance.

Contributing to the UN Sustainable Development Goals Armed with a commitment to Responsible Mining Through Sustainable Greening Solutions, MHI's nickel mining business reported a positive performance in year 2020 despite the challenges brought about by the pandemic. While the growing

demand for nickel, the increase in tonnage sales, and the upward trend in the global market all contributed to the Company's successful financial standing in 2020, major operational initiatives which were instituted allowed the Company to perform efficiently, in spite of the limitations brought about by nationwide quarantine and lockdowns.

With health protocols in place for a seamless production process, the Company was able to contribute to the following Sustainable Development Goals of the United Nations.



### Ensuring healthy lives and well-being for all (SDG3)

The health and wellness of a growing community is essential to sustainable development. MHI has several health projects in place under its Annual Social Development Management Program. This includes giving assistance to indigent patients and procuring medical equipment for different health centers in Cantillan, Carrascal, and Madrid in the province of Surigao del Sur.

The Covid-19 pandemic caused a major disruption in the livelihood of communities nationwide. The lockdowns and quarantine implementation severely restricted travel and movement, limited business operations and commercial activities, and suspended mass public transportation in the area. Some businesses were forced to close down, causing countless workers to lose their jobs and other income sources. With the growing fear of contracting the deadly virus, was the surging need for protective measures (e.g. face masks, face shield and disinfecting solutions, physical and social distancing protocols). MHI immediately procured and distributed face masks, digital thermometers and disinfecting solutions to be used by the employees in the mine site and instituted an awareness campaign on its safety and health protocols.

The Mines and Geosciences Bureau (MGB) released a memorandum on March 27, 2020 instructing companies to realign unutilized Social Development and Management Program (SDMP) funds to support communities affected by Covid-19. We then realigned a total of Php 7.59 Million to assist the adjacent communities of the mine site. The Company also distributed rice, relief goods, food packs, milk, vitamins and hygiene kits to frontliners and residents in host and neighboring communities.

### Achieve Food Security, Improved Nutrition and Sustainable Agriculture (SDG2)



The pandemic greatly affected the food and agricultural sector. Prompt measures were needed to ensure that food supply chains are kept active to mitigate risks that have considerable impact on everyone especially the poor and vulnerable.



MMDC distributed vegetable seeds so families can grow their own greens.

To ease the difficulties in food supply, MHI, through MMDC, encouraged families in Carrascal to maintain home gardens and grow their own vegetables and develop self-sustaining food supply in the face of the ongoing health crisis. Apart from relief goods, the Company distributed vegetable seeds to residents in support of the municipality's program entitled 'Gulayan sa Panimalay'. The program is part of the municipality's food sufficiency strategy, where residents are encouraged to produce fresh and healthy farm to table food.

The project not only helped minimize daily food cost. It also supports local rice farmers through financial assistance, free hauling services and direct purchase of their rice products at a competitive farm gate price. It also helped nurture family ties, as the productive activity kept family members preoccupied, keeping their minds off the uncertainties brought about by the pandemic and strengthened the community's agricultural sustainability.

### Quality Education for All (SDG4)



Education is a key focus area in helping local communities. A sustainable approach to improve a community's standard of living is to provide educational opportunities for the young motivated learners.

MHI recognizes the value of education in uplifting lives. The Company is known to have the biggest scholarship program in the Caraga region. Despite the ongoing pandemic, MHI upheld its commitment to its scholars for continued scholarship grants for 2020-2021 academic year.



A total of two hundred thirty-three (233) students from Cabangahan, Babuyan, Bacolod, Cabas-an, Bayugo, Parang and Gamutan continue to receive monthly financial assistance under the Social Development Management Program (SDMP) - Development of Host and Neighboring Communities (DHNC) Program.

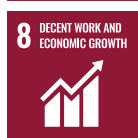
MHI also supports the education of twenty-two (22) college students enrolled in different universities, under the SDMP Development of Mining Technology and Geosciences (DMTG) program. All 22 students are taking up mining and environmental-related courses. Some of the program graduates are now working at the company mine site in Surigao.

The Company also supports the education of thirty-two (32) students from indigenous communities under MHI's Corporate Social Responsibility (CSR) program. All 32 students are currently on full scholarship, receiving free tuition with a monthly allowance of Php 5,000 per student.

MHI's educational program also extends to teachers. For years, the Company has been subsidizing the salary of volunteer teachers. The number of students continue to grow every year, but unfortunately public schools do not have enough resources to employ more educators. MHI supports the salary of the volunteer teachers in several barangays namely Cabangahan, Panikian, Bon-at, Gamutan, Babuyan, Bacolod, Parang and Cabas-an to help improve the quality of education in the communities.

MHI also funds the annual "Brigada Eskwela" program of Panikian Elementary School and Daycare Center, Panikian Gospel Church, Macam Elementary School and Camp David Primary School. Also known as National Schools Maintenance Week, "Brigada Eskwela" is the nationwide initiative of the Department of Education (DepEd). It mobilizes volunteers from all sectors to contribute their time and effort to prepare the public school facilities for the coming school year.

A total of Php 13,159,924.00 in 2020 was spent for all these projects under the SDMP Access to Education and Education Support Program.



## **Sustainable Economic Growth and productive employment (SDG8)**

MHI continues to empower host communities by providing opportunities to improve their standard of living. The local community is an integral part of business operations, thus priority is given to community members in the company recruitment processes. To date, eighty-one (81) members of indigenous cultural communities are currently employed by the Company, through MMDC.

MHI supports local business owners by procuring food supplies and services from community entrepreneurs. It even helps business owners by providing seed capital for various projects.

Through its Social Development and Management Program (SDMP) Enterprise Development and Networking Program, the Company spent a total of Php 6 Million in 2020 for livelihood programs to give opportunities to communities to create, build and earn.

### **Farm products**

MHI provided vegetable seeds to encourage families to grow vegetables in their own garden and aid the food supply during the pandemic. Farmers were given rice seeds, organic fertilizers and carabaos to help plow the farm lands and yield more crops for higher income. Chariot vehicles were purchased for the farmer association for the efficient delivery of market products.

MHI also purchased rotavator machines for the farmers in barangays Cabas-an, Parang and Bacolod. With their new rotavators, farmers were able to churn and aerate the soil before planting their crops. The Company also built a rice mill that offers affordable rice clearing services to farmers.

### **Small Business**

Seed capitals were given to members of cooperative associations to help them start their income generating businesses like pedicab services and table and chair rentals. Under the SDMP, the Company's total expenditure for host and neighboring communities was Php 15 Million in 2020. This includes educational support, health and services, enterprise and infrastructure development for the communities in Cantillan, Carrascal and Madrid.

Corporate social investments are closely monitored through a standardized reporting process aimed at maximizing the value that the Company and its host and neighboring communities derive from these investments.

The Social Development and Management Program (SDMP) refers to the comprehensive five-year plan of the Contractor/Permit Holder/Lessee authorized to conduct actual mining and milling operations towards the sustained improvement in the living standards of the host and neighboring communities by creating responsible, self-reliant and resource-based communities capable of developing, implementing and managing community development programs, projects, and activities in a manner consistent with the principle of people empowerment.

- Philippine Mining Act of 1995



DECENT LIVING SPACES. Left photo shows the family home, before MMDC's home-building project.



## Safe and Resilient Human Settlements and Sustainable Communities (SDG 11)

Safe and decent living spaces bring new hope and opportunities for developing communities. For 2020, the Company financed the construction of houses for families in barangay Bon-ot, Panikian, Banban and Gamuton. A joint project between the Company and the local government, safe and adequate living spaces bring new hope and new opportunities for the community.

Other projects supported by the Company include facilities for potable water in Cabangahan and Bayogo. And to help mothers look after their small children, daycare and school feeding centers were built in Panikian, Parang and Babuyan. MMDC also helped boost local entrepreneurship by opening community enterprise livelihood centers for the small businesses in Cabangahan and Bayogo.



## Responsible Consumption and Production (SDG 12)

MHI's positive performance is supported by sustainable consumption and production. The Company values doing more and doing better with the least possible impairment to resources. In all activities and business processes from exploration to hauling right through the delivery of commercial ores to customers, the Company commits to achieving sustainable growth that is aligned with its corporate values and to always take into consideration the interests of its stakeholders.

Overproduction is a waste of resources and causes harmful consequences to the environment. The Company's nickel stockpile is kept commensurate to the quantity requirements of its foreign buyers. Residual materials are utilized for mine rehabilitation and mine operations preparation. Mined-out areas are transformed into healthy planting grounds which can provide food and livelihood to residents from nearby communities. Through these measures, lasting positive contributions to MHI's host and the neighboring communities are ensured.

The efforts to focus on efficiency and productivity improvements in 2020 generated an economic value of Php 2.88 Billion. With the new business climate resulting from the global pandemic, the Company gears up to deliver significant financial returns, and continues to enhance its operations to ensure high quality ore for nickel buyers.

## Direct Economic Value Generated and Distributed

Disclosure	Amount (2019)	Amount (2020)	Units
Direct economic value generated (revenue)	1,432,534,095	2,876,676,296	PhP
Direct economic value distributed:			
a. Operating costs	640,652,771.34	2,096,067,612	PhP
b. Employee wages and benefits	203,623,237	212,074,999	PhP
c. Payments to suppliers, other operating costs	224,328,045	1,188,809,161	PhP
d. Dividends given to stockholders and interest payments to loan providers	63,913,146	106,941,090	PhP
e. Taxes and royalties paid to government	204,413,671	269,899,400	PhP
f. Investments to community (e.g. donations, CSR)	43,251,513	9,891,340	PhP

Operationally, MMDC had a successful year when it generated a direct economic value of Php 2,876,676,296 in 2020 despite the economic challenges brought by the global pandemic. The Company is gearing up for an equally productive year in the new normal. Initiatives to upgrade its business models to adapt to changes and trends and continuously ensure high quality products for its buyers are in place and reviewed religiously.

Operating Costs and Expenses were at Php 2,096,067.00 in 2020. The increase was primarily due to the high volume of ore produced and sold. The company also spent over Php 212,074,999.00 for employee wages and benefits.

Success is anchored on workforce productivity. Efficiency and product improvements bring significant changes in the workforce. It paves the way for advancements and higher compensation for current employees as it opens more job opportunities within MMDC's host communities.

The expenditures for suppliers and other operating costs amounted Php 1,188,809,161. On the basis of the results for the year in review, the Company paid interest to loan providers totaling Php 106,941,090.

Profitability from enhanced business models translated to over Php 269,899,400 in government payments in the form of royalties and taxes. This includes excise and withholding taxes, quarterly income taxes as well as permits and licenses. The rise in profit allowed optimal returns for shareholders, with enough resources for future investments.



The Company's expenditure in host and neighboring communities totaled Php 9,891,340. The Company's corporate social investments are closely monitored through a standardized reporting process aimed at maximizing the value that MMDC and its host and neighboring communities derive from these investments.

MMDC continues to focus on its core strengths in order to stay competitive in the coming years.

## Partnerships to Facilitate Sustainable Development

(SDG 17)

Fully-committed to forging partnerships for sustainable development, MHI led the propagation of bamboo as a livelihood project endorsed by the Department of Environment and Natural Resources (DENR).

With a genetic life of a 100 years, bamboo emits thirty-five percent (35%) more oxygen and sequesters up to 12 Metric Tons of Carbon Dioxide. A US\$60 Billion global industry, it can provide sustainable livelihood to our host communities and for generations to come.

The Company laid the groundwork in 2017 with the end mind of helping its host communities in tapping the country's promising bamboo industry. The program will be implemented in three (3) phases over five (5) years: first, the establishment of a 10-hectare demonstration Bamboo plantation, second, business development, and third, market research. The goal is to generate an income-generating Bamboo livelihood project that is anchored on the rehabilitation plan. As an initial step, a training on the propagation of bamboo propagules was conducted for MHI personnel who will assist in program implementation.

MHI is working with the Philippine Bamboo Foundation to conduct trainings on bamboo propagation, nursery establishment and business management of small enterprises to be organized among the surrounding communities.

## Bamboo Plantation Program of the Mining Sector

In June 2020, the Mines and Geosciences Bureau (MGB) released a Memorandum on the "Establishment of Bamboo Plantation in Mining Areas" instructing mining contractors/ permittees/permit holders to establish an additional bamboo plantation equivalent to ten percent (10%) of their declared final mining area to bring the total target bamboo plantation area to at least twenty percent (20%). The new instruction from DENR on the Bamboo Plantation Program of the Mining Sector is in line with the recovery of the economy in post Covid-19.

This is a development from the initial Memorandum dated September 10, 2019, issued by DENR Secretary Roy A. Cimatu, instructing the establishment and maintenance of a bamboo plantation equivalent to ten percent (10%) of the mined-out areas.

As of June 2020, the total plantation area, under the Bamboo Plantation Program of the Mining Sector is now twenty percent (20%). To date, the Company has planted a total of 50,577 seedlings covering over 69.68 hectares. Currently growing at the mined-out areas are Giant Bamboo (*Dendrocalamus giganteus*) and Kawayang Tinik (*Bambusa blumeana*), two most commercially viable varieties.

## United Nations Global Compact

MHI adheres to United Nations (UN) Global Compact principles which encourage businesses worldwide to adopt sustainable and socially responsible policies. In the local setting, the Company upholds basic human rights by recognizing and respecting local customs and traditions of the indigenous people communities. The Company particularly values diverse social and cultural values and norms by taking part in celebrations like town fiestas, foundation day, and other activities that are close to their hearts.

Moreover, MHI also particularly advocates the UN's Global Compact principle on the effective abolition of child labor. The Company abides by the minimum age provisions of Philippine labor laws and even closely monitors against child labor, which is rampant in small-scale mining communities in other countries.

## B. Addressing the Pandemic and Climate-Related Risks and Opportunities



MMDC Management recognizes that issues associated with the pandemic and climate change present significant economic and financial risks and opportunities over long, medium and shorter-term investment horizons.

Covid-19 may have caused unprecedented disruptions not only in business and commercial operations but also in the day-to-day lives of the public in general, but, it did not stop the Company from focusing on sustainable mining practices. In fact, the pandemic brought valuable lessons on mitigation and response planning.

Business continuity played a vital role in ensuring seamless operations. The Company focused on the prevention of the virus, by releasing official health protocols for all areas of the business including embarkation and disembarkation safety protocols at the mine site.

As stated in the section on Adaptive and Proactive Health and Safety Measures in the Face of Covid-19, the company was able to draft Work-From-Home (WFH) Guidelines prior to the declaration of the lockdown. With operational tasks executed remotely, information digitalization became a necessity for data collection, retrieval and viewing.

The use of electronic signature has also transformed the daily workflow. It is recognized as legally enforceable and has simplified the decision-making process. Data Privacy and Security Protection, plays a crucial role in information digitalization. As discussed in the section on Corporate Governance, risks related to the collection, retention and use of information are managed by strictly enforcing the Company policy on Protection of Confidential Information (MC-002-19).

The global pandemic has pushed companies to have a crisis management team in place. MHI organized a Senior Management Committee composed of top officers from

Finance, Legal and Compliance to decide on crucial matters and ensure continuous day-to-day operations.

We have also identified a range of climate-related risks to our operations including changes in rainfall rates, higher temperatures, longer rainy seasons, and extreme weather conditions, among others. These factors affected our daily operations as well as the lives of the people living in nearby communities. We experienced a decrease in revenue projections which resulted in revising our 2020 financial targets due to business disruption brought about by both the pandemic coupled with these climate-related challenges.

On a high note, with the change in climate comes the need to utilize resources efficiently. Lower energy consumption means reduced operating costs. It will give access to a new emerging market that gives importance to lower carbon footprint. It also promotes resilience because of the long-lasting benefits from carbon reducing projects.

Climate-related risks were identified and assessed through regular site visits, monitoring of operating activities, internal discussions on climate change matters, regular review of business plans, and overseeing major capital expenditures.

The metrics used by the organization to assess climate-related risks and opportunities are energy, usage, greenhouse emission and the number of trees planted.

These risks and opportunities come not only from the physical and ecological impacts of climate change, but also from the economic risks such as market dynamics and technological developments.

Management continues to strive for mining only commercial ores that are economically viable with radically less waste produced, less areas disturbed, less energy and water consumption and less Greenhouse Gas (GHG) emission.



Climate-related risks and opportunities can reduce operating costs as the Company implements its policy for reducing energy consumption and GHG emission. The simple act of switching off air-conditioning systems when not in use can reduce electricity consumption and cost. And if the Company decides to acquire new vehicles, fuel efficient models would be an economical choice. Initiatives that reduce energy consumption and GHG emissions would result in reduced cost.

MMDC mining areas are located in Surigao del Sur which sees more extreme weather recently compared to other regions in the Philippines. A Risk Management Program will ensure that business will continue even as extreme weather impacts the area. The government is expected to impose additional policies on climate-change response which will entail additional taxation.

To manage climate-related risks, the Company monitors its environmental impact through its Operations and Compliance teams. They work hand in hand with its Internal Audit Division in evaluating and designing the effectiveness of risk controls. All relevant findings are reported to the Board's Audit Committee. A Risk Management Program can be used to guide Management on how to manage climate-change risks.

MMDC Management also continues to review its historical data to determine measures to reduce energy usage and Greenhouse Gas (GHG) emissions from exploration and production activities to generally reduce hazardous environmental impact. Management is responsible for monitoring the progress of mitigating actions and determining further risks.

## Conserving Water Resources

Water is a valuable shared resource between a mining company and its host communities. This inorganic chemical substance is vital to all life forms topped with a significant environmental and economic worth.

Water is a vital resource for mining operations. It is used in every process, from power generation, dust management, to sanitation of facilities and for daily health intake.

MHI recognizes the importance of proactively managing water quality of both surface and drinking water sources. In 2020, the Company's total water consumption was 136,961.78 cubic meters.

Water conservation and recycling efforts have been in place since MMDC began its operations. This year, the Company funded the construction of potable water facilities in far flung areas of Cabangahan and Bayogo. It also promotes efficient water management to ensure continuous water supply and avoid disruption in operations. Apart from focusing on the community's safety and sanitation, residents are also taught to conserve water.

Soil movement during mining operations and road construction can cause siltation of nearby water systems. When vegetation is removed in a certain area, the soil can erode easily causing particles to fall straight into the natural water system. The siltation

particles increase in volume during heavy rains. Likewise, soil run-off from hauling roads also cause siltation of nearby canals.

The Company's Environmental team actively performs mitigating measures to address siltation. Settling ponds and collector sumps are constructed along the haul roads. The ponds are regularly monitored, maintained and de-silted so that the water remains clean. Silt fences also line the area to arrest possible spills from roads and drainage channels. Areas that are accessible by heavy equipment are manually desilted. Existing silt booms are reinforced with sheet piles to provide additional control. This prevents silt plume migration along the coastline areas during loading activities.

Earthworks like slope stabilization, benching and resurfacing are also performed as the need arises to minimize water run off, siltation, and discoloration of nearby water systems.

Water quality is also analyzed on a monthly basis and monitoring is conducted on marine waters (causeway area), surrounding creeks, rivers and including the discharge from settling ponds. Sampling and analysis are done on a quarterly basis by First Analytical Services and Technical Cooperative (FAST), a DENR accredited laboratory.

## Promoting Energy Efficiency

Energy efficiency and carbon emissions are considered top priorities in mining operations. Aside from controlling hazardous environmental impact, it directly affects operational costs.

The Environmental Team follows a process to ensure that energy data is reviewed on a regular basis. This is supplemented by an energy conservation campaign that would motivate employees. Information materials on energy saving tips are posted in strategic locations around the office to encourage everyone to help the Company achieve its energy management goals.

Fuel and electricity consumption as well as carbon emissions are periodically monitored. Quarterly Energy Consumption Report is regularly submitted to the MGB and carbon emission is monitored and analyzed by an independent third-party. This is on top of the regular monitoring being conducted by the Environmental Management Bureau of the DENR.

In 2020, the Company consumed a total of 8,894,879.00 Liters of diesel fuel, a big leap from the 2019 consumption which was 4,132,055.51 Liters. This was due to the major increase in production from 1.4 Million Tons in 2019 to 1.7 Million Tons in 2020.

The challenge to explore other conservation and energy efficiency measures to cut operating and product costs lives on. Apart from the major improvement in revenue for customers and shareholders, it will be a significant contribution to the environment and for the generations to come.

For now, the Company is not using energy from renewable sources but it continues to study the possibility of shifting to a more earth-friendly energy source to reduce potential GHG emissions.



# PROACTIVE WATERSHED PROTECTION

The operating mine sites have protected areas in the form of the following watersheds:

Panikian, Alamio and Carac-an. Declared “critical forest reserves” subject to prior existing rights (such as MMDC’s MPSA) by Presidential Proclamation No. 1747 dated March 29, 2009.

Bacolod-Tibabakod Panikian (Carrascal). Adjacent to MMDC’s haulage road with a minor overlap at the northeastern section.

Bon-ot-Gamuton (Carrascal). Located north of Bacolod-Tibabakod Panikian and west of MMDC haulage road.

The site also covers the following sensitive areas:

Community water sources of barangay Bon-ot, Gamuton and Panikian (Carrascal) situated west of MMDC haulage road. All water sources are enclosed in concrete.

Community water of Sitio Pili, in Barangay Panikian (Carrascal)

Community water wells of barangay Cabangahan (Cantillan). Mining area downslope to Panikian, Alamio and Carac-an Rivers

Cabas-an Community Irrigation System (CIS) with Alamio River as water source and servicing an agricultural area measuring 150 ha.

Cantillan Irrigation System with Carac- an River as water source.

Habitation sites of barangay Bon-ot, Gamuton and Panikian in Carrascal, and barangay Cabangahan in Cantilan.

Within Lanuza bay, where the Carac-an River discharges about 18.7 downslope of Area 2 mine, are the San Pedro Marine Protected Area in Cantillan and the Lanuza Marine Park and Sanctuary in Lanuza.

Our Environmental Performance Report and Management Plan (EPRMP) cited the 2011 assessment of the terrestrial wildlife vertebrates within the MPSA area. It recorded a total of eighty-two (82) wildlife species representing five (5) species of amphibians, six (6) species of reptiles, sixty (60) species of birds and eleven (11) species of mammals. According to the assessment, based on the composition of the species, the area was considered relatively good for terrestrial wildlife. This indicates that the area has ample forest cover and the species are not disturbed by the operations.

MHI, through MMDC, practices due diligence and regular monitoring to ensure minimal environmental impact. It has an active mine rehabilitation plan that transforms mined-out areas into arable lands that can provide livelihood for the communities.

MHI works closely with the Mine Environmental Protection and Enhancement Office (MEPEO) in rehabilitating disturbed lands through soil amelioration, a process of improving soil consistency by adding amendments. Organic substances are mixed with the soil to aid healthy plant growth.

Bamboo and other indigenous tree species cover the mined-out areas of Pili, Sipangpang and Cabangahan. Promoted by the DENR at the initiative of Secretary Roy A. Cimatu for rehabilitation, MHI pioneered the planting of bamboo in mined-out areas. Trenches were dug and the topsoil was mixed with organic fertilizer.

Bamboo growth is monitored by the Company’s Environment Team together with the representatives from MEPEO. The plants at the Pili mined-out area have shown satisfactory growth.

## Addressing Effluents

The marine waters in the causeway area, surrounding creeks, rivers and discharges from constructed settling ponds go through regular water quality check. Collected water samples are analyzed by the Company's in-house monitoring team and confirmed by a DENR accredited third-party laboratory.

For now, the wastewater from the mine site is not recycled and no sufficient data is available to determine water discharge volume. The Environment Team is in the process of determining possibility of quantifying the amount of water discharged and the percentage of recycled waste water.

First Analytical Services And Technical Cooperative (FAST) Laboratories performs the quarterly testing and analysis, while the in-house team monitors water quality on a monthly basis.

According to the analysis by both in-house team and third-party FAST laboratory, ambient, effluent and process-related water quality in all stations are within the DENR Standard under DAO 2016-08 for freshwater/marine water bodies and General Effluent Standards. Potable Water Analysis also show all required parameters are within the Philippine National Standards for Drinking Water (PNSDW 2017).

## Managing Air Emissions

Mining activities like exploration and production activities cause air emissions like GHG emissions and hazardous air pollutants as those activities can send laterite particles up in the air. The dust material is so fine that it stays in the air during hot weather, and turns into mud during the rainy season.

Dust is a prevalent problem in nickel mining. Aside from air pollution, it can affect the health of the people living in the different communities. To manage dust, water trucks are deployed to spray water in haulage and nearby community roads. A total of 126,007.44 cubic meters of water was consumed in 2020 for spraying the main haulage road which is a 23.0-kilometer stretch from the Cabangahan Mine Site to the Carrascal Bay loading area. Street sweepers were also deployed to clean community roads and highways. Trees were also planted along the roadside and mine access road to act as dust bio-filters.

To check air quality, monthly sampling and analysis is done by the Company's technical personnel, while the quarterly sampling and analysis is carried out by a commissioned third-party service provider. For 2020, the third-party testing, was done only during the first quarter due to Covid-19 restrictions.

We are glad to report that all ambient air quality results were within the specified National Ambient Air Quality Standards (NAAQS) for Source Specific Air Pollutants from

Industrial Sources/Operations. Monitoring results are submitted to the Environmental Management Bureau (EMB) through the Self-Monitoring Report (SMR) and Compliance Monitoring Report (CMR).

To achieve sustainable GHG levels, there are plans to conduct a carbon sequestration study. This will serve as the Company's benchmark for reducing GHG emissions.

The overall result of regular emission tests in 2020 show that air emission levels are below national threshold limits. The technical team will continue to manage these emissions to prevent any form of damage in the future.

## Responsible Solid and Hazardous Waste Management

Environmental management is anchored on proper waste disposal as the Company is properly aware of the harmful consequences of solid and hazardous wastes. MHI, through MMDC, has several facilities at the mine site for hazardous wastes to ensure proper collection, segregation and disposal. Solid waste materials are collected on a regular basis. Recyclable materials are brought to a Materials Recovery Facility (MRF) while the residual wastes are disposed at LGU Carrascal Eco-park disposal area.

For everyone's safety, the wastes collected from the mine site are not reused or incinerated. It is disposed by a DENR accredited waste collector and treatment plant.

A total of 13,399.10 kilograms of segregated wastes were collected and disposed in 2020. The biodegradable material weighed 5,088.50 kgs. Residual was 6,426.00 kgs. and the recyclable materials weighed 1,885.60 kgs.

In 2019, MHI supported the sanitary landfill project of the Municipality of Carrascal by giving Php 4 Million cash donation. Using an engineered disposal method, the waste is buried in a controlled land pile. The bottom of the landfill has a plumbing system that collects liquid substances and prevents the leakage which can harm waterways.





## Reinforcing Materials Management Capabilities

Nickel production involves the use of heavy equipment, process chemicals, fuel, and utility vehicles. The Company's operating model requires the efficiency of a large-scale infrastructure. Apart from its in-house team, the Company works closely with general contractors for extraction, hustling and hauling services.

MHI, through MMDC, actively engages its Contractors by holding regular planning sessions to effectively plan the mine operations and efficiently use existing resources. At the moment, the percentage of recycled input materials used for its mining operations is zero, but it recognizes its responsibility to reduce the environmental impact for the future generation.

The Company takes into account the condition of materials, expiration date of process chemicals and the proper maintenance of equipment, and condition of vehicles to minimize environmental impact. Utilization of recycled and renewable materials to maximize resource efficiency has been suggested on several occasions. The Company is looking into the possibility of utilizing renewable materials if it could benefit the current operational set-up.

## Enhancing Strict Environmental Compliance

Responsible environmental management is a testament of the Company's commitment to reduce its carbon footprint. In 2020, MMDC was once again cited for its Environmental Management System (ISO 14001:2015). Certified by the International Organization for Standardization (ISO), the system helps organizations improve their environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders. It also calls for the management of environmental aspects and ensure their conformity to compliance obligations while addressing risks associated with threats and opportunities.

MMDC was also recertified for its Quality Management System (ISO 9001:2015). The standard is an integral part of an organization's efforts towards sustainable development and promotes it as a tool for improving overall performance.

The NQA Philippines Inc. also recommended the migration of MMDC from OHSAS 18001:2007 into ISO 45001:2018. This certification enables MMDC to provide safe and healthy workplaces by preventing work-related injury and ill-health, as well as by proactively improving its occupational health and safety performance.

All three certifications are a testament of the unified, streamlined and high efficiency level of the business processes across MMDC's management spectrum.

The ISO is an international standard-setting body composed of representatives from various national standards organizations. The organization promotes worldwide propriety, industrial and commercial standards.

It is worth noting that in 2014, MMDC was directed by MGB to implement a tree planting program for three (3) million seedlings in areas identified by the MGB and/or DENR pursuant to the requirements of and in adherence to the terms and conditions of its Partial Declaration of Mining Project Feasibility. While MMDC sought to implement the program, several delays occurred in completing the program brought about by several factors, among which were revisions in the work program as requested by the MGB and host communities, and initial objections from our host communities to the directive that the seedlings be distributed in different regions.

The Director of the MGB, Atty. Wilfredo G. Moncano, granted the Company's request to reconsider the imposition of the penalty to plant 3 Million seedlings (Penalty), and credit MMDC's accomplishments as part of MMDC's compliance with its obligations under its Special Tree-Cutting and Earth-Balling Permit (STCEP).

The approval of MGB is expected to generate savings to the Company in the amount of PhP98,188,230.00. As of 18 February 2021, 729,924 out of the 3 Million seedlings are already planted. A total of PhP 38,600,204.00 has already been expended to date.



# Energizing Community Engagement

## A. Corporate Citizenship



A significant part of our operations is enhanced through the Company's commitment to the development of its host and neighboring communities. In 2020, MMDC spent Php 39,924.689.00 Million for its SDMP and Php 9,891.340.00 Million for Corporate Social Responsibility (CSR) initiatives.

CSR projects like educational assistance to members of indigenous communities, health programs and livelihood development, meet the basic needs of mining communities. The initiatives optimize people empowerment, provide opportunities for sustainable livelihood, and protect socio-cultural values and local customs while improving economic conditions and human advancement.

### Educational Assistance

MMDC is known to have one of the biggest scholarship programs in the Caraga region. Despite the ongoing pandemic, the Company upheld its commitment to its scholars and continued the support for the 2020-2021 academic year.

Among the highlights of the education program are the scholarships for incoming college students from indigent families and indigenous communities. They are enrolled in colleges and universities in the Visayas and Mindanao areas. They study in Surigao del Sur College, Saint Joseph Institute of Technology, Surigao Education Center, Saint Paul University, Saint Jude Thadeaus Institute of Technology and other colleges and universities in the Visayas and Mindanao

areas. Aside from covering the tuition and miscellaneous fees, they receive monthly board and lodging allowance.

The shortage of teaching personnel has also become a problem in different barangays. Under its education program, MHI has subsidized the salary of volunteer teachers assigned in different schools to bring down the teacher-student ratio and promote quality education.

### Livelihood Development

Through its Social Development and Management Program (SDMP), the Company has spent a total of Php 6,000,000.00 Million in 2020 for its livelihood programs to ensure that equal opportunities to create, build and earn are extended to all sectors of society.

Apart from providing vegetable seeds to aid in the food supply in the pandemic, farmers were given rice seeds, organic fertilizers and carabaos to help plow the farm lands and yield more crops for higher income. The Company also purchased chariot vehicles for the farmer association for the efficient delivery of market products.

MMDC also purchased rotavator machines for barangays Cabas-an, Parang and Bacolod. Rotavators are used to churn and aerate the soil before planting. The Company also built a rice mill that offers affordable rice clearing services to farmers and gave seed capital to members of cooperative associations to help them start their own income generating business like pedicab services and table and chair rentals.

In support of the customs and tradition of the communities, the Company actively takes part in traditional celebrations like fiestas, foundation days and other church-related activities.

In 2020, Php 2.3 Million was spent on programs geared towards the preservation of the socio-cultural heritage. We also supported church renovations, sports events, fiestas and other community activities.

## B. Stakeholder Engagement

### Host Community Procurement Practices

The Company's procurement practices significantly benefit businesses in the region. MHI believes in shared sustainable prosperity. From construction, automotive and electrical supplies, a big percentage of the materials used for mining operations are purchased from local entrepreneurs in Surigao del Sur.

With the Company maintaining living quarters for male and female employees at the site, we rely on local produce and other food suppliers for the daily meals of the employees. Given the remote location of its mining operations and the Company's role in the economic growth and business opportunities, we will continue to procure from the entrepreneurs at the host community.

In 2020 the Company procured approximately P20 Million in goods and services from local suppliers in Surigao, Davao, Butuan, Cebu, Tagum and Tandag. We fully support the growth of industrialization in various communities.



### Enhancing Employee Management

An engaged and productive workforce is essential to success. The Company aims to attract the best people in the industry and facilitate professional and personal development.

As of 2020, MHI, through MMDC, has a total of 355 employees, as supported by accredited third-party suppliers and contractors recruited for certain mining activities and projects. All in all, MHI has a total of 88 female and 267 male employees all with SSS, PhilHealth and Pag-IBIG benefits.

	2019	2020
Total number of female employees	78	88
Total number of male employees	250	267
Total number of employees	328	355

When MHI assesses the capability of current and prospective employees, it takes into account not just their technical skills and knowledge acquired through experience, equal value is given to their mental and social skills, commitment and drive to succeed.

In order for MHI to meet its goals as a company, it acknowledged the need to have the right people as it aligns the workforce aspirations with the Company's mission and vision. The attrition rate of 13.49 percent is a result of the Company's current efforts to maximize shareholder value. Despite the global pandemic which affected most industries, 2020's attrition rate is 54 percent lower than 2019's 24.83 percent. The decrease is a result of the rationalization initiatives which focused on reorganization, reassignment of work responsibilities and abolition of redundant positions.



In the mining industry, MHI is known to provide appropriate and competitive salary packages to attract, retain, and motivate its employees. It also upholds high labor standards in the workplace, including compliance with labor laws like fair wages, minimum wage policies and benefits.

## Employee Development

In the increasingly competitive market for skills, MHI continuously evaluates various programs aimed at enhancing skills, knowledge, and awareness.

For 2020, the Company's Legal Department organized its yearly Corporate Governance Seminar for the Company's Board of Directors (BOD) and key officers in compliance with SEC MC Nos. 20-2013 and 2-2015. The workshop covered discussions on Risk Assessment, Risk Management, BOD's Duties, Responsibilities and Liabilities, and Safeguard Against Fraud. The training was

conducted by the Center for Training and Development, Inc., an accredited training provider on Corporate Governance.

Several trainings on Safety and Health were also conducted via zoom, to limit face-to-face interaction. Details are discussed in the report's Safety section.

The Human Resources (HR) Team will continue to explore avenues to enhance activities in support of personnel development. All in all, for the year 2020, a total of 1600 hours were spent on employee training.



## Nurturing Labor-Management Relations

The Company continues to nurture good relations with its senior officers, employees, organized labor groups, and the host communities within the MPSA area. MMDC regularly holds town hall meetings so that important or urgent matters can be properly raised and openly addressed by the Management.

## Collective Bargaining Agreement

The Collective Bargaining Agreements (CBAs) were completed in September 2020, after three weeks of negotiations. MHI, through MMDC, maintains a cooperative and healthy relationship with Samahan ng Responsableng Manggagawa ng Marcventures Mining and Development Corporation-Associated Labor Unions-Trade Union Congress of the Philippines (SRMMDC-ALU-TUCP), the sole and exclusive bargaining agent of MMDC's rank-and-file employees, and Associated

Professional Supervisory Office and Technical Employee Union (APSOTEU), the sole and exclusive bargaining agent of MMDC's supervisory employees.

A total of 128 employees are members of SRMMDC-ALU-TUCP, and 60 employees are members of APSOTEU. MMDC's existing rate of employees covered by Collective Bargaining Agreement is at 46 percent (46%).

To maintain high quality standards of performance and productivity, MMDC's Human Resources and Administration Department together with the Internal Audit group conducted regular consultations on employee-related policies.

The mine site covers a total of 42 communities throughout the municipalities of Carrascal, Cantilan and Madrid. Through the years, MHI has been very successful in maintaining strong ties with various local agencies and stakeholders.



# Manpower Rationalization



In response to the global health crisis affecting the continued operational and financial viability of companies across all industries, the Company conducted a systematic job rationalization procedure, side-by-side with a reorganization, reassignment of work responsibilities, voluntary retirement of certain individuals, and abolition of redundant positions. This is in line with Management's goal to look into ways of optimizing its resources to ensure its continued competitiveness and viability while safeguarding the economic and social welfare of its employees.

Mindful of the effects of Covid-19 pandemic on the livelihood of our employees, the first phase of this initiative covered a review of manpower requirements per Division which was completed by end of October 2020, after assessing the impact of the pandemic on our continued capability to operate and function, given the challenges of the situation.

The second phase of this initiative covered the study and identification of superfluous positions and non-critical functions which may be outsourced or assigned to project-based employees. The Company ensured that proper notices, procedures, and employee dialogues were conducted before implementation and as a matter of course, implementation was done in phases taking into account employee welfare. Our HRAD submitted the necessary establishment report to the Department of Labor and Employment (DOLE) last November 2019, and redundancy letters with computation of separation pay were subsequently served to the affected employees.

## Promoting Diversity and Equal Opportunity

The Company embraces diversity and is committed to providing broader opportunities especially in the communities it operates. A diverse workforce is always a competitive advantage. A variety of minds is needed to tackle complex global challenges faced by the mining industry.

MHI provides equal opportunity in recruitment and career development regardless of gender. In 2020 female workers represented about twenty five percent (25%) of the workforce.

The Company upholds its legal obligation to prioritize the talents in the community. Prior to the start of operations, we signed a Free, Prior and Informed Consent (FPIC) Memorandum of Agreement with members of IP communities. One of the conditions is the priority-hiring for IP members.

MHI works closely with its host and neighboring communities, including Indigenous Cultural Communities (ICC) / Indigenous Peoples (IP). In fact, a total of eighty-one (81) employees from indigenous communities are currently working in MMDC.

The terms and conditions of the Company's Mineral Product Sharing Agreement (MPSA) are duly respected. This includes guarding against gender discrimination and recognizing the rights of women workers to participate in policy and decision-making processes affecting their rights and benefits.



## Ensuring Occupational Health and Safety

MHI's business strategy focuses on operating safely, sustainability and responsibility. Safe and healthy working conditions are properly maintained. Safety trainings are regularly conducted. Standard procedures are seriously followed. Technically proven and economically feasible environmental protection measures are applied at all times to safeguard the lives and health of the employees and nearby communities.

As mentioned in this Report's section on Sustainable Development Goals, the National Quality Assurance Philippines Inc. (NQA) recommended MMDC's migration from OHSAS 18001:2007 into ISO 45001:2018, which was completed on September 30, 2020. This certification reinforces MMDC's commitment to a safe and healthy workplace to preventing work-related injuries and ill-health, as it proactively improves its occupational health and safety performance.

Building a safe, responsible work culture requires the mastery of safety procedures. It is important that such concepts are top of mind, and almost second nature to all employees at the mine site. Basic Occupational Safety and Health and Basic First Aid and Life Support training programs are conducted yearly as a constant reminder to everybody of

the risk of unsafe work habits. Meanwhile, we also conduct emergency fire and earthquake drills on a quarterly basis.

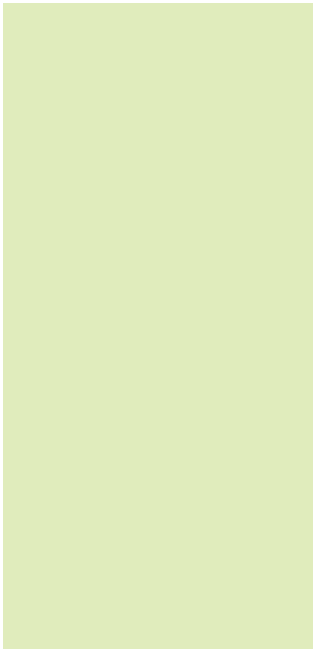
The mine site safety trainings on Sanitation, Food Handling, and Preparation were conducted by the members of Carrascal Rural Health Unit. The Behavioral Base Safety Webinar and Job Hazard Analysis were conducted by Safety Inc. a third party training organization.

Toolbox sessions are also organized to update employees about existing issues. The informal gathering encourages employees to express their opinion while fostering camaraderie. In 2020, toolbox sessions tackled issues on road safety, hazardous materials and other relevant topics.

At the Makati head office, safety officers along with representatives from various departments attended the following training sessions:

### **Basic Occupational Safety and Health**

The session focused on developing skills to identify safety, health, and environmental hazards, determining appropriate control measures and implementing organizational safety and health policies and programs.



### **Psychological First Aid**

The training is in response to the need to support people in distress because of the Covid-19 outbreak. It teaches participants on how to pay attention to the person's reactions, active listening, practical assistance to help address immediate problems and basic needs.

### **Loss Control Management Training**

The session imparts techniques to enable safety leaders at all levels to continually improve the organization's safety performance. It addresses the mindset of the current management as well as issues that influence the effective safety implementation.

### **Job Hazard Assessment Training**

The training helps participants identify the hazardous jobs in the workplace, determine the hazards and potential consequences, and develop corrective and preventive measures to eliminate or reduce the accidents, injuries and illnesses.

### **Safe Man Hours**

With safety techniques in place, a total of 3,424,569 man-hours was recorded without lost-time accident. Our Safety and Health Department consistently aims for zero (0) lost time accident, promote and protect the safety and health of all personnel, and comply with regulatory compliance.

For the year 2020, MMDC recorded three (3) fatalities, and one accident involved the driver of our contractor EZM. MMDC assisted in bringing the injured individuals to the hospital while EZM settled all damages.

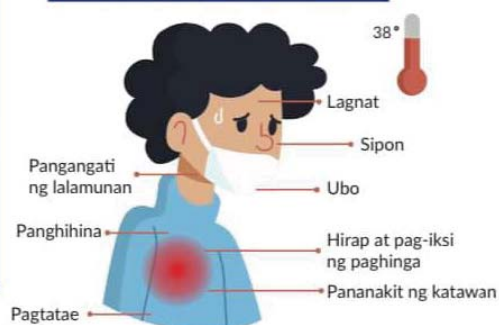
Because of the incident, the committee on Central Safety and Health, organized by the Mine Safety and Health Department, has agreed that all drivers and operators will be subject to mandatory drug testing every two (2) months. Drivers and operators also need to undergo alcohol test prior to dispatch.

### **ANO ANG COVID-19?**

Ang COVID-19 ay isang bagong uri ng mikrobyo na kumakalat sa mga tao at nagdudulot ng iba't-ibang uri ng sakit, gaya ng karaniwang ubo't-sipon at maaring umaabot sa malubhang impkasyon. Maari itong maging sanhi ng Pneumonia, Acute Respiratory Syndrome, problema sa bato, at pagkamatay. Ayon sa World Health Organization o WHO, ang Covid 19 ay isang pandemiko at nakakaapekto sa maraming bansa sa buong mundo.



### **MGA SINTOMAS NG COVID-19**





There were also three (3) work-related injuries recorded in 2020. The injured were treated in accordance with the recognized first-aid training. All three recovered after treatment.

## Covid-19 Health and Safety Measures

As discussed in the section on Health and Safety Measures Against Covid-19, as early as February 2020, Management prioritized the drafting of an Emergency Interim Work-From-Home (WFH) Guidelines in anticipation of potential lockdowns. The transition to a flexible work program (i.e. skeletal work arrangement/work-from-home arrangement) was seamless for the Makati Head Office when community quarantine restrictions were implemented nationwide.

To manage continuity of operations, communication lines with senior management were kept constantly open. The application of leave deductions and timekeeping requirements were suspended. Work Plans designed to monitor important deliverables were put in place. Employees were provided with hardware and software access and designated information point persons took charge of disseminating information to their departments and teams. Management Committee check-ins and coordination meetings were intensified between mine site operations and the Makati head office.

## Special Update: MMDC Cited by the Employers Confederation of the Philippines' (ECOP) for Best Practices

MMDC was among the top companies in the Philippines that received commendation for its responses and best practices during the Enhanced Community Quarantine (ECQ). Its response to the enhanced community quarantine was among the business cases featured in Employers Confederation of the Philippines' (ECOP) "Series on Good Business Practices."

The Employers Confederation of the Philippines (ECOP) is a nationally established umbrella organization dealing with important national issues related to employment, industrial relations, labor issues and related social policies. MMDC was part of "Business Cares: A Series on Good Business Practices" – a campaign that aims to strengthen the business community by promoting models of corporate programs during the crisis with a goal of encouraging companies to emulate policies and look after the welfare of employees during this crisis.

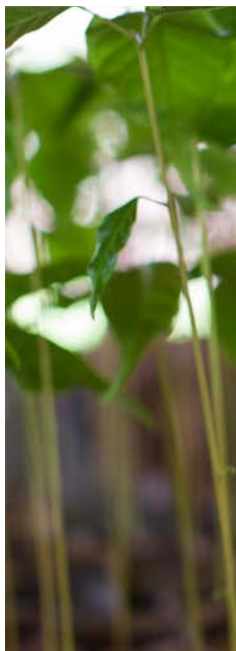
MMDC's orientation towards conducting business guided by the principle of ethical practices and best operating processes looked to address the 4Ps of its operations during the community quarantine: People, Processes, Protocols, and Public, referring to the Company's commitment to serve the community where it operates.

# Best Practices of Marcventures Mining and Development Corporation (MMDC)

by ECOP | May 18, 2020 | Best Practices, COVID19



# Good Corporate Governance



“To protect the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth.”

MHI's commitment to Good Corporate Governance is closely aligned with its vision to pursue its corporate goals while ensuring the welfare of its host communities and protecting the environment. The commitment supports the principles of transparency, honesty, integrity, fairness, and accountability. We acknowledge that in order to enhance shareholder value, we must abide by corporate governance principles and practices as well as regulatory reporting to provide investors with an accurate and balanced overview of the Group's performance.

In the course of our business operations and in dealing with local government, local suppliers, and partners, MHI is exposed to a relatively high corruption risk. Therefore, the Company makes it a priority to put in place, the internal processes and policies to prevent corruption.

Risks are managed by maintaining standards of procurement that undergo rigorous scrutiny and a zero-tolerance policy for all forms of unethical practices. As part of our Whistle Blowing Policy, employees who are aware of a valid occurrence of unethical behaviors are highly encouraged to report to Management without fear of repercussions. Management does not hesitate to pursue disciplinary actions which may even result in replacement of key executives for actions detrimental to and in contravention of the Company's corporate governance practices.

## Transparent Supply Chain Management

MHI's subsidiary, MMDC, has a Supplier Accreditation Policy which lists documentary requirements from both contractors and suppliers who wish to do business with the Company. It evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment.

Contractors and suppliers are required to submit to an accreditation process and MMDC retains the right to audit and verify practices.

An accredited credit investigation agency will also check for derogatory records such as collection cases against the Company, its major stockholders and key officers. The accreditation is renewed every year and suppliers are expected to submit updated records upon renewal. MHI values its relationships with contractors and suppliers who make an effort to adhere to the policy.

As we optimize our approach to responsible procurement, we are also looking into expanding our contractual remedies to include the environmental performance, social commitments and even the investments of our contractors and suppliers.

## Anti-Corruption Measures

The Company also practices zero-tolerance policy on misappropriation of Company assets and properties, fraudulent acts and reporting, corruption and bribery in any form, and unethical practices. We support this emphasis on integrity, transparency and accountability in the conduct of its operations by providing for a mechanism (the "Whistleblower Policy") that is available to all individuals to raise concerns which they perceive as wrong, irregular and illegal within the organization.

The Policy encourages and allows any individual ("Whistleblower") to promptly report any observed risk, danger, malpractice, wrong doing or any questionable business practice that may affect others, the Company or the Public without fear of discrimination, harassment and/or retaliation as a result of the disclosure, provided it is made in good faith and without malice.

Further and as already discussed in the section on Supply Chain Management of this Report, our procurement and supply policies and standard operating procedures are based on principles of fair treatment and open competition. All our third-party contractors and suppliers are expected to act with integrity including their compliance with contractual terms and conditions.

## Data Privacy and Security Protection

The Company strictly complies with the national data privacy law. A data privacy officer is assigned to strictly implement confidentiality measures at all levels.

The Company along with its external stakeholders abide with the rules and regulations of the Data Privacy Act of 2012 which "protects the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth."

Risks related to the collection, retention and use of information are managed by the Company's policy on Protection of Confidential Information. (MC-002-19).

Upon hiring, employees are asked to sign a Deal of Undertaking to certify that all information are solely for performing functions. No information will be disclosed to anyone outside the Company, unless cleared by the data privacy officer and the Company's legal team.

The Audit Team is currently working with all departments in reviewing all company policies - with the move towards a more digitized workplace in view of the pandemic, the Company is also looking into its IT and Communications Policies to improve its capabilities to address the challenges brought about by which will be expanded to include a Social Media policy which emphasizes the role of all employees in protecting the Company's reputation. Our employees are well-aware that they must exercise caution, discretion, and judgement when posting about Company activities in their personal social media accounts, however a formal policy on this issue is becoming more relevant as we continue to digitize our workplace.

## Data Integrity and Reporting Transparency

Hand in hand with securing data privacy is the need to increase the comprehensiveness and accuracy of our data gathering processes to improve our capability to effectively monitor our progress and timely reporting. We are committed to increasing our systems and procedures for data gathering as we look at how to integrate online tools to better address our needs.





# Disclaimers and Cautionary Notes

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## CAUTIONARY DISCLAIMER - FORWARD-LOOKING STATEMENTS

Certain of the statements and information in this report constitute “forward-looking statements” and “forward-looking information” within applicable laws (collectively, “forward-looking statements”). Any forward-looking statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects,” “is expected,” “anticipates,” “believes,” “plans,” “projects,” “estimates,” “assumes,” “intends,” “strategies,” “targets,” “goals,” “forecasts,” “objectives,” “budgets,” “schedules,” “potential,” or variations thereof or stating that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements relate to, among other things: future profitability, growth, acquisitions and shareholder returns, and potential future offerings of Securities.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, social and economic impacts of COVID-19; risks relating to: fluctuating commodity prices; calculation of resources, reserves and mineralization and precious and base metal recovery; interpretations and assumptions of mineral resource and mineral reserve estimates; exploration and development programs; feasibility and engineering reports; permits and licenses; title to properties; property interests; joint venture partners; acquisition of commercially mineable mineral rights; financing; recent market events and conditions; economic factors affecting the Company; timing, estimated amount, capital and operating expenditures and economic returns of future production; integration of future acquisitions into the Company's existing operations; competition; operations and political conditions; regulatory environment in the market; environmental risks; foreign exchange rate fluctuations; insurance; risks and hazards of mining operations; key personnel; conflicts of interest; dependence on management; internal control over financial reporting and bringing actions and enforcing judgments under Philippine laws, as well as those risks and uncertainties discussed in the Company's

corresponding public filings. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those expressed or implied in the forward-looking statements.

The Company's forward-looking statements are necessarily based on a number of estimates, assumptions, beliefs, expectations and opinions of management as of the date of this news release that while considered reasonable by management of the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates, assumptions, beliefs, expectations and opinions include, but are not limited to, those related to the Company's ability to carry on current and future operations, including: the duration and effects of COVID-19 on our operations and workforce; development and exploration activities; the timing, extent, duration and economic viability of such operations; the accuracy and reliability of estimates, projections, forecasts, studies and assessments; the Company's ability to meet or achieve estimates, projections and forecasts; the availability and cost of inputs; the price and market for outputs; foreign exchange rates; taxation levels; the timely receipt of necessary approvals or permits; the ability to meet current and future obligations; the ability to obtain timely financing on reasonable terms when required; the current and future social, economic and political conditions; and other assumptions and factors generally associated with the mining industry. Other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. For the reasons set forth above, investors should not place undue reliance on forward-looking statements

# Corporate Information

---

## Name of Organization

Marcventures Holdings, Inc. (MHI)

## Principal Office:

4<sup>th</sup> Floor BDO Paseo Tower (formerly Citibank Center),  
8741 Paseo de Roxas, Makati City

## Report Boundary:

### Subsidiaries:

- Marcventures Mining and Development Corporation
- BrightGreen Resources Corporation
- Alumina Mining Philippines, Inc.
- Bauxite Resources, Inc.

## Business Model:

Holding company listed in the Philippine Stock Exchange (PSE) and whose shares are actively traded on the PSE under the stock symbol “MARC”

Mineral Production Service Agreements (MPSA) with the Government for mining and export of mineral products

## Activities:

**Primary:** To engage in the purchase, exchange, assignment, and hold investments and all properties

**Secondary:** To embark in the discovery, exploration, and development of mineral oils, petroleum in its natural state, rock or carbon oils, natural gas, other volatile mineral substances and salt, as well as other minerals of whatever nature; to mine, dig, refine, prepare for market, buy, sell, and transport the same, their products compounds, and derivatives.

## Reporting Period:

January 1 to December 31, 2020

# Index of Material Topics

Pursuant to Annexes A (Reporting Template) and B (Topic Guide) of the SEC Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies), the following are the topics MHI has identified as material for the reporting period and which were addressed in this Report:

TOPIC	Memorandum Circular # 4 Series of 2019	Sustainability Report
Air Emissions	27	19
Anti-Corruption	21	29
Climate-Related Risks and Opportunities	20	16
Data Privacy and Security Protection	41	29
Diversity and Equal Opportunity	35	24
Economic Performance	19	14
Effluents	30	19
Employee Management	33	22
Employee Training	34	23
Energy	24	17
Environmental Compliance	31	20
Labor Laws and Human Rights	36	22
Labor Management Relations	34	23
Materials Management	25	20
Occupational Health and Safety	36	25
Procurement Practices	21	22
Relationship with Communities	38	21
Solid and Hazardous Waste Management	29	19
Supply Chain Management	37	28
Water	26	17
Watershed Protection	26	18



BDO PASEO TOWER (formerly Citibank Center)  
8741 PASEO DE ROXAS, MAKATI CITY

TELEPHONE NOS.: +63(2) 831-4479 +63(2) 831-4483  
FAX NO.: +63(2) 856-7976

[mhincorporate@marcventures.com.ph](mailto:mhincorporate@marcventures.com.ph)



REPUBLIC OF THE PHILIPPINES )  
MAKATI CITY ) S.S.

**SECRETARY'S CERTIFICATE**

I, **MAILA LOURDES G. DE CASTRO**, of legal age, Filipino, with office address at 4<sup>th</sup> Floor, Citibank Center, 8741 Paseo de Roxas, Makati City, after having been duly sworn in accordance with law, do hereby depose and state that:

1. I am the duly appointed and qualified Assistant Corporate Secretary of **Marcventures Holdings, Inc.** (the "Corporation"), a corporation duly organized and existing under the laws of the Philippines with principal office located at the 4<sup>th</sup> Floor, Citibank Center, 8741 Paseo de Roxas, Makati City

2. I hereby certify that at the special meeting of the Board of Directors held at the 4<sup>th</sup> Floor Citibank Center, 8741 Paseo de Roxas, Makati City on May 6, 2021, wherein a quorum was present and acting throughout, the following Resolutions were unanimously approved:

**"RESOLVED**, that the Corporation's Board of Directors affirms and confirms the approval of the Corporation's Audited Financial Statements for the year ending 31 December 2020 as duly endorsed by the Audit Committee in its meeting on 3 May 2021."

**"RESOLVED**, that the Board of Directors of MARCVENTURES HOLDINGS, INC. (the "Corporation") authorize, as it hereby authorizes, the issuance of the Corporation's audited financial statements as of, and for the year ended, December 31, 2020 subject to final adjustments by the external auditors and approved by the Corporation's Audit Committee.

**RESOLVED FURTHER**, that the Board of Directors of the Company hereby notes and affirms, that the audited financial statements for the year ended December 31, 2020 submitted in its final form shall be a true and fair representation of the Company's financial condition."

**"RESOLVED, FURTHER**, that the Corporation's Chairman, Mr. Cesar C. Zalamea, Officer-in-Charge, Rolando S. Santos, and Vice President for Controllershship, Dale A. Tongco, be authorized and empowered to sign, execute and deliver the Statement of Management Responsibility as well as any and all documents, papers and instruments necessary in connection with the approval, release and filing of the Corporation's Audited Financial Statements. The aforementioned individuals are likewise authorized to perform any and all acts which they may deem proper and necessary to implement the foregoing resolution."

**"RESOLVED, FINALLY,** that the foregoing resolutions shall continue to have full force and effect until the same are repealed, amended and/or superseded by a subsequent resolution to the contrary and that the Corporate Secretary be authorized to issue certification(s) relative to the foregoing resolutions."

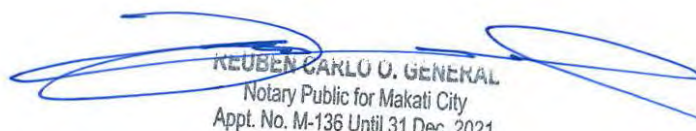
IN WITNESS WHEREOF, I have hereunto set my hand this 17<sup>th</sup> day of May 2021 at Makati City, Philippines.



**MAILA LOURDES G. DE CASTRO**  
*Co-Assistant Corporate Secretary*

**SUBSCRIBED AND SWORN** to before me this 17<sup>th</sup> day of May 2021 at Makati City, affiant exhibited to me her Driver's License No. N02-95-296472 expiring on 2021/10/18.

Doc. No. 483 ;  
Page No. 96 ;  
Book No. 1 ;  
Series of 2021.



**REUBEN CARLO O. GENERAL**  
Notary Public for Makati City  
Appt. No. M-136 Until 31 Dec. 2021  
Roll of Attorneys No. 59087  
IBP Membership No. 143757; 02/02/2021  
PTR No. MKT-8547469ME; 01/15/2021  
MCLE Compliance No. VI-0021476; 3/26/2021  
4F BDO Towers, 8741 Paseo de Roxas, Makati

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SEC Registration Number

M	A	R	C	V	E	N	T	U	R	E	S	H	O	L	D	I	N	G	S	I	N	C	.						

(Company's Full Name)

U	N	I	T	4	-	3	4	T	H	F	L	R	.	B	D	O	T	O	W	E	R	S							
P	A	S	E	O	(	F	O	R	M	E	R	L	Y	:	C	I	T	I	B	A	N	K	C	E	N	T	E	R	)
8	7	4	1	P	A	S	E	O	D	E	R	O	X	A	S	M	A	K	A	T	I	C	I	T	Y				

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

<b>Rolando S. Santos</b>
--------------------------

(Contact Person)

<b>(02) 8831-4479</b>
-----------------------

(Company Telephone Number)

1	2	3	1
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Month Day  
(Calendar Year)

1	7	-	Q	
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(Form Type)

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Month Day  
(Annual Meeting)

<b>N/A</b>
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Secondary License Type, If Applicable)

<b>Finance Department</b>
---------------------------

Dept. Requiring this Doc.

<b>June 30, 2021</b>
----------------------

Period Ending Date

Total Amount of Borrowings

<b>2,168</b>
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Total No. of Stockholders

<b>N/A</b>
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Domestic

<b>N/A</b>
------------

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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Document ID

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Cashier

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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: **June 30, 2021**
2. Commission identification number **12942**
3. BIR Tax Identification No. **470-000-104-320**
4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code:  (SEC Use Only)
7. Address of registrant's principal office:  
**Unit 4-3 4<sup>th</sup> Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City**
8. Registrant's telephone number, including area code: **(63 2) 831-4479**
9. Former name, former address and former fiscal year, if changed since last report. **N.A.**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock (P1.00 par value)	3,014,820,305 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?  
**Yes. The common shares are listed on the Philippine Stock Exchange.**
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the 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 the registrant was required to file such reports)  
**Yes**
  - (b) has been subject to such filing requirements for the past 90 days.  
**Yes**

## Table of Contents

PART I - FINANCIAL INFORMATION	3
Item 1- Financial Statements	3
Summary of Consolidated Balance Sheet as of June 30, 2021 and December 31, 2020	3
Summary of Consolidated Income Statement for the three months period ending June 30, 2021 and 2020	3
Summary of Consolidated Statement of Cash Flows for the six months period ending June 30, 2021 and 2020	4
Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operation	4
Financial Condition and Results of Operation	4
Horizontal and Vertical Analysis:	7
Key Performance Indicators	9
PART II - OTHER INFORMATION	9
PART III - FINANCIAL SOUNDNESS INDICATORS	9
SIGNATURES	10
Consolidated Financial Statements	10
June 30, 2021 and December 31, 2020	10

## PART I - FINANCIAL INFORMATION

### Item 1- Financial Statements

The unaudited Consolidated Financial Statement of Marcventures Holdings Inc. (the "Company") as of June 30, 2021 and for the three-month period ended June 30, 2020 with comparative audited figure as of December 31, 2020 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

#### Summary of Consolidated Balance Sheet As of June 30, 2021 and December 31, 2020

	June 30, 2021 Unaudited	Dec. 31, 2020 Audited	June 30, 2021 vs. Dec. 31, 2020	
			Amount Increase (Decrease)	Percentage Increase (Decrease)
	(P'000)	(P'000)	(P'000)	
Current assets	<b>P 1,077,895</b>	<b>P1,084,222</b>	<b>(P6,327)</b>	<b>(0.58%)</b>
Noncurrent assets	<b>5,128,795</b>	<b>5,079,473</b>	<b>49,321</b>	<b>0.97%</b>
<b>Total Assets</b>	<b>P 6,206,690</b>	<b>P 6,163,696</b>	<b>P42,995</b>	<b>0.70%</b>
Current liabilities	<b>P1,264,369</b>	<b>P1,026,489</b>	<b>P237,881</b>	<b>23.17%</b>
Noncurrent liabilities	<b>812,056</b>	<b>840,628</b>	<b>(28,571)</b>	<b>(3.40%)</b>
Equity	<b>4,130,264</b>	<b>4,296,579</b>	<b>(166,315)</b>	<b>(3.87%)</b>
<b>Total Liabilities and Equity</b>	<b>P6,206,690</b>	<b>P 6,163,696</b>	<b>P42,995</b>	<b>0.70%</b>

#### Summary of Consolidated Statement of Income For the Three Months Period ending June 30, 2021 and 2020

	Amounts in P'000			
	For Three Months Ending June 30		Increase (Decrease)	
	2021	2020	Amount	Percentage
Revenues	<b>P299,853</b>	<b>P1,161,297</b>	<b>(P861,444)</b>	<b>(74.18%)</b>
Cost of Sales	<b>278,707</b>	<b>719,237</b>	<b>(440,530)</b>	<b>(61.25%)</b>
Gross Profit	<b>21,147</b>	<b>442,060</b>	<b>(420,913)</b>	<b>(95.22%)</b>
Operating expenses	<b>(68,228)</b>	<b>(88,904)</b>	<b>(20,676)</b>	<b>(23.26%)</b>
Income from operations	<b>(47,081)</b>	<b>353,157</b>	<b>(400,238)</b>	<b>(113.33%)</b>
Other income (expenses)	<b>(13,005)</b>	<b>(7,365)</b>	<b>5,639</b>	<b>76.56%</b>
Net income (loss) for the period	<b>(60,087)</b>	<b>345,792</b>	<b>(405,878)</b>	<b>(117.38%)</b>
Income tax benefit(expense)	<b>9,436</b>	<b>(84,307)</b>	<b>(74,872)</b>	<b>(88.81%)</b>
<b>Net loss for the period</b>	<b>(P50,651)</b>	<b>P261,484</b>	<b>(P312,135)</b>	<b>(119.37%)</b>

**For the Six Months Period ending June 30, 2021 and 2020**

	Amounts in ₱'000			
	For Six Months Ending		Increase (Decrease)	
	2021	2020	Amount	Percentage
Revenues	₱299,853	₱1,161,297	(₱861,444)	(74.18%)
Cost of Sales	(278,707)	(719,237)	440,530	(61.25%)
Gross Profit	21,147	442,060	(420,913)	(95.22%)
Operating expenses	(206,372)	(202,200)	4,172	2.06%
Income from operations	299,853	1,161,297	(861,444)	(74.18%)
Other income (expenses)	(23,635)	(18,033)	5,602	31.07%
Net income (loss) for the period	(208,861)	221,827	(430,688)	(194.15%)
Income tax benefit (expense)	42,546	(84,307)	126,854	(50.47%)
Net loss for the period	(₱166,315)	₱137,520	(₱303,834)	(220.94%)

**Summary of Consolidated Statement of Cash Flows**

**For the Six Months period ending June 30, 2021 and 2020.**

	For Six Month Ending June 30	
	2021	2020
	(₱'000)	(₱'000)
Cash provided by (used in) operating activities	(₱76,817)	₱70,138
Cash provided by (used in) investing activities	(30,720)	(3,453)
Cash provided by (used in) financing activities	(99,746)	(45,102)
Net decrease in cash and cash equivalent	(207,284)	21,583
Cash - beginning	336,023	314,441
Cash - ending	₱128,740	₱336,023

**Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operation**

The following discussion is based on the unaudited interim consolidated financial statements for the second quarter period ended June 30, 2021, with comparative figures for the corresponding periods in 2021 and audited consolidated financial statements as of December 31, 2020 prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

**Financial Condition and Results of Operation:**

**Six-months period ended June 30, 2021 compared with six months ended June 30, 2020**

**Revenues**

For the six-month period ended June 30, 2021, total revenues amounted to ₱299.85 million, lower by ₱861.4 million or 74.18% as compared with ₱1,161.3 million reported in the same period of prior year. It was attributable to a lower volume of nickel ore shipped out during the period which led to a decrease in revenue as compared to last year of the same period.



## Cost of Sales

Cost of sales went down to ₱278.71 million or a decrease of ₱440.53 million equivalent to 61.25% as compared to ₱719.24 million last year due to lower volume of nickel ore sold during the period.

- **Contracted Services** decreased by ₱153.9 million or equivalent to 36.8%.
- **Production Overhead** increased by ₱34.05 million or equivalent to 44.2%.
- **Depletion** decreased by ₱32.8 million or equivalent to 76.6%.
- **Excise tax** decreased by ₱37.5 million or equivalent to 75.8%.
- **Demurrage cost** increased by ₱27.4 million, these are penalty charges borne by the company because of extended loading periods of ore to foreign vessels.

## Operating Expenses

Operating expenses increased by 2.1% or ₱4.17 million, from ₱202.2 million of the same period of last year to ₱206.4 million this year.

- **Increase in Taxes and Licenses** by ₱8.2 million or equivalent to 30.8% due to higher assessment of local government unit (LGU) business tax on the gross revenue in 2020 as basis for payment of business permits and licenses.
- **Increase in Community Relations** by ₱4.6 million or 153.8% aside from SDMP, the company also provides livelihood to the community, public utilities and socio-cultural preservation.
- **Increase in Professional Fees** by ₱7.68 million or equivalent to 49.62% due to higher consultancy and professional engagements.
- **Increase in Community Relations** by ₱4.57 million or 151.76%; Aside from Social Development and Management Program (SDMP), the Company also provides livelihood to the community, public utilities and socio-cultural preservation.
- **Increase in Environmental Expenses** amounting ₱10.2 million or 24.0%; The Company implemented projects on the Environmental Protection and Enhancement Program (EPEP) including the protection and rehabilitation of the affected mined environment to comply with the directives and regulations issued by the Department of Environment and Natural Resources (DENR).
- **Increase in Other Expenses** by ₱81.69 million or equivalent to 302.96% which substantially contributed to the increase in operating expenses.

The above cost decreases were partly offset by the following:

- **Decrease in Depreciation** by ₱7.5 million or equivalent to 38.2% due to full depreciation of most service and mining equipment.
- **Decrease in Outside Services** by ₱0.8 million or equivalent to 21.4% which pertains to lower outsourced manpower and security services engaged during the period.
- **Decrease in Social Development Program Expenses** by ₱15.02 million or equivalent to 75.38%, due to unfavorable weather condition in the covered period. The Company was prevented from and correspondingly slowed down the implementation of health, livelihood and educational programs as compliance with the Department of Environment and Natural Resources (DENR).
- **Decrease in Salaries and Wages** by ₱7.10 million or 17.28% due to restructuring and reorganization program of the Company.
- **Decrease in Royalties** by ₱8.78 million or equivalent to 73.62% due to lower revenue generated as compared to last year of the same period.

## **Statement of Financial Position**

**June 30, 2021 vs. December 31, 2020**

### **Assets**

The consolidated total assets of the Company increased by ₱43.0 million from ₱6,163.7 million as of December 31, 2020 to ₱6,206.7 million as of June 30, 2021. The 0.7% increase was mainly due to the following:

- Cash decreased by ₱113.21 million or 46.79%. Apart from the lower proceeds from the sale of nickel ore, the decrease was also from partial payment of loans, suppliers and contractors.
- Trade and Other Receivables decreased from ₱542.26 million to ₱312.09 million. The decrease of ₱230.2 million or 42.45% was due to the lower volume of nickel ore shipment resulting to lower revenue.
- Ore inventory increased by ₱252.25 million or 198.28% from ₱127.22 million in 2020 to ₱379.47 million in 2021. The increase was mainly due to higher production towards the second quarter of the year as compared to last year of the same period.
- Other current assets increased by ₱52.26 million or 39.12%. The increase was mainly due to advances to contractors for the mining operations.

### **Liabilities**

As at June 30, 2021, the total liabilities of the Company increased by ₱209.31 million or 11.21% from ₱1,867.12 million as of December 31, 2020 to ₱2,076.43 million as of June 30, 2021. The increase was due to the net effect of the following:

- Trade and other payables increased by ₱237.43 million or 57.99%, primarily due to the unpaid balance of contractors' services and purchases from suppliers.
- Advances from related parties increased by ₱184.15 million or 131.28% due to additional funding for the Company's working capital requirements.
- Loan payable decreased by ₱76.17 million or 12.24% due to partial payment of the loan principal.
- Income tax payable decreased by ₱136.11 million or 100.00% due to settlement within the tax deadline.

### **Equity**

The stockholders' equity of the Company decreased by ₱156.3 million or 3.9% from ₱4,296.6 million as of December 31, 2020 to ₱4,130.3 million as of June 30, 2021. This was due to the decrease in retained earnings from the net loss for the period.

## **Statement of Cash Flows**

**June 30, 2021 vs. December 31, 2020**

In 2021, the cash used for operating activities decreased by ₱145.96 million due to lower sales proceeds and payments of payables to contractors, suppliers and settlement of advances from customers.



The Company's net cash used in investing activities of ₱30.7 million in 2021 and ₱3.5 million in 2020 was due to the development of mine and mining properties of ₱34.9 million and ₱4.3 million in 2021 and 2020, respectively, and this was partially offset by the decrease in other noncurrent assets amounting to ₱1.2 million in 2021 and ₱2.2 million in 2020.

In 2021, the company's net cash used in financing activities of ₱99.7 million and ₱45.1 million in 2020 are mainly due to the payment of interest and partial settlement of loan payable.

The net effect of the foregoing operating, investing and financing activities are decrease in cash of ₱207.3 million and increase of ₱21.6 million in June 30, 2021 and 2020, respectively. The cash balance at the end of the period are ₱128.7 million and ₱336.0 million as of June 30, 2021 and 2019, respectively.

#### **Horizontal and Vertical Analysis:**

	Consolidated		Increase (Decrease)	
	June 30, 2021	Dec. 31, 2020	Amount	%
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	₱128,739,722	₱241,951,074	(₱113,211,352)	(46.79%)
Trade and other receivables	312,085,604	542,258,519	(230,172,915)	(42.45%)
Inventories	71,720,239	39,179,557	32,540,682	83.06%
Advances to related parties	379,469,866	127,217,784	252,252,082	198.28%
Other current assets	185,880,031	133,615,250	52,264,781	39.12%
Total Current Assets	1,077,895,462	1,084,222,184	(6,326,722)	(0.58%)
<b>Noncurrent Assets</b>				
Property and equipment	204,005,752	209,369,331	(5,363,579)	(2.56%)
Mining rights on explored resources	4,467,840,048	4,435,089,769	32,750,279	0.74%
Net deferred tax assets	56,957,873	36,193,214	20,764,659	57.37%
Other noncurrent assets	399,991,026	398,821,130	1,169,896	0.29%
Total Noncurrent Assets	5,128,794,699	5,079,473,444	49,321,255	0.97%
<b>TOTAL ASSETS</b>	<b>₱6,206,690,161</b>	<b>₱6,163,695,628</b>	<b>₱42,994,533</b>	<b>0.70%</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current Liabilities</b>				
Trade and other payables	₱646,856,230	₱409,425,087	₱237,431,143	57.99%
Current portion of loans payable	288,379,681	335,975,945	(47,596,264)	(14.17%)
Advances from related parties	324,425,593	140,272,674	184,152,919	131.28%
Dividends payable	4,707,886	4,707,886	-	-
Income tax payable	-	136,107,191	(136,107,191)	(100.0%)
Total Current Liabilities	1,264,369,389	1,026,488,783	237,880,606	23.17%
<b>Noncurrent Liabilities</b>				
Long-term debt - net of current portion	257,958,194	286,529,622	(28,571,428)	(9.97%)
Provision for mine rehabilitation and decommissioning	55,675,292	55,675,292	-	-
Retirement benefit liability	33,160,260	33,160,260	-	-
Deferred tax liability	465,262,760	465,262,759	-	-
Total Noncurrent Liabilities	812,056,506	840,627,933	(28,571,427)	(3.40%)
Total Liabilities	₱2,076,425,895	₱1,867,116,716	₱209,309,179	11.21%
<b>Equity</b>				
Capital stock	₱3,014,820,305	₱3,014,820,305	₱ -	-
Additional paid-in capital	269,199,788	269,199,788	-	-
Retained earnings	814,359,335	980,673,981	(166,314,646)	(16.96%)
Remeasurement gain on retirement benefit liability - net of deferred tax	31,884,838	31,884,838	-	-

Total Equity	4,130,254,255	4,296,578,912	(166,314,646)	(3.87%)
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱6,206,690,161</b>	<b>₱6,153,695,628</b>	<b>₱42,994,533</b>	<b>0.70%</b>

#### **OTHER INFORMATION**

- a. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
- b. There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. Aside from the volatile prices of ore in the market and USD exchange rate, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- e. The causes for the material changes from period to period in the financial accounts were explained in the Management's discussion and analysis of financial condition and results of operation.
- f. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- g. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
- h. There are no new issuances, repurchases, and repayments of debt and equity securities.
- i. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- j. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
- k. There are no contingent liabilities or contingent assets since the last annual balance sheet date.
- l. There are no material contingencies and other material events or transactions during the interim period.
- m. There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

### Key Performance Indicators

Marcventures' Management uses the following KPIs for the Company and its subsidiaries:

	June 30, 2021	June 30, 2020
Net Loss	(P166,314,646)	P137,519,618
Quick assets	628,625,008	1,079,796,298
Current assets	1,077,895,462	1,365,979,699
Total assets	6,206,690,161	6,612,194,384
Current liabilities	1,264,369,389	1,800,864,722
Total liabilities	2,076,425,895	2,550,984,312
Stockholders' Equity	4,130,264,266	4,061,210,072
Number of common shares outstanding	3,014,820,305	3,014,820,305

	June 30, 2021	June 30, 2020
Liquidity ratios:		
Current ratio <sup>(1)</sup>	0.85:1	0.76:1
Quick ratio <sup>(2)</sup>	0.5:1	0.60:1
Solvency Ratios:		
Debt ratio <sup>(3)</sup>	0.33:1	0.39:1
Debt to Equity ratio <sup>(4)</sup>	0.5:1	0.63:1
Profitability ratios:		
Earnings (Loss) per share <sup>(5)</sup>	(0.06)	0.05
Book value per share <sup>(6)</sup>	1.37	1.35

Note:

1. Current Assets / Current Liabilities
2. Quick Assets / Current Liabilities
3. Total Liabilities / Total Assets
4. Total Liabilities / Shareholders' Equity
5. Net Income (Loss) / Common Shares Outstanding
6. Stockholders' Equity / Common Shares Outstanding

### **PART II - OTHER INFORMATION**

Any information not previously reported in a report on SEC Form 17-C

**NONE**

### PART III – FINANCIAL SOUNDNESS INDICATORS

#### Liquidity Ratio

- a. Current Ratio  
 $\text{Total Current Assets} / \text{Total Current Liabilities} = 0.85:1$
- b. Quick Ratio  
 $\text{Quick asset} / \text{Total Current Liabilities} = 0.50:1$

#### Solvency Ratio

- a. Debt Ratio  
 $\text{Total Liabilities} / \text{Total Assets} = 0.33:1$
- b. Debt to Equity Ratio  
 $\text{Total Liabilities} / \text{Shareholder's Equity} = 0.50:1$

#### Profitability Ratio

- a. Return on Equity Ratio  
 $\text{Net Income (Loss)} / \text{Average Shareholder's Equity} = (0.04):1$
- b. Return on Assets  
 $\text{Net Income (Loss)} / \text{Average Total assets} = (0.03):1$
- c. Fixed Assets Turnover Ratio:  
 $\text{Revenue} / \text{Property Plant and Equipment} = 1.47:1$
- d. Asset to Equity Ratio:  
 $\text{Total Assets} / \text{Stockholders' Equity} = 1.50:1$
- e. Asset Turnover  
 $\text{Revenue} / \text{Total Assets} = 0.05$


#### Interest Coverage Ratio

$\text{Net Income (Loss)} / \text{Interest Expense} = (7.05):1$


## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **MARCVENTURES HOLDINGS INC.**

  
Signature and Title: **ROLANDO S. SANTOS**  
Officer-in-Charge / SVP-Finance

Date: **August 3, 2021**

  
Signature and Title: **DALE A. TONGCO**  
VP - Controller

Date: **August 3, 2021**

## COVER SHEET

SEC Registration Number:

1 2 9 4 2

COMPANY NAME

[illegible]**PRINCIPAL OFFICE** (No./Street/Barangay/City/Town/Province)[illegible]

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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## COMPANY INFORMATION

Company's Email Address

mhicorporate@marcventures.com.ph

Company's Telephone Number/s

(02) 8-831-4479

Mobile Number

0998-985-0229

No. of Stockholders

2,184

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

December 31

**CONTACT PERSON INFORMATION**

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

**Mr. Rolando S. Santos**

Email Address

rolly.santos@marcventures.com.ph

Telephone Number/s:

(02) 8-831-4479

Mobile Number

0998-985-0229

**CONTACT PERSON'S ADDRESS**

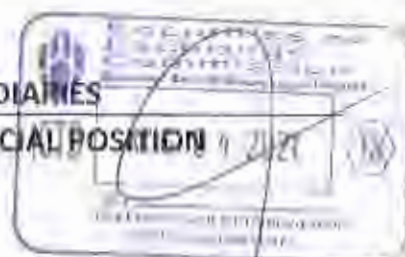
4th Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**NOTE 2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.



**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



		Unaudited	Audited
	Note	June 30, 2021	Dec. 31, 2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	P128,739,722	P241,951,074
Trade and other receivables	6	312,085,604	542,258,519
Inventories	7	71,720,239	39,179,557
Advances to related parties	20	379,469,866	127,217,784
Other current assets	8	185,880,031	133,615,250
Total Current Assets		1,077,895,462	1,084,222,184
<b>Noncurrent Assets</b>			
Property and equipment	9	204,005,752	209,369,331
Mining rights and other mining assets	10	4,467,840,048	4,435,089,769
Net deferred tax assets		56,957,873	36,193,214
Other noncurrent assets	11	399,991,026	398,821,130
Total Noncurrent Assets		5,128,794,699	5,079,473,444
		P6,206,690,161	P6,163,695,628
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	P646,856,230	P409,425,087
Current portion of loans payable	14	288,379,681	335,975,945
Advances from related parties	20	324,425,593	140,272,674
Dividends payable	15	4,707,885	4,707,886
Income tax payable		-	136,107,191
Total Current Liabilities		1,264,369,389	1,026,488,783
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	14	257,958,194	286,529,622
Provision for mine rehabilitation and decommissioning	13	55,675,292	55,675,292
Retirement benefit liability	19	33,160,260	33,160,260
Deferred tax liability	4	465,262,760	465,262,759
Total Noncurrent Liabilities		812,056,506	840,627,933
Total Liabilities		2,076,425,895	1,867,116,716
<b>Equity</b>			
Capital stock	15	3,014,820,305	3,014,820,305
Additional paid-in capital	15	269,199,788	269,199,788
Retained earnings		814,359,335	980,673,981
Remeasurement gain on retirement benefit liability - net of deferred tax		31,884,838	31,884,838
Total Equity		4,130,264,266	4,296,578,912
		P6,206,690,161	P6,163,695,628

See accompanying Notes to Consolidated Financial Statements.

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30**

		Three Months Ended June 30		Six Months Ended June 30	
	Note	2021	2020	2021	2020
REVENUE		<b>₱299,853,451</b>	<b>₱1,161,297,338</b>	<b>₱299,853,451</b>	<b>₱1,161,297,338</b>
COST OF SALES	16	<b>(278,706,853)</b>	<b>(719,237,265)</b>	<b>(278,706,853)</b>	<b>(719,237,265)</b>
GROSS INCOME		<b>21,146,598</b>	<b>442,060,073</b>	<b>21,146,598</b>	<b>442,060,073</b>
OPERATING EXPENSES	17	<b>(68,227,767)</b>	<b>(88,903,527)</b>	<b>(206,372,075)</b>	<b>(202,200,103)</b>
INCOME (LOSS) FROM OPERATIONS		<b>(47,081,169)</b>	<b>353,156,546</b>	<b>(185,225,477)</b>	<b>239,859,970</b>
INTEREST EXPENSE		<b>(12,780,577)</b>	<b>(9,058,305)</b>	<b>(23,578,892)</b>	<b>(20,056,675)</b>
INTEREST INCOME	5	<b>45,306.73</b>	<b>5,689</b>	<b>51,940</b>	<b>22,238</b>
OTHER INCOME (CHARGES) - Net	18	<b>(270,141)</b>	<b>1,681,612</b>	<b>(108,354)</b>	<b>2,001,557</b>
INCOME (LOSS) BEFORE INCOME TAX		<b>(60,086,581)</b>	<b>345,791,542</b>	<b>(208,860,783)</b>	<b>221,827,090</b>
PROVISION FOR INCOME TAX (BENEFIT)		<b>(9,435,892)</b>	<b>(84,307,472)</b>	<b>42,546,137</b>	<b>(84,307,472)</b>
NET INCOME (LOSS)		<b>(₱50,650,688)</b>	<b>₱261,484,070</b>	<b>(₱166,314,646)</b>	<b>₱137,519,618</b>
Basic and diluted earnings (loss) per share	23	<b>(₱0.02)</b>	<b>₱0.09</b>	<b>(₱0.05)</b>	<b>₱0.05</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Note	Six Months Ended June 30,	
		2021	2020
<b>CAPITAL STOCK</b> - ₱1 par value	15		
Authorized - 4,000,000,000 shares			
Issued and outstanding			
Balance at beginning of year		₱3,014,820,305	₱3,014,820,305
Issuance		-	-
Balance at end of year		3,014,820,305	3,014,820,305
<b>ADDITIONAL PAID-IN CAPITAL</b>	15	269,199,788	269,199,788
<b>RETAINED EARNINGS</b>			
Balance at beginning of year		980,673,981	605,626,516
Transition adjustment on initial application of PFRS 9 - net of deferred tax		-	-
Balance at beginning of year		980,673,981	605,626,516
Net income (loss)		(166,314,646)	137,519,618
Balance at end of year		814,359,335	743,146,134
<b>REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY</b> - net of deferred tax		31,884,838	34,0438,45
		<b>₱4,130,264,266</b>	<b>₱4,061,210,072</b>

See accompanying Notes to Consolidated Financial Statements.

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	For the Six Months Ended June 30,	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income(loss) before income tax		(P208,860,783)	P221,827,090
Adjustments for:			
Depreciation	9	33,456,006	26,425,318
Depletion	10	6,243,747	42,872,730
Interest expense		23,578,892	20,056,675
Interest income	5	51,940	(22,238)
Operating income (loss) before working capital changes		(151,877,825)	311,159,575
Decrease (increase) in:			
Trade and other receivables		230,172,915	(539,309,058)
Advances to related parties		(32,540,682)	4,725,872
Inventories		(252,252,082)	37,499,096
Other current assets		(51,630,919)	(68,022,002)
Increase (decrease) in:			
Trade and other payables		237,431,143	345,181,154
Advances from related parties		119,336,671	(12,709,182)
Net cash generated from operations		98,639,221	78,525,452
Interest received	5	51,940	22,238
Income tax paid		(114,325,713)	(8,410,118)
Net cash provided by operating activities		(76,817,132)	70,137,572
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment	9	5,363,579	(1,304,167)
Mining rights and other mining assets	10	(34,913,689)	(4,340,825)
Decreased in other noncurrent assets		(1,169,896)	2,191,758
Net cash provided in investing activities		(30,720,006)	(3,453,234)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availments (Payments) of:			
Interest		(76,167,692)	(20,056,675)
Loans		(23,578,892)	(25,045,015)
Net cash used in financing activities		(99,746,584)	(45,101,690)
<b>NET INCREASE (DECREASE) IN CASH</b>		(207,283,722)	21,582,648
<b>CASH AT BEGINNING OF YEAR</b>		336,023,444	314,440,796
<b>CASH AT END OF YEAR</b>		P128,739,722	P336,023,444

*See accompanying Notes to Consolidated Financial Statements.*

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**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

**General Information**

Marcventures Holdings, Inc. (the Parent Company), singly and collectively with its subsidiaries, is referred herein as "the Company"

The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957. Its primary purpose is to deal with properties of every kind and description to the extent permitted by law without engaging in the business of an investment company as defined in the Investment Company Act (Republic Act 2629), or act as a securities broker or dealer. On August 7, 2007, the SEC approved the extension of the Parent Company's corporate life for another 50 years.

The Parent Company's shares of stocks were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at June 30, 2021 and 2020, 3,014,820,305 shares of the Parent Company's shares of stocks are listed in The Philippine Stock Exchange, Inc. (PSE).

The registered address of the Parent Company is 4th Floor, BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City.

**Information about the Subsidiaries**

All of the subsidiaries of the Parent Company are wholly owned.

***Marcventures Mining and Development Corporation (MMDC).***

MMDC was incorporated and registered with the SEC on January 18, 1995 primarily to engage and/or carry on the business of extracting, mining, smelting, refining and converting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource.

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-X (SMR) covering an area of approximately 4,799 hectares located in the municipalities of Carrascal, Cantilan and Madrid, Surigao Del Sur.

Originally, the MPSA was granted to Ventura Timber Corporation (VTC) on June 19, 1992. In January 1995, VTC executed a deed of assignment (the Deed) to transfer to MMDC all its rights and interest in and title to the MPSA. On January 15, 2008, the Deed was approved by the Mines and Geosciences Bureau (MGB).

On June 24, 2016, the DENR issued an order approving the extension of MMDC's MPSA for a period of 9 years starting from the expiration of the first 25-year term.

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations (see Note 24). Accordingly, MMDC has continued its mining operations in areas covered by the MPSA.



***BrightGreen Resources Corporation (BRC).***

BRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business. The Parent Company acquired BRC from its merger with Brightgreen Resources Holdings, Inc. (BHI) in 2017.

On July 1, 1993, the DENR approved BRC's application for MPSA No. 015-93-XI (SMR) covering an area of approximately 4,860 hectares located in the municipalities of Carrascal and Cantilan, Surigao del Sur. BRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category.

***Alumina Mining Philippines, Inc. (AMPI)***

AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 179-2002-VIII-SBMR covering 6,694 hectares in the municipalities of San Jose de Buan and Paranas Samar in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.

***Bauxite Resources, Inc. (BARI)***

BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

On December 5, 2002, the DENR approved BARI's application for MPSA No. 180-2002-VIII-SBMR covering 5,519 hectares in the Municipalities of Gandara, San Jose de Buan, Matuguinao, and San Jorge, Province of Samar (formerly known as Western Samar) in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.

BRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. The Company submitted a reply explaining that BRC, AMPI and BARI have prior legal right.

Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

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## **2. Summary of Significant Accounting Policies**

### **Basis of Preparation and Statement of Compliance**

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

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, which is the Company's functional currency. All values are in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.



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

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further disclosures are included in Note 25, *Financial Risk Management Objectives and Policies and Fair Value Measurement*.

#### **Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant new and amended PFRS which the Company adopted effective for annual periods beginning January 1, 2020:

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The adoption of the foregoing amended PFRS does not have any material effect on the consolidated financial statements of the Company.

### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2020 and have not been applied in preparing the consolidated financial statements, are summarized below:

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

- **Amendments to PFRS 16, Leases – Covid-19-related Rent Concessions** – The changes amend PFRS 16 to (1) provide lessees with an exemption from assessing whether Covid-19-related rent concession is a lease modification; (2) require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications; (3) require lessees that apply exemption to disclose this fact; and (4) require lessees to apply the exemption retrospectively in accordance with PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, but not require them to restate prior period figures.

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

- **Amendments to PFRS 3, References to the Conceptual Framework** – 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.
- **Annual Improvements to PFRS 2018 to 2020 Cycle:**
  - **Amendment to PFRS 9, Financial Instruments** – The amendment clarifies which fees an entity includes when it applies the “10% test” in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
  - **Amendment to PFRS 16, Lease Incentives** – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- **Amendments to PAS 16, Property, Plant and Equipment – Proceeds before Intended Use** – The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- **Amendments to PAS 37, Onerous Contracts – Cost of Fulfilling a Contract** – The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labor and direct materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

#### Deferred effectivity-

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

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 Company. Additional disclosures will be included in the consolidated financial statements, as applicable.

#### **Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiaries as at June 30, 2021 and December 31, 2020 and for the quarters ended June 30, 2021 and 2020.

#### **Subsidiaries**

A subsidiary is an entity that is controlled by the Parent Company and is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date on which control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest in a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Company: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Company's share of components previously recognized in Other Comprehensive Income (OCI) to profit or loss.

#### **Financial Assets and Liabilities**

##### **a. Recognition**

The Company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade 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 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 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 Company 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 Company 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 Company determines the appropriate method of recognizing the “Day 1” difference.

b. Classification and Subsequent Measurement Policies

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

As at June 30, 2021 and December 31, 2020, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

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

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

As at June 30, 2021 and December 31, 2020, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties and Rehabilitation Cash Fund (RCF), rental deposit and Monitoring Trust Fund (MTF) (included under “Other noncurrent assets”) account are classified under this category (see Notes 6, 8, and 11).

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

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured



at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at June 30, 2021 and December 31, 2020, the Company's trade and other payables (excluding advances from customers and excise tax and other statutory payables), loans payable, advances from related parties, dividends payable and long-term debt are classified under this category (see Notes 12, 14 and 20).

c. **Reclassification**

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

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.

d. **Impairment Policy on Financial Assets at Amortized Cost**

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

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

e. **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 Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- the Company 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 Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company'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 Company 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 statements 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 Company 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 statements of comprehensive income.

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

## f. Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset, and the net amount 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 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.

## g. 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 Company; 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 Company 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.

### **Cash**

Cash in the consolidated statements of financial position comprise cash on hand and in banks, excluding any restricted cash. Restricted cash, which includes RCF and MTE, is not available for use by the Company and therefore is not considered highly liquid.

### **Inventories**

Inventories, which consist of ore stockpiles, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). Cost consists of contractual services, personnel costs, depletion, depreciation and other costs that are directly attributable in bringing the ore in its saleable conditions. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

### **Other Current Assets**

Other current assets include prepaid income tax, advances to contractors and suppliers, mining and office supplies and prepaid expenses.

*Prepaid Income Tax.* Prepaid income tax represents creditable withholding tax and other tax credits of the Parent Company.

*Advances to Contractors and Suppliers.* Advances to contractors and suppliers represent advance payments on goods or services to be purchased in connection with the mining operation. These are reclassified to proper asset account in the consolidated statements of financial position or charged to expense in the consolidated statements of comprehensive income upon actual receipt of goods or services, which is normally within 12 months or within the normal operating cycle. Otherwise, these are classified as noncurrent assets.

*Mining and Office Supplies.* Mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method. These are charged to expense in the consolidated statements of comprehensive income upon use.

*Prepaid Expenses.* Prepaid expenses represent expenses not yet incurred but paid in advance and are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

### **Property and Equipment**

Property and equipment, except for land, are initially measured at cost less accumulated depreciation and amortization and any impairment in value. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Cost also

includes any asset retirement obligation and capitalized interest on borrowed funds used in the case of a qualifying asset. Land is stated at cost less any impairment in value.

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 Company. All other subsequent expenditures are recognized as expense in the period in which these are incurred.

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

Depreciation and amortization is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Building and improvements	5-20
Office furniture, fixtures and equipment	2-5
Heavy and transportation equipment	4-10

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

Construction-in-progress is included in property and equipment and stated at cost which includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time the relevant assets are ready for operational use.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation are credited or charged to current operations.

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

### **Mining Rights and Other Mining Assets**

*Mining Rights.* Mining rights include costs incurred in connection with the acquisition of rights over mineral reserves. Rights over mineral reserves, which are measured, indicated or inferred, are capitalized as part of mining rights 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.

Mining rights are subject to amortization or depletion from 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.

*Deferred Exploration Costs.* Deferred exploration costs include costs incurred in connection with exploration activities. Deferred exploration cost 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. Once the reserves are established and development is sanctioned, deferred exploration costs are tested for impairment and reclassified to mine development costs.

*Mine and Mining Properties.* Upon start of commercial operations, mine development costs are reclassified as part of mine and mining 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 and mining properties.

Deferred exploration costs and construction-in-progress related to an already operating mine are reclassified to mine and mining properties and stated at cost. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, which are not depleted or amortized until the development has been completed and become available for use.

#### **Impairment of Nonfinancial Assets**

The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount, which is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to 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 CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

## **Employee Benefits**

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

*Retirement Benefits.* The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements, and interest cost in profit or loss. Interest cost is calculated by applying the discount rate to the retirement benefit liability.

Current service costs are the increase in the present value of the defined benefit obligation resulting from employee service and are recognized in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that The Company recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are directly recognized in equity or in OCI and are not reclassified to profit or loss in subsequent periods.

The retirement benefit liability is the present value of the defined benefit obligation which is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

## **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued and outstanding. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

*Additional Paid-In Capital (APIC).* APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock.

*Retained Earnings.* Retained earnings represent the cumulative balance of the Company's operating results, dividend distributions and effect of change in accounting policy.

*OCI.* OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. OCI pertains to remeasurement gain or loss on retirement benefit liability.

## **Deposit for Future Stock Subscription**

Deposit for future subscription represents funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Deposit for future stock subscription is 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;
- There is BOD and stockholders' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); 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 deposit for future stock subscription shall be recognized as a liability.

#### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company 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.

*Sale of Ore.* Sale of ore is recognized upon delivery of goods to and acceptance by customers.

*Reservation Fee for Ore Allocation.* Revenue is recognized when the grant of right to ore to be provided in the future is established.

*Interest Income.* Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

*Other Income.* Income from other sources is recognized when earned.

#### **Cost and Expense Recognition**

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefits related to a decrease in an asset or an increase in a liability that can be measured reliably.

*Cost of Sales.* Cost of sales is recognized when the related goods are sold.

*Operating Expenses.* Operating expenses constitute costs of administering the business and costs incurred to sell and market goods and services. These are expensed as incurred.

*Interest Expense.* Interest expense is recognized in the consolidated statements of comprehensive income using the effective interest method.

### Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the following:

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

If the Company 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 Company also assesses whether a contract contains a lease for each potential separate lease component.

### **Company as Lessee**

The Company has elected not to recognize ROU asset and lease liability for short-term lease. The Company recognized the lease payments associated with this lease as an expense on a straight-line basis over the lease term.

### Foreign Currency-Denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in the profit or loss in the period these arise.

### Income Taxes

**Current Tax.** Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused 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 benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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 taxable profit will be available to allow all or part of the deferred tax asset 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 asset to be recovered.



Deferred 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 rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as OCI.

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

#### **Value Added Tax (VAT)**

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other noncurrent assets" in the consolidated statements of financial position.

#### **Related Party Transactions and Related Parties**

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Company; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) members of the key management personnel of the Company.

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

#### **Provisions**

Provisions are recognized when the Company 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

*Provision for Mine Rehabilitation and Decommissioning.* The Company recognizes provision when there is partial fulfillment of obligation to restore operating locations at the end of the reporting period. The nature of these restoration activities includes dismantling and removing structures,

rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste site and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the production location.

Where applicable, the Company recognizes a mine rehabilitation asset under the mine and mining properties related to the obligation arising from the mine rehabilitation and decommissioning. The cost of such asset corresponds to the present value of future cost of rehabilitation and decommissioning and amortized over expected settlement of the obligation using units of production method. The estimated future costs of rehabilitation and decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. Any amount deducted from the cost of asset shall not exceed its carrying amount. In case the decrease in the obligation exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

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

#### **Earnings (Loss) Per Share**

*Basic.* Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any.

*Diluted.* Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential dilutive common shares during the period.

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

Post year-end events that provide additional information about the Company's financial position at the end of reporting date (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.

#### **Segment Reporting**

The Company has one operating segment which consists of mining exploration, development and production. The Company's asset producing revenues are located in the Philippines.

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

PFRS requires Management to make judgments, accounting estimates and assumptions that affect the amounts reported in the consolidated financial statements. The judgments and accounting estimates used in the consolidated financial statements are based upon Management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

## Judgments

In the process of applying the Company's accounting policies, Management has made the following judgments, apart from those involving estimates, which have the most significant effects on the amounts recognized in the consolidated financial statements.

*Assessing the Ability of the Company to Continue as a Going Concern.* The Company received an order from the DENR for the cancellation of its MPSA. The Management and its legal counsel believe that the order has no basis and the outcome of the legal actions taken will not have a material adverse effect on the Company's operations (see Note 1). Accordingly, the Management assessed that the Company would continue as a going concern.

*Establishing Control over the Subsidiaries.* The Parent Company determined that it has control over the subsidiaries 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.

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

*Determining Operating Segments.* Determination of operating segments is based on the information about the components that Management uses to make decisions about the operating matters of the Company. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's BOD, in order to allocate resources to the segment and assess its performance.

Management has assessed that the Company has only one operating segment which consists of mining exploration, development and production.

*Defining Default and Credit-Impaired Financial Assets.* Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.
- b. Qualitative Criteria - The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
  - The borrower is experiencing financial difficulty or is insolvent;
  - The borrower is in breach of financial covenants; and
  - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

*Accounting for Operating Lease - Company as Lessee.* The Company has a lease agreement for its office space qualifies as a short-term lease with a lease term of less than twelve (12) months. The Company has elected not to recognize ROU asset and lease liability for these leases.

Rental expense recognized by the Company amounted to ₱1.0 million, ₱6.7 million in June 30, 2021 and 2020 respectively (see Note 17).

#### **Accounting Estimates and Assumptions**

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

*Estimating Allowance for ECL on Trade and Other Receivables.* The Company uses a provision matrix based on historical default rates for trade and other receivables (excluding advances to officers and employees). The provision matrix specifies provision rates depending on the number of days that receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

Provision for ECL amounted to nil and ₱20.0 million June 30, 2021 and December 31, 2020, respectively. The allowance for ECL amounted to ₱86.6 million as at June 30, 2021 and December 31, 2020. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱280.7 million and ₱507.9 million as at June 30, 2021 and December 31, 2020, respectively (see Note 6).

*Estimating Allowance for ECL on Other Financial Assets at Amortized Cost.* The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus, the ECL on these financial assets in 2021, 2020 and 2019 are not significant and not recognized.

The carrying amounts of the Company's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 25, *Financial Risk Management Objectives and Policies*.

*Estimating NRV of Inventories.* The Company recognizes loss on inventories whenever NRV becomes lower than costs due to damage, physical deterioration, obsolescence, changes in price levels or other



causes. NRV is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

No provision for inventory obsolescence was recognized in March 2021 and as at December 31, 2020. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱200.5 million and ₱127.2 million as at June 30, 2021 and December 31, 2020, respectively (see Note 7).

*Estimating the Realizability of Input VAT.* The Company assesses the realizability of input VAT based on its ability to utilize the asset. The assessment is made on a continuing basis year on year.

No provision for impairment loss was recognized in June 30, 2021 and as at December 31, 2020. The carrying amount of Input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱308.0 million and ₱307.7 million as at June 30, 2021 and December 31, 2020, respectively (see Note 11).

*Estimating Useful Lives of Property and Equipment.* The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

There were no changes in estimated useful lives of property and equipment in 2021 and 2020. Property and equipment, net of accumulated depreciation, amounted to ₱209.6 million and ₱209.4 million as at June 30, 2021 and December 31, 2020, respectively (see Note 9).

*Estimating Depletion Rate and Recoverable Reserves.* Depletion rates used to amortize mine and mining properties and mining rights under "Mining rights and other mining assets" account presented in the consolidated statements of financial position are assessed on an annual basis based on the results of latest estimate of recoverable reserves, which is subject to future revisions. Recoverable reserves and resource estimates for development project are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cost based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. The Company's reserves are estimated based on local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a competent person.

The carrying amounts of mining rights and other mining assets are as follows:

	Note	Mar. 31, 2021	Dec. 31, 2020
Mining rights	10	<b>₱4,231,317,311</b>	₱4,182,394,025
Mine and mining properties	10	<b>252,744,166</b>	252,695,746

*Estimating Provision for Mine Rehabilitation and Decommissioning.* The Company recognizes provision for its obligation to decommission and rehabilitate mine sites at the end of term of its MPSA. The provision represents the best estimate of the expenditures required to settle the present obligation at the current reporting date. The amount of provision depends on the completeness of rehabilitation and decommissioning activities performed by the Company during and immediately after every mining operation. Changes in rehabilitation and decommissioning costs are recognized

as additions or charges to the corresponding provision when these occur.

While the Company has made its best estimate in establishing the decommissioning and rehabilitation provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and rehabilitation activities, the ultimate provision requirements could either increase or decrease significantly from the Company's current estimates. The obligation to rehabilitate and decommission a mine generally arises when the ground/environment is disturbed at the production location.

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of "Mining assets" in the consolidated statements of financial position, amounted to R4,484 million as at June 30, 2021 and 4,435 as of December 31, 2020 (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to R52.6 million as at June 30, 2021 and December 31, 2020 (see Note 13).

*Assessing Impairment of Nonfinancial Assets.* The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company 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; or
- significant negative industry or economic trends.

No impairment loss was recognized in 2021 and 2020.

*Estimating Retirement Benefit Liability.* The determination of the Company's retirement benefit liability and costs is dependent on the selection by Management of assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate.

Actual results that differ from the Company's assumptions are recorded as addition to or deduction from retirement benefit liability and recognized in profit or loss or OCI. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated as at reporting date may differ significantly from the amount reported.

Retirement benefit liability amounted to R33.2 million as at June 30, 2021 and December 31, 2020 (see Note 19).

*Recognizing Deferred Tax Assets.* The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's recognized deferred tax assets amounted to R36.19 million as at June 30, 2021 December 31, 2020, respectively.

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at June 30, 2021 and December 31, 2020 because the Management assessed that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.



*Contingencies.* The Company is currently involved in various legal proceedings and/or assessment or pending governmental investigation which the Company believes to have no material adverse effect on its financial position. It is not involved in any pending legal proceedings with respect to any of its properties. Apart from the foregoing, therefore, it is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries. It is possible however, that changes in estimates relating to these proceedings may materially affect the results of operations of the Company.

#### 4. Acquisition of Group of Assets

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as surviving entity (see Note 1). As at the acquisition date, BHI's and APMPC's assets consist mainly of mining rights and deferred exploration costs. Management determined that based on the substance of the underlying circumstances at that date, BHI and APMPC did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed in the group based on their relative fair values.

Allocation of the acquisition cost of the group of assets and liabilities of BHI and APM are as follows:

	BHI	APM	Allocation
<b>Assets</b>			
Current assets	₱2,862,560	₱111,725	₱2,974,285
Mining rights	695,649,865	945,163,500	1,640,813,365
Deferred exploration costs	75,640,185	2,195,389	77,835,574
Property and equipment	2,062,499	—	2,062,499
	776,215,109	947,470,614	1,723,685,723
<b>Liabilities</b>			
Advances from related parties	111,856,563	14,897,589	126,754,152
Deferred tax liability	211,153,999	254,108,760	465,262,759
Loans payable	1,742,257	—	1,742,257
Other liabilities	1,462,290	3,464,265	4,926,555
	326,215,109	272,470,614	598,685,723
<b>Net assets acquired</b>	<b>₱450,000,000</b>	<b>₱675,000,000</b>	<b>₱1,125,000,000</b>

The consideration for the acquisition cost consists of 1,125,000,000 common shares of the Parent Company issued at ₱1 a share.

The assets of BRC, AMPI and BARI are among the assets acquired in the merger between MHI, APMPC and BHI (see Note 1). The merger was accounted by virtue of a tax-free exchange pursuant to Section 40(C)(2) in relation to Section 40(C)(6)(b) of the National Internal Revenue Code of 1997, as amended.

The fair value of the mining rights used as basis for allocating the acquisition cost are based on the report by Competent Persons (CP) dated June 30, 2017 and was arrived at using the Discounted Cash Flow method (DCF) under the income approach methodology. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. Under the DCF method, the forecasted cash flows is discounted back to the valuation date, resulting in a present value of the asset.

The significant unobservable inputs used in the fair value measurement of the Company's mining rights categorized within Level 3 of the fair value hierarchy follows:

	BHI	APM
Mining life	10	20
Discount rate	12%	12%
Estimated mineral ore reserves (WMT):		
Nickel ore	9,513,459	—
Bauxite ore	—	28,904,888
Market price (per WMT)	P850 to P1,550	P1,350 to P1,550
Estimated annual shipment of mineral ore (WMT)	951,345	1,445,244
Production costs:		
Average variable cost	P477 to P479	P663
Fixed	P448	P490
Operating costs (percentage of gross revenue)	18%	19% to 33%
Estimated project costs	P976,901,820	P1,693,192,588
Exchange rate of Philippine Peso to US Dollar	P50: \$1	P50: \$1

**Discount Rate.** The risk inherent in the pre-feasibility study stage and scale of production was considered in determining the Risk Adjusted Discount Rate that was used to discount the net cash flows generated from shipments during the period of analysis.

**Estimated Mineral Ore Reserves.** Ore reserve estimation is performed by the CP in accordance with Philippine Mineral Reporting Code.

**Market Prices.** Market prices are based on the Bloomberg conservative Nickel ore price forecast and Shanghai metal market for the nickel and bauxite mineral ore, respectively.

**Production Costs.** Estimated costs incurred in extracting mineral ores that composed of variable and fixed costs.

**Operating Cost.** Estimated cost of administering the business and costs incurred to sell and market goods.

**Estimated Project Costs.** Project costs pertain to project-related capital expenditures such as mining equipment fleet, mine support services equipment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitation and decommissioning program.

#### **Sensitivity Analysis**

Significant increases (decreases) in estimated mineral ore reserves, market price and exchange rate in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate, production and operating costs and estimated project costs in isolation would result in a lower (higher) fair value measurement.

#### **Information about the Absorbed Companies**

**BHI.** BHI was incorporated and registered with the SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BRC (see Note 1).

**APMPC.** APMPC was incorporated and registered with the SEC on August 14, 2013 to engage in

mining activities. APM owns 100% interests in AMPL and BARI (see Note 1).

## 5. Cash

This account consists of:

	Unaudited June 30, 2021	Audited Dec. 31, 2020
Cash on hand	₱ 351,799	₱247,195
Cash in banks	128,387,923	241,703,879
	<b>₱ 128,739,722</b>	<b>₱241,951,074</b>

Cash in banks earn interest at prevailing bank deposit rates. Interest income of ₱51,940 and ₱766,044 was earned for the period ended June 30, 2021 and for the year ended December 31, 2020, respectively.

## 6. Trade and Other Receivables

This account consists of:

	Unaudited June 30, 2021	Audited Dec. 31, 2020
Trade receivables	₱353,141,219	₱586,334,701
Advances to officers and employees	36,912,674	34,346,965
Others	8,663,289	8,208,439
	<b>398,717,182</b>	<b>628,890,105</b>
Allowance for ECL	<b>(86,631,586)</b>	<b>(86,631,586)</b>
	<b>₱ 312,085,598</b>	<b>₱542,258,519</b>

Trade receivables are noninterest-bearing and usually collected within 30 days.

Advances to officers and employees are unsecured, noninterest-bearing and subject to liquidation within one (1) year.

Movements in allowance for ECL are as follows:

	Unaudited June 30, 2021	Audited Dec. 31, 2020
Balance at beginning of year	₱86,631,586	₱66,631,586
Provision	—	20,000,000
Balance at end of year	<b>₱86,631,586</b>	<b>₱86,631,586</b>

## 7 Inventories

This account consists of beneficiated nickel ore amounting to ₱379.47 million and ₱127.2 million which is stated at cost as at June 30, 2021 and December 31, 2020. The cost of inventories is lower than its NRV.

## 8 Other Current Assets

This account consists of:

	Unaudited June 30, 2021	Audited Dec. 31, 2020
Prepaid income tax	₱49,492,733	₱49,492,733
Advances to contractors and suppliers	79,086,006	20,662,835
Mining and office supplies	20,158,751	17,957,398
Prepaid expenses	20,307,855	29,285,862
Others	16,834,686	16,216,422
	<b>₱185,880,031</b>	<b>₱133,615,250</b>

Prepaid income tax represents creditable withholding tax and other tax credits of the Parent Company.

Advances to contractors and suppliers include materials and fuel and oil to be supplied for the use of the heavy equipment and are deductible against contractors' future billings.

Mining and office supplies include mechanical, electrical and other materials that will be used in the Company's mining operation.

Prepaid expenses pertains to insurance, excise tax and rent.

Others pertain to advances made to National Commission of Indigenous People (NCIP)

## 9 Property and Equipment

The balances and movements of this account are as follows:

	Unaudited June 30, 2021					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
<b>Cost</b>						
Balances at beginning of year	₱58,597,484	₱174,195,640	₱111,457,281	₱390,490,844	—	₱734,741,249
Additions	—	—	—	—	—	—
Balances at end of year	58,597,484	174,195,640	111,457,281	390,490,844	—	734,741,249
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year	—	₱3,921,856	97,076,516	344,373,546	—	525,371,918
Depreciation and amortization Disposal	—	2,384,428	453,723	2,526,428	—	5,364,579
Balances at end of year	—	87,531,286	125,025,893	346,899,974	—	530,736,497
<b>Net Carrying Amount</b>	<b>₱58,597,484</b>	<b>₱86,664,354</b>	<b>₱17,967,228</b>	<b>₱45,140,870</b>	<b>—</b>	<b>₱204,005,752</b>

As of December 31, 2020						
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in progress	Total
<b>Cost</b>						
Balances at beginning of year	₱58,597,484	₱160,768,530	₱100,108,592	₱378,846,775	₱45,063,720	₱752,385,051
Additions	—	502,059	11,348,689	11,167,939	—	23,018,667
Reclassification	—	3,925,051	—	476,200	(45,063,720)	(40,662,469)
Balances at end of year	58,597,484	174,195,640	111,457,281	390,490,844	—	734,741,249
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year	—	74,293,407	89,799,986	312,412,325	—	476,505,718
Depreciation and amortization	—	9,628,449	7,776,530	31,961,221	—	48,866,200
Balances at end of year	—	83,921,856	97,076,516	344,373,546	—	525,371,918
<b>Net Carrying Amount</b>	<b>₱58,597,484</b>	<b>₱90,273,784</b>	<b>₱14,380,765</b>	<b>₱46,117,298</b>	<b>₱—</b>	<b>₱209,369,331</b>

Heavy and transportation equipment with carrying amounts of ₱6.8 million and ₱35.3 million as at December 31, 2020 and 2019, respectively, are held as collaterals for loans payable.

In 2020, the Company completed the construction of road trails and bridges at its mine site in Surigao del Sur amounting to ₱40.7 million. Accordingly, the cost was transferred to mine development costs (see Note 10).

Fully depreciated property and equipment with cost of ₱191.2 million and ₱190.7 million as at December 31, 2020 and 2019, respectively, are still being used by the Company and retained in the accounts.

## 10 Mining Rights and Other Mining Assets

The balances and movements of this account are as follows:

2020						
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total
			Mine Development Costs	Mine Rehabilitation Assets	Total Mine and Mining Properties	
<b>Cost</b>						
Balances at beginning of year	₱2,935,579,522	₱150,535,169	₱2,066,297,519	₱44,167,841	₱2,110,463,360	₱5,196,580,051
Additions	—	12,221,647	51,924,697	—	51,924,697	64,146,344
Reclassification	—	—	40,662,469	—	40,662,469	40,662,469
Balances at end of year	2,935,579,522	162,756,816	3,158,884,685	44,167,841	2,203,052,526	5,301,388,869
<b>Accumulated Depletion</b>						
Balances at beginning of year	₱52,778,732	—	₱31,442,381	7,945,819	₱39,388,200	₱92,166,932
Depletion	55,167,095	—	116,843,786	2,121,342	₱18,965,128	174,132,163
Balances at end of year	407,945,767	—	448,286,167	10,067,161	458,353,328	866,299,095
<b>Net Carrying Amount</b>	<b>₱2,527,633,755</b>	<b>₱162,756,816</b>	<b>₱1,710,598,518</b>	<b>₱34,100,680</b>	<b>₱1,744,699,198</b>	<b>₱4,435,089,769</b>

### Mining Rights

Mining rights of the Company consist of:

	Note	June 30, 2021	Dec. 31, 2020
Mining rights on explored resources		<b>₱886,820,390</b>	<b>₱886,820,390</b>
Mining rights of BRC, AMPI and BARI	4	<b>1,640,813,365</b>	<b>1,640,813,365</b>
		<b>₱2,527,682,175</b>	<b>₱2,527,633,755</b>

*Mining Rights of MMDC.* Mining rights of MMDC represent the excess of the fair value of shares issued by the Parent Company over the book value of the net assets of MMDC when the Parent



Company acquired 100% ownership in MMDC.

A third party was commissioned for a fairness opinion on the fair and reasonable value of MMDC, primarily for the explored mineral resources covered by MMDC's MPSA. The assumptions used on the valuation include, among others, discount rate of 25% and a constant nickel price of US\$11,000 per metric ton over a ten-year projection period.

#### **Deferred Exploration Costs**

Deferred exploration costs pertain to the capitalized expenditures associated with finding specific mineral resources such as acquisition of rights to explore, geological and geophysical studies and exploration drilling and sampling.

#### **Mine and Mining Properties**

*Mine Development Costs.* Mine development costs include the costs incurred on an already operating mine area. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, road developments and developing additional mine yards.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱1.4 million 2020 (see Note 10).

*Mine Rehabilitation Asset.* Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of MMDC's ore activities, as required in MMDC's MPSA (see Note 13).

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### **11. Other Noncurrent Assets**

This account consists of:

	Note	Unaudited June 30, 2021	Audited Dec. 31, 2020
Input VAT		<b>₱310,202,698</b>	₱307,734,715
Rehabilitation Cash Fund (RCF)		<b>5,545,217</b>	5,545,217
Rental deposit	23	<b>363,250</b>	363,250
Monitoring Trust Fund (MTF)		<b>166,342</b>	166,342
Others		<b>83,713,481</b>	83,713,481
		<b>₱399,991,026</b>	₱398,821,130

RCF is reserved as part of the Company's compliance with the approved rehabilitation activities and schedules for specific mining project phase, including research programs as defined in the Environmental Protection and Enhancement Program.

MTF is exclusively used in activities approved by the Mine Rehabilitation Fund Committee.

Others pertain to deposit in compliance with the requirements of regulatory agencies.



## 12 Trade and Other Payables

This account consists of:

	Note	Unaudited June 30, 2021	Audited Dec. 31, 2020
Trade payables		₱224,150,102	₱149,953,857
Advances from customers		348,185,074	206,249,090
Excise tax and other statutory payables		14,405,462	22,269,466
Accrued expenses:			
Interest		277,094	277,094
Others		39,790,297	21,484,479
Others		20,048,201	9,191,101
		<b>₱646,856,230</b>	<b>₱409,425,087</b>

Trade payables primarily consist of liabilities arising from transactions with contractors and suppliers related to the normal course of business and are generally noninterest bearing. Trade payables are generally on a 90-day credit term.

Advances from customers pertain to noninterest bearing advances and refundable deposit made by customers for future ore shipments.

Other statutory payables include other taxes payable and mandatory contributions. These are normally settled within one (1) month.

Other accrued expenses include accrual of expenditures for Social Development Management Program as required by the MGB.

## 13 Provision for Mine Rehabilitation and Decommissioning

Movements of this account are as follows:

	Note	Unaudited June 30, 2021	Audited Dec. 31, 2020
Balance at beginning of year		₱55,675,292	₱55,675,292
Accretion of interest		—	—
Balance at end of year		<b>₱55,675,292</b>	<b>₱55,675,292</b>

A provision is recognized for the estimated rehabilitation costs of the Company's mine site upon termination of the Company's ore extraction activities, which is about 13 years. The provision is calculated by the Company's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 4.53% as the effective interest rate.

#### 14 Loans Payable

This account consists of:

	Unaudited June 30, 2021	Audited Dec. 31, 2020
Short-term loan – MMDC	<b>₱256,000,000</b>	₱256,000,000
Long-term debt:		
AMPI	<b>₱127,658,703</b>	₱156,230,131
MMDC	<b>130,299,491</b>	210,275,436
	<b>257,958,194</b>	336,505,567
Less current portion	–	79,975,945
	<b>₱257,958,194</b>	₱286,529,622

##### Short-term Loan

MMDC obtained short-term loans from local banks to finance working capital requirements. The short-term loans bear interest rates ranging from 5.00% to 8.00% to be repriced normally every month and has maturity of not more than one year.

On January 12, 2015, MMDC obtained a credit facility amounting to ₱200.0 million and a domestic bills purchase line amounting to ₱5.0 million from a local bank. The credit facilities are secured by the interests and rights of the Parent Company over 647,692 shares of stocks of MMDC.

In 2018, MMDC obtained credit facilities limited to ₱400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 150% of the credit facility limit.

Outstanding balance of these credit facilities are summarized below:

Classification	Unaudited June 30, 2021	Audited Dec. 31, 2020
200.0 million credit facility	<b>₱60,000,000</b>	₱60,000,000
400.0 million credit facilities	<b>170,000,000</b>	170,000,000
	<b>₱230,000,000</b>	₱230,000,000

In 2018, MMDC obtained a short-term loan from a related party amounting to ₱25.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 22). This was not yet paid and renewed for another term.

##### Long-term Debt

###### **AMPI**

On September 21, 2018, AMPI obtained a five-year promissory note of ₱200.0 million which will be used to finance AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.5%. The principal is due on maturity.

#### **Debt-Issue Costs**

Movements of unamortized debt-issue costs are as follows:

	Unaudited June 30, 2021	Audited Dec. 31, 2020
Balance at beginning of year	<b>₱156,230,131</b>	<b>₱157,142,857</b>
Amortization	–	(912,726)
Balance at end of year	<b>₱156,230,131</b>	<b>₱156,230,131</b>

#### **MMDC**

On July 15, 2015, MMDC obtained a five-year promissory note amounting to ₱100.0 million from a local financing company, which is covered by a chattel mortgage on transportation equipment and bears an annual interest rate of 6%. The principal payments and interest are payable monthly until maturity.

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱6.8 million as at December 31, 2020 (see Note 9).

On July 11, 2017, MMDC obtained a five-year promissory note amounting to ₱1.5 million from a local bank, which is covered by a chattel mortgage on MMDC's transportation equipment and bears an annual interest rate of 10.34%.

The carrying amount of transportation equipment held as collateral amounted to nil as at December 31, 2020 (see Note 9).

#### **BRC**

On June 30, 2016, BRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortgage and bears an annual interest rate of 9.02%.

The carrying amount of transportation equipment held as collateral amounted to ₱0.3 million as at December 31, 2020 (see Note 9).

Interest expense of the Company was incurred from the following sources:

	Note	Audited Dec. 31, 2020
Loans payable		<b>₱61,452,231</b>
Provision for mine rehabilitation and decommissioning	13	<b>3,040,465</b>
		<b>₱64,492,696</b>

## 19. Equity

Movements of this account are as follows:

	Six Months Ended June 30			
	2021		2020	
	Shares	Amount	Shares	Amount
Authorized Capital Stock at ₱1 per value	4,000,000,000	₱4,000,000,000	4,000,000,000	₱4,000,000,000
<b>Capital Stock:</b>				
Balance at beginning of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305
Issuance of shares	-	-	-	-
Balance at end of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305
<b>Additional Paid-in Capital</b>		<b>₱269,199,788</b>		<b>₱269,199,788</b>

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Payment Date
				On or after
November 14, 2014	₱0.15	₱273,203,790	December 19, 2014	January 16, 2015
September 19, 2014	0.15	273,203,790	October 1, 2014	October 22, 2014

Dividends payable amounted to ₱4.7 million as at June 30 2021 and December 31, 2020, respectively.

## 16. Cost of Sales

This account consists of:

	For the six months ended June 30,	
	2021	2020
Contractual services	₱264,498,062	₱418,419,109
Personnel costs	62,850,925	59,089,970
Production overhead	111,097,241	77,046,093
Depletion 10	10,043,036	42,872,730
Demurrage costs	55,399,084	28,000,000
Excise tax	11,994,138	49,520,152
Depreciation 9	15,076,449	6,790,115
	530,958,935	681,738,169
Net movement in inventories	(252,252,082)	37,499,096
	<b>₱278,706,853</b>	<b>₱719,237,265</b>

Contractual services pertain to activities directly related to mining. The services include, among others, mine extraction, loading, hauling, barging and stevedoring.

Production overhead consists of repairs and maintenance of heavy equipments, utilities, mining supplies used, among others.

Demurrage costs are fees charged by the chartered ship for failure to load the mineral ores to ship within the agreed period.

#### 17. Operating Expenses

This account consists of:

For the six months ended June 30,			
	Note	2021	2020
Salaries and allowances		₱ 33,989,910	₱41,091,875
Environmental expenses	21	52,831,572	42,607,822
Depreciation and amortization	9	12,135,810	19,635,205
Taxes and licenses		34,981,838	26,747,245
Professional fees		23,143,196	15,467,942
Social development program	21	4,906,101	19,930,255
Royalties		3,148,461	11,934,623
Community relations		7,580,751	3,011,090
Outside services		3,139,634	3,992,552
Communication, light and water		1,657,174	3,071,784
Transportation and travel		497,482	1,543,106
Dues and subscriptions		1,500,619	1,533,247
Office supplies		696,366	702,495
Rent expense	21	1,303,952	-
Advertisement		3,118	27,086
Others		24,856,091	6,168,308
		₱206,372,075	₱202,200,103

Others include insurance, trainings and seminars, security services, among others.

#### 18. Other Income (Charges) – Net

This account consists of:

		For the six months ended June 30,	
	Note	2021	2020
Foreign-exchange loss		(P285,857)	(P31,674)
Others		177,503	351,619
		(P108,354)	P319,945

#### 19. Retirement Benefit Liability

The Company has an unfunded, noncontributory defined benefit plan covering all its permanent employees. Under this plan, the employees are entitled to retirement benefits ranging from 50% to 200% of the final monthly salary for each year of credited service. This plan is in accordance with Republic Act No. 7641, which mandates a minimum retirement benefit equivalent to one-half month salary per year of service.

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2020.

The components of retirement benefit expense presented under "Operating expenses" account in profit or loss are as follows:

	Audited Dec. 31, 2020
Current service cost	P5,416,152
Net interest cost	1,820,256
Past service cost	1,356,180
Settlement gain	—
	<u>P8,592,588</u>

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2020 and changes in the present value of defined benefit obligation are as follows:

	Audited Dec. 31, 2020
Balance at beginning of year	P37,395,071
Retirement benefits expense recognized in profit or loss:	
Current service cost	5,416,152
Net interest cost	1,820,256
Past service cost	1,356,180
Remeasurement losses (gains) recognized in OCI arising from:	
Changes in financial assumptions	4,115,333
Deviations of experience from assumptions	(1,031,037)
Benefits paid	(15,911,695)
Balance at end of year	<u>P33,160,260</u>

The principal actuarial assumptions used to determine retirement benefit liability for 2020 and 2019 are as follows:

	Audited Dec. 31, 2020
Discount rates	3.53% – 3.64%
Salary increase rates	3.00%

The plan exposes the Company to actuarial risks, such as interest rate risk and salary risk.

Sensitivity analysis on defined benefit obligation as at December 31, 2020 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(P3,302,601)
	-1%	3,982,497
Salary increase rate	+1%	3,960,989
	-1%	(3,380,066)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the end of each reporting date after adjusting one of the current



assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

The changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed more responsive.

The cumulative remeasurement gain recognized in OCI as at December 31, 2020:

	Audited December 31, 2020		
	Accumulated Remeasurement Gain	Deferred Tax Liability	Net Remeasurement Gain
Balance at beginning of year	P48,634,065	(P14,590,220)	P34,043,845
Actuarial loss	(3,084,296)	925,289	(2,159,007)
Balance at end of year	P45,549,769	(P13,664,931)	P31,884,838

The average duration of the expected benefit payments at the end of the reporting period is 17 years.

## 20. Related Party Transactions

Significant transactions with related parties include the following:

### Related Parties under Common Management

Note	Transaction Amounts		Outstanding Balances		Nature and Terms
	Unaudited June 30, 2021	Audited Dec. 31, 2020	Unaudited June 30, 2021	Audited Dec. 31, 2020	
Advances to related parties	P32,540,682	P12,187,198	P71,720,239	P39,179,557	Working fund; unsecured; noninterest-bearing; collectible on demand
Advances from related parties	P184,152,919	P29,423,853	P324,425,593	P140,272,674	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	P-	P-	P26,000,000	P26,000,000	Short-term loan; unsecured; interest-bearing; payable in instalments

As at June 30, 2021 and December 31, 2020, the Company has not provided any allowance for ECL for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

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## 21. Commitments

### Social and Environmental Responsibilities

#### **Social Development Management Programs (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.

The Company's implemented social development programs to host communities amounted to ₱4.9 million and ₱19.9 million in June 2021 and 2020, respectively (see Note 17).

#### **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 Company implemented projects amounting to ₱52.8 million and ₱42.6 million in June 2021 and 2020, respectively.

#### **Royalty Agreement**

In July 2008, the Company entered into a memorandum of agreement with the Indigenous Cultural Communities/Indigenous People (ICC/IP) and NCIP pursuant to the requirements, the Company pays royalties equivalent to a certain percentage of gross revenue to the ICC/IP.

#### **Lease Commitment**

Rental expense arising from short-term leases amounted to ₱1.3 million and nil as at June 2021 and in 2020, respectively (see Note 17).

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## 22. NOLCO

Management believes that it may not be probable that future taxable profit will be available in the future against which the benefits of the following deferred tax assets can be utilized.

	Audited Dec. 31, 2020
NOLCO	₱86,306,189
Retirement benefit liability	2,829,520
Excess MCIT over RCIT	32,560
	<u>₱89,168,269</u>

Details of NOICO of the Company are as follows:

Year incurred	Expiry date	Amount	Expired/ Application	Balance
2020	2025	P89,256,645	P-	P89,256,645
2019	2022	98,920,446	-	98,920,446
2018	2021	99,510,205	-	99,510,205
2017	2020	26,804,863	(26,804,863)	-
		P314,492,159	(P26,804,863)	P287,687,296

Details of Excess MCIT over RCIT of the Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2019	2022	P2,432,232	(P2,417,432)	P-
2018	2021	1,787,769	(1,770,009)	-
2017	2020	1,717,760	-	(1,717,760)
		P5,937,761	(P4,187,441)	(P1,717,760)

### 23. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows:

	Six Months Ended June 30,	
	2021	2020
Net loss shown in the consolidated statements of comprehensive income (a)	(P166,314,646)	(P123,964,452)
Weighted average number of common shares (b)	3,014,820,305	3,014,820,305
Basic loss per share (a/b)	(P0.055)	(P0.041)

The Company does not have potentially dilutive common shares.

### 24. Contingencies

#### Cancellation of MMDC's MPSA

On February 13, 2017, MMDC received an order from the DENR cancelling its MPSA due to alleged violations of environment-related laws and regulations. The Technical Committee Report on MMDC however only shows a recommendation for fine and suspension.

The Management and its legal counsel have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining.

On February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum. MMDC asserted that the grounds for cancellation cited by the DENR: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President Gloria Macapagal Arroyo; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area. As to the alleged non-

compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to circumstances beyond its control.

As at December 31, 2020, MMDC has not received any decision nor any notice from the Office of the President. MMDC's Legal Counsel is of a good faith position that it may continue its operations because the execution of the Order of the DENR Secretary is deemed automatically stayed as a matter of law on account of the pendency of MMDC's appeal, as likewise confirmed by the Office of the President.

MMDC has continuously been granted the necessary regulatory permits and licenses to operate, including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits. As proof of its compliance, MMDC has also secured a certification from the MGB as of February 16, 2021, attesting to the validity and existence of its MPSA and that MMDC has an approved Declaration of Mining Project Feasibility covering its entire contract mining area as of October 15, 2014.

MMDC has continued mining operations in areas covered by the MPSA (see Note 1).

#### **Show-Cause Orders of BRC, AMPI and BARI**

On 27 February 2017, BRC, AMPI and BARI received Show-Cause Orders dated 13 February 2017. The said Show Cause Orders indicated that the covered areas of their respective MPSAs (MPSA No. 015-93-X-SMR for BRC, 179-2002-VIII- SBMR for AMPI and 180-2002-VIII- SBMR for BARI) are within a watershed and they are directed to show cause why their respective MPSAs should not be cancelled.

#### **BRC**

The Management and the Legal Counsel of BRC take the good faith position that the operations of BRC under said MPSA is granted with prior rights and is allowed by law and the alleged impairment and damage in the BRC MPSA area is not supported by any specific acts of impairment because BRC is not yet operating in the area but has only completed exploration and drilling.

#### **AMPI and BARI**

The Management and the Legal Counsel of AMPI and BARI take the good faith position that the concerned MPSAs and the area of operations are not located in lawfully declared watershed, thus there is no legal basis for the cancellation.

The Forest Management Bureau (FMB) issued a letter dated 27 July 2017 indicating that the MPSAs of AMPI and BARI fall outside any proclaimed watersheds.

Subsequently, the DENR issued a letter dated 10 August 2017 stating that the MPSA Nos. 179-2002-VIII- SBMR (for AMPI) and 180-2002-VIII- SBMR (for BARI) are not located within any proclaimed watershed.

As at December 31, 2019, the DENR has not issued any other Show Cause Orders for BRC, AMPI and BARI. Basing on the above letters from FMB and DENR, the Management and Legal Counsel of BRC, AMPI and BARI take a good faith position that these have rendered that Show-Cause Orders moot and academic. Of note is the recent letter-approval of the DENR, through the MGB, dated 18 May 2020, granting the requested extension of the Exploration Period of AMPI and BARI's respective MPSAs from 18 June 2020 to 18 June 2023.

#### **Legal Proceedings**

The Company is a party to certain legal proceedings and the Management, after consultation with its legal counsel, believes that none of these contingencies will materially affect the Company's financial

position and results of operations.

## 25. Financial Risk Management Objectives and Policies and Fair Value Measurement

### General

The Company has risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

### Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, loans payable and long-term debt. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as trade and other receivables (excluding advances to officers and employees), RCF, MTF, rental deposit, trade and other payables (excluding excise tax and other statutory payables and advances from customers), dividends payable and advances to and from related parties, which arise directly from operations. The main risks arising from the use of these financial instruments are foreign currency risk, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

*Foreign Currency Risk.* The Company's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar with respect to US dollar-denominated financial assets.

The Company's transactional currency exposures arise from its cash in banks and trade receivables which are denominated in US dollar. The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk.

The following table shows the Company's US dollar-denominated financial assets and their Philippine Peso equivalent as at December 31, 2020:

	Audited December 31, 2020	
	Philippine Peso	US Dollar
Cash in banks	P142,812,658	\$2,974,025
Trade receivables	586,334,701	12,210,219
	P729,147,359	\$15,184,244

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at December 31, 2020, the exchange rates applied were ₱48.02 per US\$1.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2020 and 2019 (due to changes in the fair value of financial assets). There is no other impact on the Company's equity other than those already affecting profit or loss.



	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2020	+2.28	P16,624,560
	-2.28	(16,624,560)

**Interest Rate Risk.** Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows on the fair values of financial instruments. The Company follows a prudent policy on managing its assets or liabilities so as to ensure that exposures to fluctuations in interest rate are kept within acceptable limits.

The Company's short-term loan and long-term debt are exposed to changes in market interest rates since the loans are subject to variable interest rates.

The table below set forth the estimated change in the Company's income before tax to a reasonably possible change in the market prices of loans payable brought about by reasonably possible change in interest rates as at December 31, 2020.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2020	+2.70%	(P1,741,303)
	-2.70%	1,741,303

**Credit Risk.** Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, trade and other receivables (excluding advances to officers and employees) and advances to related parties, RCF, MTF and rental deposit, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The tables below show the credit quality per class of financial assets as at December 31, 2020.

		Audited December 31, 2020						
		High Grade	Standard Grade	Past Due			Total	Allowance for ECL
				1 - 30 Days	31 - 90 Days	More than 90 Days		
Lifetime ECL (not credit impaired):								
Trade and other receivables <sup>a</sup>	P=	P8,208,439	P77,580,211	P84,203,374	P337,919,530	P86,681,586	P594,543,140	
12-month ECL:								
Cash in banks	241,703,679	=	=	=	=	=	241,703,679	
Advances to related parties	=	39,179,557	=	=	=	=	39,179,557	
RCF and MTF	5,711,559	=	=	=	=	=	5,711,559	
Rental deposit	=	363,250	=	=	=	=	363,250	
	247,415,438	39,542,807	=	=	=	=	286,958,245	
	P247,415,438	P47,751,246	P77,580,211	P84,203,374	P337,919,530	P86,681,586	P881,501,385	

<sup>a</sup>Excluding advances to officers and employees amounting to P31.2 million in 2020.

Customer credit risk from trade and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future



economic conditions. Generally, trade receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For other financial assets consisting of cash in banks, advances to related parties, RCF and MTF and rental deposit, the Company manages credit risk based on the Company's policy and uses judgment in making assumptions for estimating the risk of default and expected loss rates. This is based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The credit quality of the financial assets is managed by the Company using internal credit quality ratings. High grade accounts consist of receivable from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts.

Cash in banks, RCF and MTF are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under standard grade since the counterparties are reputable related parties with low credit risk.

**Liquidity Risk.** The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal and interest payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2020, based on contractual undiscounted payments. Loans payables consist of principal and estimated future interest payments.

Audited December 31, 2020						
Trade and other payables*	₱6,517,416	₱24,435,258	₱149,953,857	₱—	₱—	₱180,906,531
Dividends payable	4,707,886	—	—	—	—	4,707,886
Loans payable and long-term debt**	258,429,963	23,449,904	48,000,621	94,548,567	247,977,330	672,406,385
Advances from related party	140,272,674	—	—	—	—	140,272,674
	₱409,927,939	₱47,885,162	₱197,954,478	₱94,548,567	₱247,977,330	₱998,293,476

\*Excluding excise tax and other statutory payables and advances from customers amounting to ₱228.5 million as at December 31, 2020.

\*\*Including interest payable up to maturity amounting to ₱24.7 million as at December 31, 2020.

#### **Fair Value of Financial Assets and Financial Liabilities**

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the consolidated financial statements:

	Unaudited June 30, 2021		Audited December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	₱128,739,722	₱128,739,722	₱241,951,074	₱241,951,074
Trade and other receivables*	266,509,635	266,509,635	507,911,554	507,911,554
Advances to related parties	71,720,239	71,720,239	39,179,557	39,179,557
RCF and MTF	5,711,559	5,711,559	5,711,559	5,711,559
Rental deposit	363,250	363,250	363,250	363,250
	<b>₱473,044,405</b>	<b>₱473,044,405</b>	<b>₱795,116,994</b>	<b>₱795,116,994</b>

	Unaudited June 30, 2021		Audited December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trade and other payables*	₱273,158,496	₱351,921,116	₱180,906,531	₱180,906,531
Dividends payable	4,707,886	4,707,886	4,707,886	4,707,886
Loans payable and long-term debt	546,337,875	606,785,499	622,505,567	649,932,918
Advances from related parties	324,425,593	379,878,451	140,272,674	140,272,674
	<b>₱1,148,629,850</b>	<b>₱1,343,292,592</b>	<b>₱948,392,658</b>	<b>₱975,820,009</b>

*Cash, Trade and Other Receivables (excluding advances to officers and employees), Advances to Related Parties, RCF and MTF, Trade and Other Payables (excluding excise tax and other statutory payables and advances from customers), Dividends Payable and Advances from Related Parties.* Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

*Rental Deposit.* The fair value of rental deposit has not been determined using observable market data because Management believes that the difference between fair value and carrying amount is not significant.

*Loans Payable and Long-term Debt.* Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDST-R2 rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

## 25. Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Company manages its capital structure and makes adjustments to it, whenever there are changes in economic conditions. The Company monitors its capital using debt to equity ratio. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or by conversion of related party advances to an equity component item.

	Unaudited June 30, 2021	Audited December 31, 2020
Total debt	<b>₱2,076,425,895</b>	<b>₱1,867,116,716</b>
Total equity (excluding remeasurement gain on retirement benefit liability)	<b>4,098,379,428</b>	<b>4,264,696,074</b>
Debt-to-equity ratio	<b>0.51:1.00</b>	<b>0.44:1.00</b>

There were no changes in the Company's objectives, policies or processes in 2021 and 2020.

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

**AS AT JUNE 30, 2021 AND DECEMBER 31, 2020**

<b>Ratio</b>	<b>Formula</b>	<b>Unaudited June 30, 2021</b>	<b>Audited Dec. 31, 2020</b>
Current ratio	Total Current Assets	<b>₱1,077,895,462</b>	<b>₱1,084,222,184</b>
	Divided by: Total Current Liabilities	<b>1,264,369,389</b>	<b>1,026,488,783</b>
	Current ratio	<b>0.85:1</b>	<b>1.06:1</b>
Solvency ratio	Net Income (Loss) Before Depreciation and Amortization	<b>(₱160,825,155)</b>	<b>₱598,045,828</b>
	Divide by: Total liabilities	<b>2,076,425,895</b>	<b>1,867,116,716</b>
	Solvency ratio	<b>(0.08):1</b>	<b>0.32:1</b>
Debt-to-equity ratio	Total Liabilities	<b>₱2,076,425,895</b>	<b>₱1,867,116,716</b>
	Divide by: Total equity	<b>4,130,264,266</b>	<b>4,296,578,912</b>
	Debt-to-equity ratio	<b>0.51:1</b>	<b>0.43:1</b>
Asset-to-equity ratio	Total Assets	<b>₱6,206,690,161</b>	<b>₱6,163,695,628</b>
	Divide by: Total equity	<b>4,130,264,266</b>	<b>4,296,578,912</b>
	Asset-to-equity ratio	<b>1.51:1</b>	<b>1.43:1</b>
Interest rate coverage Ratio	Pretax Income (loss) before interest	<b>(₱142,735,754)</b>	<b>₱693,974,205</b>
	Divided by: Interest expense	<b>23,578,892</b>	<b>64,492,696</b>
	Interest rate coverage ratio	<b>(7.05):1</b>	<b>10.76:1</b>
Profitability Ratio	Net income (loss)	<b>(₱166,314,646)</b>	<b>₱375,047,465</b>
	Divide by: Total equity	<b>4,130,264,266</b>	<b>4,296,578,912</b>
	Profitability ratio	<b>(0.04):1</b>	<b>0.09:1</b>