2019 Annual Report

Our Green. Our NATURE

MARCVENTURES
HOLDINGS, INC.

TABLE OF CONTENTS

Vision	2
Mission	3
Corporate Profile	4
Subsidiaries	5
Message from the Chairman and the President	6
Financial Review/Performance Highlights	10
Our Businesses	11
Mine and Exploration Report	12
Corporate and Social Responsibility Report	14
Board Committees	20
Board of Directors/Executive Officers	22
Financial Statements	32

Our VISION

MHI strives to be a responsible steward of Mineral Resources – a gift from the Divine Providence – in the pursuit of our corporate goals, while ensuring the welfare of our Host Communities and protecting and conserving their environment.

Our MISSION

We employ best mining practices at all times through *Clean, Sustainable, and Responsible Mining: the Marcventures Way* – in the pursuit of a healthy balance between our mission to maintain a habitable environment and become a catalyst for uplifting the quality of life of our Host Communities while we attain long term Profitability and Sustainability.

CORE VALUES

These principles and values accelerate our progress:

- **Stewardship** - Protect, maintain, and restore our mining areas – to the greatest extent possible and to state that God has given it to us.
- **Sustainability** - Integrate our mining activities, plans, and programs that encourage the Sustainable Development of our Host Communities.
- **Accountability** - Achieve profitability, guided by the principles of accountability based on transparency and best operating practices to achieve overall efficiencies.
- **Equity** - Fulfill our financial and corporate social responsibilities while providing a reasonable return for our Shareholders.

Through it all, our Faith in God and His infinite goodness, shall be our inspiration.

CORPORATE PROFILE

Marcventures Holdings, Inc. (MHI) is a Public Company acquired in 2009, that currently has Four (4) wholly-owned Mining Subsidiaries; 2 in Nickel and 2 in Bauxite Resources (Ore for Aluminum). It was transformed in 2013 into an Investment and Holding Company.

On December 29, 2017, the Securities and Exchange Commission approved the merger of MHI with **Asia Pilot Mining Philippines Corp. (APMPC)** and **Bright Green Resources Holdings Inc. ("BHI")** with MHI as the surviving entity. This resulted in the acquisition by MHI of APMPC Subsidiaries, namely, **Alumina Mining Philippines Inc. ("AMPI")** and **Bauxite Resources Inc. ("BARI")** as well as BHI's subsidiary, **BrightGreen Resources Corp. ("BRC").**

As of December 2019 Capital amount, MHI Capital Accounts show Authorized Capital Stock of 4,000,000 Common Shares at a Par Value of ₱1.00 per Share and Total Issued and Outstanding Shares of 3,014,820,305 Common Shares.

At present, MMDC had a Measured and Indicated Resources of **11 Million Wet Metric Tons (WMT) Saprolite** at **1.44% Ni** and **13.48% Fe** and **55,437,000 Million Wet Metric Tons (WMT) Limonite** at **0.85% Ni** and **45.36% Fe** and Inferred Resources of **6,836,000 Million Wet Metric Tons (WMT) Saprolite** at **1.26% Ni** and **13.47% Fe.**

BRC had a Measured and Indicated Resources of **3,055,000 Million Wet Metric Tons (WMT) Saprolite** at **1.59% Ni** and **14.85% Fe** and **12,972,000 Million Wet Metric Tons (WMT) Limonite** at **1.07% Ni** and **39.73% Fe** and Inferred Resources of **329,000 Million Wet Metric Tons (WMT) Saprolite** at **1.61% Ni** and **14.25% Fe** and **4,698,000 Million Wet Metric Tons (WMT) Limonite** at **0.90% Ni** and **39.61% Fe.**

These brought the Total Resources of Nickel under MHI to Measured and Indicated Resources of **14.95 Million Wet Metric Tons (WMT) Saprolite** at **1.39% Ni** and **13.10% Fe** and **76.63 Million Wet Metric Tons (WMT) Limonite** at **0.91% Ni** and **43.49% Fe** and Inferred Resources of **5.0 Million Wet Metric Tons (WMT) of Saprolite** at **1.32% Ni and 12.99 % Fe** and **4.70 Million Wet Metric Tons (WMT) of Limonite** at **0.90% Ni** and **39.61% Fe.**

From the acquisition of the Bauxite Mines, MHI gained **73.2 Million WMT Measured and Indicated Resources** containing **41.66% Al2O3** and **11.69% SiO2.** An internal Ore Reserve Computation was derived showing a Direct Shippable Ore (DSO) estimated at **33.0 Million Wet Metric Tons (WMT)** containing **45.55% Al2O3** and **3.74% SiO2.**

MHI's Principal Offices are located at the 4th Floor of Citibank Center, 8741 Paseo de Roxas Avenue, Makati City, Philippines.

SUBSIDIARIES

Marcventures Mining and Development Corporation (MMDC), is a wholly owned subsidiary of MHI. It operates a Nickel Mine in the Municipalities of Cantilan, Carrascal and Madrid in the Province of Surigao del Sur under Mineral Production Sharing Agreement No. 016-93-XIII covering an area of 4,799 hectares approved on July 01, 1993. It started commercial operations in 2011. In 2015, MMDC obtained an Amended Environmental Compliance Certificate to extract **5 Million Wet Metric Tons (WMT)** of Nickel Laterite Ore on a yearly basis. Based on its Mineral Resource Report as of December 31, 2019, MMDC's total Measured and Indicated Saprolite and Limonite Mineral Resource is at **11.82 Million Wet Metric Tons (WMT)** and **61.34 Million Wet Metric Tons (WMT)** respectively, with an average grade of **1.33% Ni** and **12.57% Fe** for Saprolite and **0.87% Ni** and **44.20% Fe** for Limonite.

BrightGreen Resources Corp. (BRC) is a Mining Tenement adjacent to the mining property of MMDC. It 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. Based on a mineral resource report signed by a Competent Person on March 2016, BRC's total Measured and Indicated Mineral Resource is **16.03 Million Wet Metric Tons (WMT)** with average grade of **1.17% Ni** and **34.98% Fe**. This is further broken down to **3.06 Million Wet Metric Tons (WMT) Saprolite** with an average grade of **1.59% Ni** and **14.85% Fe**, and **12.97 Million Wet Metric Tons (WMT) Limonite** with an average grade of **1.07% Ni** and **39.73% Fe**.

Alumina Mining Philippines Inc. (AMPI) 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.

Bauxite Resources Inc. (BARI) holds MPSA No. 180-2002 VIII (SBMR) with an area of 5,519.01 hectares located in the Province of Samar, issued on December 5, 2002.

Both AMPI and BARI are Bauxite Ore Properties. Bauxite is the main raw material of Aluminum.

The Bauxite Properties' combined Measured and Indicated Mineral Resource is around **73.0 Million Wet Metric Tons (WMT)**. The Ore Resources have been fully explored under JORC and Philippine Mineral Reporting Code (PMRC) Standards and show **Mineable Ore of 67.3 Million Wet Metric Tons (WMT)** and Shippable Ore of around **60.13 Million Wet Metric Tons (WMT)** over an 18-year mine life.

MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

OPERATING PERFORMANCE

Marcventures Holdings, Inc. (MHI) achieved a turnaround and successful recovery in 2019 coming from a dismal performance in 2018.

The mining subsidiary Marcventures Mining Development Corporation (MMDC) reported 2019 Revenues of **Pesos One Billion Four Hundred Thirty Two Million Five Hundred Thousand (₱1,432.5 Million)** and Net Income of **Pesos One Hundred Sixty Five Million Four Hundred Thousand (₱165.4 Million)** over the 2018 results which showed Revenues of **Pesos Nine Hundred Eighty Seven Million Three Hundred Thousand (₱987.3 Million)** and a Net Loss of **Pesos Two Hundred Sixty Two Million Nine Hundred Thousand (₱262.9 Million)** for a remarkable reversal of **45.1%** and **258.9%** respectively. MHI saw a swing from a Consolidated Loss of **Pesos Three Hundred Eighty Eight Million Eight Hundred Thousand (₱388.8 Million)** to a Net Income of **Pesos Thirty Seven Million Eight Hundred Thousand (₱37.8 Million)** – an increase of **Pesos Four Hundred Twenty Six Million Six Hundred Thousand (₱426.6 Million) or 1,128.6%.**

Despite Nickel prices continuing to be on low side for most of 2019, the positive results were achieved by the **31.4%** increase in Tonnage from **1.1 Million Tons** in 2018 to **1.4 Million Tons** in 2019. More important was the control and reduction in overall Expenditures Mining Cost and Overhead by **Pesos One Hundred Sixty One Million Seven Hundred Thousand (₱161.7 Million)** or **29.8% Ore Production and Shipments** increased by **36.4% Tons** to **1.5 Million Tons** from **1.1 Million Tons** in 2018.

The significant improvement in 2019 was the reduction of Unit Cost to **$17.91 per Wet Metric Tons (WMT)** compared to **$26.66 per Wet Metric Tons (WMT)** in 2018 – a **32.8%** decline. Costs were within the pre-2018 levels of **$17.32 per Wet Metric Tons (WMT).**

Several factors contributed to the 2019 turnaround and better results:

- A thorough change in Mine, Operational Management and also in Corporate in MMDC.
- Efficiencies were achieved as proven by the **32.8%** cost decrease.
- Mine Facilities and Infrastructure were rehabilitated and renewed to attain efficient and lower cost operations.
- Revised and stricter processes for Cost Control and Monitoring of Mining Operations
- Improved Mine Planning to focus on additional High Grade and Higher Margin
  Ore and improved Mining Methods to reduce the volume of Waste and Soil Overburden
  thereby reducing costs.
- Aggressive Marketing which saw MMDC obtaining slightly higher than Industry price levels.
- Increased participation by the Board through a more active Executive Committee and a Corporate Management Reorganization with strengthening in key areas and involvement in management by the Parent Co. (MHI).

Management and the Board feel confident about 2020 and the return of MHI to higher and sustained profitability. Major changes and improvements have been implemented to assure efficiency and lower costs that will ensure profitability even in a down market. Market Projections however indicate higher price levels in 2020 which augurs well for MHI. MMDC has set a goal of **2.5 Million Tons** which combined with an improved market may achieve even better than expectations.

NEW DEVELOPMENTS AND PROJECTS

In 2020, MHI may start the development of its other Nickel Property – **BrightGreen Resources Corporation (BRC).** BRC contains Measured and Indicated Reserves of **3.06 Million Tons of Saprolite** and **12.97 Million Tons of Limonite** plus Inferred Resources of **5.03 Million Tons.**

It is a low-cost development since it will involve an access road of only 7.0 Kilometers and will connect to the existing from Pit to Berthing Area Road of MMDC. We hope to start Operations by late 2021 or early 2022.

We continue with the Pre-development and Permitting of our Samar Bauxite Properties (Aluminum Raw Material) under **Alumina Mining Philippines, Inc (AMPI)** and **Bauxite Resources, Inc. (BARI)** under MPSA Nos 179-2002 VIII (SBMR) and 180-2002 VIII (SBMR) respectively with areas of 6,694 hectares and 5,436 hectares.

We are in the process of obtaining our Environmental Compliance Certificate (ECC) and the Declaration of Mining Project Feasibility (DMPF) for the Bauxite Projects, both of which we are targeting to finish by late 2020.

The Feasibility Studies are more definite now with combined Available and Shippable Bauxite Ore of **60.13 Million Tons.** Development will possibly take another 2 years thereafter. Given the bright long-term prospects for Aluminum and its ever-increasing industrial applications the Bauxite Mines are expected to become a major driver for long term profitability for MHI with a mine life of about 18.0 – 20.0 years.

Corporate Social Responsibilities to the Environment, the Community and the Government

MHI believes in building a business model that not only delivers both long-term value to our internal and external stakeholders but one that also promotes environmental and community stewardship and sustainability in our mining practices.

MHI then remains fully committed to promoting Clean, Sustainable, and Responsible Mining and continue to put utmost emphasis in the health, security, and safety of our employees, the community, and the protection of the environment. In 2019, our Environment Enhancement and Protection Program (EPEP) was completed at a total cost of **Pesos Fifty One Million Eight Hundred Sixty Thousand (₱51.860 Million)** – among others, this went into the prioritization of land rehabilitation projects, instituting protection measures to address emissions, wastes, and effluents, and mitigating environmental impact through benchmarking with internationally accepted mining methods.

We also consider ourselves a Partner in our host communities' growth and development and aim to support and impart a positive impact both in the Economic and Social fronts. Our expenditures for the Company's Social Development and Management Programs (SDMP) for 2019 amounted to **Pesos Twenty Million Five Hundred Fifty Thousand (₱20.55 Million)** benefiting at least **42 barangays** in Cantilan, Carrascal, and Madrid for the implementation of various health, livelihood, and various infrastructure projects. We likewise pride ourselves with ensuring the empowerment of our local communities by providing at least **Pesos Ten Million (₱10.00 Million)** in financial assistance to the Largest Group of Scholars in CARAGA region providing **over 300 students** with scholarships and educational assistance, **31** of whom are in the mining and environmental fields of study.

MMDC is the Pioneer, and according to DENR data, the leading proponent with the largest area of hectarage planted with Bamboo. DENR has recognized the value and economic contribution of the Bamboo Industry and has issued a Department Administrative Order that Mines are now required to plant at least **20.0%** of rehabilitation areas with Bamboo. We at MHI, recognized early the impact on Local Communities with its 100-year genetic life and high profits ensuring a Sustainable Livelihood. Globally it is a **US$60.00** Billion Industry and can be a large contributor to the National Economy. It can also be a major contributor to environment maintenance and enhancement as it releases **35.0%** more Oxygen than other plant species and sequesters **12.0** Tons of Carbon annually.

These efforts, combined with our drive to add value to our Stakeholders, provide the backbone for the Company's prospects at a better 2020 operating performance.

As always we would like to express our appreciation to our Stakeholders – the Indigenous Peoples and Constituents of the Municipalities of Cantilan, Carrascal and Madrid in the Province of Surigao del Sur and their LGUS; the DENR, MGB, Other Line Bureaus and Other Government Agencies; Our Buyers and Contractors; and, you our Shareholders for your continuing support.

We are especially thankful for Divine Providence for a good year and going forward.

CESAR C. ZALAMEA
MHI, Chairman

ISIDRO C. ALCANTARA, JR.
MHI, Vice-Chairman

FINANCIAL REVIEW

RESULTS OF OPERATIONS

Amounts in Million Pesos

	Audited		Increase (Decrease)	
	2019	2018	**Amount**	%
Revenue	**1,432.53**	987.26	**445.28**	45.10%
Direct Cost	**847.98**	921.27	**(73.29)**	-7.96%
Operating Expenses	**458.60**	546.65	**(88.05)**	-16.11%
Income before tax	**125.96**	(480.66)	**606.62**	481.60%
Income tax	**88.12**	(91.86)	**179.97**	204.24%
Net Income (Loss)	**37.84**	(388.81)	**426.65**	1,128.60%

The Operating and Financial Performance of MHI in 2019 was a major turnaround brought about by positive operating results of the wholly-owned subsidiary – Marcventures Mining Development Corporation (MMDC). From a Consolidated Loss of **Pesos Three Hundred Eighty Eight Million Eight Hundred Ten Thousand (₱388.81 Million)** in 2018, MHI reverted back to Profits of **Pesos Thirty Seven Million Eight Hundred Forty (₱37.84 Million)** with the Subsidiary posting an Income of **Pesos One Hundred Sixty Five Million Four Hundred Thousand (₱165.4 Million)** in 2019 vs. the Loss of **Pesos Two Hundred Sixty Two Million Nine Hundred Thousand (₱262.9 Million)** in 2018 that was caused by operating inefficiencies and a drop in tonnage from **2.5 Million Wet Metric Tons (WMT)** in 2017 to only **1.1 Million Wet Metric Tons (WMT)** in 2018. Unit costs increased almost **40.0%** in 2018. The turnaround in 2019 was obtained in the midst of continued low nickel prices with a reduction in Mining and Operating Cost by **Pesos One Hundred Sixty One Million Three Hundred Thousand (₱161.3 Million)** despite a **32.4%** increase of Ore Production and Shipments.

In 2019, MHI implemented drastic changes involving a complete change of Mine Management from the year 2018. MMDC Corporate Management was also restructured and strengthened with MHI taking an active part to ensure MMDC's recovery. The result was a decline in Unit Costs by **30.0%** and a **27.0%** increase in tonnage. Stripping Ratio (Proportion of Waste to Ore mined) which rose 3 times compared to the 2017 ratio – an indication of the dismal mining operations in 2018 - fell substantially in 2019 to only **0.3:1.** For 2020, MMDC expects to go back to its pre-2018 volumes of **2.5**

Million Wet Metric Tons (WMT). Given expectations of market improvement in 2020, MMDC should vastly increase profitability.

We continue to honor our responsibilities and obligations to our Host Communities and the Environment. A total of **Pesos Fifty One Million Eight Hundred Sixty Thousand (₱51.860 Million)** was spent for the Environment Enhancement and Protection Program (EPEP) with a total cost of **Pesos Seventy Two Million Four Hundred Ten Thousand (₱72.410 Million)** expenditures for Social Development Management Programs (SDMP). Of this amount, **Pesos Twenty Million Five Hundred Fifty Thousand (₱20.550 Million)** was used to the benefit of Communities in Cantilan, Carrascal and Madrid covering a total of 42 Barangays for Program Project Activities (PPAs) focused on Health, Education, Livelihood, Public Utilities, and Socio-Cultural Areas. In support of the largest group of Scholars in CARAGA among all mines, MHI spent over **Pesos Ten Million (₱10.00 Million)** for scholarships and educational assistance to over 300 students of which 31 are in mining and environmental fields of study.

We continue to strictly implement our programs in environmental compliance and management. **Temporary Revegetation (RTV)** reached **43.34 hectares** to ensure adherence to the Disturbed Area Limits. Significantly, MMDC continues to lead in the propagation of Bamboo as a sustainable and rewarding livelihood project supported by the Department of Environment and Natural Resources (DENR). The company's **35.11 hectares** planted with **17,508 Culms of Bamboo** in the mined-out areas of Pili and parts of Sipangpang is comparatively higher than other mining companies. MMDC is also 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.

FINANCIAL POSITION

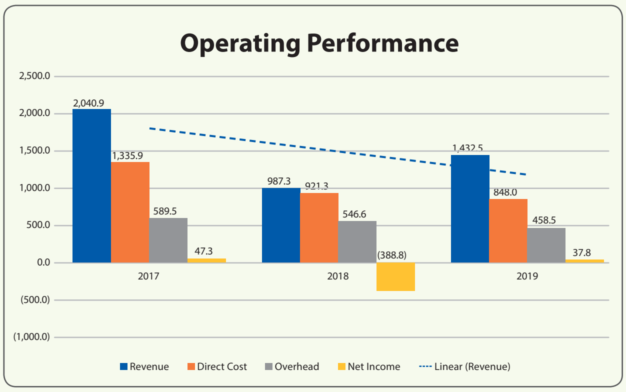
Amounts in Million Pesos

	Audited		Increase (Decrease)	
	2019	2018	**Amount**	%
Assets	**6,091.35**	5,829.38	**261.97**	4.49%
Liabilities	**2,167.66**	1,939.24	**228.42**	11.78%
Stockholders' Equity	**3,923.69**	3,890.15	**33.54**	0.86%

MHI Consolidated Total Assets increased to **Pesos Six Billion Ninety One Million Three Hundred Fifty Thousand (₱6.091 Billion)** from **Pesos Five Billion Eight Hundred Twenty Nine Million Three Hundred Eighty Thousand (₱5.829 Billion)** or equivalent to a **4.49%** increase and was mainly attributable to the increase in Cash and Advances to Subsidiaries to support their working capital requirements.

Total Liabilities went up by **Pesos Two Hundred Twenty Eight Million Four Hundred Twenty Thousand (₱228.42 Million)** representing Deposits from Buyers for the 2020 Mining Season.

Stockholders' Equity increased by **Pesos Thirty Three Million Five Hundred Forty Thousand (₱33.54 Million)** as a result of the positive performance in 2019.



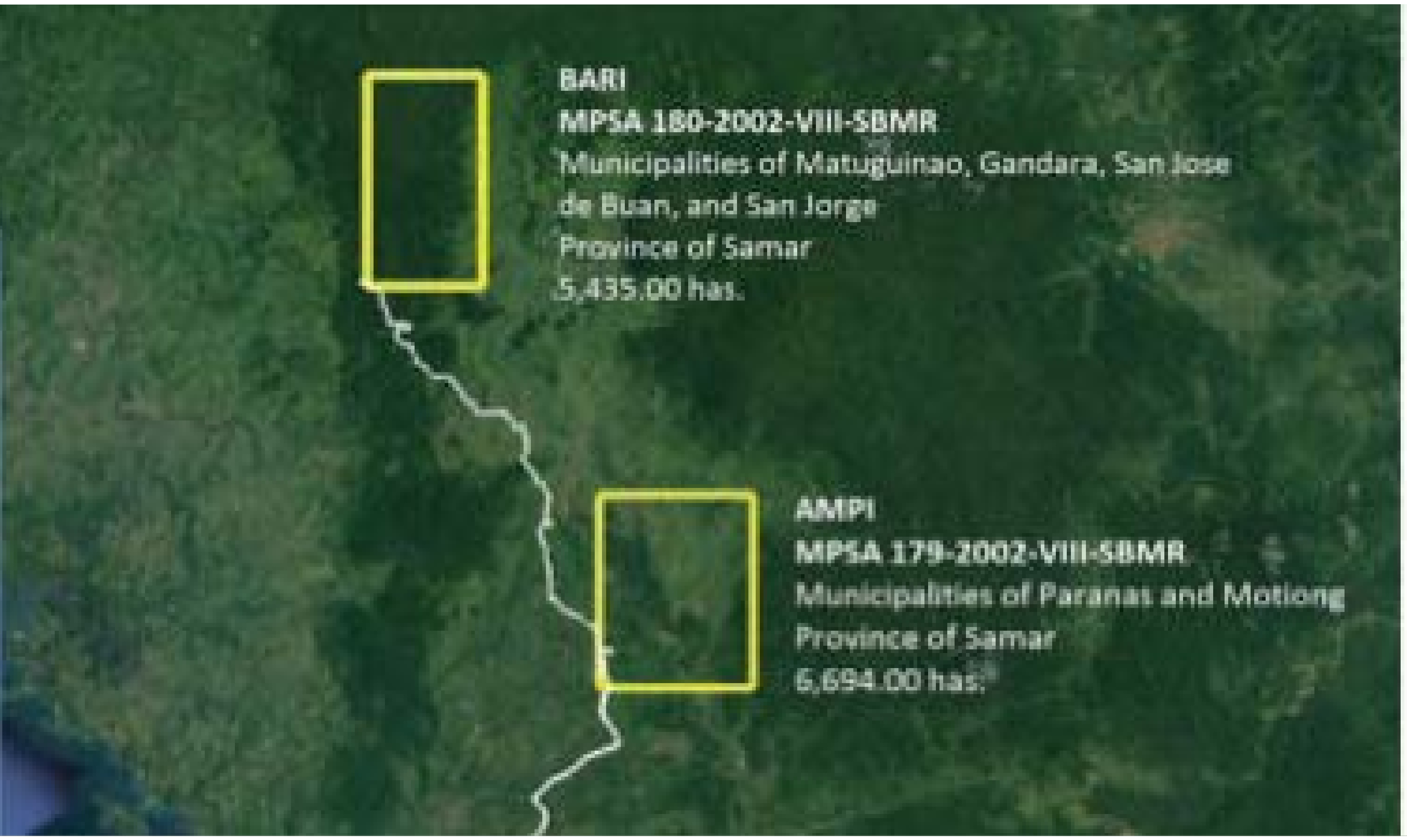
OUR BUSINESSES

BAUXITE PROPERTIES: Samar, Eastern Visayas

Marcventures Mining and Development Corporation (MMDC), is a wholly owned subsidiary of MHI. It operates a Nickel Mine in the Municipalities of Cantilan, Carrascal and Madrid in the Province of Surigao del Sur under Mineral Production Sharing Agreement No. 016-93-XIII covering an area of 4,799 hectares, approved on July 01, 1993. It started commercial operations in 2011. In 2015, MMDC obtained an Amended Environmental Compliance Certificate to extract **5 Million Wet Metric Tons (WMT)** of Nickel Laterite Ore on a yearly basis. Based on its Mineral Resource Report as of December 31, 2019, MMDC's total Measured and Indicated Saprolite and Limonite Mineral Resource is at **11.82 Million Wet Metric Tons (WMT)** and **61.34 Million Wet Metric Tons (WMT)** respectively, with an average grade of **1.33% Ni** and **12.57% Fe** for Saprolite and **0.87% Ni** and **44.20% Fe** for Limonite.

BrightGreen Resources Corp. (BRC) is a Mining Tenement adjacent to the mining property of MMDC. It 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. Based on a mineral resource report signed by a Competent Person on March 2016, BRC's total Measured and Indicated Mineral Resource is **16.03 Million Wet Metric Tons (WMT)** with average grade of **1.17% Fe** and **34.98% Fe.** This is further broken down to **3.06 Million Wet Metric Tons (WMT) Saprolite** with an average grade of **1.59% Ni** and **14.85% Fe,** and **12.97 Million Wet Metric Tons (WMT) Limonite** with an average grade of **1.07% Ni** and **39.73% Fe.**

Alumina Mining Philippines Inc. (AMPI) 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.



Potential:

73.2 million
WMT [PMRC]

117.6 million
WNT [JORC]

Area:

12,129
Ha [6,694 Ha. (AMPI)

5,435
Ha. (BARI)]

Bauxite Resources Inc. (BARI) holds MPSA No. 180-2002 VIII (SBMR) with an area of 5,519.01 hectares located in the Province of Samar, issued on December 5, 2002.

Both AMPI and BARI are Bauxite Ore Properties. Bauxite is the main raw material of Aluminum.

The Bauxite Properties' combined Measured and Indicated Mineral Resource is around **73.0 Million Wet Metric Tons (WMT).** The Ore Resources have been fully explored under JORC and Philippine Mineral Reporting Code (PMRC) Standards and show **Mineable Ore** of **67.3 Million Wet Metric Tons (WMT)** and Shippable Ore of around **60.13 Million Wet Metric Tons (WMT)** over an 18-year mine life.

MINE AND EXPLORATION REPORT

In 2019, Marcventures Holdings, Inc. through its subsidiary, MMDC, focused on the proper implementation of new and improved operational procedures. The team applied the Incremental Weighted Averaging Method, which proved to be very effective method for promoting efficiency in ore segregation and recovery with minimal ore dilution especially for highly erratic ore deposit. Amid the many challenges, MHI produced a total of **832,985 Wet Metric Tons (WMT)** of Limonite Ore from our Sipanpang mine – a Low and Mid-Grade Area – and the High Grade/Saprolitic Area of our Cabangahan Mine generated **454,954 Wet Metric Tons (WMT)** of Saprolite Ore.

A total of twenty-six (26) vessels were shipped out consisting of fifteen (15) vessels of Limonite Ores and eleven (11) vessels of Saprolite Ores.

Meanwhile, the exportation ban of Indonesia during the third quarter of 2019 resulted in an increase in Nickel Ore demand and price.

Estimated remaining Measured and Indicated Resource of MMDC as of December 31, 2019 for Saprolite Ore is **11.894 Million Wet Metric Tons (WMT)** with a weighted average grade of **1.34% Ni** and **12.65% Fe,** and **63.657 Million Wet Metric Tons (WMT)** with a weighted average grade of **0.88% Ni** and **44.23% Fe** for Limonite Ore.

MINERAL RESOURCE - MMDC	Tonnage (Million WMT)	%Ni	%Fe
Measured and Indicated			
Limonite	63.66	0.88	44.23
Saprolite	11.89	1.34	12.65
Total Measured and Indicated	**75.55**	**0.95**	**39.26**
Inferred			
Limonite	-	-	-
Saprolite	4.67	1.30	12.90
Total Inferred	**4.67**	**1.30**	**12.90**

Production	Tonnage (Million WMT)		%Ni		%Fe	
	2019	2018	2019	2018	2019	2018
Limonite	**0.83**	0.36	**0.69**	0.69	**49.85**	50.10
Saprolite	**0.45**	0.68	**1.57**	1.62	**18.29**	19.96
LGO/Waste	**0.25**	1.54	**1.05**	2.33	**21.02**	52.06
Total Material Moved	**1.53**	**2.58**	**1.01**	**1.19**	**35.85**	**26.21**

Shipment	Tonnage (Million WMT)		%Ni		%Fe	
	2019	2018	2019	2018	2019	2018
Limonite	**0.83**	0.43	**0.67**	0.66	**49.70**	49.87
Saprolite	**0.60**	0.66	**1.55**	1.57	**18.32**	18.81
Total Material Moved	**1.43**	**1.09**	**1.04**	**1.21**	**36.47**	**31.06**

Shipment	Total Number of Vessels	
	2019	2018
Limonite	15	8
Saprolite	11	12

NEW PROJECTS

SAMAR BAUXITE PROJECT (AMPI | BARI)

Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI) are the only two Bauxite Mines in the Philippines. These properties were acquired by Marcventures Holdings, Inc. (MHI) in 2017 covering a total area of **12,129 hectares** located in the Province of Samar, Region VIII, Philippines.

The Mineral Resources of the Bauxite Properties has been reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person. It has a combined Measured and Indicated Resource of **73.2 Million Metric Tons; Mineable Ore** of **67.3 Million Metric Tons;** and, **Shippable Ore** of **60.1 Million Metric Tons.**

AMPI and BARI are currently in the process of securing ECC and DMPF. Commercial operations is expected to commence at the end of 2021.

BRIGHTGREEN RESOURCES CORPORATION (BRC)

The merger of MHI with BrightGreen Resources Holdings Inc. (BHI), the owner of a nickel tenement adjacent to MMDC further increases MHI's combined the nickel resources with an additional **16.03 Million WMT** of Measured and Indicated resource averaging **1.17% Ni** and **34.98% Fe.**

MINERAL RESOURCE	Tonnage (Million WMT)	%Ni	%Fe
Measured and Indicated			
Limonite	12.97	1.07	39.73
Saprolite	3.06	1.59	14.85
Total Measured and Indicated	**16.03**	**1.17**	**34.98**
Inferred			
Limonite	4.70	0.90	39.61
Saprolite	0.33	1.61	14.25
Total Inferred	**5.03**	**0.95**	**37.95**

The development of the Bauxite Mines and BrightGreen can extend mining operations for another 20 years. Additionally, MHI is now looking at new Tenement Applications in other areas and minerals.

CORPORATE SOCIAL RESPONSIBILITY REPORT

ENVIRONMENTAL PROTECTION

Marcventures Holdings, Inc. continues to integrate its mining activities with programs that promote environmental protection and sustainable development of our host communities. We are committed to transform mined-out areas into productive agricultural lands.

Bamboo and other indigenous tree species cover the mined-out areas of Pili, Sipangpang and Cabangahan. Promoted by the Department of Environment and Natural Resources (DENR) at the initiative of Secretary Roy A. Cimatu for rehabilitation, MHI pioneered the planting of Bamboo in mined-out areas. Also known as the *Grass of Hope*, Bamboo reportedly emits **35.0%** more oxygen and sequesters up to **12.0 Metric Tons** of Carbon Dioxide.

A **$60.0 Billion** global industry, Bamboo has a genetic life of 100 years and can provide sustainable livelihood for our host communities for generations to come. MHI's Bamboo program started in 2017 and covers three phases. It began with the establishment of a demonstration plantation, followed by business development and, market research initiatives. With a goal of establishing a stable livelihood for host and neighboring communities long after the mining operations have stopped, the holistic approach covers all areas of enterprise. Aside from teaching communities how to grow healthy Bamboo nurseries, they will be trained on how to run their own business. As an initial step, a training on the propagation of Bamboo propagules was conducted for MHI personnel who will assist in program implementation.

Bamboo

Your Company is proud to report that our Bamboo plants in Pili have shown satisfactory growth. At present, there are **17,058** Bamboo Plants growing within the Pili mined-out area.

Average height is at four (4) meters, but there are vigorously growing plants that are already five (5) meters high. The slope stabilizer in Pili which measures **6.38 hectares** is now covered with **1,858 Kawayang Tinik** (*Bambusa Blumeana*), a commercially viable Bamboo seedling. A total of **972 Bamboo Stems** currently line the mined-out area in Sipangpang, with additional **432 plants** growing along the roadside berm from Banban to Pili and **6,215** at the riparian zone in Cabangahan.

MMDC grows **Kawayang Tinik** (*Bambusa Blumeana*) and **Giant Bamboo** (*Dendrocalamus Giganteus*) - two commercially viable species at the MPSA's testing grounds. Giant Bamboo is used as a construction material, scaffoldings,

medicinal products and furniture while the fibers of Kawayang Tinik can be woven into soft fabrics such as breathable material used as an inner layer for cloth diapers and face masks.

To date, the Company has planted a total of **34,375 Bamboo Seedlings** covering over 54 hectares.

Revegetation

Mined-out areas are also revegetated in compliance to DENR Administrative Order (DAO) 2018-19. A total of **60.15 hectares** were planted with **Wedelia** (*Sphagneticola trilobata*), **Napier** (*Pennisetum purpureum*), **Calopo** (*Calopogonium muconoides*), **Lambayong** (*Ipomea pes-caprae*), **Madre de cacao** (*Gliciridia sepium*), **Flemingia** (*Flemingia macrophylla*) and **Tigbaw** (*Saccharum spontaneum*).

Maintenance work was done on another revegetated area which measures **35.41** hectares. Dead hills were replanted with Wedelia, Napier, Calopogonium, and Tigbaw. The deficient soil was ameliorated with organic fertilizer to aid proper plant growth.

Mining Forest Program (MFP) and National Greening Program (NGP)

The mined-out areas in Cabangahan and Sipangpang measuring **3.76 hectares,** were recontoured and reshaped as part of the land progressive rehabilitation process. What was once a busy mining area was transformed into a healthy planting ground. The Company's Mining Forest Program (MFP) covers a portion of Sipangpang and Pili. A total of **8,560** seedlings were planted on **11 hectares** of mined-out lands. The maintenance of the MFP plantation includes periodic cultivation and fertilization, including enrichment planting to increase the density of the tree species.

Water is essential to plant growth, especially during the summer season. To keep the plantation hydrated, water trucks hauled a total of **15,687.55 cubic meters** to areas covered by the MFP area. The MFP extends outside the tenement towards the Bonot area where **3,200 Mangroves** (*Rhizophora spp.*) and **595 Nipa Palms** (*Nypa fruticans*) were replanted.

The National Greening Program (NGP) plantation measures **8.19 hectares** and covers Sitio Nangka, Sitio Pili and some areas along haulage roads, with maintenance activities including regular fertilization and weed control for healthy growth.

Silt Control

In line with our mitigating measures for siltation, four (4) settling ponds at Cabangahan Marc 3, Adoy Creek, and near the haulage road at Panikian were constructed. The ponds will control the silt from the rainwater which washes the soil in the mining areas.

Previously constructed settling ponds underwent mechanical desilting for increased capacity.

Silt curtains were also installed in the causeway area to protect the seawater from sediments during the loading procedure.

Nursery Maintenance

The newly constructed nursery at the Pili mined-out area occupies **0.45 hectares** and houses various seedling species.

Forest trees

A total of **133,651** seedlings of Bamboo and Other Species were planted for buffer zone establishment. Composed of Kawayang Tinik, Kajawan and Kajali, the **21,693** Bamboo plants are at the Banban, Pili and Sipangpang nurseries.

Mangrove Production

The **7,478** Mangrove seedlings are at the Bon-ot nursery. Composed of Rhizophora, Pagatpat and Saging-saging, the seedlings will be used as replacement plants and for the wetland planting project in nearby municipalities.

Fertilizer

A total of **120,000 kilograms** of organic fertilizer was purchased to be used for planting and maintenance activities of plantation areas.

Green Barriers

To minimize fugitive dust, trees and grass were planted along haulage roads. The 1.0-hectare area within the MMDC tenement and 2.03 hectares outside MMDC tenement were covered with trees. The line kilometer slope side of the berm was covered with grass. Previously planted trees were periodically fertilized, replanted and cultivated for healthier growth.

The road from Banban to the Cemetery of Panikian was divided into two (2). In the interest of safety for the Indigenous Peoples (IPs), one side was paved with concrete and serves as the community road while the other side is for trucks hauling Nickel Ores from mine areas going to the causeway. A separation berm at the middle of the road was constructed to deter ordinary vehicles from using the unpaved road which is being used by the trucks.

The berm is covered with approximately 3,000 Kalipayan (San Francisco) plants. When these plants grow taller, it can work as a biofilter to help lessen the dust in the area. The paved road is constantly utilized by motorists and commuters going from Banban to Panikian Cemetery.

Water trucks were also tapped to regularly spray active haulage roads to suppress fugitive dust emission.

Regular monitoring is done to evaluate the impact of the mining operation on air, water quality and noise level. The Company's in-house monitoring team works closely with the DENR accredited laboratory to properly evaluate emissions.

COMMUNITY DEVELOPMENT

For the year 2019, MMDC has spent **Pesos Thirty Million (₱30.00 Million)** for Social Development and Management Program (SDMP) and **Pesos Three Million (₱3.0 Million)** for Corporate Social Responsibility (CSR).

Sustainable Development is a main focus. Communities are empowered because their direct involvement in the initiatives allow them to have a voice in the SDMP process. Close coordination with the LGUs is a major enabler of our SDMP. MHI covers a total of **42** communities throughout the Municipalities of Carrascal, Cantilan and Madrid. Community development is a collective effort between local residents and stakeholders, and through the years, MHI has succeeded in strengthening its relationship with various agencies and stakeholders.

The Annual Social Development and Management Program (ASDMP) implemented **Pesos Two Million Six Hundred Thousand (₱2.6 Million)** worth of health projects in the host and neighboring communities. The funds were used to address various medical needs. It sponsored the PhilHealth registration of **205** indigent individuals who were not covered by the government's health insurance. It gave assistance to **2,300** emergency cases, where patients received cash and free medicines. MHI also provided medical equipment to barangay health centers. A total of **176** medical gadgets and supplies were purchased in 2019 ranging from thermometers, blood pressure monitors, glucometer, weighing scales, nebulizers, surgical supplies and many others.

MHI recognizes the value of education in uplifting lives. The Scholarship Program, biggest in CARAGA, continued for academic year 2019-2020. A total of **239 students** enrolled in different colleges and universities in the Visayas and Mindanao areas are given regular financial assistance. Majority of the students belong to the indigenous community.

As the student population continues to increase, shortage of teaching personnel has also become a problem in different schools located in the host and neighboring barangays. Under its education program, MHI has subsidized the salary of 17 volunteer teachers who caringly assisted in imparting knowledge to young minds. The volunteers are assigned to different schools to bring down the teacher-student ratio and promote quality education. A total of **Pesos Seven Million Three Hundred Thousand (₱7.3 Million)** was spent for these projects.

MHI also supports **80** college students on full scholarship under its Corporate Social Responsibility (CSR) and Development of Mining and Geoscience Technology (DMTG) programs. Aside from providing tuition and miscellaneous fees, they receive monthly board and lodging allowance.

Considering the vast agricultural lands and rich marine resources, MHI implemented livelihood programs to assist each community's journey to sustainability. The Company spent a total of **Pesos Eight Million (₱8.0 Million)** for various projects that provided opportunities for local residents to create, build and earn. Rice seeds were provided to farmers so that they can yield more crops and receive higher income. MHI also purchased a Rotavator machine for soil tilling and a plowing blade to be used by three (3) communities. Efficient delivery of farm products to the local market was no longer a problem of farmer's associations with the new delivery vehicle from MHI.

In Barangay Cabangahan, thirty (30) indigent families were each given a carabao for their agricultural business. MHI is also in the process of providing a rice mill that offers affordable rice clearing services to farmers. Organizations were given seed money for their income generating projects like tent and chair rentals and pedicab services. The Company aims to develop the local economy by helping organizations start their own business.

MHI spent **Pesos Three Million Three Hundred Thousand (₱3.3 Million)** for its infrastructure projects in support of existing livelihood programs. Your Company built several farm-to-market road projects including a wooden bridge that connects a creek in Barangay Cabangahan for easy delivery of farm products. Housing facilities are currently being built for 18 indigent families in Barangay Bon-ot. A tribal hall was renovated and now serves as meeting place for indigenous communities. Foot bridges were also constructed to provide safe access for pedestrians from seaside communities.

In support of the customs and traditions of local host communities, your Company continues to actively take part in traditional celebrations like fiestas, foundation days, and other church-related activities. In 2019, **Pesos Two Million Three Hundred Thousand (₱2.3 Million)** was spent on programs geared towards the preservation of the socio-cultural heritage. MHI also supported church renovations, sports events, fiestas and other community activities.

Several Information, Education and Communication (IEC) activities were also launched in 2019. The Community Relations Team organized seminars in different communities on the implementation of various guidelines set by the

Mines and Geosciences Bureau (MGB). MHI spent a total of **Pesos Two Million Five Hundred Thousand (₱2.5 Million)** for its IEC activities.

MHI spent **Pesos Four Million Three Hundred Thousand (₱4.3 Million)** on the Development of Mining and Geoscience Technology. The fund was used to support the scholarship of thirty (30) students enrolled in Environment, Mining, Community and Accounting related courses. Aside from the tuition fee, the scholars received a monthly allowance of P5,000. MHI also initiated research projects, rehabilitation programs and strategic planning activities.

Committed to assist the quality of the life of various communities, MHI spent **Pesos Three Million (₱3.0 Million)** for its Corporate Social Responsibility projects. A total of **49** IP scholars were maintained under the CSR program with full scholarship privilege. The project also supported five (5) volunteer teachers deployed in different schools receiving a monthly subsidy of ₱10,000.00.

Apart from the program support and initiatives, MHI continues to instill the *bayanihan* spirit across all communities. The local communities' involvement in various projects have deeply empowered residents to believe that they can be strong and resilient in the face of life's challenges.

SAFETY AND HEALTH

MHI continues to promote its commitment to the safety, health, and welfare of all the people involved in our mining operations through its Safety and Health Department.

The team monitors the whole mining operations in order to protect the people, equipment, materials, and the environment by providing and maintaining a safe and healthy working condition. The objective is to achieve and maintain zero (0) lost time accident, zero (0) property damage, and complete regulatory compliance.

The Health and Safety Team consistently and rigorously implements safety trainings and institutionalizes standard operating procedures on Basic Occupational Safety and Health and Basic First Aid and Life Support. The department regularly conducts toolbox meetings and installs safety promotion and safety road signages to prevent any accidents. In 2019, there were thirty (30) Non-Lost Time Accidents, majority of which were vehicular incidents by contractors and with no serious personal injury.

In September 2019, our Emergency Response Team (ERT) won **1st Runner up in the First Aid Competition during the 5th Caraga Safety Competition** in Surigao City. In November 2019, our Fire Fighter Alimar Ilaga won **2nd Runner up, during the Fire Fighting Competition at the Annual Mine Safety and Environment Conference** in Baguio City. Our ERT also participated in the First Aid Safety Competition.

The ERT team also actively took part in Carascal's centennial celebration. They provided regular assistance to the medical team and the traffic enforcers during the commemoration of All Saints' Day and All Souls' Day (*Oplan Undas*).

Our Health and Safety Team continues to provide health care assistance to all employees through medical consultation and free medicines. The clinic also facilitates the Annual Physical Examination of all employees.

For 2019, MHI administered a Sanitation, Food Handling and Preparation Seminar in coordination with the Rural Health Unit of Carrascal, Surigao Del Sur. The Safety and Health, Environment and Compliance (SHEC) Department also conducted a Blood Letting Activity in coordination with the Philippine Red Cross.

BOARD COMMITTEES

Audit, Risk Oversight, and Related Party Transactions Committee

The Audit, Risk Oversight and Related Parties Transactions Committee is made up of three members of the Board one of which is an independent director. The members have Accounting, Financial, Legal and Risk Management experience. The Committee provides recommendations and advice to the Board of Directors with the goals of supporting decisions on internal control and risk management, system review of all material related party transactions of the company and ensuring application and approval of financial reporting.

Executive Committee

The Executive Committee shall have and exercise such powers relative to the management of the business and affairs of the Corporation subject to the provisions of the Company's By-laws, and the limitations of the law and other applicable regulations. It shall serve as the governing body in all matters related to corporate governance, approval of all major policies and oversees all major risk-taking activities, financial reporting and approval of material credit transactions and exposures.

BOARD COMMITTEES

Nominations and Corporate Governance Committee

The Nomination and Corporate Governance Committee is appointed by the Board to oversee and evaluate the Board's performance and the Company's compliance with Corporate Governance Regulations, Guidelines and Principles, to identify individuals qualified to become Board Members, to recommend to the Board proposed nominees for Board Membership, and to recommend to the Board Directors to serve on each Standing Committee.

Investment Committee

The Invest Committee is tasked to assist the Company's Board of Directors in overseeing the Company's investment management, transactions, policies and guidelines. It reviews and monitors the performance of the Company's investment strategy and its overall investment portfolio.

Retirement Committee

The Retirement Committee formulates policies on retirement benefits designed to assist the Company in the recruitment and retention of employees and other workforce management goals. It performs the functions of an Investment Fiduciary responsible for the prudent management of the investment portfolios provided to assist employees in preparing for retirement and compensate individuals for their years in service.

INTERNAL AUDIT DEPARTMENT

Good governance is an essential part of the priorities of Marcventures, which is why the work of our Internal Audit (IA) is critical and important to the organization. The Internal Audit group is a separate and independent unit, which directly reports to the Audit Committee, a Committee of the Board.

The IA ensures that internal controls, risk management, and governance processes are in place and working effectively to add value and improve operations.

It has a charter approved by the Audit Committee that complies with the International Standard for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA), in the discharge of its scope of work and responsibilities. Our Auditors are members of The Institute of Internal Auditors (IIA), Philippines. This ensures that the department has the required audit competencies and is ready to adapt to change in technology, business acumen and soft skills. Their training, experience, and expertise make them serious partners at the table, and encourage them to be more assessment, communication, and consulting-oriented.

MINING COMPLIANCE OFFICER

To ensure best practices and compliance, MMDC designated a Mining Compliance Officer (MCO), who reports directly to the President to monitor the Company's compliance with relevant laws, rules and regulations enforced and promulgated by the Mines and Geosciences Bureau (MGB) and Department of Environment and Natural Resources (DENR).

In addition, the MCO assists management in mitigating risks at the mine site by reporting violations and non-compliance through the adoption of measures to prevent the repetition of such non-compliance and violations.

The reports and reviews conducted by the MCO provide reasonable assurance that the Company, its officers, and employees, comply with relevant mining laws, regulations, rules and standards to promote safe and sound mining operations.

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

Marcventures Holdings, Inc. Board of Directors
Marcventures Mining Development Corporation (MMDC)

MR. CESAR C. ZALAMEA

Chairman - **Marcventures Holdings, Inc.**
Marcventures Mining Development Corporation

MR. ISIDRO C. ALCANTARA, JR.

President - **Marcventures Holdings, Inc.**

Vice Chairman - **Marcventures Mining Development Corporation**

MR. MACARIO U. TE
Director – **Marcventures Holdings, Inc.**

MICHAEL L. ESCALER
Director – **Marcventures Holdings, Inc.**

MS. MARIANNE REGINA T. DY
Director – **Marcventures Holdings, Inc.**

MR. AUGUSTO ANTONIO C. SERAFICA JR.
Director – **Marcventures Holdings, Inc.**

BOARD OF DIRECTORS & EXECUTIVE OFFICERS

Marcventures Holdings, Inc. Board of Directors
Marcventures Mining Development Corporation (MMDC)

JUSTICE SESINANDO E. VILLON
Director – Marcventures Holdings, Inc.

MR. ANTHONY M. TE
Director – Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

ATTY. CARLOS ALFONSO T. OCAMPO
Director – Marcventures Holdings, Inc.

MS. RUBY SY
Director – Marcventures Holdings, Inc.

MR. ROLANDO S. SANTOS
Director – **Marcventures Mining and Development Corporation**

DANIEL OLIVER T. DY
Director – **Marcventures Mining and Development Corporation**

ATTY. ARTURO L. TIU
Director – **Marcventures Mining and Development Corporation**

PROFILES OF THE BOARD OF DIRECTORS

Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.

MR. CESAR C. ZALAMEA

Chairman
Marcventures Holdings, Inc.
Marcventures Mining Development Corporation

Mr. Cesar C. Zalamea was elected Chairman of Marcventures Holdings, Inc. (MHI) in June 2013. He served as the Company's President from June 2013 to September 2014. He also 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.

President – Marcventures Holdings, Inc.
Vice Chairman – Marcventures Mining Development Corporation

Mr. Isidro C. Alcantara, Jr. . is the President of Marcventures Holdings, Inc., a position he has held since he was elected in September 2014. Before his presidency, he was elected Director in August 2013 and had served as the Company's Executive Vice President. He currently sits as Vice Chairman and Director of Marcventures Mining and Development Corporation, the Company's wholly owned subsidiary; as Director and President of Bright Kindle Resources and Investment Inc. and Financial Risk Resolutions Advisory, Inc.; as Chairman of BrightGreen Resources, Corp.; Alumina Mining Philippines 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 Senior Vice President and Head of Corporate & Institutional Banking at HSBC. He was former President and CEO of Philippine Bank of Communications (PBCom) from 2000 to 2004 where he led its 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 Bancom 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 Special Studies in International Banking at the Wharton School, University of Pennsylvania.

MR. MACARIO U. TE
Director – **Marcventures Holdings, Inc.**

Mr. Macario Te was elected as Director in June 2013. He is also a 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 the Far Eastern University.

MICHAEL ESCALER
Director – **Marcventures Holdings, Inc.**

Mr. Michael 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. and All Asian Oils and Fats Corporation; 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 companies. 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 Masters 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, and Productive Internships in Dynamic Enterprise (PRIDE).

JUSTICE SESINANDO E. VILLON
Director – **Marcventures Holdings, Inc.**

Justice Sesinando E. Villon was elected director in September 2019. He is a retired associate justice of the Court of Appeals. He retired on July 2019 and served as magistrate of the Court of Appeals for the past fifteen (15) years.

MS. MARIANNE REGINA T. DY
Director – Marcventures Holdings, Inc.

Ms. Marianne Regina T. Dy was elected Director in September 2014. She is the 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.

PROFILES OF THE BOARD OF DIRECTORS

Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.

MR. AUGUSTO ANTONIO C. SERAFICA JR.

Director – Marcventures Holdings, Inc.

Mr. Augusto Antonio C. Serafica Jr. was elected as Director in June 2013. Mr. Serafica is currently the President & 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 Masters in Business Management from the Asian Institute of Management. Mr. Serafica is a Certified Public Accountant.

MR. ANTHONY M. TE

Director – Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

Mr. Anthony M. Te was elected Director in October 2017 and has been a director of Marcventures Mining & Development Corporation since August 2013. He was elected to the Board of Marcventures Holdings, Inc. in 2017. 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.

ATTY. CARLOS ALFONSO T. OCAMPO

Director – Marcventures Holdings, 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. Atty. Ocampo obtained his Bachelor of Laws from the University of the Philippines. Upon graduation from college, he was admitted into the honor societies of Phi Kappa Phi and Pi Gamma Mu. 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.

MS. RUBY SY

Director – Marcventures Holdings, Inc.

Ms. Ruby 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.

MR. ROLANDO S. SANTOS

Director – Marcventures Mining and Development Corp.

Mr. Rolando Santos serves as Director and Treasurer for MMDC, the wholly owned subsidiary of Marcventures Holdings, Inc. where he also sits as Director and Senior Vice President for Finance and Administration. Mr. Santos is a director of Bright Kindle Resources and Investments, Inc., He was previously 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 and 1981. He obtained his degree in BS Business Administration from the University of the East.

MR. DANIEL OLIVER T. DY

Director – Marcventures Mining and Development Corp.

Mr. Daniel Dy was elected Director in May 2015. He is a graduate of De La Salle University – College of St. Benilde with a Bachelor of Science degree in Business Administration Major in Computer Applications. He was President of the Rotary Club of Makati Poblacion from 2014-2015. He is a Paul Harris Fellow and a Major Donor of the Rotary Foundation. Currently, he is a Director of the Meat Importers and Traders Association and the Vice President and Chief Sales Officer of So-Nice International Corporation.

ATTY. ARTURO L. TIU

Director – Marcventures Mining and Development Corp.

Atty. Arturo L. Tiu was elected Director in May 2016. He is currently a senior partner at Reyno, Tiu, Domingo, and Santos & Associates Law Firm. He served as the former Secretary of the Commission on Appointments. He is a law graduate from the University of the Philippines Diliman, Quezon City. He took the bar examinations in 1969 and landed in the top 15 among the bar passers. In 1983, he was admitted to the practice of law in New York, USA and Federal Practice, USA jurisdiction.

Atty. Tiu was former General Manager and concurrent Vice Chairman of the Board of Directors of the Philippine Charity Sweepstakes in 1992. Prior to that, he served as its Corporate Secretary for two years.

He is a member of the Integrated Bar of the Philippines (IBP) and chair of the IBP Committee on Environment since July 1999. He was also a member of the Board of Governors, IBP from 1987-1989; chairman, Committee on Inter-Professional and Business Relations, IBP (1987-1989); and member, IBP Committee on Justice, which was tasked in 1989 to choose the five most outstanding RTC, MTC Judges and Prosecutors nationwide. Likewise, Atty. Tiu served as the IBP President for Agusan del Norte from 1987-1989, then later, as chairman of the Committee on Legal Education and Bar Admission in 1989-1991. He also served as Vice Chairman of the Committee on Professional Responsibility, Discipline and Disbarment in 1991-1993 for the same IBP chapter.

EXECUTIVE OFFICERS

Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.

ATTY. ROBERTO V. SAN JOSE
Corporate Secretary
Marcventures Holdings, Inc.

ATTY. ANA MARIA A. KATIGBAK
Asst. Corporate Secretary/ Compliance Officer
Marcventures Holdings, Inc.

MR. REUBEN F. ALCANTARA
Senior Vice President and Head of Marketing, Business Development & Strategic Planning
Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.

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 and 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 Firm. She is a member of the Integrated Bar of the Philippines.

Mr. Reuben F. Alcantara is the Senior Vice President and Head of Marketing, Business Development & Strategic Planning, as well as the Company's Investor Relations Officer. He joined the Company in September 2013 and likewise serves as 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 has had stints in Corporate Banking in Bank of Commerce and Maybank Philippines. Mr. Alcantara obtained his Executive Master's Degree in Business Administration from the Asian Institute of Management (AIM) in the year 2016.

MR. ROLANDO S. SANTOS
Director/Treasurer
Marcventures Mining and Development Corp.

Mr. Rolando Santos serves as Director and Treasurer for MMDC, the wholly owned subsidiary of Marcventures Holdings, Inc. where he also sits as Director and Senior Vice President for Finance and Administration. Mr. Santos is a director of Bright Kindle Resources and Investments, Inc., He was previously 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 and 1981. He obtained his degree in BS Business Administration from the University of the East.

ATTY. MAILA LOURDES G. DE CASTRO
Corporate Secretary
Marcventures Holdings, Inc.
Vice President and Head of Legal
Marcventures Mining and Development Corp.

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 MHI and all subsidiaries in August 2019. She earned her Master's Degree in Business Administration from the Asian Institute of Management (AIM) in 2006 and 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 completed her Bachelor of Arts in Mass Communications Major in Film and Audio-Visual Communications from the University of the Philippines in 1996.

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 UNITEL 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.

ENGR. ARNULFO B. SANTIAGO
Senior Vice President for Operations & General Mine Manager
Marcventures Mining and Development Corp.

Engr. Arnulfo Pascual B. Santiago is a PRC licensed Mining Engineer and Geologist and has been practicing his mining and geology profession for 38 years. He had his Bachelor studies in Mining Engineering and Geology in Mapua Institute of Technology and later got his Master's Degree in Geotechnical Engineering in the same school. He is also a part-time Professor of Geological Engineering under the School of Civil, Environmental and Geological Engineering in the same school for 17 years. ABS, as he is fondly called in the mining industry, joined several foreign and local corporations taking the roles, among others, as Service Group Manager and Design Technical Professional of GHD, Pty., Ltd, as Senior Vice President and General Manager of PGMC Nickel Mine project in Claver, SDN and LNL Archipelago Mineral, Inc. Sta. Cruz Nickel Mine project in Zambales, and as Senior Technical Advisor (Mine Geotechnical Engineering) of Metals and Mining Group - Lane Xang Minerals Limited for its Sepon Copper Mine project in Vilabouly District, Savannakhet Province, Lao PDR.

Concurrently, he is the Mining Engineering Management and Civil Works Advisor of his family-owned Santiago-Madrid Construction Company for its water utility projects in Metro Manila, Rizal, Batangas, Laguna and Bulacan. Lately, ABS joined Marcventures Mining and Development Corporation in March 1, 2019 where he heads the entire mining operation for its Carrascal - Cantilan Nickel Mine project in Surigao del Sur.

EXECUTIVE OFFICERS

Marcventures Holdings, Inc. Marcventures Mining and Development Corp.

ENGR. RAMESH G. PALIZA
Vice President for Compliance, Tenement Management
Marcventures Mining & Development Corp.

LEDDIE D. GUTIERREZ
Vice President for Internal Audit
Marcventures Mining and Development Corp.
(Resigned as of June 30, 2020)

MA. THERESA A. DEFENSOR
Assistant Vice President for Corporate Communications
Marcventures Mining and Development Corp.

Engr. Ramesh G. Paliza is the Vice President for Compliance and Tenements Management. He is a licensed Mining Engineer equipped with more than 20 years of combined experience in government, mining consultancy and corporate mine management. He worked for Philex Mining Corporation and Philex Gold Philippines Incorporated as Mining Engineer and Geologist (1996-1999). Thereafter, he joined the government as a Senior Environmental Management Specialist and Senior Science Research Specialist of Mines and Geoscience Bureau (MGB) of the Department of Environment and Natural Resources (DENR) from 1999-2005.

He is also the Director and worked as Vice President for Operations and Head of the Technical & Research Department of Colossal Mining Corporation from 2005 to 2013. Alongside, he has worked with various mining companies as a Technical Consultant and Director of Globalconsult, Inc. from 2004 to 2017. He obtained his degree in BS Mining Engineering from Mapua Institute of Technology.

Mr. Leddie D. Gutierrez was the Vice President for Audit and Risk Management of Marcventures Mining and Development Corp (MMDC). He also served as the Vice President for Audit and Risk Management of Bright Kindle Resources and Investments Inc. and Treasurer of BrightGreen Resources Corporation. With over 20 years of experience in internal audit, risk management and compliance, he was Assistant Vice President of Institutional Banking Sector of Metropolitan Bank and Trust Company (MBTC) since June 2014. Mr. Gutierrez joined MBTC as Senior Manager on November 2011 as Compliance and Control Officer. He was an auditor of Philippine Long Distance Telephone Company (PLDT) in 1996 and later, as the Head of Internal Audit of PLDT Global Corporation, PLDT's subsidiary catering to international markets, from April 2005 to October 2011. He obtained his degree in BS Accountancy from University of the East. He is a Certified Public Accountant and a member of The Institute of Internal Auditors Philippines (IIA).

Ms. Tet Defensor is currently the Assistant Vice President for Corporate Communications. Prior to joining Marcventures she held key positions in Fleishman Hillard Manila, Fuentes Manila PR, St. Luke's Medical Center Global City, Euro-Agatap PR, Business World and The Manila Chronicle.

She headed several PR advocacy campaigns that bagged local and international awards. She has an active online platform and continues to contribute articles for top newspapers and magazines. A certified Global Crisis Counselor (Hong Kong, 2016), she majored in Journalism at the University of the Philippines, earned her Master's Degree in Literature (cum laude) and Phd in Literature units from the University of Santo Tomas and completed the management program at the Asian Institute of Management (AIM).

ELMER O. PURISIMA
Assistant Vice President for Accounting
Marcventures Mining and Development Corp.

GEOL. JAYVHEL T. GUZMAN
AVP and Head of Geology Division
Marcventures Mining and Development Corp.

ENGR. DIANNE R. RODRIGUEZ
AVP for Engineering and Project Management
Marcventures Mining and Development Corp.

Mr. Elmer Purisima is currently the Assistant Vice President for Finance and Accounting. He has over a decade of combined professional experience in financial planning, forecasting and budgeting, cost accounting, financial reporting, audit and taxation across all industries. He is proficient in different accounting standards such as US GAAP, IFRS, and SOX. Prior to joining MMDC, he held key positions in Techiron Resources, Inc., Ludwig Pfeiffer Hoch-und Tiefbau GmbH & Co. KG - Philippine Branch, Alfa1 Technologies, Otis E&M Company Philippines and SGV& Co.

A Certified Public Accountant and a Certified Financial Consultant, he obtained his Bachelors Degree in Accountancy from the Philippine School of Business Administration-Manila, and his Master's in Business Administration - Top Executive Program from the Pamantasan Lungsod ng Maynila.

Ms. Jayvhel T. Guzman is the Assistant Vice President and Head of Geology Division of Marcventures Mining and Development Corp. She is a Licensed Geologist and Philippine Mineral Reporting Code (PMRC)-accredited Competent Person. She has been practicing her mining and geology profession for more than a decade. She completed her Bachelor of Science in Geology from the University of the Philippines and currently taking up her Master of Business Administration at Polytechnic University of the Philippines - Manila.

Prior to joining Marcventures on October 2012, she served as Consultant Geologist at Brass Technologies, Inc., Century Peak Corporation, Bundok Mineral Resources Corporation, and Tekton Geometrix, Inc. She also worked as Geologist at various companies such as Asian Arc Mining Resources, Inc., Century Peak Corporation, JCP Geo-Ex Services, Inc., and Philex Mining Corporation.

Engr. Dianne R. Rodriguez is the Assistant Vice President for Engineering and Project Management of MMDC. She is a licensed Mining Engineer equipped with more than a decade of experience in mine planning, feasibility studies and project valuations. She obtained her Bachelor of Science in Mining Engineering from the University of the Philippines and currently taking up Online Engineering Project Management Specialization Course at Rice University.

She joined MMDC in 2014 as Executive Technical Assistant and Senior Mining Engineer under the Office of the President. Prior to MMDC, she worked for Benguet Corporation in 2007 as Mining Engineer under the Corporate Engineering Group and was promoted to Senior Mining Engineer in 2012 under the Engineering Research and Project Development Group.

EXECUTIVE OFFICERS

Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.

ENGR. LITO L. MORTELLA
Assistant Vice President and Resident Mine Manager
Marcventures Mining and Development Corp.

DEBORRA C. ILAGAN
Vice President for Human Resources and Administration
Marcventures Mining & Development Corp.

RIC FELICES MACABIDANG
Head for Budget and Cost Control
Marcventures Mining and Development Corp.

Engr. Lito Mortella joined Marcventures Mining and Development Corp. in 2019 as Mine Operations Manager and was promoted to Resident Mine Manager for the company's mining operations in Cantilan, Surigao del Sur. He is a licensed mining engineer and has been practicing his mining profession for many years.

Prior to his appointment at MMDC, he held key positions in various mining companies such as LNL Archipelago Minerals, Inc. as OIC – Resident Mine Manager in Guinabon, Sta. Cruz, Zambales; CitiNickel Mines and Development Corporation as OIC – Resident Mine Manager / Mine Operation Manager in Sofronio Espanola, Palawan; La Farge Philippines as Quarry Operations Supervisor/Engineer in Norzagaray, Bulacan; and Nickel Asia Corporation as Mine Production Supervisor for its Cagdianao Mining Corporation and Hinatuan Mining Corporation for Taganaan Nickel Project and South Dinagat Nickel Project. He obtained his degree in Bachelor of Science in Mining Engineering from the University of the Philippines.

Ms. Deborra C. Ilagan is currently the Vice President for Human Resources and Administration. She has been a Human Resources practitioner for 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 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. She obtained her degree in Bachelor of Science in Commerce Major in Accounting from Canossa College and later got her diploma in Human Resource Management in the same school.

Mr. Ric is the Head for Budget and Cost Control of Marcventures Mining & Development Corp. He is a Certified Public Accountant with 20 years extensive experience in Financial Analytics, Reporting, Accounting, Rates Review, Budget Development, and Management with Smart Communications, Inc. He started out as a Financial Analysist and worked his way up to Brand Financial Analytics Junior Manager from July 2011 to December 2013, Brand Financial Analytics and Carrier Business Management Manager from January 2014 to June 2017, and at the time of his early retirement, as Brand Financial Analytics, Carrier, Marketing, Sales Management Senior Manager from July 2017 to December 2019.

DALE A. TONGCO
Vice President for Controllership
Marcventures Mining and Development Corp.

Mr. Dale is the Financial Controller with the rank of Vice President of Marcventures Mining & Development Corp. He is a Certified Public Accountant with extensive experience in Public Accounting Firms as External Auditor 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 with Benguet Corporation as Head of Internal Audit and Risk Management.

Mr. Tongco brings in considerable experience through his more than 30-year career spanning industries such as auditing, insurance, banking, and mining, in roles dealing with Accounting, Tax Advisory, Finance and Treasury, Internal Audit, External Audit, Fraud Management and Investigation, Business Development, and Cost and Budget Management.

EMERSON P. PAULINO
Assistant Vice President for Internal Audit
Marcventures Mining and Development Corp.

Mr. Emerson is currently the Assistant Vice President for Internal Audit of Marcventures Mining & Development Corp. He is a Certified Public Accountant with over 15 years internal audit experience in Manufacturing, Information Technology, Finance, Sales and Compliance while performing functions of Audit for Philip Morris Fortune Tobacco Corp. (PMFTC), Senior Accounting Analyst for Carrier International Corp., Senior Controls and IT Controls Analyst of PMFTC, Inc., Associate Manager for Compliance for Johnson & Johnson Philippines, Senior Accounts Payable Analyst for Standard Chartered Bank, Store Accountant of Bistro Group of Companies, Internal Audit Head and subsequently ERP Project Manager for SBS Philippines Corporation, and more recently its Chief Risk Officer. As such, he is well-versed in the preparation of annual risk and audit plans and risk assessment and audit programs. He completed his degree in Bachelor of Science in Accountancy from University of Perpetual Help Rizal, Las Piñas.

LESTER C. YEE
Assistant Vice President for Corporate Planning and Investor Relations Head
Marcventures Mining and Development Corp.

Mr. Lester C. Yee is currently the Assistant Vice President for Corporate Planning and Investor Relations Head. Prior to joining Marcventures, he was the Assistant Vice President for the Investment Banking Group of Philippine Commercial Capital Inc. (PCCI) from April 2019 to May 2020. He started his career in the Academe as Finance Instructor at Ateneo De Manila University where he also took his Undergraduate and Graduate Studies.

He was the Corporate Planning Assistant Manager at Philippine Batteries Inc. from June to October 2011. He returned to the Academe from 2012 to 2015 at the Ateneo De Manila University and the Development Academy of the Philippines (DAP) as Lecturer for Project Management and Financial Management at the same time mentoring students on their individual thesis.

He was the Manager for Special Projects at Lapanday Foods Corporation from March 2015 to January 2017 and Senior Analyst at Maybank ATR Kim Eng Capital Partners Inc. from February 2017 to April 2019.

Consolidated Financial **Statements**

December 31, 2018 and 2019

AUDIT COMMITTEE REPORT

The Board of Directors

August 27, 2020

In compliance with applicable corporate governance laws and rules, we confirm for 2019 that:

- During the year, the Audit Committee is composed of three members, two of whom are independent directors.
- The committee had 2 meetings during the year.
- We have reviewed and approved all audit and non-audit services provided by Reyes Tacondong & Co. to the MHI Group and the related fees for such services, and concluded that the non-audit fees are not significant to impair their independence.
- In the performance of our oversight responsibilities, we have reviewed and discussed the results of the evaluation of the MHI Group's financial statements for 2019 which was done by Reyes Tacondong & Co. which focus on changes in accounting policies and practices, major judgmental areas, significant adjustments, compliance with accounting standards, tax, legal and stock exchange requirements.
- Based on the reviews and discussion referred to above, in reliance on MHI Group's management and Reyes Tacondong & Co., we hereby recommend that the Board of Directors approve the audited financial statements as of and for the year ended December 31, 2019 and its conclusion in the Annual Report to the Stockholders and to the Philippine Securities and Exchange Commission on Form 17-A; and
- Based on a review of Reyes Tacondong & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of Reyes Tacondong & Co. as MHI Group's independent auditor.

Respectfully submitted,

ATTY. CARLOS T. OCAMPO
Chairman

MR. AUGUSTO C. SERAFICA JR.
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

MARCVENTURES
HOLDINGS INC.

The Management of **Marcventures Holdings, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended **December 31, 2019 and 2018** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended **December 31, 2019 and 2018** has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CESAR C. ZALAMEA
Chairman of the Board

ISIDRO C. ALCANTARA, JR.
President

ROLANDO S. SANTOS
SVP-Finance

INDEPENDENT AUDITOR'S REPORT

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

The Stockholders and the Board of Directors
Marcventures Holdings, Inc. and Subsidiaries
4th Floor, Citi Center
8741 Paseo de Roxas, Makati City

Opinion

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, 2019 and 2018, 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, 2019, 2018 and 2017, and consolidated notes to financial statements, including 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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.

<u>Assessment for Impairment of Mining Rights and other Mining Assets</u>
The Company carries significant amounts of mining rights and other mining assets with aggregate carrying amount of ₱4.5 billion and ₱4.4 billion as at December 31, 2019 and 2018, 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 verifying the historical accuracy of management's estimates along with the latest estimate of recoverable reserves and evaluated whether a reasonably possible change in assumptions could cause the carrying amount to exceed the estimated recoverable amounts.

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, 2019, 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, 2019 are expected to be made available to us after the date of this Auditors' report.

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

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.

INDEPENDENT AUDITOR'S REPORT

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

- 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 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 A. 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
Valid until March 23, 2025
BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8116476
Issued January 6, 2020, Makati City

June 26, 2020
Makati City, Metro Manila

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash	5	**₱314,440,796**	₱27,359,652
Trade and other receivables	6	**204,463,789**	203,903,801
Inventories	7	**76,934,360**	145,856,739
Advances to related parties	21	**51,366,755**	53,264,597
Other current assets	8	**132,085,257**	120,760,974
Total Current Assets		**779,290,957**	551,145,763
Noncurrent Assets			
Property and equipment	9	**275,879,333**	344,033,024
Mining rights and other mining assets	10	**4,504,413,119**	4,395,753,013
Net deferred tax assets	23	**32,716,374**	106,653,437
Other noncurrent assets	11	**499,050,672**	431,797,737
Total Noncurrent Assets		**5,312,059,498**	5,278,237,211
		₱6,091,350,455	₱5,829,382,974
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**769,333,142**	477,503,891
Current portion of loans payable	14	**510,069,579**	532,587,671
Advances from related parties	21	**110,846,820**	125,820,824
Dividends payable	15	**4,707,886**	4,707,886
Income tax payable		**8,410,118**	–
Total Current Liabilities		**1,403,367,545**	1,140,620,272
Noncurrent Liabilities			
Long-term debt - net of current portion	14	**208,999,799**	258,821,212
Provision for mine rehabilitation and decommissioning	13	**52,634,827**	51,980,329
Retirement benefit liability	20	**37,395,071**	22,552,229
Deferred tax liability	4	**465,262,759**	465,262,759
Total Noncurrent Liabilities		**764,292,456**	798,616,529
Total Liabilities		**2,167,660,001**	1,939,236,801
Equity			
Capital stock	15	**3,014,820,305**	3,014,820,305
Additional paid-in capital	15	**269,199,788**	269,199,788
Retained earnings		**605,626,516**	567,784,110
Remeasurement gain on retirement benefit liability - net of deferred tax	20	**34,043,845**	38,341,970
Total Equity		**3,923,690,454**	3,890,146,173
		₱6,091,350,455	₱5,829,382,974

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUE	16	**₱1,432,534,095**	₱987,255,064	₱2,040,859,226
COST OF SALES	17	**847,975,370**	921,269,786	1,335,907,606
GROSS INCOME		**584,558,725**	65,985,278	704,951,620
OPERATING EXPENSES	18	**407,983,396**	507,959,941	562,340,607
INCOME (LOSS) FROM OPERATIONS		**176,575,329**	(441,974,663)	142,611,013
INTEREST EXPENSE	14	**(61,630,647)**	(40,763,016)	(11,856,932)
INTEREST INCOME	5	**236,547**	149,306	215,379
OTHER INCOME (CHARGES) - Net	19	**10,777,723**	1,926,242	(15,475,531)
INCOME (LOSS) BEFORE INCOME TAX		**125,958,952**	(480,662,131)	115,493,929
PROVISION FOR (BENEFIT FROM) INCOME TAX	23	**88,116,546**	(91,855,012)	68,212,716
NET INCOME (LOSS)		**37,842,406**	(388,807,119)	47,281,213
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax	20	**(4,298,125)**	2,878,596	13,265,870
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱33,544,281**	(₱385,928,523)	₱60,547,083
Basic and diluted earnings (loss) per share	24	**₱0.013**	(₱0.129)	₱0.026

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	2019	2018	2017
			Years Ended December 31	
CAPITAL STOCK - ₱1 par value	15			
Authorized - 4,000,000,000 shares				
Issued and outstanding:				
Balance at beginning of year		**₱3,014,820,305**	₱2,969,088,599	₱1,821,358,599
Issuance		**–**	45,731,706	1,147,730,000
Balance at end of year		**3,014,820,305**	3,014,820,305	2,969,088,599
ADDITIONAL PAID-IN CAPITAL	15			
Balance at beginning of year		**269,199,788**	239,931,494	212,655,494
Proceeds in excess of par value		**–**	29,268,294	27,276,000
Balance at end of year		**269,199,788**	269,199,788	239,931,494
RETAINED EARNINGS				
Balance at beginning of year		**567,784,110**	963,441,676	916,160,463
Transition adjustment on initial application of PFRS 9 - net of deferred tax		**–**	(6,850,447)	–
Balance at beginning of year		**567,784,110**	956,591,229	916,160,463
Net income (loss)		**37,842,406**	(388,807,119)	47,281,213
Balance at end of year		**605,626,516**	567,784,110	963,441,676
REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - net of deferred tax				
Balance at beginning of year		**38,341,970**	35,463,374	22,197,504
Remeasurement gain (loss)	20	**(4,298,125)**	2,878,596	13,265,870
Balance at end of year		**₱34,043,845**	₱38,341,970	₱35,463,374
		₱3,923,690,454	₱3,890,146,173	₱4,207,925,143

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2019	2018	2017
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES	`			
Income (loss) before income tax		**₱125,958,952**	(₱480,662,131)	₱115,493,929
Adjustments for:				
Depreciation and amortization	9	**68,138,439**	67,736,982	74,340,114
Interest expense	14	**61,630,647**	40,763,016	11,856,932
Depletion	10	**61,542,082**	57,456,596	130,120,696
Provision for ECL	6	**20,000,000**	25,808,706	–
Retirement expense		**8,702,664**	(9,736,484)	9,412,728
Interest income	5	**(236,547)**	(149,306)	(215,379)
Loss on disposal of assets	9	**–**	–	19,540,862
Operating income (loss) before working capital changes		**345,736,237**	(298,782,621)	360,549,882
Decrease (increase) in:				
Trade and other receivables		**(20,848,638)**	(6,705,472)	(166,895,618)
Inventories		**68,922,379**	83,590,881	(96,117,988)
Advances to related parties		**1,897,842**	(10,436,220)	82,968,433
Other current assets		**(16,087,056)**	(27,000,181)	(2,010,959)
Increase (decrease) in:				
Trade and other payables		**286,780,681**	189,544,430	179,891,933
Advances from related parties		**(14,975,434)**	115,820,824	(120,860,136)
Net cash generated from operations		**651,426,011**	46,031,641	237,525,547
Income tax paid		**(37,000)**	(42,533,115)	(64,063,613)
Interest received	5	**236,547**	149,306	215,379
Net cash provided by operating activities		**651,625,558**	3,647,832	173,677,313
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	9	**(1,352,188)**	(85,469,959)	(120,359,684)
Mining rights and other mining assets	10	**(168,834,748)**	(532,399,980)	(262,553,454)
Increase in other noncurrent assets		**(67,252,935)**	(19,963,627)	(13,644,910)
Proceeds from disposal of property and equipment		**–**	–	28,000,000
Net cash used in investing activities		**(₱237,439,871)**	(637,833,566)	(368,558,048)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans		**(₱72,555,662)**	(190,421,095)	(39,204,861)
Interest		**(54,548,881)**	(38,440,950)	(9,816,144)
Availment of loans		**–**	843,344,896	1,631,200
Proceeds from:				
Deposit for future stock subscription	15	**–**	–	75,000,000
Issuance of shares	15	**–**	–	50,006,000
Dividends paid		**–**	–	(247,468)
Net cash provided by (used in) financing activities		**(127,104,543)**	614,482,851	77,368,727
NET INCREASE (DECREASE) IN CASH		**287,081,144**	(19,702,883)	(117,512,008)
CASH AT BEGINNING OF YEAR		**27,359,652**	47,062,535	164,574,543
CASH AT END OF YEAR		**₱314,440,796**	₱27,359,652	₱47,062,535
NONCASH FINANCIAL INFORMATION				
Issuance of capital stock through conversion of deposit for future stock subscription	15	**₱–**	₱75,000,000	₱–
Completed constructions transferred to mining rights and other mining assets	9	**–**	52,138,951	–
Capitalized depreciation to mine development costs	9	**₱1,367,440**	₱2,824,999	₱10,680,519

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

General Information
Marcventures Holdings, lnc. (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 December 31, 2019 and 2018, 3,014,820,305 shares of the Parent Company's shares of stocks are listed in the PSE.

The registered address of the Parent Company is 4th Floor, Citi Center, 8741 Paseo de Roxas, Makati City.

Events After the Reporting Period
The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated enhanced community quarantine all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company operations and financial performance, however, cannot be reasonably determined as at our report date.

Nonetheless, the Company strongly believes that it can remain a going concern given its access to short-term and long-term funding from stockholders.

Approval of Financial Statements
The consolidated financial statements as at December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on June 26, 2020.

Merger of the Parent 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 Parent Company, BHI and APMPC, with the Parent Company as the surviving entity and the increase in authorized capital stock of the Parent Company to accommodate the merger from 2,000,000,000 shares at 1 par value a share to 4,000,000,000 shares at the same 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 a share.

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).

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 25). Accordingly, MMDC has continued its 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.

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.

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.

BGRC, 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 BGRC, AMPI and BARI have prior legal right (see Note 25).

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.

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 26, *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, 2019:

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

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

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

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

Company as a Lessee. The Company has applied the requirements of PFRS 16 retrospectively.

On the date of transition, the Company has lease agreements for its office space that has lease term of less than (12) twelve months subject to renewal on an annual basis, upon mutual agreement between the parties. Further, the lease qualifies a short-term lease and the Company has elected not to recognize ROU assets and lease liability. The related rental on this lease arrangement is recognized in the profit or loss on a straight line basis (see Note 22).

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

The adoption of the foregoing new and amended PFRS does not have any material effect on the consolidated financial statements of the Company.

New and Amended PFRS Issued But Not Yet Effective

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

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

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

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

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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 new and 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 subsidiaries, MMDC as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 and BGRC, AMPI and BARI as at and for the years ended December 31, 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, 2019 and 2018, 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 December 31, 2019 and 2018, 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 5, 6, 21 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 December 31, 2019 and 2018, 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, 21 and 15).

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 finanhpcial 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 MTF, 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 customers 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 directly 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.

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 will 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 unlikeliness 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 an 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 0.6 million, 3.2 million and 8.7 million in 2019, 2018 and 2017, respectively (see Note 22).

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 and ₱25.8 million in 2019 and 2018, respectively. The allowance for ECL amounted to ₱66.6 million and ₱46.6 million as at December 31, 2019 and 2018. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱175.9 million and ₱172.7 million as at December 31, 2019 and 2018, 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 2019, 2018 and 2017 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 26, *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 2019, 2018 and 2017. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱76.9 million and ₱145.9 million as at December 31, 2019 and 2018 (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 2019, 2018 and 2017. 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 ₱306.4 million and ₱303.6 million as at December 31, 2019 and 2018, 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 2019 and 2018. Property and equipment, net of accumulated depreciation, amounted to ₱275.9 million and ₱344.0 million as at December 31, 2019 and 2018, 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	2019	2018
Mining rights	10	**₱2,582,800,790**	₱2,604,171,944
Mine and mining properties	10	**₱1,771,077,160**	₱1,649,356,162

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 ₱36.2 million and ₱37.0 million as at December 31, 2019 and 2018, respectively (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱52.6 million and ₱52.0 million as at December 31, 2019 and 2018, respectively (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 2019, 2018 and 2017.

The carrying amounts of the Company's nonfinancial assets are as follows:

	Note	2019	2018
Advances to officers and employees	6	**₱28,579,937**	₱31,176,945
Other current assets	8	**132,085,257**	120,760,974
Property and equipment	9	**275,879,333**	344,033,024
Mining rights and other mining assets	10	**4,504,413,119**	4,395,753,013
Other noncurrent assets (excluding financial assets and input VAT)	11	**186,580,281**	122,138,612

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 ₱37.4 million and ₱22.6 million as at December 31, 2019 and 2018 (see Note 20).

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 ₱33.4 million and ₱107.5 million as at December 31, 2019 and 2018, respectively (see Note 23).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at December 31, 2019 and 2018 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 72.0 million and 48.0 million as at December 31, 2019 and 2018 (see Note 23).

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.

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
Assets			
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
Liabilities			
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
Net assets acquired	₱450,000,000	₱675,000,000	₱1,125,000,000

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 BGRC, 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)	₱850 to ₱1,550	₱1,350 to ₱1,550
Estimated annual shipment of mineral ore (WMT)	951,345	1,445,244
Production costs:		
Average variable cost	₱477 to ₱479	₱663
Fixed	₱448	₱490
Operating costs (percentage of gross revenue)	18%	19% to 33%
Estimated project costs	₱976,901,820	₱1,693,192,588
Exchange rate of Philippine Peso to US Dollar	₱50: $1	₱50: $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 equitment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitiation 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 BGRC (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 AMPI and BARI (see Note 1).

5. CASH

This account consists of:

	2019	2018
Cash on hand	**₱214,091**	₱260,546
Cash in banks	**314,226,705**	27,099,106
	₱314,440,796	₱27,359,652

Cash in banks earn interest at prevailing bank deposit rates. Interest income was earned from the following sources:

	Note	2019	2018	2017
Cash in banks		**₱179,319**	₱105,815	₱171,058
Other noncurrent assets	11	**57,228**	43,491	44,321
		₱236,547	₱149,306	₱215,379

6. TRADE AND OTHER RECEIVABLES

This account consists of:

	2019	2018
Trade receivables	**₱232,879,542**	₱209,219,163
Advances to officers and employees	**28,579,937**	31,176,945
Others	**9,635,896**	10,139,279
	271,095,375	250,535,387
Allowance for ECL	**(66,631,586)**	(46,631,586)
	₱204,463,789	₱203,903,801

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	2019	2018
Balance at beginning of year		**₱46,631,586**	₱20,822,880
Provision	18	**20,000,000**	25,808,706
Balance at end of year		**₱66,631,586**	₱46,631,586

7. **INVENTORIES**

This account consists of beneficiated nickel ore amounting to ₱76.9 million and ₱145.9 million which is stated at cost as at December 31, 2019 and 2018. 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 ₱848.0 million, ₱921.3 million and ₱1,335.9 million in 2019, 2018 and 2017 (see Note 17).

8. **OTHER CURRENT ASSETS**

This account consists of:

	2019	2018
Prepaid income tax	**₱49,529,464**	₱49,677,756
Advances to contractors and suppliers	**17,541,605**	24,528,416
Mining and office supplies	**18,201,636**	19,238,339
Prepaid expenses	**32,340,725**	15,168,471
Others	**14,471,827**	12,147,992
	₱132,085,257	₱120,760,974

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 pertain 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:

	2019					
	Land	**Building and Improvements**	**Office Furniture, Fixtures and Equipment**	**Heavy and Transportation Equipment**	**Construction in-progress**	**Total**
Cost						
Balances at beginning of year	**₱58,597,484**	**₱169,727,730**	**₱98,672,406**	**₱382,296,725**	**₱45,188,518**	**₱754,482,863**
Additions	**–**	**–**	**1,436,186**	**–**	**(83,998)**	**1,352,188**
Disposal	**–**	**–**	**–**	**(3,450,000)**	**–**	**(3,450,000)**
Reclassification	**–**	**40,800**	**–**	**–**	**(40,800)**	**–**
Balances at end of year	**58,597,484**	**169,768,530**	**100,108,592**	**378,846,725**	**45,063,720**	**752,385,051**
Accumulated Depreciation and Amortization						
Balances at beginning of year	**–**	**62,962,064**	**80,555,340**	**266,932,435**	**–**	**410,449,839**
Depreciation and amortization	**–**	**11,331,343**	**9,244,646**	**48,929,890**	**–**	**69,505,879**
Disposal	**–**	**–**	**–**	**(3,450,000)**	**–**	**(3,450,000)**
Balances at end of year	**–**	**74,293,407**	**89,799,986**	**312,412,325**	**–**	**476,505,718**
Net Carrying Amount	**₱58,597,484**	**₱95,475,123**	**₱10,308,606**	**₱66,434,400**	**₱45,063,720**	**₱275,879,333**

	2018					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balances at beginning of year	₱57,933,414	₱168,864,919	₱81,028,227	₱376,871,520	₱36,453,775	₱721,151,855
Additions	664,070	–	17,644,179	5,425,205	61,736,505	85,469,959
Transfers	–	862,811	–	–	(53,001,762)	(52,138,951)
Balances at end of year	58,597,484	169,727,730	98,672,406	382,296,725	45,188,518	754,482,863
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	51,153,091	66,069,105	222,665,662	–	339,887,858
Depreciation and amortization	–	11,808,973	14,486,235	44,266,773	–	70,561,981
Balances at end of year	–	62,962,064	80,555,340	266,932,435	–	410,449,839
Net Carrying Amount	₱58,597,484	₱106,765,666	₱18,117,066	₱115,364,290	₱45,188,518	₱344,033,024

Heavy and transportation equipment with carrying amounts of ₱35.3 million and ₱63.8 million as at December 31, 2019 and 2018, respectively, are held as collaterals for loans payable. In 2017, MMDC obtained additional long-term debt with transportation equipment held as collateral with carrying amount of ₱0.6 million and ₱1.3 million as at December 31, 2019 and 2018, respectively (see Note 14). In 2017, BGRC obtained a four-year promissory note with transportation equipment held as collateral with carrying amount of ₱0.8 million and ₱1.5 million as at December 31, 2019 and 2018, respectively (see Note 14).

In 2019, the Company disposed a fully depreciated asset with a total cost of 3.5 million. In 2017, the Company disposed property and equipment with a carrying amount of 47.5 million, resulting to loss of 19.5 million (see Note 19).

Depreciation and amortization is allocated to profit or loss as follows:

	Note	**2019**	2018	2017
Charged to:				
Cost of sales	17	**₱15,920,112**	₱12,541,427	₱21,473,667
Operating expenses	18	**52,218,327**	55,195,555	52,866,447
		68,138,439	67,736,982	74,340,114
Capitalized to mine development costs	10	**1,367,440**	2,824,999	10,680,519
		₱69,505,879	₱70,561,981	₱85,020,633

Fully depreciated property and equipment with cost of ₱190.7 million and ₱92.9 million as at December 31, 2019 and 2018, 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:

	2019					
			Mine and Mining Properties			
	Mining Rights	**Deferred Exploration Costs**	**Mine Development Costs**	**Mine Rehabilitation Asset**	**Total**	**Total**
Cost						
Balances at beginning of year	**₱2,935,579,522**	**₱142,224,907**	**₱1,904,405,593**	**₱44,167,841**	**₱1,948,573,434**	**₱5,026,377,863**
Additions	**–**	**8,310,262**	**161,891,926**	**–**	**161,891,926**	**170,202,188**
Balances at end of year	**2,935,579,522**	**150,535,169**	**2,066,297,519**	**44,167,841**	**2,110,465,360**	**5,196,580,051**
Accumulated Depletion						
Balances at beginning of year	**331,407,578**	**–**	**292,093,028**	**7,124,244**	**299,217,272**	**630,624,850**
Depletion	**21,371,154**	**–**	**39,349,353**	**821,575**	**40,170,928**	**61,542,082**
Balances at end of year	**352,778,732**	**–**	**331,442,381**	**7,945,819**	**339,388,200**	**692,166,932**
Net Carrying Amount	**₱2,582,800,790**	**₱150,535,169**	**₱1,734,855,138**	**₱36,222,022**	**₱1,771,077,160**	**₱4,504,413,119**

	2018					
			Mine and Mining Properties			
	Mining Rights	Deferred Exploration Costs	Mine Development Costs	Mine Rehabilitation Asset	Total	Total
Cost						
Balances at beginning of year	₱2,935,579,522	₱77,835,574	₱1,383,428,703	₱42,170,134	₱1,425,598,837	₱4,439,013,933
Additions	–	64,389,333	468,837,939	1,997,707	470,835,646	535,224,979
Transfers	–	–	52,138,951	–	52,138,951	52,138,951
Balances at end of year	2,935,579,522	142,224,907	1,904,405,593	44,167,841	1,948,573,434	5,026,377,863
Accumulated Depletion						
Balances at beginning of year	310,222,217	–	256,636,424	6,309,613	262,946,037	573,168,254
Depletion	21,185,361	–	35,456,604	814,631	36,271,235	57,456,596
Balances at end of year	331,407,578	–	292,093,028	7,124,244	299,217,272	630,624,850
Net Carrying Amount	₱2,604,171,944	₱142,224,907	₱1,612,312,565	₱37,043,597	₱1,649,356,162	₱4,395,753,013

Mining Rights

Mining rights of the Company consist of:

	Note	**2019**	2018
Mining rights on explored resources		**₱941,987,425**	₱963,358,579
Mining rights of BGRC, AMPI and BARI	4	**1,640,813,365**	1,640,813,365
		₱2,582,800,790	₱2,604,171,944

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 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. Carrying value of mine and mining properties amounted to ₱1,771.1 million and ₱1,649.4 million as at December 31, 2019 and 2018, respectively.

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, 2.8 million and 10.7 million in 2019, 2018 and 2017, respectively (see Note 9).

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).

11. OTHER NONCURRENT ASSETS

This account consists of:

	Note	**2019**	2018
Input VAT		**₱306,438,245**	₱303,632,311
Advances to a contractor		**101,139,441**	101,139,441
Rehabilitation cash fund (RCF)		**5,511,116**	5,454,960
Rental deposit	22	**355,250**	407,145
Monitoring trust fund (MTF)		**165,780**	164,709
Others		**85,440,840**	20,999,171
		₱499,050,672	₱431,797,737

Advances to a contractor are advance payments made to the contractor to build and operate a nickel processing plant.

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.

Interest income from RCF and MTF amounted to 57,228, 43,491 and 44,321 in 2019, 2018 and 2017, respectively (see Note 5).

12. TRADE AND OTHER PAYABLES

This account consists of:

	Note	**2019**	2018
Trade payables		**₱328,322,949**	₱374,632,931
Advances from customers		**343,997,812**	26,440,022
Excise tax and other statutory payables		**28,244,589**	30,977,298
Accrued expenses:			
Interest	14	**5,327,094**	277,094
Others		**57,186,872**	39,153,711
Others		**6,253,826**	6,022,835
		₱769,333,142	₱477,503,891

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	2019	2018
Balance at beginning of year		**₱51,980,329**	₱49,796,810
Accretion of interest	14	**654,498**	2,183,519
Balance at end of year		**₱52,634,827**	₱51,980,329

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:

	2019	2018
Short-term loan – MMDC	**₱490,733,751**	₱505,000,000
Long-term debt:		
AMPI	**₱198,854,439**	₱198,638,282
MMDC	**29,114,165**	86,685,072
BGRC	**367,023**	1,085,529
	228,335,627	286,408,883
Less current portion	**19,335,828**	27,587,671
	₱208,999,799	₱258,821,212

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. In 2019, the Parent Company pledged the shares held in BGRC as part of MMDC's loan restructuring.

Outstanding balance of these credit facilities are summarized below:

Classification	2019	2018
200.0 million credit facility	**₱75,000,000**	₱79,000,000
400.0 million credit facilities	**390,288,125**	400,000,000
	₱465,288,125	₱479,000,000

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 21). 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. 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.

Debt-Issue Costs

Movements of unamortized debt-issue costs are as follows:

	2019	2018
Balance at beginning of year	**₱1,361,718**	₱1,503,300
Amortization	**(216,157)**	(141,582)
Balance at end of year	**₱1,145,561**	₱1,361,718

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 ₱35.3 million and ₱63.8 million as at December 31, 2019 and 2018, respectively (see Note 9).

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%.

The carrying amount of transportation equipment held as collateral amounted to ₱0.6 million and ₱1.3 million as at December 31, 2019 and 2018, respectively (see Note 9).

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 mortage and bears an annual interest rate of 9.02%.

The carrying amount of transportation equipment held as collateral amounted to ₱0.8 million and ₱1.5 million as at December 31, 2019 and 2018, respectively (see Note 9).

Interest expense of the Company was incurred from the following sources:

	Note	**2019**	2018	2017
Loans payable		**₱60,976,149**	₱38,579,497	₱9,768,101
Provision for mine rehabilitation and decommissioning	13	**654,498**	2,183,519	2,088,831
		₱61,630,647	₱40,763,016	₱11,856,932

Interest payable amounted to ₱5.3 million and ₱0.3 million as at December 31, 2019 and 2018, respectively (see Note 12).

The expected loan repayments over the remaining term of the loans are as follows:

	Amounts
Not later than one (1) year	₱510,069,579
Later than one year but not more than five (5) years	208,999,799
	₱719,069,378

15. EQUITY

Movements of this account are as follows:

	2019		2018		2017	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized Capital Stock at ₱1 par value	**4,000,000,000**	**₱4,000,000,000**	4,000,000,000	₱4,000,000,000	4,000,000,000	₱4,000,000,000
Capital Stock						
Balance at beginning of year	**3,014,820,305**	**₱3,014,820,305**	2,969,088,599	₱2,969,088,599	1,821,358,599	₱1,821,358,599
Issuance of shares	**–**	**–**	45,731,706	45,731,706	1,147,730,000	1,147,730,000
Balance at end of year	**3,014,820,305**	**₱3,014,820,305**	3,014,820,305	₱3,014,820,305	2,969,088,599	₱2,969,088,599
Additional Paid-in Capital						
Balance at beginning of year		**₱269,199,788**		₱239,931,494		212,655,494
Proceeds in excess of par value		**–**		29,268,294		27,276,000
		₱269,199,788		₱269,199,788		₱239,931,494

On December 29, 2017, the SEC approved the increase in authorized capital stock of the Parent Company to accommodate the merger, as discussed in Note 1, from 2,000,000,000 shares at ₱1 par value a share 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 par value a share.

In 2017, a stockholder subscribed to additional 22,730,000 shares of the Parent Company at ₱2.20 a share. The proceeds for the subscription amounting to ₱50.0 million resulted to an excess in par value of ₱27.3 million.

In 2017, the Parent Company received an advance from a stockholder for future stock subscription of ₱75.0 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 ₱29.3 million.

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 December 31, 2019 and 2018, respectively.

16. REVENUE

This account consists of:

	2019	2018	2017
Sale of ore	**₱1,432,534,095**	₱987,255,064	₱1,965,721,726
Reservation fee for ore allocation	**–**	–	75,137,500
	₱1,432,534,095	₱987,255,064	₱2,040,859,226

17. COST OF SALES

This account consists of:

	Note	2019	2018	2017
Contractual services		**₱451,977,196**	₱597,181,332	₱878,415,391
Personnel costs		**100,638,603**	48,757,667	137,032,654
Production overhead		**87,560,434**	59,304,571	132,745,664
Depletion	10	**61,542,082**	57,456,596	130,120,696
Excise tax		**57,301,364**	44,442,402	38,679,875
Depreciation	9	**15,920,112**	12,541,427	21,473,667
Demurrage costs		**4,113,200**	17,994,910	93,557,647
		779,052,991	837,678,905	1,432,025,594
Net movement in inventories		**68,922,379**	83,590,881	(96,117,988)
		₱847,975,370	₱921,269,786	₱1,335,907,606

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 MPSA 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 Accelaration and Inclusion Act.

18. OPERATING EXPENSES

This account consists of:

	Note	2019	2018	2017
Salaries and allowances		**₱102,984,634**	₱116,433,559	₱112,225,365
Environmental expenses	22	**56,042,520**	54,367,101	62,216,496
Depreciation and amortization	9	**52,218,327**	55,195,555	52,866,447
Taxes and licenses		**37,415,478**	54,512,018	57,454,881
Professional fees		**33,315,431**	43,593,614	39,684,090
Provision for ECL	6	**20,000,000**	25,808,706	–
Social development program	22	**16,279,884**	44,011,111	33,077,690
Royalties	22	**14,857,247**	10,366,178	20,394,770
Community relations		**11,034,181**	9,891,815	4,847,803
Outside services		**10,786,391**	20,662,398	43,771,015
Retirement benefit expense	20	**8,702,664**	4,872,143	9,412,728
Communication, light and water		**5,889,692**	5,581,826	5,498,512
Transportation and travel		**5,709,344**	7,591,282	16,785,170
Representation		**4,120,691**	9,508,685	7,336,179
Dues and subscriptions		**3,153,260**	3,680,369	3,858,466
Office supplies		**933,282**	7,788,915	8,665,461
Repairs and maintenance		**897,265**	5,827,532	1,497,695
Rent expense	22	**645,034**	3,164,289	8,671,875
Advertisement		**314,046**	1,707,802	2,363,687
Loading fees		**–**	142,400	22,092,383
Moisture penalty		**–**	–	20,580,742
Others		**22,684,025**	23,252,643	29,039,152
		₱407,983,396	₱507,959,941	₱562,340,607

Others include insurance, trainings and seminars, security services, among others.

19. **OTHER INCOME (CHARGES) - NET**

This account consists of:

	Note	2019	2018	2017
Foreign exchange gain		**₱1,261,403**	₱1,405,162	₱808,738
Loss on disposal of property and equipment	9	**–**	–	(19,540,862)
Income from sale of scrap		**–**	–	1,631,825
Others		**9,516,320**	521,080	1,624,768
		₱10,777,723	₱1,926,242	(₱15,475,531)

20. **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, 2019.

The components of retirement benefit expense presented under "Operating expenses" account in profit or loss are as follows:

	2019	2018	2017
Current service cost	**₱4,735,379**	₱5,354,636	₱6,939,581
Net interest cost	**1,660,320**	2,064,314	2,473,147
Past service cost	**2,306,965**	–	–
Settlement gain	**–**	(2,546,807)	–
	₱8,702,664	₱4,872,143	₱9,412,728

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2019 and 2018 and changes in the present value of defined benefit obligation are as follows:

	2019	2018
Balance at beginning of year	**₱22,552,229**	₱36,400,994
Retirement benefits expense recognized in profit or loss:		
Current service cost	**4,735,379**	5,354,636
Net interest cost	**1,660,320**	2,064,314
Past service cost	**2,306,965**	–
Settlement gain	**–**	(2,546,807)
Remeasurement losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	**634,254**	(2,921,581)
Deviations of experience from assumptions	**5,505,924**	(1,190,700)
Benefits paid	**–**	(14,608,627)
Balance at end of year	**₱37,395,071**	₱22,552,229

The principal actuarial assumptions used to determine retirement benefit liability for 2019 and 2018 are as follows:

	2019	2018
Discount rates	**4.64%**	7.36%
Salary increase rates	**3.00%**	5.00%

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, 2019 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(2,764,351)
	-1%	2,620,805
Salary increase rate	+1%	2,673,940
	-1%	(2,284,148)

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, 2019 and 2018 follows:

	2019		
	Accumulated Remeasurement Gain	**Deferred Tax Liability (see Note 23)**	**Net Remeasurement Gain**
Balance at beginning of year	**₱54,774,243**	**(₱15,176,337)**	**₱38,341,970**
Actuarial loss	**(6,140,178)**	**1,667,981**	**(4,298,125)**
Balance at end of year	**₱48,634,065**	**(₱13,508,356)**	**₱34,043,845**

	2018		
	Accumulated Remeasurement Gain	Deferred Tax Liability (see Note 23)	Net Remeasurement Gain
Balance at beginning of year	₱50,661,962	(₱15,198,588)	₱35,463,374
Actuarial gain	4,112,281	(1,233,685)	2,878,596
Balance at end of year	₱54,774,243	(₱16,432,273)	₱38,341,970

The average duration of the expected benefit payments at the end of the reporting period is 17 years.

21. RELATED PARTY TRANSACTIONS

Significant transactions with related parties include the following:

Related Parties under Common Management

		Transaction Amounts		Outstanding Balances		
	Note	**2019**	2018	**2019**	2018	Nature and Terms
Advances to related parties		**₱2,627,325**	₱12,126,769	**₱51,366,755**	₱53,264,597	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		**₱8,818,9754**	₱115,820,824	**₱110,846,820**	₱125,820,824	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	14	**₱–**	₱26,000,000	**₱26,000,000**	₱26,000,000	Short-term loan; unsecured; interest-bearing; payable in installments

As at December 31, 2019 and 2018, 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 ₱80.0 million, ₱127.3 million and ₱157.7 million in 2019, 2018 and 2017, respectively. Retirement benefit expense of key management personnel amounted to ₱2.4 million, ₱3.2 million and ₱5.2 million in 2019, 2018 and 2017, respectively.

22. 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 ₱16.3 million, ₱44.0 million and ₱33.1 million in 2019, 2018 and 2017, respectively (see Note 18).

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 ₱56.0 million, ₱54.4 million and ₱62.2 million in 2019, 2018 and 2017, respectively (see Note 18).

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 ₱14.9 million, ₱10.4 million and ₱20.4 million in 2019, 2018 and 2017, respectively (see Note 18).

Lease Commitment
The Company leases an office space for its operations. Rental deposit amounted to ₱0.4 million as at December 31, 2019 and 2018 (see Note 11).

Rental expense arising from short-term leases amounted to ₱0.6 million, ₱3.2 million and ₱8.7 million in 2019,2018 and 2017, respectively (see Note 18).

23. INCOME TAXES

Components of provision for (benefit from) income tax are shown below:

	2019	2018	2017
Current	**₱12,337,430**	₱1,787,769	₱72,779,003
Deferred	**75,779,116**	(93,642,781)	(4,566,287)
	₱88,116,546	(₱91,855,012)	₱68,212,716

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:

	2019	2018	2017
Income tax at statutory rate	**₱37,787,686**	(₱144,198,639)	₱34,648,179
Changes in unrecognized deferred tax assets	**23,990,659**	18,977,388	(591,060)
Add (deduct) income tax effects of:			
Nondeductible expenses	**20,477,569**	22,620,740	31,720,211
Expired NOLCO	**4,122,716**	9,089,291	–
Expired MCIT	**1,808,880**	1,701,000	2,500,000
Interest income subjected to final tax	**(70,964)**	(44,792)	(64,614)
	₱88,116,546	(₱91,855,012)	₱68,212,716

The Company's net deferred tax assets arising from temporary differences as at December 31, 2019 and 2018 are summarized as follows:

	2019	2018
Deferred tax assets:		
NOLCO	**₱–**	₱86,880,348
Allowance for ECL on receivables	**18,020,408**	12,020,408
Retirement benefit liability	**8,579,606**	4,358,077
Excess MCIT over RCIT	**4,187,441**	1,770,009
Provision for mine rehabilitation	**2,651,008**	2,454,659
	33,438,463	107,483,501
Deferred tax liabilities:		
Unrealized foreign exchange gain	**(378,421)**	(421,549)
Debt issue cost	**(343,668)**	(408,515)
	(722,089)	(830,064)
	₱32,716,374	₱106,653,437

The Company's adoption of PFRS 9 resulted to an adjustment to the opening balance of deferred tax assets as at January 1, 2018 amounting to ₱2.9 million.

The presentation of net deferred tax assets are as follows:

	2019	2018
Through profit or loss	**₱47,306,594**	₱120,149,804
Through other comprehensive income	**(14,590,220)**	(16,432,273)
Through retained earnings	**–**	2,935,906
	₱32,716,374	₱106,653,437

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.

	2019	2018
NOLCO	**₱67,570,654**	₱42,017,238
Retirement benefit liability	**2,638,915**	2,407,592
Excess MCIT over RCIT	**1,750,320**	3,544,400
	₱71,959,889	₱ 47,969,230

Details of NOLCO of the Company are as follows:

Year incurred	Expiry date	Amount	Expired/ Application	Balance
2019	2022	₱98,920,439	₱–	₱98,920,439
2018	2021	388,423,742	(289,601,160)	98,822,582
2017	2020	27,492,491	–	27,492,491
2016	2019	13,742,387	(13,742,387)	–
		₱528,579,059	(₱303,343,547)	₱225,235,512

Details of Excess MCIT over RCIT of the Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2019	2022	₱2,432,232	₱–	₱2,432,232
2018	2021	1,787,769	–	1,787,769
2017	2020	1,717,760	–	1,717,760
2016	2019	1,808,880	(1,808,880)	–
		₱7,746,641	(₱1,808,880)	₱5,937,761

24. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share are computed as follows:

	2019	2018	2017
Net income (loss) shown in the consolidated statements of comprehensive income (a)	**₱37,842,406**	(₱388,807,119)	₱47,281,213
Weighted average number of common shares (b)	**3,007,198,354**	3,007,198,354	1,832,723,599
Basic earnings (loss) per share (a/b)	**₱0.013**	(₱0.129)	₱0.026

The Company does not have potentially dilutive common shares.

25. CONTINGENCIES

Cancellation of MMDC's MPSA

On February 13, 2017, MMDC received an order 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.

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. It has implemented all the necessary measures to ensure that it is environmentally compliant. While its operation is 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 the issuance of the said proclamation in 2009.

As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to previous inaction of the DENR. The Company submitted the program for the tree planting of three million seedlings as early as February 24, 2015. There were several communications between MMDC and the DENR/MGB regarding this matter. In a letter dated April 22, 2016, MMDC informed MGB that there is a strong objection from the LGU in the host communities of MMDC since they will not benefit from the Program as MGB directed MMDC to plant in different regions. Thereupon, MMDC suggested DENR/MGB to implement the program through its National Greening Project to be funded by MMDC. After several follow-ups, on December 21, 2016, MMDC received a letter from then DENR Secretary Gina Lopez dated December 1, 2016 finally directing MMDC to plant the three million seedlings in its host communities. MMDC immediately coordinated with the Regional Director of DENR. Hence, an inventory of seedlings available in the area was then made. Based on the report of DENR Region XIII, a total of 1,513,928 seedlings are available in the area. To ensure immediate and proper implementation of the tree planting activity, MMDC entered into a Memorandum of Agreement with the mayors of the municipalities in its host communities on February 9, 2017. This action demonstrates MMDC's readiness and willingness to implement the program. Thus, no fault can be attributed to MMDC with regard to the implementation of the three million seedlings.

With regard to alleged violations of environmental laws and regulations, the DENR failed to specify the facts and the provisions of law which MMDC allegedly violated.

The Technical Committee Report on MMDC shows only a recommendation for fine and suspension. Thus, the management strongly believes that the cancellation of MMDC's MPSA is unwarranted and should be overturned. Thus, 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.

In May 2017, the Company, through its external counsel, filed a Notice of Appeal to the Office of the President requesting said Office to issue a formal Stay of Execution Order, thus the execution of the Order of the DENR Secretary is deemed stayed as a matter of course on account of the pendency of MMDC's appeal. Further, in the said Appeal, MMDC was able to address 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 of December 31, 2019, the Company has not received any decision nor update from the Office of the President and in view of the Notice of Appeal filed by MMDC, the Management and its Legal Counsel take a good faith position that the company may continue its operations because the issuance of the Office of the President of a formal Stay of Execution is unnecessary.

MMDC has continuously been granted the necessary authorizations, permits and licenses to operate from the LGUs and the DENR through the MGB, among others, including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits. To attest to its compliance, MMDC also has been issued 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.

The Company 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, 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.

BGRC

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 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.

26. 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, 2019 and 2018:

	2019		2018	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Cash in banks	**₱239,250,801**	**$4,714,859**	₱280,965	5,344
Trade receivables	**232,349,372**	**4,588,711**	209,219,163	3,979,064
	₱471,600,173	**$9,303,570**	₱209,500,128	3,984,408

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at December 31, 2019 and 2018, the exchange rates applied were 50.74 and 52.58 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, 2019 and 2018 (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, 2019	**+1.27**	**5,989,322**
	-1.27	**(5,989,322)**

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, 2019.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2019	+3.42%	**(18,421,645)**
	-3.42%	**18,421,645**

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, 2019 and 2018.

	December 31, 2019						
			Past Due				
	High Grade	**Standard Grade**	**1 – 30 Days**	**31 – 90 Days**	**More than 90 Days**	**Total**	**Allowance for ECL**
Lifetime ECL (not credit impaired):							
Trade and other receivables*	**₱–**	**₱9,635,896**	**₱10,898,025**	**₱12,762,354**	**₱209,219,163**	**₱242,515,438**	**₱66,631,586**
12 - month ECL:							
Cash in banks	**314,226,705**	**–**	**–**	**–**	**–**	**314,226,705**	**–**
Advances to related parties	**–**	**51,366,755**	**–**	**–**	**–**	**51,366,755**	**–**
RCF and MTF	**5,676,896**	**–**	**–**	**–**	**–**	**5,676,896**	**–**
Rental deposit	**–**	**355,250**	**–**	**–**	**–**	**355,250**	**–**
	319,903,601	**51,722,005**	**–**	**–**	**–**	**371,625,606**	**–**
	₱319,903,601	**₱61,357,901**	**₱10,898,025**	**₱12,762,354**	**₱209,219,163**	**₱614,141,044**	**₱66,631,586**

**Excluding advances to officers and employees amounting to ₱28.6 million in 2019.*

	December 31, 2018						
			Past Due				
	High Grade	Standard Grade	1 – 30 Days	31 – 90 Days	More than 90 Days	Total	Allowance for ECL
Lifetime ECL (not credit impaired):							
Trade and other receivables*	₱–	₱10,139,279	₱11,790,630	₱36,242,717	₱161,185,816	₱219,358,442	₱46,631,586
12 - month ECL:							
Cash in banks	27,099,106	–	–	–	–	27,099,106	–
Advances to related parties	–	53,264,597	–	–	–	53,264,597	–
RCF and MTF	5,619,669	–	–	–	–	5,619,669	–
Rental deposit	–	407,145	–	–	–	407,145	–
	32,718,775	53,671,742	–	–	–	86,390,517	–
	₱32,718,775	₱63,811,021	₱11,790,630	₱36,242,717	₱161,185,816	₱305,748,959	₱46,631,586

**Excluding advances to officers and employees amounting to ₱31.2 million in 2018.*

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, 2019 and 2018, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	Total
December 31, 2019						
Trade and other payables*	**₱11,580,920**	**₱57,186,872**	**₱328,322,949**	**₱–**	**₱–**	**₱397,090,741**
Dividends payable	**4,707,886**	**–**	**–**	**–**	**–**	**4,707,886**
Loans payable and long-term debt**	**101,000,000**	**10,226,561**	**191,075,652**	**244,563,541**	**258,605,573**	**805,471,327**
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**
December 31, 2018						
Trade and other payables*	₱50,584,971	₱46,919,445	₱322,582,155	₱–	₱–	₱420,086,571
Dividends payable	4,707,886	–	–	–	–	4,707,886
Loans payable and long-term debt**	105,000,000	195,708	208,777,963	265,211,610	336,741,025	915,926,306
Advances from a related party	125,820,824	–	–	–	–	125,820,824
	₱286,113,681	₱47,115,153	₱531,360,118	₱265,211,610	₱336,741,025	₱1,466,541,587

**Excluding excise tax and other statutory payables and advances from customers amounting to ₱372.2 million and ₱57.4 million as at December 31, 2019 and 2018, respectively.*
***Including interest payable up to maturity amounting to ₱86.4 and ₱124.5 million as at December 31, 2019 and 2018.*

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:

	2019		2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**₱314,440,796**	**₱314,440,796**	₱27,359,652	₱27,359,652
Trade and other receivables*	**175,883,852**	**175,883,852**	172,726,856	172,726,856
Advances to related parties	**51,366,755**	**51,366,755**	53,264,597	53,264,597
RCF and MTF	**5,676,896**	**5,676,896**	5,619,669	5,619,669
Rental deposit	**355,250**	**355,250**	407,145	407,145
	₱547,723,549	**₱547,723,549**	₱259,377,919	₱259,377,919

**Excluding advances to officers and employees amounting to ₱28.6 million and ₱31.2 million as at December 31, 2019 and 2018, respectively.*

	2019		2018	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables*	**₱397,090,741**	**₱397,090,741**	₱420,086,571	₱420,086,571
Dividends payable	**4,707,886**	**4,707,886**	4,707,886	4,707,886
Loans payable and long-term debt	**719,069,378**	**805,470,588**	791,408,883	839,299,141
Advances from related parties	**110,846,820**	**110,846,820**	125,820,824	125,820,824
	₱1,231,714,825	**₱1,318,116,035**	₱1,342,024,164	₱1,389,914,422

**Excluding excise tax and other statutory payables and advances from customers amounting to ₱372.2 million and ₱57.4 million as at December 31, 2019 and 2018, 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 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).

27. **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 ther 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.

	2019	2018
Total debt	**₱2,167,660,001**	₱1,939,236,801
Total equity (excluding remeasurement gain on retirement benefit liability)	**3,889,646,609**	3,851,804,203
Debt-to-equity ratio	**₱0.56:1.00**	₱0.50:1.00

There were no changes in the Company's objectives, policies or processes in 2019, 2018 and 2017.

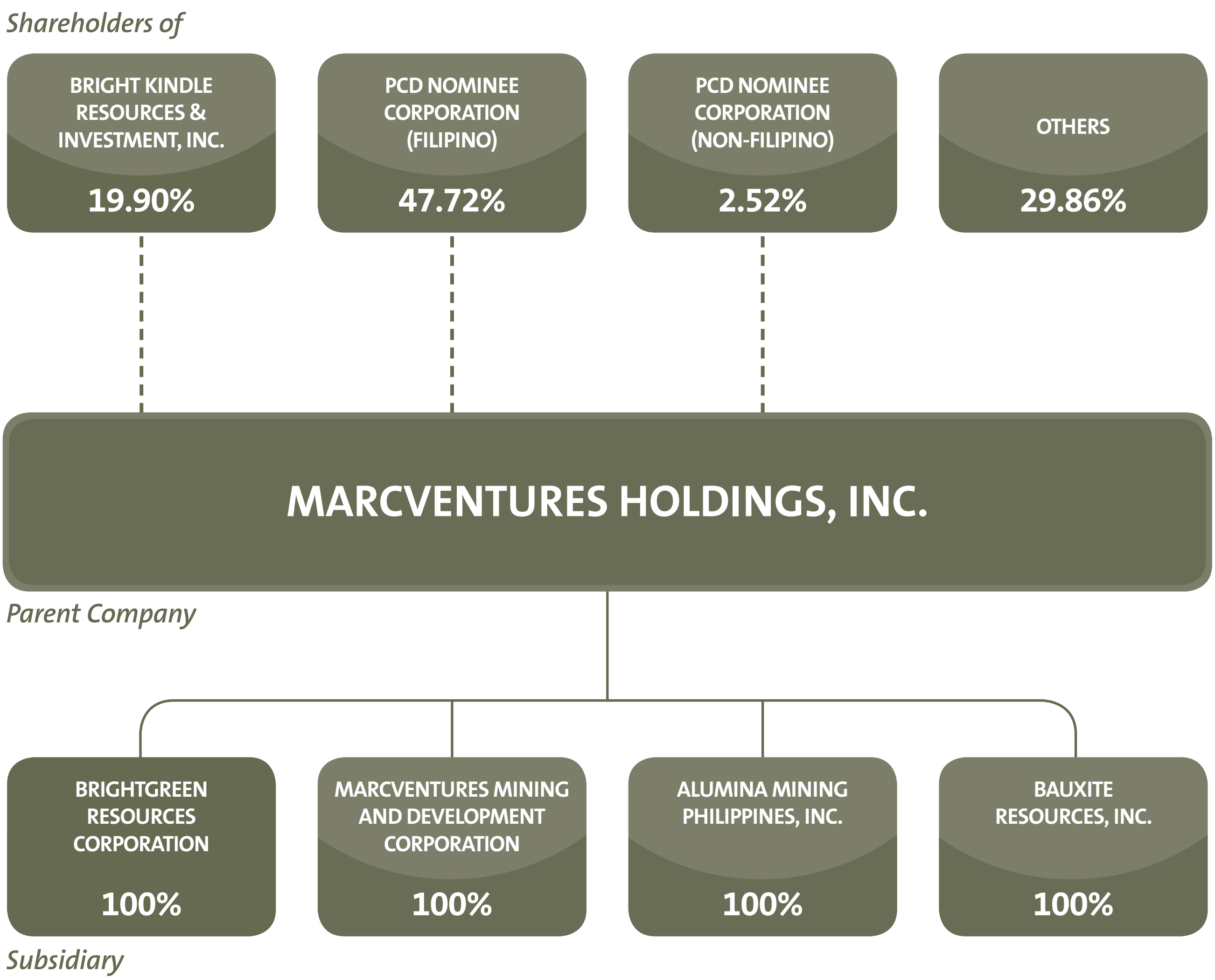
28. **NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS**

The table below details changes in the liabilities and equity of the Company arising from financing activities, including both cash and non-cash changes.

				Noncash Changes		
	Note	**Balance as at December 31, 2018**	**Net Cash Flows from Financing Activities**	**Capitalization of debt issue cost**	**Interest expense**	**Balance as at December 31, 2019**
Loans payable	14	**₱791,408,883**	**(₱72,555,662)**	**₱216,157**	**₱–**	**₱719,069,378**
Accrued interest	14	**277,094**	**(54,548,881)**	**–**	**59,598,881**	**5,327,094**
		₱791,685,977	**(₱127,104,543)**	**₱216,157**	**₱59,598,881**	**₱724,396,472**

				Noncash Changes		
	Note	Balance as at December 31, 2017	Net Cash Flows from Financing Activities	Subscription of Shares	Interest expense	Balance as at December 31, 2018
Capital stock		₱2,969,088,599	₱–	₱45,731,706	₱–	₱3,014,820,305
APIC		239,931,494	–	29,268,294	–	269,199,788
		3,209,020,093	–	75,000,000		3,284,020,093
Loans payable	14	138,485,082	652,923,801	–	–	791,408,883
Accrued interest	14	138,547	(38,440,950)	–	38,579,497	277,094
		138,623,629	614,482,851	–	38,579,497	791,685,977
Dividends payable		4,707,886	(106)	–	–	4,707,780
Deposit for future stock subscription		75,000,000	–	(75,000,000)	–	–
		₱3,427,351,608	₱614,482,851	₱–	₱38,579,497	₱4,080,413,850

Conglomerate Map



mhicorporate@marcventures.com.ph

MARCVENTURES
HOLDINGS, INC.

4F CITIBANK CENTER
8741 PASEO DE ROXAS, MAKATI CITY

TELEPHONE NOS.: +63(2) 831-4479 +63(2) 831-4483
FAX NO.: +63(2) 856-7976

mhicorporate@marcventures.com.ph

Member: PHILIPPINE NICKEL INDUSTRY ASSOCIATION, INC.