CR04256-2020

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended
   Dec 31, 2019
2. SEC Identification Number
   12942
3. BIR Tax Identification No.
   000-104-320-000
4. Exact name of issuer as specified in its charter
   Marcventures Holdings Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   4th Floor Citibank Center, Paseo de Roxas, Makati City
   Postal Code
   1227
8. Issuer's telephone number, including area code
   632-8314479
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (●) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

◉ Yes ○ No

(b) has been subject to such filing requirements for the past ninety (90) days

◉ Yes ○ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

579,941,739

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

◉ Yes ○ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

-

(b) Any information statement filed pursuant to SRC Rule 20

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

Marcventures Holdings, Inc.
MARC

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2019
Currency	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Current Assets	779,290,957	551,145,763
Total Assets	6,091,350,455	5,829,382,974
Current Liabilities	1,403,367,545	1,140,620,272
Total Liabilities	2,167,660,001	1,939,236,801
Retained Earnings/(Deficit)	605,626,516	567,784,110
Stockholders' Equity	3,923,690,454	3,890,146,173
Stockholders' Equity - Parent	3,946,727,880	4,020,577,830
Book Value Per Share	1.31	1.29

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Gross Revenue	1,432,534,095	987,255,064
Gross Expense	1,317,589,413	1,469,992,743
Non-Operating Income	11,014,270	2,075,548
Non-Operating Expense	-	-
Income/(Loss) Before Tax	125,958,952	-480,662,131
Income Tax Expense	88,116,546	-91,855,012
Net Income/(Loss) After Tax	37,842,406	-388,807,119
Net Income/(Loss) Attributable to Parent Equity Holder	37,842,406	-388,807,119
Earnings/(Loss) Per Share (Basic)	0.01	-0.13
Earnings/(Loss) Per Share (Diluted)	0.01	-0.13

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2019	Dec 31, 2018
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	0.56	0.48
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.41	0.24
Solvency Ratio	**Total Assets / Total Liabilities**	2.81	3
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.36	0.33
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.55	0.5
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	2.94	12.79
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.55	1.5
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.59	0.67
Net Profit Margin	**Net Profit / Sales**	0.03	-0.39
Return on Assets	**Net Income / Total Assets**	0.02	-0.07
Return on Equity	**Net Income / Total Stockholders' Equity**	0.01	-0.01
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	0.01	-0.12

Other Relevant Information
Amended to correct Current Assets.

Filed on behalf by:

Name	Raquel Frondoso
Designation	Compliance Officer

COVER SHEET

12942

SEC Registration Number

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES (FORMERLY: AJO.NET HOLDINGS, INC.)

(Company's Full Name)

UNIT 4-3 4TH FLR. CITIBANK CENTER CONDOMINIUM 8741 PASEO DE ROXAS MAKATI CITY

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

ROLANDO S. SANTOS

(Contact Person)

8831-44-79

(Company Telephone Number)

12 31

Month *Day*

(Calendar Year)

17-A

(Form Type)

Month *Day*

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

2170

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

File Number: ______ **SEC Number:** 12942

SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

For the calendar year ended Industry Classification Code:
December 31, 2019 (SEC Use Only)

MARCVENTURES HOLDINGS INC.
(Company Name)

Philippines
(Province, country or other jurisdiction of incorporation or organization)

000-104-320-000
(BIR Tax Identification No.)

Unit 4-3 4th Floor Citibank Center 8741 Paseo de Roxas, Makati City (Zip Code)
(Company's Address)

Registrant's telephone numbers, including area code: **(632) 831-44-79**

Securities registered pursuant to Sections 4 and 8 of the RSA:

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding	Name of each stock exchange in which securities are listed
Common Stock (P1.00 par value)	3,014,820,305 common shares	Philippine Stock Exchange

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

Indicate whether the registrant has been subject to such filing requirements for the past 90 days. **Yes**

The aggregate market value of voting stock held by non-affiliates is 999,899,551 representing 33.2%shares equivalent to ₱579,941,739 based on the closing price of ₱ 0.58 at the Philippine Stock Exchange as of June 15, 2020.

TABLE OF CONTENTS

Contents

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Background

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

On December 15, 2009, the Parent Company entered into a Memorandum of Agreement (MOA) between the shareholders of Marcventures Mining & Development Corporation (Investor Group) and their partners to exchange their ownership of MMDC for a total value of ₱1.3 billion consisting of: (i) new Parent Company shares worth ₱100.0 million representing the full payment of the balance for the subscription to the increase in authorized capital stock; (ii) additional Parent Company shares worth ₱1.15 billion to be issued from the authorized capital stock as increased, and the new par value of the Parent Company after its corporate restructuring; and (iii) 488 membership certificates of The Metropolitan Club, Inc. (Metroclub Certificates) with an agreed net value of ₱50.0 million together with the Parent Company's rights, obligation and interests. The consolidated financial statements assumed June 30, 2010 as the acquisition date.

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

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

Marcventures Mining & Development Corporation (MMDC), the wholly-owned Subsidiary of the Parent Company, is incorporated in the Philippines and is engaged primarily to carry on the business of mining, smelting, extracting, smelting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource from the earth; to operate, manage and/or engage in the business of smelting, and/or operate smelting plant, to refine and/or convert metals, ore, and other precious metals into finished products within the commerce of man.

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

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

On December 29, 2017, the Securities and Exchange Commission approved the merger of MHI with Asia Pilot Mining Philippines Corp. (APMPC) and BrightGreen Resources Holdings Inc. ("BHI") with MHI as the surviving entity. The merger resulted to MHI's acquisition of APMPC's subsidiaries, namely, Alumina Mining Philippines Inc. ("AMPI") and Bauxite Resources Inc. ("BARI") as well as BHI's subsidiary, BrightGreen Resources Corp. ("BRC") Moreover, this resulted in the increase in authorized capital stock of the Parent Company to accommodate the merger from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

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

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

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

The Company is listed in the Philippine Stock Exchange. 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 December 31, 2019.

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

Pursuant to the approval of the Board of Directors on 15 February 2018, Marcventures Holdings Inc. (the Company") executed, on 23 May 2018, a Subscription Agreement with Mr. Isidro C. Alcantara, Jr. President & CEO, accepting the subscription of the latter to 45,731,706 MARC shares at PhP 1.64 per share equivalent to P74,999,997.84. The subscription price was based on the average 30 day high and low prices from January 3, 2018 to February 9, 2018 as disclosed.

Simultaneously, the Company entered into a Subscription Agreement with its subsidiary, Marcventures Mining and Development Corp. (MMDC) wherein the Company subscribed to additional 7,500,000 MMDC shares with a par value of Ten Pesos (PhP 10.00) per share for a total amount of Seventy Five Million Pesos (PhP75,000,000.00). The subscription proceeds are to be used by MMDC for its operations and infrastructure development.

During the annual meeting held on December 19, 2018, the Stockholders of MARCVENTURES HOLDINGS, INC. (the 'Corporation') approved the amendment of the Seventh Article of the Articles of Incorporation to increase the Corporation's authorized capital stock from Php4.0 Billion to an amount of up to Php7.0 Billion and to create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php1,000,000,000, thereby amending the Seventh Article as follows:

SEVENTH. That the authorized capital stock of the corporation is SEVEN BILLION PESOS (P7,000,000,000.00) and said capital stock is divided into:

(a) SIX BILLION (6,000,000,000) common shares with a par value of One Peso (P1.00) each share or an aggregate par value of SIX BILLION PESOS (P6,000,000,000.00); AND

(b) ONE HUNDRED MILLION (100,000,000) Preferred Shares with a par value of TEN PESOS (P10.00) each share or an aggregate par value of ONE BILLION PESOS (P1,000,000,000.00)

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

(i) The number of Placing Shares shall not exceed 600,000,000 listed common shares to be provided by existing shareholders of the Corporation, and the number of Subscription Shares shall be equivalent to the number of Placing Shares actually sold; and

(ii) The Placing price shall not be less than the par value of the common shares.

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

The foregoing has yet to be implemented.

Updates and Developments in 2019

In February 21, 2019, the Philippine Stock Exchange approved MHI's listing application of shares issued in connection with the merger of APMC and BHI and further approved the listing application for two private placements. BDO Unionbank, Inc. and Investment Group as Escrow Agent.

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

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

a. Alumina Mining Phils. Inc. as regards its loan obligations to Philippine Business Bank;

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

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

b. Marcventures Mining and Development Corporation as regards its loan obligations to United Coconut Planters Bank

- Authority of the Corporation to act as surety to guarantee the payment of the obligations of Marcventures Mining and Development Corporation under the credit accommodation in the form of a short term loan at the aggregate principal amount of not more than One Hundred Ninety Million Two Hundred Eighty-eight Thousand One Hundred Twenty-Five Pesos (₱190,288,125.00), ("Credit Accommodation") granted by United Coconut Planters Bank; grant of authority to the officers of the Corporation to sign, execute, and deliver any and all documents and instruments on behalf of the Corporation; and authority of the Corporation to mortgage, pledge and/or assign the following properties of the Corporation as security for the Credit Accommodation:

▪

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

c. Marcventures Mining and Development Corporation as regards its loan obligations to Philippine Veterans Bank.

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

Information about the Subsidiaries

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

Subsidiaries

Below are the Parent Company ownership interests in its subsidiaries:

Subsidiaries	2019	2018
Marcventures Mining and Development Corporation (MMDC)	100%	100%
BrightGreen Resources Corporation (BGRC)	100%	100%
Alumina Mining Philippines Inc. (AMPI)	100%	100%
Bauxite Resources Inc. (BARI)	100%	100%

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-XIII covering an area of approximately 4,799 hectares located in the municipalities of Carrascal, Cantilan and Madrid, Surigao Del Sur.

Originally, the MPSA was granted to Ventura Timber Corporation (VTC) on June 19, 1992. In January 1995, VTC executed a deed of assignment (the Deed) to transfer to MMDC all its rights and interest in and title to the MPSA. On January 15, 2008, the Deed was approved by the Mines and Geosciences Bureau (MGB).

On June 24, 2016, the DENR issued an order approving the extension of MMDC's MPSA for a period of 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, the Company 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.

Products/Sales/Competition

The MMDC's main product is nickel ore. All its nickel ore productions were exported to China. The principal market for nickel ore production from the Philippines is currently China. After Indonesia implemented a ban on nickel ore exports, the Philippines has become the main source of Chinese nickel ore – Chinese imports of ores from the Philippines accounted for 97% of total imports in 2015 and 2016. Chinese companies prefer Philippine-sourced nickel ore due to savings in freight costs because of the proximity of the Philippines to China. Nickel ore is sold to Chinese customers based on FOB shipping point and customers handle the charter of vessels. China also relies heavily on imported nickel ore due to insufficient domestic supplies. While the Company does not rely heavily on a single customer, it is affected by the market price of nickel ore depending on domestic and foreign supply and demand.

Sources and availability of Raw Materials

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

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

Mining Claim

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

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

To date the Company has done exploration work on 1,659 hectares and has performed mining operations on 197 hectares on the above MPSA covered area.

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

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

Government Regulation and Approvals

As mentioned above the Company's subsidiaries are holders of MPSA issued by the MGB which defines the percentage share of the local and national government in the mining revenues. MGB also regulates the export of mineral ores with the issuance of Ore Transport/Mineral Ore permits before any shipment can be made. The DENR monitors compliance with the environmental protection and enhancement program, as well as the social development and management programs of the Company and requires a certain percentage of the Company's operating cost to be allotted to these programs. The costs of complying with the above regulatory requirements are appropriately reflected in the books either as an expense or as a capital asset under the GAAP.

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

Compliance with Environmental Laws

The Company is strongly committed to its policy of protecting and enhancing the environment. It spent ₱56.04 million on its environmental and enhancement program (EPEP) in 2019.

Related Party Transactions

As at December 31, 2019, the total advances to related parties has an outstanding balance of ₱51.37 million which represents a non-interest bearing unsecured and payable on demand.

On the other hand, the total advances from related parties as at December 31, 2019 has an outstanding balance of ₱110.85 million which represents a non-interest bearing unsecured loan payable on demand.

Please refer to Note 21 on page 39 of the 2019 Audited Consolidated Financial Statements (ACFS).

Employees

- Parent Company- Marcventures Holdings, Inc. (MHI)
  The Company currently has a total of 7 employees, consisting of 1 executive position, 1 in legal, 2 in accounting/clerical, 1 in administrative, 2 messenger personnel. For the ensuing 12 months, the Company anticipates it will have the same number of employees. There is no employees' union and neither is there a collective bargaining agreement with the employees. There has not been a strike by the employees in the Company's history. The Company believes relations with the employees are good.

- Marcventures Mining & Development Corporation (MMDC)
  As of December 31, 2019, MMDC engaged a total of 488 workers. Out of the 488 workers, 50 are employed by security agencies engaged by MMDC.

Table below show the distribution of our workforce:

	Makati Office	Mine Site	Total
Senior Management	11	0	11
Managers	8	11	19
Supervisors	16	89	105
Rank and File	21	282	303
Subtotal	**56**	**382**	**438**
Security Agency	0	50	50
Total	**56**	**432**	**488**

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

	Makati Office	Mine Site	Total
Regular	47	296	343
Probationary	6	1	7
Service Contract	3	4	7
Regular Seasonal	0	18	18
Project Based	0	63	63
Subtotal Total	**56**	**382**	**438**
Security Agency	0	50	50
Total	**56**	**432**	**488**

On May 22, 2015, MMDC entered into a collective bargaining agreement with the Samahan ng Responsableng Manggagawa ng Marcventures Mining & Development Corporation (SRMMDC). The agreement shall be in full force for a period of 5 years starting June 1, 2015.

Risks Related to our Business and Industry

Market Risk

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

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

Operational Risk

The Mining operations are influenced by changing conditions that can affect the production levels and cost for varying periods that can diminish revenues and income. Severe weather conditions, changing prices of fuels and other supplies, increase in taxes and repair costs could have significant impact on the productivity of the Company's operating results.

Risk Management

The Risk Management Department (RMD) is an independent unit of the Organization that identifies, analyses, measures and monitors operational, physical, socio-ecological and economic risks in close coordination with other business units.

The RMD reports directly to the Board of Directors through the Risk Oversight Committee, which is composed primarily of independent members of the Board. The Committee's active role in overseeing the risk infrastructure, operating policies and exposure ensures consistency among strategies, and a good balance between risk appetite and prudence.

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

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

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

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

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

- Establish the risk management framework – the risk philosophy, strategy, objectives, policies and procedures of the Company;
- Define the roles and responsibilities of the Board and the senior management in their oversight role, as well as the roles and responsibilities of the entire workforce;
- Communicate and provide rules or guidelines to the whole organization in the implementation of risk management practices;
- Provide baseline reference to the internal and external audit activities as they perform their function in the risk evaluation, assessment and other related audit activities
- Sets the scope and application of risk management within the organization
- Details the process of risk reporting obligations to external and internal stakeholders

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

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

The organization has a low appetite for risks relating to:

1. health, safety and well-being of our employees, staff and the community
2. administration of finances and assets
3. compliance with applicable regulations – especially those provided by Mine and Geoscience Board (MGB) and Department of Environment and Natural Resources (DENR), among others.

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

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

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

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

Foreign exchange risk

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

Other risks

Other risks affecting the Company were discussed in Note 26 on pages 44-45 of the 2019 ACFS.

ITEM 2. DESCRIPTION OF PROPERTIES

Mineral Properties

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

MMDC

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

BRC

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

AMPI

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

BARI

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

Estimates of the MPSA’s mineral resources and reserves are as follows:

MMDC

RESOURCE	MMDC	BRC	AMPI	BARI
Tonnage	Measured & Indicated Saprolite: 11.823 million WMT at 1.33% Nickel, 12.57% Iron Limonite 61.339 million WMT at 0. 87% Nickel and 44.20% Iron Inferred Saprolite: 4.858 million WMT at 1.29% Nickel and 12.81% Iron Limonite: NA	Measured & Indicated Saprolite: 3.055 million WMT at 1.59% Nickel, 14.85% Iron Limonite 12.972 million WMT at 1.07% Nickel and 39.73% Iron Inferred Saprolite: 0.329 million WMT at 1.61% Nickel and 14.25% Iron Limonite: 4.698 million WMT at 0.90% Nickel and 39.61% Iron	Measured & Indicated Bauxite Ore: 41.713 million WMT At 40.06% Al_2O_3 and 14.50% SiO_2 Inferred Bauxite Ore 17.275 million WMT at 38.96% Al_2O_3 and 16.59% SiO_2	Measured & Indicated Bauxite Ore: 31.469 million WMT At 43.78% Al_2O_3 and 7.96% SiO_2 Inferred Bauxite Ore 28.436 million WMT at 43.75% Al_2O_3 and 8.09% SiO_2

Notes:

1. MMDC Mineral Resource statement has been generated under the supervision of Ms. Jayvhel T. Guzman, licensed geologist, and accredited Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC). She has sufficient experience relevant to the style of mineralization and type of deposit under

consideration and to the activity that has been undertaken to qualify as a Competent Person as defined in the PMRC Code.

2. Mineral Resources are reported in accordance with the PMRC 2007.

3. The Mineral Resources reported in the table above represent estimates as of December 31, 2019. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. Tonnages in the table have been rounded to the nearest thousands to reflect the relative uncertainty of the estimate.

	RESOURCE
Volume	73.162 million WMT laterite ore
Ore Grade	Average 0.95% Ni grade, Fe 39.09%
Area	1,659 hectares

These estimates are based on the measured & indicated mineral resource computed which was readily convertible to prove and probable ore reserve. For other discussion of mining properties, please refer to Note 10, pages 29-30 of the 2019 ACFS.

<u>Property and Equipment</u>

Office Space

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

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

MMDC Properties

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

Land and Improvements owned

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

Rented

	Lot Area (sqm)	Monthly Rental
Haulage Roads	223,644	576,698
Stockyards	128,959	161,528
Causeway	19,555	109,344
Others	124,830	160,432
Total	496,988	**1,008,002**

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

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

MMDC will acquire and/or lease additional properties to be utilized for hauling roads and stockpile areas as needed for its operations. The cost of such acquisitions will depend on negotiations with prospective owners and lessors. MMDC plans to finance such acquisitions from internally generated funds and borrowing from banks.

The Company's equipment mostly pertains to transportation equipment. For details of the property and equipment, please refer to Note 9 on pages 27-28 of the 2019 ACFS.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2019, the Company is a party to the following legal proceedings and/or assessment or pending governmental investigation:

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

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

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

BIR issued its Formal Letter of Demand Notice on 06 January 2020 to which MHI filed a Request for Reinvestigation/Reconsideration dated 07 February 2020. Said request was accordingly granted.

The Management and legal counsel are of the good faith belief that MHI has ample defenses in response to the PAN, as set forth in MHI's Request for Reinvestigation/Reconsideration including the procedural defense of prescription and other substantive defenses.

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

Marcventures Mining and Development Corporation (MMDC), one of MHI's subsidiaries, is a party to some legal proceedings commonly associated with running a fully operational business concern.

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

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company submitted the following matters to a vote of the security holders during the 2019 Annual Meeting:

1. Call to Order
2. Proof of Notice and Certification of Quorum

3. Approval of the Minutes of Previous Stockholders' Meeting held on 19 December 2018
4. Approval of the Management Report and Audited Financial Statements for the Year Ended 31 December 2018;
5. Ratification of all acts of the Board of Directors and Management including Board Resolutions authorizing the Corporation to act as surety or guarantor, or to issue pledges or mortgages to secure the loan obligations of its subsidiaries, namely Alumina Mining Philippines, Inc. (AMPI) and Marcventures Mining and Development Corporation (MMDC)
6. Election of Directors
7. Approval of Appointment of the Company's Independent External Auditor
8. Other Matters
9. Adjournment

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

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

Stock Prices – Common Shares

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

	Price per Share (In Pesos) **	
	High	Low
	2017	
January – March	**2.77**	**1.60**
April – June	**2.21**	**1.65**
July - September	**2.28**	**1.76**
October – December	**2.07**	**1.62**
	2018	
January – March	**1.81**	**1.39**
April – June	**1.77**	**1.39**
July - September	**1.67**	**1.15**
October – December	**1.54**	**0.99**
	2019	
January – March	**1.31**	**1.00**
April – June	**1.12**	**1.00**
July - September	**1.44**	**1.00**
October – December	**1.21**	**0.80**

Latest Market Price

On June 15, 2020, trading date, the closing market price of the Company's common stock was ₱0.58 per share.

Stockholders

The number of shareholders of record as of December 31, 2019 were 2,170. The outstanding shares as December 31, 2019 were 3,014,820,305 common shares, 2,869,004,789 or 95.16% of which are owned by Filipinos.

MARCVENTURES HOLDINGS, INC.
TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2019

1	PCD NOMINEE CORPORATION (FILIPINO)	FILIPINO	2,112,543,807	70.07%
2	RYM BUSINESS MANAGEMENT CORPORATION	FILIPINO	377,999,946	12.54%
3	PCD NOMINEE CORP. (NON-FILIPINO)	NON-FILIPINO	145,728,058	4.83%
4	STINSON PROPERTIES INC.	FILIPINO	87,834,569	2.91%
5	SUREGUARD PROPERTIES INC.	FILIPINO	86,514,534	2.87%
6	MYOLNER PROPERTIES INC.	FILIPINO	86,514,533	2.87%
7	CAULFIELD HEIGHTS INC.	FILIPINO	44,999,982	1.49%
8	GLORIOUS DECADE PROPERTIES, INC	FILIPINO	30,000,000	1.00%
9	ANTHONY M. TE	FILIPINO	27,000,500	0.90%
10	GLORIOUS DECADE PROPERTIES, INC.	FILIPINO	13,013,000	0.43%
11	ATC SECURITIES, INC.	FILIPINO	808,023	0.03%
12	WILLY O. DIZON OR NENE C. DIZON	FILIPINO	667,000	0.02%
13	BENJAMIN S. GELI	FILIPINO	100,000	0.00%
14	JOHN C. JOVEN	FILIPINO	100,000	0.00%
15	ANSALDO GODINEZ & CO., INC.	FILIPINO	92,255	0.00%
16	PACIFICO B. TACUB	FILIPINO	50,000	0.00%
17	OTILIA D. MOLO OR ELAINE D. MOLO	FILIPINO	48,419	0.00%
18	ARNOLD JANSSEN T. BANTUGAN OR CHRISTINE ANGELI L. BANTUGAN	FILIPINO	45,000	0.00%
19	TERESITA N. LIM	FILIPINO	40,000	0.00%
20	VICENTE GOQUIOLAY & CO., INC.	FILIPINO	39,599	0.00%
	TOTAL TOP 20 SHAREHOLDERS		**3,014,139,225**	**99.96%**

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

Dividends

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

Cash Dividends

Earnings	Date			Amount	
	Declared	Record	Payable	Dividends Per Share	Total Declared (in millions)
2019	No dividends were declared for the year 2019				
2018	No dividends were declared for the year 2018				
2017	No dividends were declared for the year 2017				
2016	No dividends were declared for the year 2016				
2015	No dividends were declared for the year 2015				
2014	Nov. 14, 2014	Dec. 19, 2014	Jan. 16, 2015	₱0.15	₱273.2
2014	Sept. 19, 2014	Oct. 31, 2014	Oct. 22, 2014	0.15	273.2

Stock Dividends
There were no stock dividends declared for years 2014 to 2019.

Sales of Securities
As of December 31, 2019, there are no sales of unregistered or exempt Securities

In view of the approval of the Merger between Marcventures Holdings Inc., Asia Pilot Mining Phils. Corp. and BrightGreen Resources Holdings Inc. with Marcventures Holdings Inc. as the surviving entity by the Securities and Exchange Commission on December 29, 2017 and approval of the request for ruling by the Bureau of Internal Revenue on January 29, 2018, MARC issued 1,125,000,000 new shares or 675,000,000 new shares in favor of Asia Pilot shareholders and 450,000,000 new shares in favor of BHI shareholders at an issue price of ₱ 1.00 per share on February 23, 2018. Asia Pilot shareholders will receive 675 new MARC shares in exchange for 1 Asia Pilot share and BHI shareholders will receive 18 new MARC shares in exchange for 1 BHI share. This resulted to an increase in the issued and outstanding shares from 1,844,088,599 to 2,969,088,599.

Further, pursuant to the merger, the following directors and officers acquired additional shares in exchange for their BHI shares as follows:

Name	
Isidro C. Alcantara/President & CEO	45,000,000
Anthony M. Te/Director	27,000,000
Diane Madelyn C. Ching/Asst Corporate Secretary (resigned)	18

On 28 May 2018, the Company issued 45,731,706 MARC shares in favor of Mr. Isidro C. Alcantara, Jr. President & CEO in relation to his subscription as approved by the Board of Directors on 15 February 2018 which again resulted to an increase in the Issued and Outstanding Shares as shown below:

Change(s) in Number of Issued and Outstanding Shares

Issued and Outstanding Shares		
Type of Security /Stock Symbol	**Before**	**After**
COMMON/MARC	2,969,088,599	3,014,820,305

ITEM 6. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as of December 31, 2019, 2018 and 2017 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2019, 2018 and 2017 and as of December 31, 2019, 2018, and 2017 are discussed below.

A. Discussion for 2019 and 2018 Financial Results

Results of Operations

	Audited (in million Pesos)		Increase (Decrease)	
	2019	2018	Amount	%
Revenues	**₱1,432.53**	₱987.26	₱445.28	45.10%
Cost of Sales	**847.98**	921.27	(73.29)	(7.96%)
Operating Expenses	**458.60**	546.65	(88.05)	(16.11%)
Income (Loss) Before Income 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	1127.44%

Revenues

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

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

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

WMT

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

Average Price per wmt (in US$)

	2019	2018	Increase (decrease)
Limonite	**$10.90**	$8.20	$2.70
Saprolite	**$31.08**	$22.90	$8.18

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

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

- Social Development Program decreased by ₱27.73 million or 63.01% in compliance with implementimg rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of the operating cost be allocated for the development of host and neighboring mining communities.
- Taxes and licenses decreased by ₱17.10 million or 31.36% due to lower assessment of LGU business tax for 2018 gross revenue which is the basis in computing the business permit.
- Salaries and wages decreased by ₱13.45 million or 11.55% due the management reorganization meant to promote efficiency.
- Professional Fee decreased by ₱10.28 million or 23.58% due to lesser consultancy and professional engagements.
- Outside services decreased by ₱9.88 million or 47.80% due to lesser outsourced manpower services engagement.
- Representation decreased by ₱5.39 million or 56.66% due minimal meetings/ dialogue with the stakeholders and clients.
- Repairs and maintenance decreased by ₱4.93 million or equivalent to 84.60% due lower number of defective service and other equipment during the year.

- The decline in other expenses such as transportation, rent, supplies and other operating expenses also contributed to the total decrease in operating expense

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

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

Financial Position

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

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

- Cash increased by ₱287.08 million or 1049.29%. Apart from the proceeds from the sale of nickel ore, the increase was also the advances from customer for the reservation / allocation of nickel ore.
- Ore inventory decreased by ₱68.92 million or 47.25% from 145.86 million in 2018 to ₱76.93 million in 2019. The ore inventory decreased by 101,655 wet metric tonnes (WMT) or 36.8% left at stockyard by the end of year.
- Property and Equipment decreased by ₱68.15 million or 19.8% due to accumulated depreciation for the year.
- Other current assets increased by ₱11.32 million or 9.38% attributable to the advance payment of excise taxes.
- Other noncurrent assets increased by ₱67.25 million or 15.58% mainly due to the funds allocated for final rehabilitation and decommissioning.

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

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

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

Consolidated Cash Flow

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

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

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

Net cash used in financing activities in 2019 amounted to ₱85.74 million which is mainly due to the partial settlement of bank loans and payments of its interest. In 2018, net cash provided from financing activities resulted from the proceeds of the bank loan availments with the amount of ₱843.34 million.

B. Discussion for 2018 and 2017 Financial Results

Results of operations

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

Revenues

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

Cost of Sales

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

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

WMT

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

Average Price per wmt (in US$)

	2018	2017	Increase (decrease)
Limonite	**$8.20**	$9.67	($1.47)
Saprolite	**$22.90**	$22.26	$0.64

Operating Expenses

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

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

- Decrease in other expenses by ₱26.37 million or 53.14%, a significant decrease mainly due to moisture penalty.

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

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

Financial Position

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

Assets

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

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

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

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

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

Consolidated Cash Flow

	Audited (in million Pesos)		Increase (Decrease)	
	2018	2017	Amount	**%**
Cash provided by operating activities	**₱3.65**	₱173.68	(₱170.03)	(97.90%)
Cash used in investing activities	**637.83**	368.56	269.27	73.06%
Cash used in financing activities	**614.48**	77.37	537.11	694.23%

The cash provided by operating activities decreased from ₱173.68 million in 2017 to ₱3.65 million in 2018. The Company reported a net loss before income tax of ₱480.66 million in 2018 as compared to net income of ₱115.49 million in 2017.

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

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

Financial Indicators

Key Performance Indicators (KPI's)

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2019 and December 31, 2018:

	2019	2018
Net Income (Loss)	**₱37,842,406**	(₱388,807,119)
Current assets	**779,290,957**	551,145,763
Total assets	**6,091,350,455**	5,829,382,974
Current liabilities	**1,403,367,545**	1,140,620,272
Total liabilities	**2,167,660,001**	1,939,236,801
Stockholders' Equity	**3,923,690,454**	3,890,146,173
No. of common shares outstanding	**3,014,820,305**	3,014,820,305

	2019	2018
Current ratio [1]	**0.56**	0.48
Book value per share [2]	**1.30**	1.29
Debt to equity ratio [3]	**0.55**	0.50
Earnings per share [4]	**0.01**	(0.13)
Return on assets [5]	**0.01**	(0.069)

Note:

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

Other Information

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

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

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

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A. The management is not aware of any significant or material events or transactions not included nor disclosed in the consolidated financial statements in compliance with the SRC Rule 68.

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

	Year Ended December 31	
	2019	2018
Audit Fees	**₱1,230,000**	₱1,230,000
Audit-Related Fees	**123,000**	123,000
Total	**₱1,353,000**	₱1,353,000

Audit Fees. Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2019.

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

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

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

Changes in and disagreements with Accountants on Accounting and financial Disclosure

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

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Board of Directors and Executive Officers

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

Name	Age	Citizenship	Position
Cesar C. Zalamea	91	Filipino	Chairman
Isidro C. Alcantara, Jr.	66	Filipino	President/ Director
Justice Vicente Mendoza *	87	Filipino	Independent Director
Macario U. Te	90	Filipino	Director
Augusto C. Serafica	58	Filipino	Director
Carlos Alfonso T. Ocampo	55	Filipino	Independent Director
Marianne Regina T. Dy	43	Filipino	Director
Ruby Sy		Filipino	Director
Michael L. Escaler	69	Filipino	Director
Anthony M. Te	50	Filipino	Director
Sesinando E. Villon		Filipino	Director
Rolando S. Santos	69	Filipino	Treasurer/ SVP Finance & Administration
Reuben F. Alcantara	37	Filipino	Vice President for Marketing, Business Development and Strategic Planning
Roberto V. San Jose	77	Filipino	Corporate Secretary
Ana Maria A. Katigbak	50	Filipino	Asst. Corporate Secretary and Corporate Information Officer,
Maila G. De Castro	44	Filipino	Asst. Corporate Secretary and Vice President and Head for Legal

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 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. 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 Phils. Inc.; and Bauxite Resources, Inc. In April 2018, Mr. Alcantara was elected Chairman of Philippine Nickel Industry Association (PNIA)

As a long-time Senior Banker, he was 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 when 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 the Special Studies in International Banking at the Wharton School, University of Pennsylvania.

Justice Vicente V. Mendoza was elected Independent Director in February 2018. He was as an Associate Justice of the Supreme Court from 1994 to 2003. In 1980, he served as an Associate Justice of the Court of Appeals until his appointment as its Presiding Justice in 1994. He was a member of the Presidential Electoral Tribunal from 1994-2003 and of the House of Representatives Electoral Tribunal from 1999-2003. He served in the office of the Solicitor General, Department of Justice, first as a Solicitor from 1971-1973 and later as Assistant Solicitor General from 1973 to 1980, successfully handling constitutional litigation for the Government. He has been a Faculty member at the University of the Philippines College of Law since 1967 to the present and gave bar review classes from 1978 to 1994.

Justice Mendoza was admitted to the Philippine Bar in 1958 and was a visiting scholar at the Harvard Law School in the fall term in 1976. He has authored several law books and has written several articles published in law journals. He was conferred an LLM degree by Yale Law School in 1971 and graduated from the UP College of Law in 1957.

On August 19, 2017, Justice Mendoza received the "Lifetime Distinguished Achievement Award" given by the UP Alumni Association. On June 25, 2019 the University of the Philippines conferred on him the degree of Doctor of Laws honoris causa at the 106th commencement exercises of its College of Law where he delivered the commencement address.

Justice Mendoza also served as an independent director of Bright Kindle Resources and Investments Inc. (BKR). He resigned as Director in October 2019 due to personal reasons.

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

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

Mr. Augusto Antonio C. Serafica Jr. was elected as Director in June 2013. Mr. Serafica is currently the President and CEO of Premiere Horizon Alliance Corporation and the Managing Director of Asian Alliance Investment Corporation and Asian Alliance Holdings & Development Corporation. He is the Chairman of the Board for Goshen Land Capital, Inc., West Palawan Premiere Development Corporation, Redstone Construction and Development Construction and TLC Manna Consulting, Inc. He sits as a Regular Director of Bright Kindle Resources, Inc., Concepts Unplugged Business Environment Solutions, Inc. and Premiere Horizon Alliance Corporation. He is also the Treasurer of Sinag Energy Philippines, Inc.

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

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

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

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

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

Mr. Anthony M. Te was elected Director in October 2017 and has been a director of Marcventures Mining & Development Corp since August 2013. He is currently 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.

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

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

Atty. Ana Maria A. Katigbak is the Co-Assistant Corporate Secretary of the company and has held the office since 1997. She is a partner in Castillo, Laman, Tan, and Pantaleon & San Jose Law Offices. She is a member of the Integrated Bar of the Philippines.

Mr. Reuben F. Alcantara is the Vice President for Marketing, Business Development, and Strategic Planning. 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 in Business Administration Degree from the Asian Institute of Management in the year 2016.

Atty. Maila G. De Castro was appointed Vice President and Head of Legal; and Appointed as MHI Co-Asst. Corp. Secretary/ Co-Compliance Officer/Co- Corporate Information Officer /Data Privacy Officer; Corp. Secretary for all MHI subsidiaries in August 2019. She has 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 from the University of the Philippines in 1996.

Period in Which Directors and Executive Officers Should Serve

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

Terms of Office of a Director

The nine (10) directors shall be stockholders and shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and shall serve until the election and qualification of their successors.

Any vacancy in the board of directors other than removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose if they still constitute a quorum, and the director or directors so chosen shall serve for the unexpired term.

Significant Employees

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

Family Relationships

Mr. Isidro C. Alcantara, Jr., Director and President is the father of Mr. Reuben Alcantara, Director and VP for Marketing, Business Development and Strategic Planning. Mr. Macario U. Te and Mr. Anthony M. Te, both Directors of the Company, are also as father and son.

Except for Mr. Isidro Alcantara, Jr. and Mr. Reuben Alcantara, as well as Mr. Macario U. Te and Mr. Anthony M. Te, the other directors and executive officers named above are not related.

Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

After the stockholders' meeting on October 23, 2017, Justice Manuel M. Lazaro filed his resignation as independent director due to health reasons. During the regular meeting of the Board of Directors of on February 15, 2018, the Board elected Justice Vicente V. Mendoza as Independent Director. On April 10, 2018, the Board accepted the resignation of Mr. Rolando S. Santos and elected Ms. Ruby Sy as regular director in his stead.

On October 16, 2019 Justice Vicente V. Mendoza e resigned as independent director due to personal reasons.

ITEM 10. EXECUTIVE COMPENSATION

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

SUMMARY OF COMPENSATION TABLE

Positions	**2019**	2018	2017
Chairman, President, Corporate Secretary, Assistant Corporate Secretary and All Executive Officers	**₱39,435,000**	₱42,463,222	₱42,822,669

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

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

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

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain record (“r”) and beneficial (“b”) owners of five percent (5%) or more of the outstanding capital stock of the Registrant as of December 31, 2019:

Title of Class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (Based on new no. of Outstanding Shares
Common	RYM Business Management Corp.	-	Filipino	377,999,946	12.54%
Common	Ruby Sy	-	Filipino	168,615,000	5.59%
Common	PCD Nominee Corporation (registered owner in the books of the stock transfer agent)	Bright Kindle Resources & Investments Inc.	Filipino	600,000,000	19.90%
		Rodolfo Yu	Filipino	172,635,000	5.73%
		Dy Family	Filipino	348,500,000	11.56%
		Isidro C. lcantara, Jr.		223,734,688	7.42%

		Except those enumerated above, the Company is not aware of other persons with lodged shares who are the beneficial owners of more than 5% of its outstanding capital stock. PCD authorizes its trading participants to vote the shares registered in their name.	Filipino	599,059,119	19.87%
			TOTAL	**2,490,543,753**	**82.61%**

As of December 31, 2019, the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 76,085,566 shares or equivalent to _2.52%

Security Ownership of Management – Record “r” and Beneficial “b” (direct/indirect) owners as of December 31, 2019:

Title of Class	Name of Beneficial Owner	Amount and nature of ownership (Indicate record (“r”) and/or beneficial (“b”)	Citizenship	Percent of Class
Common	Cesar C. Zalamea Chairman	1,000 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Macario U. Te Director	1,000 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Isidro C. Alcantara, Jr. Director & President	2,018 “r” (direct) 223,734,688 “b” (indirect)	Filipino	0.00% 7.42%
Common	Marianne Regina T. Dy Director	1 “r” (direct) 5,999,999 “b” (indirect)	Filipino	0.00% 0.20%
Common	Carlos T. Ocampo Independent Director	1,000 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Augusto C. Serafica, Jr. Director	10,000 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Ruby Sy Director	168,615,000 “r” (direct) 0 “b” (indirect)	Filipino	5.59%
Common	Anthony M. Te Director	27,000,500 “r” (direct) 2,629,100 “b” (indirect)	Filipino	0.90% 0.08%
Common	Sesinando E. Villon Director	1 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Michael L. Escaler Director	2 “r” (direct) “b” (indirect)	Filipino	0.00%
Common	Rolando S. Santos Treasurer	1 “r” (direct) 0 “b” (indirect)	Filipino	0.00%

Common	Roberto V. San Jose Corporate Secretary	0 “r” (direct) 0 “b” (indirect)		Filipino	0.00%
Common	Ana Katigbak Asst. Corporate Secretary	0 “r” (direct) 150,000 “b” (indirect)		Filipino	0.00%
Common	Reuben F. Alcantara the VP Marketing, Business Development, and Strategic Planning	499 “r” (direct) 0 “b” (indirect)		Filipino	0.00%
	Leddie D. Gutierrez VP Audit	0 “r” (direct) 0 “b” (indirect)		Filipino	0.00%
	Maila G. De Castro VP Legal	0 “r” (direct) 0 “b” (indirect)		Filipino	0.00%
	Dale A. Tongco VP Financial & Controller	0 “r” (direct) 0 “b” (indirect)		Filipino	0.00%
		195,631,022 -“r” 232,513,787 – “b”			

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of December 31, 2019, the related transactions have an outstanding balance of ₱110.85 million which represents a non-interest bearing unsecured loan payable on demand. Please refer to Note 21 on page 39 of the 2019 Audited Consolidated Financial Statements (ACFS).

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

The Company is involved in nickel mining operations in Surigao del Sur, through its subsidiary Marcventures Mining & Development Corporation (MMDC), a wholly owned ompany. The area covered by MMDC's Mineral Production Sharing Agreement, No. 016-93-XIII, is physiologically located in the Diwata mountain range of Surigao del Sur and covers an area of 4,799 hectares. The mine is covered by ECC NO. 0807-022-1093 issued by the Department of the Environment and Natural Resources. Please refer to Note 1 of the 2019 ACFS.

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

ITEM 13. CORPORATE GOVERNANCE

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, Series of 2013. The Corporate Governance report shall be filed separately.

PART IV - EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits
(b) Reports on SEC Form 17-C

SEC Form 17-C (Current Report)
CY 2019
-

12-20-2019	Change in Directors and_or Officers (Resignation, Removal or Appointment, Election and_or Promotion
12-19-2019	Material Information_Transactions
10-17-2019	Change in Directors and_or Officers (Resignation, Removal or Appointment, Election and_ or Promotion)
10-7-2019	Change in Corporate Contact Details and_or Website
09-27-2019	Results of Annual or Special Stockholders' Meeting
09-27-2019	Results of Organizational Meeting of Board of Directors
9-11-2019	Clarification of News Reports
8-28-2019	[Amend-1]Notice of Annual or Special Stockholders' Meeting
8-20-2019	Material Information_Transactions
08-07-2019	Notice of Annual or Special Stockholders' Meeting
8-20-2019	Change in Directors and_or Officers (Resignation, Removal or Appointment, Election and_ or Promotion)
07-04-2019	Change in Shareholdings of Directors and Principal Officers
06-04-2019	- Change in Directors and_or Officers (Resignation, Removal or Appointment, Election and or Promotion)
04-15-2019	- Material Information Transactions
03-29-2019	Change in Directors and_or Officers (Resignation, Removal or Appointment, Election and_ or Promotion)
01-22-2019	Change in Shareholdings of Directors and Principal Officers
01-10-2019	[Amend-3] Results of Annual or Special Stockholders' Meeting

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ________________________on__________, 2020

By:

____
ISIDRO C. ALCANTARA JR.
President

____
ROLANDO S. SANTOS
SVP Finance

____
MAILA LOURDES G. DE CASTRO
Asst. Corporate Secretary (in the absence of
Atty. Roberto San Jose, Corporate Secretary)

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

BEFORE ME, Notary Public for and in the above-named locality, personally appeared the following, with their respective residence certificates and competent evidence of identity, to wit:

Name	Competent Evidence of Identity	Place Issued/Valid Until
Isidro C. Alcantara Jr.	TIN 123-371-185	
Rolando S. Santos	TIN 127-551-084	
Atty. Maila De Castro	DL NO2-95-296472	valid until 18 October 2021

known to me and to me known as the same persons who executed the foregoing 2019 SEC Form 17-A Annual Report, and they acknowledge to me that the same is their free and voluntary act and deed as well as of the corporations they respectively represent.

25 JUN 2020

WITNESS MY HAND AND SEAL on the date and in the place above written.

Doc. No. 345
Page No. 70
Book No. 109
Series of 2020

ATTY. JOS P. LAPUZ
Notary Public f r nd in Makati City
Appointment No. M 6 until 12/31/2021
PTR No. 8116016, . 2, 2020, Makati City
Roll No. 45790, IB , Lifetime N. 04897
MCLE No. VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

C O M P A N Y   N A M E

MARCVENTURES HOLDINGS, INC.

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

4th Floor, Citi Center, 8741 Paseo de Roxas, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number/s	Mobile Number
mhicorporate@marcventures.com.ph	(02) 8-831-4479	0998-985-0229

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,170	September 26	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Rolando S. Santos	rolly.santos@marcventures.com.ph	(02) 8-831-4479	0998-985-0229

CONTACT PERSON'S ADDRESS

4th Floor, Citi Center, 8741 Paseo de Roxas, Makati City

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Marcventures Holdings, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its 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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the audit of the separate financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on taxes and licenses in Note 19 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of the management of Marcventures Holdings, Inc. The information has been subjected to the auditing procedures applied in our audits of the basic separate financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & CO.

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

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

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE**

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

We have audited the accompanying separate financial statements of Marcventures Holdings, Inc. (the Company) as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 on which we have rendered our report dated June 26, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

REYES TACANDONG & CO.

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

MARCVENTURES
HOLDINGS INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Marcventures Holdings, Inc.** is responsible for the preparation and fair presentation of the 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 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 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

MAKATI CITY
25 JUN 2020
Doc. No. 348
Page No. 71
Book No. 109
Series of 2020

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/20
PTR No. 8116016, Jan. 2, 2020. Makati City
Roll No. 45790, IBP Lifetime N 04698
MCLE No.VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

4th Floor, Citibank Center, 8741 Paseo de Roxas
Makati City 1227
TRUNK LINES (632) 831-4479 FAX NO (632) 856-7976
(632) 831-4483
(632) 831-4484

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

BEFORE ME, Notary Public for and in the above-named locality, personally appeared the following, with their respective residence certificates and competent evidence of identity, to wit:

Name	Competent Evidence of Identity	Place Issued/Valid Until
Cesar Zalamea	Senior ID 14467	
Isidro C. Alcantara, Jr.	TIN 123-371-185	
Rolando S. Santos	TIN 127-551-084	

25 JUN 2020

WITNESS MY HAND AND SEAL on the date and in the place above written.

Doc. No. 348
Page No. 71
Book No. 109
Series of 2020

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-56 until 12/31/2021
PTR No. 8116016, Jan. 2, 2020, Makati City
Roll No. 45790, IBP, Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph (eafs@bir.gov.ph)

To: renitasty2000@gmail.com

Cc: renitasty2000@yahoo.com

Date: Tuesday, June 30, 2020, 04:53 PM GMT+8

Hi MARCVENTURES,

Valid files

- EAFS000104320OTH2019-01.pdf
- EAFS000104320ITR2019.pdf
- EAFS000104320AFS2019.pdf

Invalid file

- <None>

Transaction Code: **AFS-2019-66EJ55DK07KJ799H5NYTQ4MMZ0NSRTRRT4**
Submission Date/Time: **Jun 30, 2020 04:42 PM**
Company TIN: **000-104-320**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash	5	**₱12,358,677**	₱5,670,425
Dividends and other receivables	6	**929,919,138**	929,911,583
Advances to related parties	13	**197,913,995**	305,297,232
Other current assets	7	**54,133,700**	52,594,907
Total Current Assets		**1,194,325,510**	1,293,474,147
Noncurrent Assets			
Investments in subsidiaries	8	**2,746,546,182**	2,732,796,182
Property and equipment	9	**92,485,614**	99,101,507
Other noncurrent assets	10	**1,785,217**	2,616,165
Total Noncurrent Assets		**2,840,817,013**	2,834,513,854
		₱4,035,142,523	₱4,127,988,001
LIABILITIES AND EQUITY			
Current Liabilities			
Dividends payable and other current liabilities	11	**₱25,449,638**	₱19,349,641
Advances from a related party	13	**55,430,795**	81,500,483
Total Current Liabilities		**80,880,433**	100,850,124
Noncurrent Liabilities			
Retirement benefit liability	15	**6,993,278**	5,932,079
Deferred tax liability	16	**540,932**	627,968
Total Noncurrent Liabilities		**7,534,210**	6,560,047
Total Liabilities		**88,414,643**	107,410,171
Equity	12		
Capital stock		**3,014,820,305**	3,014,820,305
Additional paid-in capital		**269,199,788**	269,199,788
Retained earnings		**661,445,613**	735,092,479
Remeasurement gain on retirement benefit liability	15	**1,262,174**	1,465,258
Total Equity		**3,946,727,880**	4,020,577,830
		₱4,035,142,523	₱4,127,988,001

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
INCOME				
Management income	13	**₱–**	₱–	₱85,000,000
Interest income	5	**1,947**	5,386	3,102
		1,947	5,386	85,003,102
OPERATING EXPENSES	14	**73,648,813**	75,938,590	87,245,183
LOSS BEFORE INCOME TAX		**(73,646,866)**	(75,933,204)	(2,242,081)
PROVISION FOR INCOME TAX	16	**–**	–	1,700,000
NET LOSS		**(73,646,866)**	(75,933,204)	(3,942,081)
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax	15	**(203,084)**	(1,538,860)	1,052,041
TOTAL COMPREHENSIVE LOSS		**(₱73,849,950)**	(₱77,472,064)	(₱2,890,040)

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2019	2018	2017
CAPITAL STOCK - ₱1 par value	12			
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 during the year		**–**	45,731,706	1,147,730,000
Balance at the end of year		**3,014,820,305**	3,014,820,305	2,969,088,599
ADDITIONAL PAID-IN CAPITAL	12			
Balance at beginning of year		**269,199,788**	239,931,494	212,655,494
Proceeds in excess of par		**–**	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		**735,092,479**	811,025,683	814,967,764
Net loss		**(73,646,866)**	(75,933,204)	(3,942,081)
Balance at end of year		**661,445,613**	735,092,479	811,025,683
REMEASUREMENT GAIN ON RETIREMENT LIABILITY - Net of deferred tax asset	15			
Balance at beginning of year		**1,465,258**	3,004,118	1,952,077
Remeasurement gain (loss)		**(203,084)**	(1,538,860)	1,052,041
Balance at end of year		**1,262,174**	1,465,258	3,004,118
		₱3,946,727,880	₱4,020,577,830	₱4,023,049,894

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱73,646,866)**	(₱75,933,204)	(₱2,242,081)
Adjustments for:				
Depreciation	9	**6,780,089**	7,994,926	6,904,005
Retirement benefit expense	15	**771,079**	(343,812)	595,534
Interest income	5	**(1,947)**	(5,386)	(3,102)
Operating income (loss) before working capital changes		**(66,097,645)**	(68,287,476)	5,254,356
Decrease (increase) in:				
Dividends and other receivables		**(7,555)**	35,310	(934,616)
Other current assets		**(1,538,793)**	(1,554,680)	(14,351,632)
Other noncurrent assets		**830,948**	909,450	(2,835,332)
Increase (decrease) in dividends payable and other current liabilities		**6,099,997**	(109,428)	1,478,311
Net cash used for operations		**(60,713,048)**	(69,006,824)	(11,388,913)
Interest received		**1,947**	5,386	3,102
Net cash used in operating activities		**(60,711,101)**	(69,001,438)	(11,385,811)
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment for additional subscription	8	**(13,750,000)**	(75,000,000)	(50,000,000)
Acquisition of property and equipment	9	**(164,196)**	(44,077)	(33,452,828)
Payments from related parties		**107,670,371**	132,183,804	173,049,595
Additional advances to related parties		**(287,134)**	(80,541,321)	(198,735,362)
Net cash provided by (used in) investing activities		**93,469,041**	(23,401,594)	(109,138,595)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of advances from related parties		**(26,088,007)**	(53,499,517)	–
Proceeds from:				
Related parties		**18,319**	135,000,000	–
Deposit for future stock subscription		**–**	–	75,000,000
Issuance of capital stock		**–**	–	50,006,000
Net cash provided by financing activities		**(26,069,688)**	81,500,483	125,006,000
NET INCREASE (DECREASE) IN CASH		**6,688,252**	(10,902,549)	4,481,594
CASH AT BEGINNING OF YEAR		**5,670,425**	16,572,974	12,091,380
CASH AT END OF YEAR		**₱12,358,677**	₱5,670,425	₱16,572,974
NONCASH FINANCIAL INFORMATION				
Issuance of capital stock through conversion of deposit for future stock subscription	12	**₱–**	₱75,000,000	₱–
Acquisition cost of net assets acquired	12	**–**	–	1,125,000,000

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. **Corporate Information**

   General Information

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

   The Company's shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2019 and 2018, 3,014,820,305 shares of the Company's shares of stock, are listed in the PSE.

   The registered address of the Company is at 4th Floor, 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 liquidity position and its access to short-term and long-term funding from stockholders.

   Approval of Financial Statements

   The Company's separate 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 Company, Brightgreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC)

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

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

Measurement Bases

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

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

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

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

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

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

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

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

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

Further disclosures are included in Note 17, *Financial Risk Management Objectives and Policies*.

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 new and amended PFRS which the Company adopted effective for annual periods beginning on January 1, 2019:

- 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 do not have any material effect on the separate financial statements of the Company. Additional disclosures have been included in the separate financial statements, as applicable.

<u>Amended PFRS Issued But Not Yet Effective</u>
Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the separate 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.

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

Financial Assets and Liabilities

a. Recognition

The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

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

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

b. Classification and Subsequent Measurement Policies

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

As at December 31, 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 cash, dividends and other receivables (excluding advances to officers and employees) and advances to related parties are classified under this category.

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

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 dividends payable and other current liabilities (excluding statutory payables) and advances from a related party are classified under this category.

c. Reclassification

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

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

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

e. Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

f. Offsetting of Financial Assets and Liabilities

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

g. Classification of Financial Instrument between Liability and Equity

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

- Deliver cash or another financial asset to another entity;

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

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

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

Other Current Assets
This account consists of prepaid income tax and input value-added tax (VAT).

Prepaid Income Tax. Prepaid income tax represents creditable withholding tax (CWT) and other tax credits of the Company.

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

Input VAT. 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 to the taxation authority is included as part of "Other current assets" account in the separate statements of financial position.

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

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its returns.

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

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

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

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expense in the period in which these are incurred.

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

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

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

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

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

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

Deferred Input VAT

In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount, which is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Equity

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

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

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

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

Revenue Recognition

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

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

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

Management Income. Management income is recognized over a period of time.

Interest Income. Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Operating Expenses

Expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Operating expenses include the cost of administering the business and are expensed as incurred.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits. The Company recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

Retirement Benefits. The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement benefits expense is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs and interest cost in profit or loss. Interest cost is calculated by applying the discount rate to the retirement benefit liability.

Current service costs are the increase in the present value of the defined benefit obligation resulting from employee service and are recognized in profit or loss.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Company recognizes restructuring related costs.

Remeasurements comprising actuarial gains and losses and any change in the effect of the asset ceiling (excluding interest cost on retirement benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefit liability is the aggregate of the present value of the defined benefit obligation which is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate used to compute the amount is the one that has been enacted or substantively enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

Related Parties

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

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgment, Accounting Estimates and Assumptions

PFRS requires management to make judgment, accounting estimates and assumptions that affect the amounts reported in the separate financial statements. The judgment, accounting estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimates, which has the most significant effect on the amounts recognized in the separate financial statements.

Establishing Control over its Subsidiaries. The Company determined that it has control over its 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.

Accounting Estimates and Assumptions

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

Estimating of Allowance for ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

For cash and advances to related parties, the Company applies low credit risk simplification because the Company only enters into reputable counterparty banks and related parties that possessed good credit ratings. The Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

No provision for impairment loss was recognized on the Company's financial assets in 2019 and 2018.

The carrying amount of financial assets at amortized cost as at December 31, 2019 and 2018 are as follows:

	Note	2019	2018
Cash	5	**₱12,358,677**	₱5,670,425
Dividends and other receivables*	6	**929,834,038**	929,834,038
Advances to related parties	13	**197,913,995**	305,297,232

**Excluding advances to officers and employees*

Estimating Useful Lives of Property and Equipment. The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Company reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental changes and anticipated use of the assets.

There were no changes in the estimated useful lives of the Company's property and equipment in 2019 and 2018.

Property and equipment, net of accumulated depreciation, amounted to ₱92.5 million and ₱99.1 million as at December 31, 2019 and 2018, respectively (see Note 9).

Assessing Impairment of Nonfinancial Assets. The Company assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The recoverable amount of nonfinancial assets represents the higher of value in use or fair value less cost to sell. Estimating the value-in-use requires the Company to make an assessment of the expected future cash flows from nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on management's assessment, the Company's nonfinancial assets are not impaired.

The carrying amount of the Company's nonfinancial assets is as follows:

	Note	2019	2018
Advances to officers and employees	6	**₱85,100**	₱77,545
Other current assets	7	**54,133,700**	52,594,907
Investments in subsidiaries	8	**2,746,546,182**	2,732,796,182
Property and equipment	9	**92,485,614**	99,101,507
Other noncurrent assets	10	**1,785,217**	2,616,165

Estimating Retirement Benefit Liability. The determination of the Company's retirement benefit obligation and costs is dependent on the selection by management of assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate.

Actual results that differ from the Company's assumptions are recorded as addition to or deduction from retirement benefit liability and recognized in profit or loss or other comprehensive income. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated as at reporting date may differ significantly from the amount reported.

Retirement benefit expense (income) recognized in profit or loss amounted to ₱0.8 million, (₱0.3 million), ₱0.6 million in 2019, 2018 and 2017, respectively (see Note 15).

Retirement benefit liability amounted to ₱7.0 million and ₱5.9 million as at December 31, 2019 and 2018, respectively (see Note 15).

Recognizing Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's unrecognized deferred tax assets amounted to ₱49.1 million and ₱28.8 million as at December 31, 2019 and 2018, respectively (see Note 16). Management believes that there will be no sufficient future taxable profits against which the deferred tax assets can be utilized.

Contingencies. The Company is currently involved in various legal proceedings which the Company believes to have no material adverse effect on its financial position. It is possible however, that changes in estimates relating to these proceedings may materially affect the results of operations of the Company.

4. Acquisition of Group of Assets

On December 29, 2017, the SEC approved the application for merger of the Company, BHI and APMPC, with the Company as surviving entity. As at acquisition date, BHI and APMPC assets consist mainly of investments. Management determined that based on the substance of the underlying circumstances at that date, BHI and APMPC did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed based on their relative fair values.

Allocation of the acquisition cost of assets and liabilities of BHI and APMPC are as follows:

	BHI	APMPC	Total
Assets			
Current assets	₱60,075	₱63,022,520	₱63,082,595
Investment in subsidiaries	450,768,702	612,027,480	1,062,796,182
	450,828,777	675,050,000	1,125,878,777
Liabilities			
Other liabilities	₱828,777	₱50,000	₱878,777
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 Company issued at ₱1 per share.

Information about the Absorbed Companies

BHI. BHI was incorporated and registered with the SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BGRC (see Note 8).

APMPC. APMPC was incorporated and registered with the SEC on August 14, 2013 to engage in mining activities. APMPC owns 100% interests in AMPI and BARI (see Note 8).

5. Cash

This account consists of:

	2019	2018
Cash on hand	**₱54,545**	₱114,595
Cash in banks	**12,304,132**	5,555,830
	₱12,358,677	₱5,670,425

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱1,947, ₱5,386, and ₱3,102 in 2019, 2018 and 2017, respectively.

6. Dividends and Other Receivables

This account consists of:

	Note	**2019**	2018
Dividends receivable	8	**₱923,592,420**	₱923,592,420
Advances to officers and employees		**85,100**	77,545
Others		**6,241,618**	6,241,618
		₱929,919,138	₱929,911,583

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

Others include reimbursable expenses from third party and claims to regulatory agency.

7. Other Current Assets

This account consists of:

	2019	2018
Prepaid income tax	**₱49,403,933**	₱49,403,933
Input VAT	**4,729,767**	3,190,974
	₱54,133,700	₱52,594,907

8. Investments in Subsidiaries

As at December 31, 2019 and 2018, the balance of investments in subsidiaries consist of:

	Note	**2019**	2018
Marcventures Mining and Development Corp. (MMDC) -			
Balance at beginning of year		**₱1,670,000,000**	₱1,595,000,000
Additional subscription during the year		**13,750,000**	75,000,000
Balance at end of year		**1,683,750,000**	1,670,000,000
Acquired through merger - BGRC, AMPI and BARI	4	**1,062,796,182**	1,062,796,182
		₱2,746,546,182	₱2,732,796,182

Information about the Subsidiaries
The subsidiaries of the Company are all wholly-owned.

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

The Company's registered address is Unit E, One Luna Place, E. Luna St., Butuan City, Agusan del Norte.

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-X Surigao Mineral Reservation (SMR) covering an area of approximately 4,799 hectares located in the municipalities of 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 December 31, 2010, the Company acquired all the issued and outstanding common stock of MMDC consisting of 2.0 million shares valued at ₱1,300.0 million in exchange for the Company's common stock with par value of ₱1,250.0 million and Metroclub shares valued at ₱50.0 million. The Company made additional investments in MMDC by way of converting advances aggregating ₱245.0 million. The conversion was approved by the SEC in January 2014.

In 2019, 2018 and 2017, the Company made an additional subscription of 1,375,000, 7,500,000 and 5,000,000 shares at ₱10 per share for ₱13.8 million, ₱75.0 million and ₱50.0 million, respectively.

Dividends receivable amounted to ₱923.6 million as at December 31, 2019 and 2018 (see Note 6).

The credit facilities of the Company are secured by the interests and rights of MHI over 647,692 shares of stocks of the Company.

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 believe 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 at 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.

MMDC has continued mining operations in areas covered by the MPSA.

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

The Company's registered office address is at 2nd Floor, One Luna Bldg., E. Luna St., Butuan City 8600.

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

In 2019, MHI pledged the shares held in BGRC as part of MMDC's restructuring of loans.

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

The Company's principal address is at 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 179-2002-VIII-SBMR covering 6,694 hectares in the municipalities of San Jose de 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.

The Company's registered office address is at 4th Floor Citibank Center, Paseo de Roxas, Makati City.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 180-2002-VIII-SBMR covering 5,519 hectares in the Municipalities of Gandara, San Jose de 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. Management believes that the potential outcome of any legal proceedings will not have a material adverse effect on the operations of the subsidiaries.

As at December 31, 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.

The summarized financial information of the subsidiaries are as follows:

	2019			
	MMDC	**BGRC**	**AMPI**	**BARI**
Current assets	**₱803,158,085**	**₱2,398,123**	**₱59,843,555**	**₱169,364**
Noncurrent assets	**2,483,185,230**	**68,327,313**	**117,602,706**	**56,696,156**
Current liabilities	**2,421,706,379**	**108,341,272**	**9,656,440**	**3,401,129**
Noncurrent liabilities	**93,181,980**	**–**	**201,589,382**	**52,444,739**
Equity (deficit)	**766,304,970**	**(37,615,836)**	**(33,799,561)**	**1,019,652**
Revenue	**1,432,534,095**	**–**	**–**	**–**
Net income (loss)	**165,435,648**	**(3,702,568)**	**(26,410,498)**	**(2,462,156)**
Total comprehensive income (loss)	**161,340,607**	**(3,702,568)**	**(26,410,498)**	**(2,462,156)**

	2018			
	MMDC	BGRC	AMPI	BARI
Current assets	₱587,293,260	₱2,598,007	₱84,749,406	₱495,650
Noncurrent assets	2,428,472,316	68,916,599	109,236,506	56,696,156
Current liabilities	2,282,384,827	118,810,851	1,916,693	1,627,567
Noncurrent liabilities	128,416,386	367,023	199,458,282	52,082,431
Equity (deficit)	604,964,363	(47,663,268)	(7,389,063)	3,481,808
Revenue	987,255,064	889,197	–	–
Net loss	(262,933,955)	(5,739,305)	(14,860,809)	(8,154,485)
Total comprehensive loss	(258,516,499)	(5,739,305)	(14,860,809)	(8,154,485)

9. **Property and Equipment**

The balances and movements in this account are as follows:

		2019			
	Note	**Building and Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Total**
Cost					
Balances at beginning of year		**₱125,665,001**	**₱5,583,388**	**₱3,450,000**	**₱134,698,389**
Disposal		**–**	**–**	**(3,450,000)**	**(3,450,000)**
Acquisitions		**–**	**164,196**	**–**	**164,196**
Balances at end of year		**125,665,001**	**5,747,584**	**–**	**131,412,585**
Accumulated Depreciation					
Balances at beginning of year		**26,986,741**	**5,160,141**	**3,450,000**	**35,596,882**
Depreciation	14	**6,437,137**	**342,952**	**–**	**6,780,089**
Disposal		**–**	**–**	**(3,450,000)**	**(3,450,000)**
Balances at end of year		**33,423,878**	**5,503,093**	**–**	**38,926,971**
Net Carrying Amount		**₱92,241,123**	**₱244,491**	**₱–**	**₱92,485,614**

		2018			
	Note	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
Cost					
Balances at beginning of year		₱125,665,001	₱5,539,311	₱3,450,000	₱134,654,312
Acquisitions		–	44,077	–	44,077
Balances at end of year		125,665,001	5,583,388	3,450,000	134,698,389
Accumulated Depreciation					
Balances at beginning of year		20,871,638	4,142,817	2,587,501	27,601,956
Depreciation	14	6,115,103	1,017,324	862,499	7,994,926
Balances at end of year		26,986,741	5,160,141	3,450,000	35,596,882
Net Carrying Amount		₱98,678,260	₱423,247	₱–	₱99,101,507

Fully depreciated property and equipment with cost of ₱5.8 million and ₱3.4 million as at December 31, 2019 and 2018 are still being used by the Company and retained in the accounts.

In 2019, fully depreciated transportation equipment was disposed. Accordingly, no gain or loss was recognized in the transactions.

10. Other Noncurrent Assets

This account consists of:

	2019	2018
Deferred input VAT	**₱1,785,217**	₱2,566,364
Others	**–**	49,801
	₱1,785,217	₱2,616,165

11. Dividends Payable and Other Current Liabilities

This account consists of:

	Note	**2019**	2018
Statutory payables		**₱14,261,097**	₱13,283,517
Accrued expenses		**5,408,024**	311,663
Dividends payable	12	**4,707,886**	4,707,886
Others		**1,072,631**	1,046,575
		₱25,449,638	₱19,349,641

Statutory payables include deferred output VAT, other taxes payable and mandatory contributions. These are normally settled within one month after the end of the reporting period.

Accrued expenses primarily pertain to utilities and settled within the month after the end of the reporting period.

Others pertain to advances from a former related party.

12. Equity

Capital Stock

Movements in 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**	**₱269,199,788**	239,931,494	₱239,931,494	212,655,494	₱212,655,494
Proceeds in excess of par value	**–**	**–**	29,268,294	29,268,294	27,276,000	27,276,000
	269,199,788	**₱269,199,788**	269,199,788	₱269,199,788	239,931,494	₱239,931,494

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

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-up capital of ₱29.3 million.

Retained Earnings

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Payment Date
				On or after
November 14, 2014	₱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 (see Note 11).

13. Related Party Transactions

Transactions with related parties are summarized below:

	Transactions during the year		Outstanding Balances		
	2019	2018	**2019**	2018	Nature
Dividends Receivable					
Subsidiary	**₱–**	₱–	**₱923,592,526**	₱923,592,420	Dividends
Advances to Related Parties					
Subsidiaries	**₱287,134**	₱80,541,321	**₱112,913,995**	₱220,297,232	Working fund
	–	–	**85,000,000**	85,000,000	Management fee
		80,541,321	**₱197,913,995**	₱305,297,232	
Dividends Payable					
Stockholders	**₱–**	₱–	**₱4,707,886**	₱4,707,886	Working fund
Advances from a Related Party					
Subsidiary	**₱18,319**	₱135,000,000	**₱55,430,795**	₱81,500,483	Working fund

Outstanding balances are unsecured, noninterest bearing, and settled on demand in cash.

The changes in advances from a related party arising from financing activities as at December 31, 2019, 2018 and 2017 are as follows:

	2019	2018
Balance at beginning of year	**₱81,500,483**	₱–
Financing cash flow	**(26,069,688)**	81,500,483
Balance at beginning of year	**₱55,430,795**	₱81,500,483

Management Contract

In December 2014, the Company entered into a management contract with MMDC to oversee and supervise MMDC's operations. The management contract shall be effective for a period for three (3) years commencing January 1, 2014. In 2017, the management contract was extended for another three (3) years. In 2019 and 2018, the Company did not charge management fee to MMDC. Management fee charged to MMDC in 2017 amounted to ₱85.0 million.

As at December 31, 2019 and 2018, the Company has not provided any allowance for impairment losses for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related party operates.

Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to ₱44.3 million, ₱83.2 million and ₱100.9 million in 2019, 2018 and 2017, respectively. Retirement benefit expense of key management personnel amounted to ₱0.8 million, ₱1.4 million and ₱2.9 million in 2019, 2018 and 2017, respectively.

14. Operating Expenses

This account consists of:

	Note	**2019**	2018	2017
Salaries and allowances		**₱41,245,442**	₱39,457,536	₱39,794,531
Professional fees		**13,051,715**	15,493,696	13,869,400
Depreciation	9	**6,780,089**	7,994,926	6,904,005
Dues and subscriptions		**3,153,260**	3,680,369	3,858,466
Taxes and licenses		**2,171,148**	1,719,436	12,691,393
Outside services		**1,391,610**	3,549,674	4,267,156
Communication, light and water		**948,139**	1,009,045	933,060
Retirement benefit expense (income)	15	**771,079**	(343,812)	595,534
Representation		**205,746**	451,836	257,458
Others		**3,930,585**	2,925,884	4,074,180
		₱73,648,813	₱75,938,590	₱87,245,183

Others include insurance and transportation, among others.

15. 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 (income) presented under "Operating expenses" account in profit or loss are as follows:

	2019	2018	2017
Current service cost	**₱139,599**	₱233,920	₱329,840
Net interest cost	**435,415**	228,341	265,694
Past service cost	**196,065**	(806,073)	–
	₱771,079	(₱343,812)	₱595,534

The retirement benefit liability recognized in the separate statements of financial position and changes in the present value of defined benefit obligation are as follows:

	2019	2018
Balance at beginning of year	**₱5,932,079**	₱4,077,520
Retirement benefit expense (income) recognized in profit or loss:		
Interest cost	**435,415**	228,341
Past service cost	**196,065**	(806,073)
Current service cost	**139,599**	233,920
Remeasurement losses (gains) recognized in OCI arising from:		
Deviations of experience from assumptions	**359,800**	2,300,228
Changes in financial assumptions	**(69,680)**	(101,857)
Balance at end of year	**₱6,993,278**	₱5,932,079

The principal actuarial assumptions used to determine retirement benefit liability are as follows:

	2019	2018
Discount rate	**4.64%**	7.34%
Salary increase rate	**3.00%**	5.00%

The plan exposes the Company to actuarial risks, such as interest rate risk and salary rate risk.

Sensitivity analysis on retirement benefit liability as at December 31, 2019 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(₱702,345)
	-1%	132,676
Salary increase rate	+1%	138,179
	-1%	(92,247)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

The changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed more responsible.

The cumulative remeasurement gain recognized in other comprehensive income (loss) follows:

	2019		
	Accumulated Actuarial Gain (loss)	**Deferred Tax Liability** (see Note 16)	**Net Actuarial Gain**
Balance at beginning of year	**₱2,093,226**	**₱627,968**	**₱1,465,258**
Actuarial loss	**(290,120)**	**(87,036)**	**(203,084)**
Balance at end of year	**₱1,803,106**	**₱540,932**	**₱1,262,174**

	2018		
	Accumulated Actuarial Gain (loss)	Deferred Tax Liability (see Note 16)	Net Actuarial Gain
Balance at beginning of year	₱4,291,597	₱1,287,479	₱3,004,118
Actuarial loss	(2,198,371)	(659,511)	(1,538,860)
Balance at end of year	₱2,093,226	₱627,968	₱1,465,258

The maturity analysis of the undiscounted benefit payments as at December 31, 2019 follow:

Less than one (1) year	₱12,760,699
One (1) year to less than five (5) years	579,803
Five (5) years to less than 10 years	170,779
10 years and above	7,785,880
	₱21,297,161

The average duration of the expected benefit payments at the end of the reporting period is 13 years.

16. **Income Taxes**

The Company has no current provision for income tax in 2019 and 2018 due to its net taxable loss position. The current provision for income tax represents MCIT amounting to ₱1.7 million in 2017.

Deferred tax liability amounting to ₱0.5 and ₱0.6 million as at December 31, 2019 and 2018, respectively, pertains to remeasurement gain on retirement liability (see Note 15).

The reconciliation of provision for income tax computed at the applicable statutory tax rate to provision for income tax shown in the separate statements of comprehensive income is as follows:

	2019	2018	2017
Income tax at statutory rate	**(₱22,094,060)**	(₱22,779,961)	(₱672,624)
Change in unrecognized deferred tax assets	**20,294,644**	13,020,453	(591,060)
Add (deduct) tax effects on:			
Expired MCIT	**1,800,000**	1,701,000	2,500,000
Interest income subjected already to final tax	**(584)**	(1,616)	(931)
Nondeductible expenses	**–**	–	464,615
Expired NOLCO	**–**	8,060,124	–
	₱–	₱–	₱1,700,000

Management believes that it may not be probable that future taxable profit will be available against which the deferred tax assets can be utilized. Details of unrecognized deferred tax assets are as follows:

	2019	2018
NOLCO	**₱44,778,320**	₱22,915,000
Excess MCIT over RCIT	**1,700,000**	3,500,000
Retirement benefit liability	**2,638,915**	2,407,592
	₱49,117,235	₱28,822,592

Details of NOLCO are as follows:

Year incurred	Expiry date	Amount	Incurred	Expired	Balance
2019	2022	₱–	₱72,877,734	₱–	₱72,877,734
2018	2021	76,282,402	–	–	76,282,402
2017	2020	100,932	–	–	100,932
		₱76,383,334	₱72,877,734	₱–	₱149,261,068

Details of MCIT are as follows:

Year incurred	Expiry date	Amount	Incurred	Expired	Balance
2017	2020	₱1,700,000	₱–	₱–	₱1,700,000
2016	2019	1,800,000	–	(1,800,000)	–
		₱3,500,000	₱–	(₱1,800,000)	₱1,700,000

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

General

The Company has financial risk management policies that systematically view the risks that could prevent the Company from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Company's objectives are achieved. The Company's risk management takes place in the context of day-to-day operations and normal business processes such as strategic planning and business planning. Management has identified each risk and is responsible for coordinating and continuously improving risk strategies, processes and measures in accordance with the Company's established business objectives.

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, dividends and other receivables (excluding advances to officers and employees), advances to related parties, dividends payable and other current liabilities (excluding statutory payables) and advances from a related party. The primary purpose of these financial instruments is to finance the Company's operations. The main risks arising from the use of these financial instruments are credit risk and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

Credit Risk. Credit risk arising from the inability of counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company.

The tables below show the credit quality per class of financial assets as at December 31, 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 Impairment Loss**
12-Month ECL:							
Cash in banks	**₱12,304,132**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,304,132**	**₱–**
Dividends and other receivables*	**929,834,038**	**–**	**–**	**–**	**–**	**929,834,038**	**–**
Advances to related parties	**197,913,995**	**–**	**–**	**–**	**–**	**197,913,995**	**–**
	₱1,140,052,165	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,140,052,165**	**₱–**

**Excluding advances to officers and employees amounting to ₱85,100.*

	December 31, 2018						
			Past Due				
	High Grade	Standard Grade	1 - 30 Days	31 - 90 Days	More than 90 Days	Total	Allowance for Impairment Loss
12-Month ECL:							
Cash in banks	₱5,555,830	₱–	₱–	₱–	₱–	₱5,555,830	₱–
Dividends and other receivables*	929,834,038	–	–	–	–	929,834,038	–
Advances to related parties	305,297,232	–	–	–	–	305,297,232	–
	₱1,240,687,100	₱–	₱–	₱–	₱–	₱1,240,687,100	₱–

**Excluding advances to officers and employees amounting to ₱77,545.*

Credit risk from dividends and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Generally, dividend and other receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

The credit quality of the financial assets is managed by the Company using internal credit quality ratings. High grade accounts consist of receivable from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts.

Cash in banks are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under high grade because the Company only enters to reputable related parties with low credit risk.

Liquidity Risk. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal and interest payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018, based on contractual undiscounted payments.

	On Demand	Less than Three Months	Three to Six Months	Within One Year	More than One Year	Total
December 31, 2019						
Dividends payables and other current liabilities*	**₱11,188,541**	**₱–**	**₱–**	**₱–**	**₱–**	**₱11,188,541**
Advances from a related party	**55,430,795**	**–**	**–**	**–**	**–**	**55,430,795**
	₱66,619,336	**₱–**	**₱–**	**₱–**	**₱–**	**₱66,619,336**
December 31, 2018						
Dividends payables and other current liabilities*	₱6,066,124	₱–	₱–	₱–	₱–	₱6,066,124
Advances from a related party	81,500,483	–	–	–	–	81,500,483
	₱87,566,607	₱–	₱–	₱–	₱–	₱87,566,607

**Excluding statutory payables amounting to ₱14.3 million and ₱13.3 million as at December 31, 2019 and 2018, respectively.*

Fair Value of Financial Assets and Liabilities

The following are the fair value of the Company's financial instruments as at December 31, 2019 and 2018:

	2019	2018
Financial Assets		
Cash	**₱12,358,677**	₱5,670,425
Dividends and other receivables*	**929,834,038**	929,834,038
Advances to related parties	**197,913,995**	305,297,232
	₱1,140,106,710	₱1,240,801,695
Financial Liabilities		
Dividends payable and other current liabilities**	**₱11,188,541**	₱6,066,124
Advances from a related party	**55,430,795**	81,500,483
	₱66,619,336	₱87,566,607

**Excluding advances to officers and employees amounting to ₱85,100 and ₱77,545 as at December 31, 2019 and 2018.*
***Excluding statutory payables amounting to ₱14.3 million and ₱13.3 million as at December 31, 2019 and 2018, respectively.*

Due to the short-term nature of transactions, the fair values of the Company's financial assets and financial liabilities approximate the carrying amounts at reporting period.

18. Capital Management Objectives, Policies and Procedures

The Company considers its capital stock and APIC aggregating ₱3,284.0 million as at December 31, 2019 and 2018, as its core capital. The Company maintains its current capital structure and makes adjustments to it, if necessary, to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

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

19. **Supplemental Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue**

Output VAT

The Company has no declared revenue in 2019 upon which the output VAT should be based.

Input VAT

Movements in input VAT for the year ended December 31, 2019 are shown below.

Balance at beginning of year	₱3,193,892
Input tax deferred on capital goods from previous period	2,566,364
Add: Domestic purchases of services	380,276
Capital goods not exceeding ₱1.0 million	19,703
Domestic purchase of goods other than capital goods	21,369
Importation of goods other than capital goods	333,380
Less -	
Input tax deferred on capital goods for succeeding period	1,785,217
Balance at end of year	₱4,729,767

Local Taxes

Local taxes paid and accrued for the year ended December 31, 2019 consist of the following:

SEC filing fee	₱1,252,531
Municipal tax	147,669
Documentary stamp tax	754,384
Others	16,564
	₱2,171,148

All other local taxes are presented as part of "Taxes and licenses" account under "Operating expenses" in the separate statements of comprehensive income.

Withholding Taxes

Withholding taxes paid and accrued (and/or withheld) for the year ended December 31, 2019 consist of:

	Paid	Accrued
Fringe benefit tax	₱6,519,681	₱2,097,887
Withholding tax on compensation	5,704,296	55,348
Expanded withholding tax	1,010,223	668,372
	₱13,234,200	₱2,821,607

Withholding taxes accrued are presented as part of "Statutory payables" account under "Dividends payables and other current liabilities" in the separate statements of financial position.

Tax Assessment and Case

On December 11, 2019, the Company received a Preliminary Assessment Notice covering the Company's taxable year 2016.

In 2018, the Company received a Final Assessment Notice on its 2014 taxable year.

The Company timely filed protest letters contesting the findings in the audit examination, and subsequently filed a Request for Reinvestigation / Reconsideration. The Management and legal counsel are of the good faith belief that the Company has ample procedural and substantive defenses.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

COMPANY NAME

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

4th Floor, Citi Center, 8741 Paseo de Roxas, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mhicorporate@marcventures.com.ph	(02) 8-831-4479	0998-985-0229

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,170	September 26	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Rolando S. Santos	rolly.santos@marcventures.com.ph	(02) 8-831-4479	0998-985-0229

CONTACT PERSON'S ADDRESS

4th Floor, Citi Center, 8741 Paseo de Roxas, Makati City

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

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

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

INDEPENDENT AUDITORS' REPORT

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.

Assessment for Impairment of Mining Rights and other Mining Assets
The Company carries significant amounts of mining rights and other mining assets with aggregate carrying amount of ₱4.5 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.

Further disclosures are included in Note 3*, Significant Judgments, Accounting Estimates and Assumptions - Estimating Depletion Rate and Recoverable Reserves* and Note 10*, Mining Rights and Other Mining Assets.*

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 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.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Carolina P. Angeles.

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 86981-SEC Group A
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

MARCVENTURES
HOLDINGS INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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 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.

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 consolidated 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

MAKATI CITY
25 JUN 2020
Doc. No. 347
Page No. 71
Book No. 109
Series of 2020

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-56 until 12/31/2021
PTR No. 8116016, Jan 2, 2020, Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No. VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

4th Floor, Citibank Center, 8741 Paseo de Roxas
Makati City 1227
TRUNK LINES (632) 831-4479 FAX NO. (632) 856-7976
(632) 831-4483
(632) 831-4484

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

BEFORE ME, Notary Public for and in the above-named locality, personally appeared the following, with their respective residence certificates and competent evidence of identity, to wit:

Name	Competent Evidence of Identity	Place Issued/Valid Until
Cesar Zalamea	Senior ID 14467	
Isidro C. Alcantara, Jr.	TIN 123-371-185	
Rolando S. Santos	TIN 127-551-084	

25 JUN 2020

WITNESS MY HAND AND SEAL on the date and in the place above written.

Doc. No. 347
Page No. 71
Book No. 109
Series of 2020

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8116016, Jan. 2, 2020, Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No.VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 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.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

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.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2019**	2018	2017
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.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
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)

(Forward)

	Note	Years Ended December 31 **2019**	2018	2017
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, Inc. (the Parent Company), singly and collectively with its subsidiaries, is referred herein as "the Company".

The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957. Its primary purpose is to deal with properties of every kind and description to the extent permitted by law without engaging in the business of an investment company as defined in the Investment Company Act (Republic Act 2629), or act as a securities broker or dealer. On August 7, 2007, the SEC approved the extension of the Parent Company's corporate life for another 50 years.

The Parent Company's shares of stocks were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at 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).

<u>Information about the Subsidiaries</u>
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.

<u>New and Amended PFRS Issued But Not Yet Effective</u>
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
November 14, 2014	₱0.15	₱273,203,790	December 19, 2014	On or after 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**

	Note	Balance as at December 31, 2017	Net Cash Flows from Financing Activities	Noncash Changes: Subscription of Shares	Noncash Changes: 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

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

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES
OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Company) as at December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018, and 2017, and have issued our report thereon dated June 26, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2019 and 2018, and for the years ended December 31, 2019, 2018, and 2017 and no material exceptions were noted.

REYES TACANDONG & CO.

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

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2019 AND 2018

Ratio	Formula	2019	2018
Current ratio			
	Total Current Assets	**₱779,290,957**	₱551,145,763
	Divided by: Total Current Liabilities	**1,403,367,545**	1,140,620,272
	Current ratio	**0.56:1**	0.48:1
Solvency ratio			
	Net Income (Loss) Before Depreciation and Amortization	**₱255,639,473**	(₱318,245,138)
	Divide by: Total liabilities	**2,167,660,001**	1,939,236,801
	Solvency ratio	**0.12:1**	(0.16):1
Debt-to-equity ratio			
	Total Liabilities	**₱2,167,660,001**	₱1,939,236,801
	Divide by: Total equity	**3,923,690,454**	3,890,146,173
	Debt-to-equity ratio	**0.55:1**	0.50:1
Asset-to-equity ratio			
	Total Assets	**₱6,091,350,455**	₱5,829,382,974
	Divide by: Total equity	**3,923,690,454**	3,890,146,173
	Asset-to-equity ratio	**1.55:1**	1.50:1
Interest rate coverage Ratio			
	Pretax income (loss) before interest	**₱187,589,599**	(₱439,899,115)
	Divided by: Interest expense	**61,630,647**	40,763,016
	Interest rate coverage ratio	**3.04:1**	(10.79):1
Profitability Ratio			
	Net income (loss)	**₱37,842,406**	(₱388,807,119)
	Divide by: Total equity	**3,923,690,454**	3,890,146,173
	Profitability ratio	**0.01:1**	(0.1):1

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Company) as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 included in this Form 17-A and have issued our report thereon dated June 26, 2020. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2019 and 2018 are the responsibility of the Company's management. These supplementary schedules include the following:

- Schedule of Parent Company's Retained Earnings Available for Dividend Declaration
- Schedules Required by Part II of Revised Securities Regulation Code (SRC) Rule 68
- Conglomerate Map as at December 31, 2019

These schedules are presented for purposes of complying with Revised SRC 68 Part II, and are not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

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

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

	Amount
Unappropriated retained earnings available for dividend declaration at the beginning of year	₱735,092,479
Net loss during the year closed to retained earnings	(73,646,866)
Unappropriated retained earnings available for dividend declaration at end of year	₱661,445,613

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

Table of Contents

Schedule A. Financial Assets
December 31, 2019

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end reporting period	Income received and accrued
-Not Applicable -				

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2019

Name and designation of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
-Not Applicable -							

Schedule C. Amounts Receivable from Related Parties Eliminated during the Consolidation of Financial Statements
December 31, 2019

Name of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
Marcventures Mining and Development Corporation	₱248,972,419	38,846	(107,859,258)				141,152,007
BrightGreen Resources Corporation	5,558,788	69,500					5,628,288
Bauxite Resources Inc.	50,766,024	178,788					50,944,812
	₱305,297,231						₱197,725,107

Schedule D. Intangible Assets - Other Assets
December 31, 2019

Description	Beginning Balance	Additions	Charge to cost and expenses	Charge to other accounts	Other charges additions (deduction)	Ending balance
Mining rights	₱2,604,171,944	₱	(₱21,371,154)	₱–	₱–	₱2,582,800,790

Schedule E. Long - term Debt
December 31, 2019

Title of issue and type of obligation	Amount shown under caption "Loans payable"	Amount shown under caption "Long-Term portion of long-term debt"
Notes Payable		
United Coconut Planters Bank	₱189,733,752	₱554,373
Philippine Veterans Bank	200,000,000	–
Philippine Business Bank	75,367,023	198,854,439
Prime Media Holdings, Inc.	26,000,000	–
Orix Metro Leasing and Finance Corp.	18,968,804	9,590,987
	₱510,069,579	₱208,999,799

Schedule F. Indebtedness to Related Parties
December 31, 2019

Name of related party	Beginning Balance	Ending balance
Bright Kindle Resources & Investments, Inc.	₱9,800,000	₱6,800,000
Prime Media Holdings, Inc.	33,500,000	33,011,281
Strong Mighty Steel	15,000,000	15,000,000
Trans Middle East Phils Equities, Inc.	50,000,000	38,514,716
RYM Business Management Corp.	43,520,824	43,520,823
	₱151,820,824	₱136,846,820

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2019

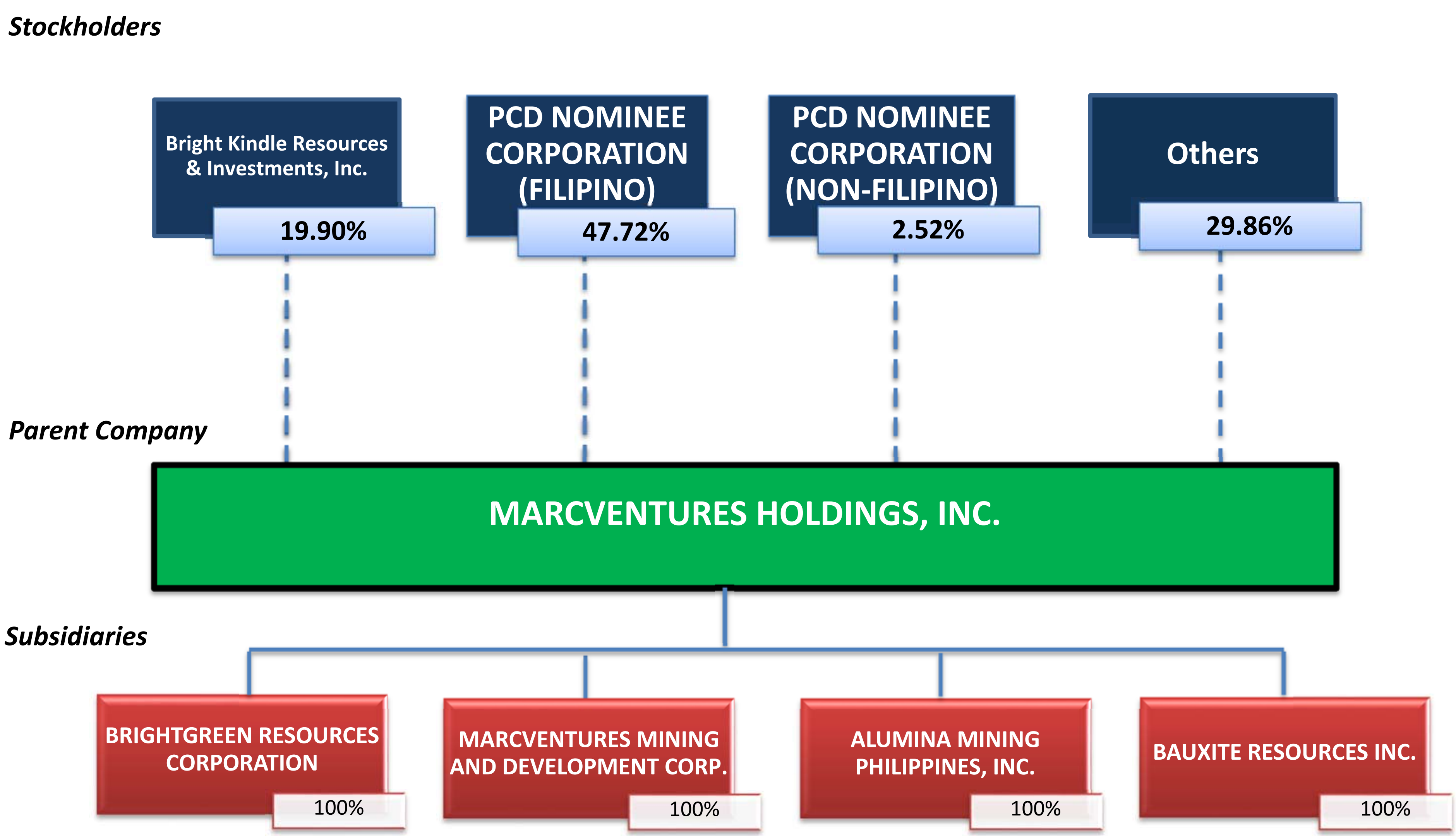
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

-Not Applicable -

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by related parties	Directors officers and employees	Others
Common Stock	4,000,000,000	3,014,820,305	–	–	57,228,208	2,957,592,097

SCHEDULE I. CONGLOMERATE MAP



Marcventures Holdings, Inc.

2019 Sustainability Report

Board Statement

The Board of MARCVENTURES HOLDINGS, INC. ("MHI" or the "Group" or the "Company") is proud to present its first Sustainability Report pursuant to Securities and Exchange Commission Memorandum Circular No. 4, Series of 2019[1] for the period 1 January to 31 December 2019.

This report sets out MHI's policies, practices and performance in relation to sustainability measures and was prepared in accordance with Principle 10 of the Code of Corporate Governance for Publicly-Listed Companies (PLCs) stating that companies should ensure that material and reportable non-financial and sustainability issues are disclosed.

According to Australian Trade and Investment Commission, the Philippines has been ranked as the 5th most mineralized country in the world, endowed with vast untapped natural resources reserves of copper, gold, nickel, silver, zinc, and potentially bauxite. According to statistics from the Philippine Mines and Geosciences Bureau (MGB), the total production value for metallic minerals in 2019 amounted to PhP130.73 Billion, up by 7.03% vis-à-vis 2018's PhP122.14 Billion.[2] Of that number, PhP63.71 Billion comes from Nickel and Nickel Products. However, to date, there are only fifty (50) operating metallic mines in the country (29 of which are nickel mines).

We at MHI believe in building a business model that not only delivers both long-term value to our internal and external stakeholders but also one that promotes sustainable considerations in our mining practices. We believe that sustainability will become integral to the Group as we move forward. In accordance with this belief:

- We take our **stewardship of the environment** seriously as we continue to work on implementing responsible mining methods and at the same time provide a sustainable solution to mine rehabilitation and long-term livelihood opportunities for future generations through our Bamboo initiatives.
- We also put utmost emphasis in the **health, security, and safety of our employees** as well as **partnering with our host communities** to facilitate their growth and development as we aim to support and impart a positive impact both in the economic and social fronts.
- Lastly, but equally as important, MHI is remains committed to complying with national and local government laws and regulations bearing in mind that **good governance** is at the heart of our future as an organization and as an on-going business concern.

Bearing such factors in mind, the scope of this Sustainability Report therefore encompasses the MHI Group's performance (including its Subsidiaries) – its actions, challenges, results, and achievements. Although some measures are applicable across the board to other types of industries, the scope and manner of presentation of this Sustainability Report will be unique to MHI's industry-specific risks, concerns, and sustainable development goals.

For any queries about this report, please email us at inquiries@marcventures.com.ph.

[1] Sustainability Reporting Guidelines for Publicly-Listed Companies
[2] https://www.austrade.gov.au/australian/export/export-markets/countries/philippines/industries/mining

Table of Contents

President's Message

TO ALL STAKEHOLDERS,

In our view at Marcventures, there are 2 major areas of Sustainability for our Mining centric businesses:

First, the long-term Sustainability of the Businesses of MHI and the Nickel Mines in Surigao del Sur itself through Good Governance and Adherence to Mining Laws and Regulations and ensuring Faithful Compliance to our Economic and Social Obligations to the country: and,

Second, and of co-equal importance, if not more into Beyond our Corporate Life, is the Sustainability of the Communities where we do business including their Continuing Livelihood, Restoring and Enhancing the Environment for their Future Use and Uplifting the Standards of Living in the Host Communities.

The first part of Sustainability is driven and achieved by the way we do mining relative to Universal Standards of Responsible Mining and the Unique Factors of Nature where we are. This covers our Operating and Business Processes, our Compliance with Environmental Laws, our Compliance with Mining Laws and Regulations and our endeavor to always consider the interests of the Local Communities. Specific areas of we always and consistently focus on are Water Resource and Air Quality Management, Corporate Social Responsibility, Management of our People including Health and Safety, Principles of Good Governance to guide all our Corporate Acts and lastly Community Engagement that always considers the common and greater good of the Peoples around us especially the Indigenous Peoples.

For the future, we have diversified into other commodities with the acquisition of Bauxite Mining Properties in Samar (Bauxite is the raw ore material for Aluminum whose growth and applications is projected to attain very high growth globally). This should add another 15.0 to 20.0 years of mine life for Marcventures in addition to the still long remaining life or our Nickel mines.

Of great importance to us is Environmental Compliance because we are in a Protected Watershed. We ensure strict adherence to Environmental Restoration and Rehabilitation. Our Waters Are Clean, which is true test of Responsibility mining, and Children play in our Rivers and Women wash there also.

In Marcventures, we describe our Mining as "Clean and Sustainable Mining" in addition to Responsible Mining.

The big question we ask ourselves at Marcventures is **"What happens to the Communities when the Ore runs out and the Mining Stops"?**

While the Mining is going on, we provide Jobs, Health Care, Education through one of the largest Scholarship Programs up to College and through a Community High School, Community Enhancement through the Government's Social Development Management Program (SDMP) and through IP Royalties and Taxes.

We have initiated and continue to create Livelihood Programs. To answer the question above, we tell ourselves there has to be something more substantial and more permanent.

This is where the second part of our Sustainability Proposition may be answered.

Marcventures has pioneered Bamboo Planting in the Mined-out Areas and possibly in the Non-mineralized as a potentially permanent Livelihood to sustain the Communities beyond the life of Marcventures.

Bamboo is a US$60.0 Billion Global Industry producing a myriad of Processed Products from lowly food sticks to toys to building materials and even textiles. Processing Companies and Factories can be built around Bamboo Plantations for economic growth, continued income while the Communities continue to farm bamboo. It is one the best environmental enhancement undertakings – it is an anti-pollutant and emits 38.0% more oxygen into the atmosphere and its roots at 2.0 meters deep prevent soil erosion.

And it has a 100-year genetic life and when fully grown after 5 years requires lower maintenance and can be harvested annually thereafter to provide almost limitless livehood.

We are therefore committed to sustain our business by practicing Clean, Sustainable Mining while the Ore lasts

Marcventures is the acknowledged pioneer among mining companies in Bamboo and has been cited by the DENR, and so far, with biggest Bamboo Planting Area. The DENR has now mandated the planting of Bamboo as a major activity for mine rehabilitation.

We intend to make this the center piece of what we feel is the probably more important part of Sustainability for Mining Companies – to leave something permanent and meaningful to enhance People's lives when the mining stops. When our Bauxite Mines come into production we will explore farming of renewable cash crops. We have observed Cacao growing in the backyards of the Communities where our MPSAs are located. This is a possibility for a permanent livelihood similar to Bamboo.

We are excited about the prospects of Sustainability not just of our Businesses but the creation of a Sustainability Structure for the Communities we touch.

We pray for Divine Providence to guide and help us realize a Sustainable Future for the Peoples under the responsibility of Marcventures in Surigao del Sur and Samar.

Sincerely,

Isidro C. Alcantara
President - Marcventures

Our Group Structure and Business Context

Marcventures Holdings, Inc. ("MHI") was incorporated in 1957 and became a publicly listed company in 1958. Through its subsidiaries, it has been conducting business by investing in the business of mining and associated activities. Currently MHI has investments in four (4) wholly-owned subsidiaries: a) Marcventures Mining and Development Corporation (MMDC), b) BrightGreen Resources Corporation (BRC); c) Alumina Mining Philippines Inc. (AMPI) and d) Bauxite Resources Inc. (BARI).

At present, of the four (4) subsidiaries, only MMDC is fully operational while the other subsidiaries are in various permitting, exploratory, and developmental phases. Thus, through MMDC, we participate in addressing the growing worldwide demand for nickel, with a majority if not all of our ore production exports currently geared towards the Asian market. MHI conducts its businesses in way that not only generates returns for our shareholders but also provides a positive contribution to our host communities.

To this end, MHI focuses on key strategic elements to achieve our desired results. We strive to embed **Responsible Mining and Sustainable Greening Solutions** focused business practices into our operations in a way that mitigates, manages, and rehabilitates potential negative impacts of our operations on the environment. We provide opportunities to local communities to improve their quality of life while championing their right to a healthy, safe, and secure working environment. We likewise aim to develop and maintain a team of trained professionals accountable to both our internal and external stakeholders. In sum, we advocate responsible consumption and production, facilitate partnerships to improve living standards, and adhere to the principles of transparency and compliance. In so doing, we pursue shareholder value premised on good corporate governance.

MHI SUBSIDIARIES

MARCVENTURES MINING & DEVELOPMENT CORPORATION

MMDC, 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, 2017, MMDC's total Measured and Indicated Saprolite and Limonite Mineral Resource is 8.1M WMT and 55.4M WMT, respectively, with an average grade of 1.44% Ni and 13.48% Fe for saprolite and 0.85% Ni and 45.36% Fe for limonite.

BRIGHTGREEN RESOURCES CORPORATION

BRC is a mining tenement adjacent to the mining property of MMDC. It holds MPSA No. 015-93-XIII approved on July 01, 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 16.03M WMT with average grade of 1.17% Fe and 34.98% Fe. This is further broken down to 3.06M WMT saprolite with an average grade of 1.59% Ni and 14.85% Fe, and 12.97M WMT limonite with an average grade of 1.07% Ni and 39.73% Fe. BRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category.

Alumina Mining Philippines Inc.
Bauxite Resources 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.

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.

The primary mineral ore to be produced by AMPI and BARI is bauxite, the main raw material of aluminum. The bauxite properties' combined Measured and Indicated Mineral Resource is around 73 Million WMT at 41.66% Al2O3 and 11.69 SiO2 as reported in the mineral resource report reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person (CP) for Geology on June 2017.

Materiality Process

Sustainability Context and Challenges of Mining Operations

Sustainability in mining is shaped by several factors that is unique to the industry. Apart from enhancing its business model to achieve higher production efficiencies, MHI is committed to contributing to the socio-economic development of the different communities surrounding its mining tenements.

MHI's vision is to mine in a manner that ensures the welfare of its stakeholders and the protection and conservation of the environment while pursuing its corporate goals. The Company aims to act as a catalyst for the upliftment of the lives of its host communities and aspire to be a responsible steward of Mineral Resources, a gift from the Divine Providence.

Identifying and evaluating material topics that create value to MHI's stakeholders and businesses is therefore integral to us because it supports our journey to sustainability. It enables the Company to achieve its corporate goals while looking after the environment and empowering the communities surrounding the company's operations.

Initiating Group-Wide Sustainability Reporting

In creating its very first Sustainability Report, MHI engaged Atty. Teodoro Kalaw IV, who is certified both as a sustainability trainer by the Global Reporting Initiative and a sustainability report assurer by the Institute of Certified Sustainable Practitioners. Atty. Kalaw is also the first Filipino to graduate with a Masters degree in Sustainability Leadership from the University of Cambridge.

Atty. Kalaw facilitated an extensive sustainability orientation and materiality assessment workshop for key officers and staff of the Firm. During the workshop, material issues facing the Company were initially defined and analyzed based on its current business model and strategic plans. The sustainability reporting process was further developed with the set-up and operations of the Company's technical working group for sustainability reporting composed of members of the Corporate Communications, Legal, and Compliance Departments, which coordinated efforts to develop a working understanding of what issues are material to MHI's operations. These issues were further cascaded to different departments such as Engineering and Technical Services, Compliance, Community Relations, Human Resources and Legal who then sought to verify issues with concerned stakeholders.

Thus, the topics chosen signify MHI's Economic, Environment, and Social Impact in the light of its engagement with various stakeholders. Data gathering followed the reporting template and topic guide provided by the Securities and Exchange Commission Memorandum Circular No. 4, Series of 2019 while the manner of presenting such data in this Sustainability Report allows for a determination of certain material issues and priority topics which must be necessarily highlighted by a business engaged in the mining industry as well as other areas in which we believe our stakeholders prefer to have greater visibility of.

Current Material Topics Identified

GOOD CORPORATE GOVERNANCE

Economic Performance
By achieving its financial goals, MHI is able to create more value for our employees, suppliers, stockholders, community and government.

Climate-Related Risks and Opportunities
MHI continues to review its historical data to determine steps that can reduce
its operations' impact to the environment.

Procurement Procedure
MHI supports local suppliers and directly contribute to the growth of the adjacent local economy.

RESPONSIBLE MINING

Resource Management
The environmental team has established a system for managing energy, water and material consumptions.

Ecosystem and Biodiversity
MMDC continues to lead in the propagation of bamboo as a sustainable and rewarding livelihood project for mined out areas.

Environmental Impact
Emissions, wastes and effluents to ensure that environmental impact are within prescribed standards.

Environmental Compliance
The company has an active legal and compliance team that monitors relevant laws, rules and regulations enforced by the Mines and Geosciences Bureau (MGB) and the Department of Environment and Natural Resources (DENR).

COMMUNITY ENGAGEMENT

Employee Management
The company actively engages and gives equal opportunities for all employees.

Workplace Conditions, Labor Standards and Human Rights
MMDC is committed to safety, health, and welfare of the all the people involved in the mining operation.

Supply Chain Management
The company has a Supplier Accreditation Policy which evaluates an organization's business integrity and compliance with labor laws, particularly Department Order 174 of the Labor Code of the Philippines.

Data Security
The entire organization along with its customers strictly complies with the rules and regulations of the Republic Act No. 10173, or the "Data Privacy Act of 2012."

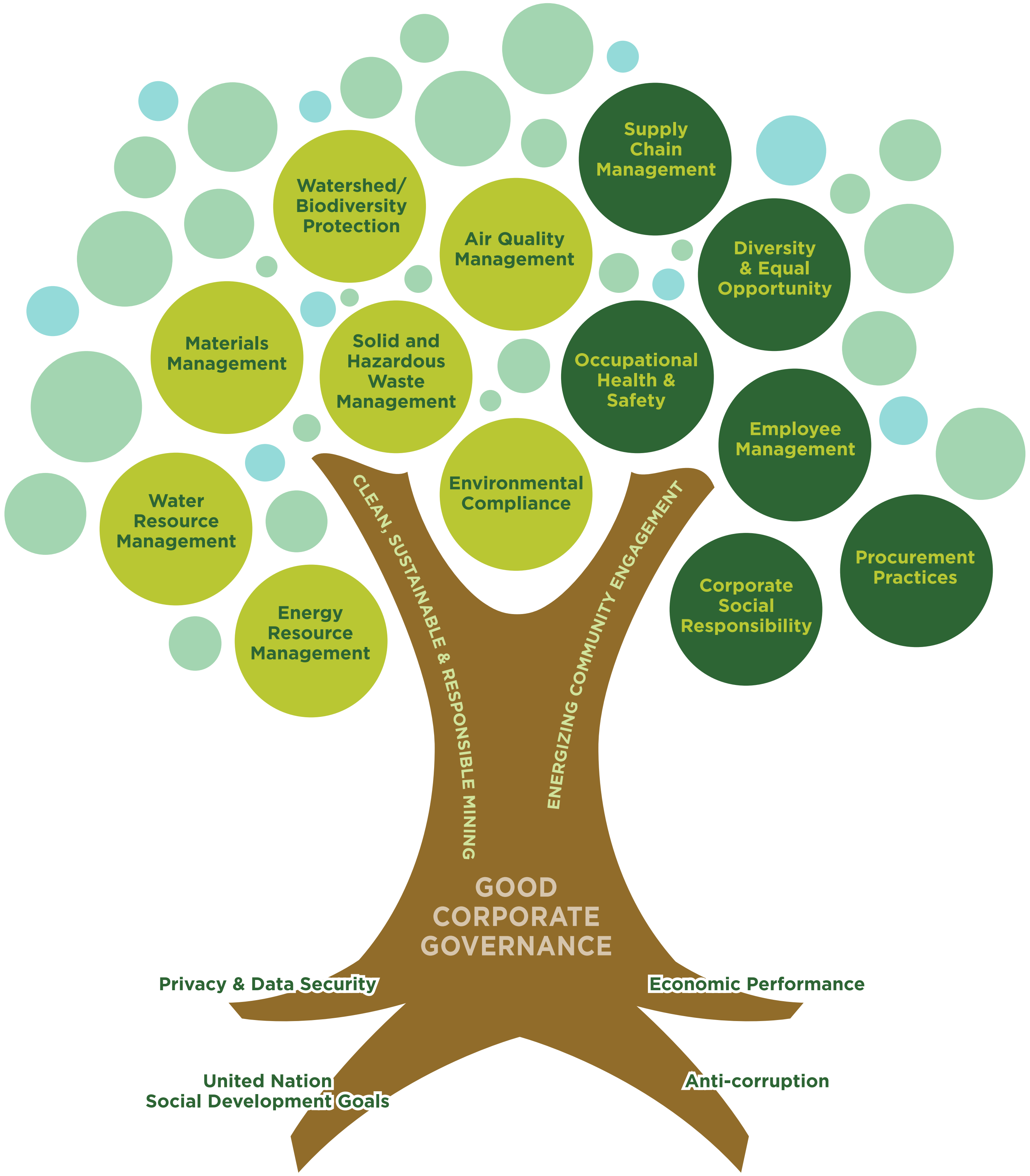
Topics Deemed Non-Material

Upon review and appropriate deliberation, MHI Management deems the topics on Customer Management, Product Health and Safety, and Product Marketing and Labelling, are currently not material to its business model from a sustainability perspective.

We export Nickel in its raw form to international buyers. Customer Management and Marketing are deemed not material topics from a sustainability perspective because increasing demand for nickel products worldwide outweigh supply which gives rise to mutually desired long term buyer relationships and prices are based primarily on the international market. Moreover, since our nickel products are produced and shipped in its raw states and thus product labelling is also not considered as a material topic. Product health and safety is not a going concern because under the mining supply chain, the commercial ores we export are not transmitted directly to end consumers but to traders or processing plants for refining. Moreover, nickel ore is not considered a hazardous substance. It does not emit toxic fumes and can be safely handled with bare hands..

Developing Sustainability Reporting Processes

Moving forward, the Company aims to create a materiality matrix that will encourage a more engaged participation and collaborative validation from its stakeholders with a view to improving the process behind the preparation of and the contents of this Sustainability Report.



Responsible Mining

A. Protecting Future Generations Though Responsible Mining and Sustainable Greening Solutions

MHI is committed to **Responsible Mining** anchored on providing **Sustainable Greening Solutions** that safeguards both the environment and long-term livelihood prospects of host communities. It is the guiding principle of our day-to-day operations at the mine site. Together with our stakeholders, we continue our initiatives to build, nurture and empower communities, improve health and safety practices, and minimize the impact of our operations on the environment.

Championing Sustainability Solutions at All Stages of the Mining Cycle

With future generations in mind, MHI constantly strives to reduce and mitigate environmental impacts at every stage of the mining life cycle and at the same time, provide long-term sustainable livelihood opportunities to host communities. We proactively institute measures to minimize water runoff, siltation, and discoloration of nearby water systems. Periodic air, water, and noise monitoring and analysis are regularly conducted to control the impact in the communities where we operate.

In January 2020, Fitch Solutions Macro Research forecasted that "nickel production to average 8.6 percent year-on-year growth over 2020 to 2028."[3] Its analysis further emphasized that the Philippines will regain its spot as the mineral's top producer due to Indonesia's nickel ore export ban, which took effect this year. The potential for growth drives the Company's business prospects and as a responsible investor in the mining sector, we prioritize land rehabilitation as it is the backbone of environmental sustainability.

MHI is also the leader in the propagation of bamboo as a sustainable and rewarding livelihood project for communities. Bamboo nurseries and revegetation are carried out to restore disturbed areas with the goal of returning the land to its natural state after operations.

[3] https://www.bworldonline.com/philippine-nickel-output-seen-growing-at-about-8-a-year/

Preparing for Thriving Communities AFTER Extraction Activities Have Concluded

Our host and neighboring communities will continue to thrive even after mining activities have drawn to a close. MHI considers mine rehabilitation as an important factor in sustainability. Apart from the initiatives to restore and enhance mined-out areas to its natural state, it is important to leave a sustainable livelihood for the community even after mining has stopped.

In 2017, Marcventures embarked on a Bamboo Plantation Development program that will help the community tap into the country's bamboo industry. Promoted by the DENR at the initiative of Secretary Roy A. Cimatu for mine rehabilitation, the company pioneered the planting of Bamboo in mined-out areas. The goal is to generate an income generating bamboo business anchored on the rehabilitation plan.

In 2018, Marcventures formed the Pili Kawajan Association (PKJ). Composed of community members to manage the company's bamboo plantation. PKJ also completed a service excellence training that aims to strengthen their capacity to grow the bamboo plantation business. Also known as the grass of hope bamboo, has a wide range of application. It can be used for furniture, clothing fiber, pulp and paper products, food ingredients, beauty products, architecture and construction.

It is an effective tool in addressing soil erosion, landslides and flooding which are common disasters in any mine site.

To date the company has planted a total of 34,375 seedlings covering over 54.3 hectares. Currently growing at the mined out areas are Giant Bamboo (Dendrocalamus giganteus) and Kawayang Tinik (Bambusa blumeana), the two commercially viable varieties could provide

Promoting the Safety, Health, and Well-being of Our Stakeholders

We remain steadfast on our commitment to the safety, health and well-being of all people involved in our business. We provide and maintain safe and healthy working conditions, promote safety training, follow standard operating procedures, and apply technically proven and economically feasible environmental protection measures that safeguard the lives and health of all our employees and adjoining communities.
Leadership is something we highly encourage at all levels by supporting our frontline supervisors and involving our employees and contractors in identifying the most important safety behaviors in their functions. As part of our unrelenting efforts to improve our safety performance, standards, and practices, we conduct regular safety audits across our operations.

MMDC is a NQA ISO certified company. It passed its 2nd Surveillance Audit in 2019 by the National Quality Assessment (NQA), a global certification body and the leading independent provider of environmental simulation testing, inspection and certification services in the United States of America.

MMDC is certified as ISO 9001 (Quality Management System), ISO 14001 (Environmental Management System) and OHSAS 18001 (Occupational Health and Safety Assessment Series (OHSAS) compliant.

Contributing to the UN Sustainable Development Goals

As a testament to MHI's commitment to Responsible Mining and Sustainable Greening Solutions, MHI's nickel mining business reported a positive performance in the year 2019 compared to 2018 precisely due to major initiatives instituted in 2019 such as the complete overhaul of mine management and mine site remediation measures which allowed the company to put better utilize its resources and recover from the challenges of the previous fiscal year. We note that these business and operational improvements provided us an opportunity to address and contribute to the following **five (5) Sustainable Development Goals** of the United Nations.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Enhanced Economic Contribution Though Responsible Consumption & Production (SDG 12)

MHI's positive performance further strengthens its commitment to sustainable consumption and production. We believe in doing more and doing better with the least possible impairment to resources. In all activities and business processes from exploration to hauling right through the delivery of commercial ores to customers, the interests of our stakeholders are always considered.

Overproduction is a waste of resources and harmful to the environment. Thus, the Company's nickel stockpile is kept commensurate to the quantity requirements of its foreign buyers. Residual materials are utilized for mine rehabilitation. Mined out areas are transformed into healthy planting grounds which can provide food and livelihood to residents from nearby communities. Through these measures, we ensure that we are making lasting positive contributions to our host and the neighboring communities around our operations.

Our efforts to focus on efficiency and productivity improvements in FY2019 generated an economic value of Php1.43 Billion. As the Company gears up to deliver significant financial returns, it continues to enhance its operations to ensure high quality ore for nickel buyers. We are committed to deliver shared value to all our stakeholders.

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	1,432,534,095.00	PhP
Direct economic value distributed:		
a. Operating costs	640,652,771.34	PhP
b. Employee wages and benefits	203,623,237.00	PhP
c. Payments to suppliers, other operating costs	224,328,045.00	Php
d. Dividends given to stockholders and interest payments to loan providers	63,913,146.00	PhP
e. Taxes and royalties paid to government	204,413,671.00	PhP
f. Investments to community (e.g. donations, CSR)	43,251,513.00	PhP

As highlighted in the table above, Operating Costs and Expenses was down to Php640 Million as a result of cost containment initiatives that were implemented across the business. The expenditures for suppliers and other operating costs amounted to Php224 Million and the Company was able to pay interest to loan providers totaling Php63.9 Million. Profitability from enhanced business models translated to over Php204 Million in government payments in the form of royalties and taxes. The Company's performance in FY2019 allowed optimal returns marking a significant turn-around from the previous year's operating challenges with sufficient resources for the FY2020 mining season's operations.

We believe that our success is anchored on workforce productivity and over Php203.6 Million was spent for employee wages and benefits. Efficiency and process improvements brought significant changes in the workforce structure. It paved the way for advancements and higher compensation to current employees and opened more job opportunities for the host communities.

Amid the many challenges brought about by the recent public health crisis (i.e. Corona Virus Disease 2019 situation), we will continue to focus on our core strengths in order to be more resilient and competitive in the coming years.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Resilient Industry & Infrastructure Through Innovation (SDG 9)

We fully support sustainable industrialization that fosters innovation. Our Technical Services Team utilizes the latest technological application in geology and mining engineering to provide innovative solutions.

In our neighboring communities, we continue to be active in implementing the developments in infrastructure and operating processes to help improve efficiencies and ensure better margins. The Company built a new and wider bridge leading to the higher grade reserves in Barangay Cabangahan in the Municipality of Tago, Province of Surigao del Sur. Bridges were also constructed in Sitio Alamo and Sitio Banban to ease haulage bottlenecks. The company also invested in the widening and strengthening of haulage roads, expansion of berthing piers, widening of causeway and the acquisition of additional stockyards.

17 PARTNERSHIPS FOR THE GOALS

Partnerships to Facilitate Sustainable Development (SDG 17)

Fully-committed to forging partnerships for sustainable development, MHI leads the propagation of bamboo as a livelihood project endorsed by the Department of Environment and Natural Resources (DENR).

With a genetic life of a 100 years, bamboo emits thirty-five percent (35%) more oxygen and sequesters up to 12 Metric Tons of Carbon Dioxide. A US$60 Billion global industry, it can provide sustainable livelihood to our host communities and for generations to come.

The Company laid the groundwork in 2017 with the end mind of helping its host communities in tapping the country's promising bamboo industry. The program will be implemented in three (3) phases over five (5) years: first, the establishment of a 10-hectare demonstration bBamboo plantation, second, business development, and third, market research. The goal is to generate an income-generating bBamboo livelihood project that is anchored on the rehabilitation plan. As an initial step, a training on the propagation of bamboo propagules was conducted for MHI personnel who will assist in program implementation.

The existing bamboo plants at the mined out areas have shown satisfactory growth. There are at present 17,058 growing bamboos in Barangay Pili and 972 in Barangay Sipangpang, Cantilan.

A total of 6.38 hectares are now covered with 1,858 Kawayan Tinik seedlings serving as slope stabilizer. The average height of the plants is four (4) meters, although some are vigorously growing plants are already five (5) meters high. To date the company has planted a total of **34,375** bamboo plants.

MHI is working with the Philippine Bamboo Foundation to conduct trainings on bamboo propagation, nursery establishment and business management of small enterprises to be organized among the surrounding communities.

BOI, PBFI visit Marcventures' Bamboo Plantation in Surigao del Sur

Marcventures Mining and Development Corporation (MMDC) invited key officials from The Board of Investment (BOI) and the Philippine Bamboo Foundation, Inc. (PBFI) to visit its 10-hectare bamboo plantation in Surigao del Sur.

The event is in line with the company's continuing efforts to ensure the success of its bamboo rehabilitation project. BOI and PBFI were represented by BOI Governor Nap Concepcion, BOI Senior Investment Specialist Arianne Ada Antoni, PBFI President Ed Manda and his Executive Assistant Mike Gomez. They were facilitated by officials from MMDC's Community Relations, Communications, and Environment departments.

The site assessment led by Ed Manda focused on the physical and environmental conditions of the planting sites, bamboo species selected for the project, propagation and planting practices, and present conditions of the existing bamboos planted on the mined out area.

To date, MMDC has already planted over 15,000 bamboo plants at Pili, with a combination of Dendrocalmus asper (Giant Bamboo) and Bambusa blumeana (Kawayan Tinik) species. Both species are outsourced from external bamboo producers. The Giant bamboo came from Bukidnon where it thrives well while the Kawayang tinik is sourced from nearby Municipalities in Surigao del Sur.

According to Manda, the existing bamboo plants are thriving. This signifies that Marcventures could potentially scale up its bamboo plantation development program to achieve its goal of providing sustainable livelihood sources for its host communities.

"Marcventures has done a good start. The key is to further educate the community and provide them the appropriate training so that they can better appreciate the potentials of bamboo," Ed Manda said.

In 2018, Marcventures also formed the Pili Kawajan Asssociation (PKJ). Composed of community members, PKJ is expected to manage the company's 10-hectare bamboo plantation. PKJ has also completed a service excellence training that aims to strengthen their capacity to grow the bamboo plantation business.

With the support of its stakeholders, MMDC envisions a successful local bamboo industry that is profitable for the community; a sustainable business that is good for the environment, one that will last long even after MMDC reaches the end of its mine life.

Improving Living Standards and Reducing Inequalities

(SDG 8 & 10)

Aside from providing livelihood through bamboo, MHI continues to empower host communities by providing opportunities to improve their standard of living. We view the local community as an integral part of our operations, thus we give priority to members of our local community in our recruitment processes as we believe in empowering and uplifting the lives of the localities we operate in. Likewise, we support local business owners by procuring our food supplies directly from them and support local services providers in the same manner. MHI continues to partner with local stakeholders to support local enterprise. The company provides seed capital for their income generating projects.

Through its Social Development and Management Program (SDMP), the Company has spent a total of Php8 Million for its livelihood programs to ensure that equal opportunities to create, build and earn are extended to all sectors of society. Likewise, in FY2019, the Company's expenditure in host and neighboring communities totaled Php43.2 Million. Corporate social investments are closely monitored through a standardized reporting process aimed at maximizing the value that the Company and its host and neighboring communities derive from these investments.

The Social Development and Management Program (SDMP)" refers to the comprehensive five-year plan of the Contractor/Permit Holder/Lessee authorized to conduct actual mining and milling operations towards the sustained improvement in the living standards of the host and neighboring communities by creating responsible, self-reliant and resource-based communities capable of developing, implementing and managing community development programs, projects, and activities in a manner consistent with the principle of people empowerment.

-Philippine Mining Act of 1995

Livelihood programs include capacity building trainings to equip various organizations with the right skills to handle their enterprise. To support the agricultural sector, the Company distributed rice seeds to farmers and purchased rotavator and plowing blades for improve efficiency in land tilling and planting process. The farmers' association was also given a delivery vehicle so that farm products can easily be brought to the public market. In Barangay Cabangahan, indigent families were given carabaos for the agricultural projects. The Company also plans to purchase a rice mill to boost rice production in the area.

Education is also one of our key focus areas when it comes to helping our local communities. We believe that the only sustainable way to improve the standards of living for our host communities and their future generations is by providing opportunities for education for keen and motivated learners. MHI provides certain qualified members of local host communities including members of host Indigenous People (IP) with educational incentives or assistance upon proper vetting and approval of Management. The Company is known for supporting the most number of scholars in the Caraga Region. For the academic year 2018 to 2019, a total of 254 full-time scholars enrolled in different colleges and universities in the Visayas and Mindanao, of which majority of them are belong to the indigenous people communities. Out of 254 scholars, 36 of them are taking up mining and environmental-related courses.

Aside from the different projects, the company recognizes the sociocultural values and local customs and traditions of the indigenous people communities. MHI continues to actively take part in celebrations like town fiestas, foundation day, and other activities that are close to their hearts.

United Nations Global Compact

MHI adheres to United Nations (UN) Global Compact principles which encourage businesses worldwide to adopt sustainable and socially responsible policies. In the local setting, the Company upholds basic human rights by recognizing and respecting local customs and traditions of the indigenous people communities. The company particularly values diverse social and cultural values and norms by taking part in celebrations like town fiestas, foundation day, and other activities that are close to their hearts.

Moreover, MHI also particularly advocates the UN's Global Compact principle on the effective abolition of child labor. The company abides by the minimum age provisions of Philippine labor laws and even closely monitors against child labor, which is rampant in small-scale mining communities in other countries.

B. Addressing Climate-Related Risks and Opportunities

The MHI Board of Directors ("Board") is focused on making the Company the leader in sustainable mining as it continues to review historical data and determine steps to reduce energy usage and Greenhouse Gas (GHG) emissions.

MHI mining areas are located in the province of Surigao del Sur which is often under extreme weather conditions compared to other regions in the Philippines. The extreme weather conditions can increase physical implications and damage to operations and neighboring communities. The business disruption causes a decrease in revenues. Product preference can shift because buyers can opt for higher grade ore to increase efficiency of processing plant or shift to alternative low-carbon processing. It can also increase compliance costs related to new mandates and regulations the integrate climate considerations.

The need to address climate change correspondingly calls for greater resource efficiency. Lower energy consumption means reduced operating costs. It provides access to new emerging market that gives importance to low carbon footprint. It also promotes resilience because of benefits from carbon reducing projects.

Climate-related risks are identified and assessed through regular site visits, climate change discussions, regular business plan review and overseeing major capital expenditures. Energy usage, GHG emission and the number of planted trees are the metrics used by the organization to assess climate-related risks and opportunities.

Climate change issues not only present significant economic and financial risks but also opportunities. These come not only from the physical and ecological impacts, but also from economic risks like market dynamics and technological developments.

Our aim is to mine only commercial ores that are economically viable with radically less waste produced, less areas disturbed, less energy and water consumption and less GHG emission.

Our treatment of climate-related risks and opportunities help reduce operating costs as the Company implements a policy for reducing energy consumption and GHG emission. It paves the way for an increase in revenue with the reduction of energy consumption and GHG emission. Our goal is a 6 percent reduction in energy consumption and GHG emission by 2025. By then, we envision the revegetation of 927 hectares of rehabilitated mined-out lands. Energy and GHG emission can also be managed by maximizing mine plans, production targets and haul distances. GHG emission can be reduced by covering degraded areas with plants, and by maintaining a vegetation cover in buffer zones, road peripheries and mine pits. There will also be regular discussions with stakeholders on developing collaborative solutions.

A Risk Management Program will ensure that business will continue even with weather challenges in the area. The government is expected to impose additional policies on climate-change response which will entail additional taxation. The Company's Internal Audit Division evaluates both financial and non-financial risks and designs effectiveness of risk controls and then reported to the Audit Committee. It is also looking into developing a Risk Management Program that can directly manage risks. Results shall be communicated to Management, who is ultimately responsible for monitoring progress of actions to mitigate key risks and to determine if there are risks that are beyond the Company's risk appetite limit. Climate-related risks are integrated in the organization's overall risk management program. It includes the development of an energy saving plan and incentivization of energy reduction and GHG emission.

Promoting Energy Efficiency

Energy efficiency and carbon emissions reduction are one of the Company priorities because they work on limiting environmental impact and help reduce operational costs at the mine site.

At MHI, we have a system for energy use and carbon emissions. Our Environmental Team has a process in place to ensure that energy data is reviewed on a regular basis. Energy conservation awareness is also cascaded to employees through various information materials in strategic locations.

Fuel and electricity consumption as well as carbon emissions are regularly monitored. Quarterly Energy Consumption Report is regularly submitted to the Mines and Geosciences Bureau (MGB) and carbon emission is monitored and analyzed by an independent third party. This is on top of the regular monitoring being conducted by the Environmental Management Bureau of the DENR.

In 2019, the Company consumed a total of 4,132,055.51 Liters of diesel, which is lower by 2,484,462.38 Liters compared to diesel consumption in 2018.

With the significant decrease in consumption, the challenge is to further explore other conservation and energy efficiency measures to cut operating and product costs. We believe that both measures would bring better revenue for our customers and shareholders.

At this point, the Company is not using energy from renewable resources but we are in the process of determining of how we can make a gradual shift towards renewable energy to support the environment.

Disclosure	Total Consumption (2018)	Total Consumption (2019)	Total Quantity Reduced	Units
Energy reduction (diesel)	**6,616,517.89**	**4,132,055.51**	**2,484,462.38**	**L**

Conserving Water Resources

Water is a shared resource between the Company and its host communities. We at MHI recognize the importance of proactively managing water quality of both surface and drinking water sources. In 2019, the Company's total water consumption was 89,428.31 cubic meters.

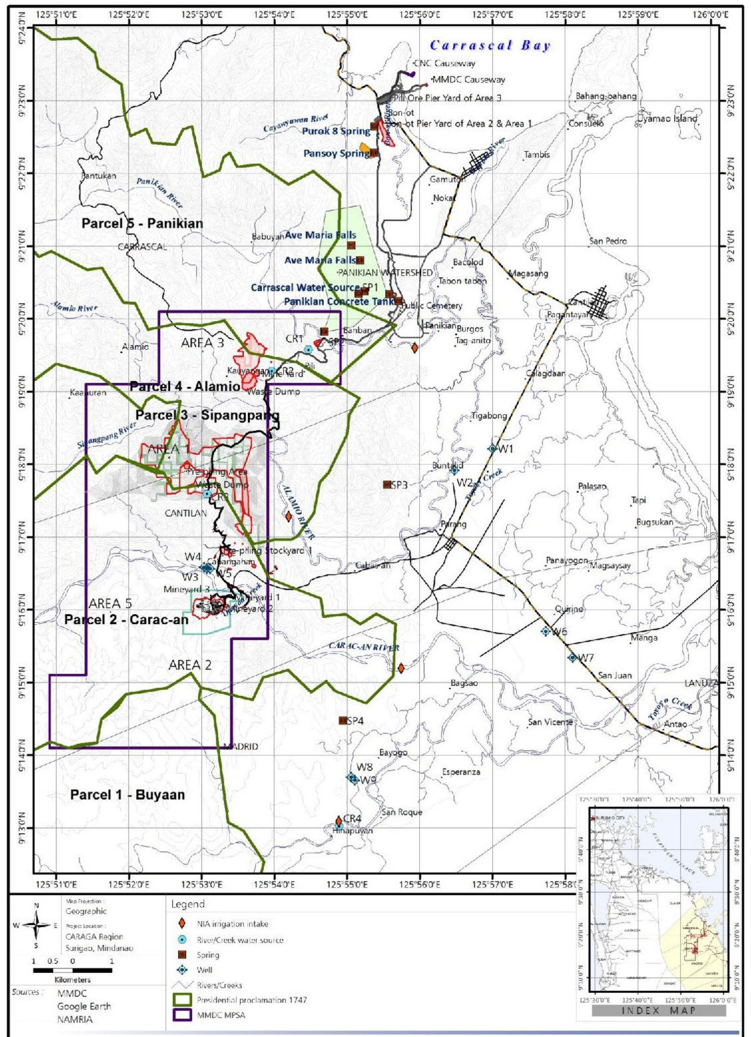
Our water conservation and recycling efforts are in place. Local communities are taught to minimize water waste and employees are constantly reminded to conserve water.

We manage environmental risk by instituting mitigating measures. Earthworks like slope stabilization, benching and resurfacing are performed as the need arises to minimize water runoff, siltation, and discoloration of nearby water systems.

The movement of soil during mine operation contributes to siltation. Mitigating measures help minimize direct impact on the water sources. Settling ponds and collector sumps along hauling roads are constructed and silt fences are installed to arrest spills from road and drainage channels. Manual de-silting is also performed in areas not accessible by heavy equipment. Existing silt booms are reinforced with sheet piles to provide additional control. This prevents silt plume migration along the coastline areas during loading activities.

Our Environmental Team analyzes water quality on a monthly basis. Monitoring is conducted on marine waters (causeway area), surrounding creeks, rivers and including the discharge from settling ponds. Sampling and analysis are done on a quarterly basis by F. A. S. T Laboratories, a DENR accredited laboratory.

Proactive Watershed Protection



Protected areas and sensitive sites proximate to the Project

The operating mine sites have protected areas in the form of the following watersheds:

- **Panikian, Alamio** and **Carac-an.** Declared "critical forest reserves" subject to prior existing rights (such as MMDC's MPSA) by Presidential Proclamation No. 1747 dated March 29, 2009.
- **Bacolod-Tibabakod Panikian** (Carrascal). Adjacent to MMDC's haulage road with a minor overlap at the northeastern section.
- **Bon-ot-Gamuton** (Carrascal). Located north of Bacolod-Tibabakod Panikian and west of MMDC haulage road

The site also covers the following sensitive areas:

- Community water sources of Barangay Bon-ot, Gamuton and Panikian (Carrascal) situated west of MMDC haulage road. All water sources are enclosed in concrete.
- Community water of Sitio Pili, in Barangay Panikian (Carrascal)
- Community water wells of Barangay Cabangahan (Cantillan).
- Mining area downslope to Panikian, Alamio and Carac-an Rivers
- Cabas-an Community Irrigation System (CIS) with Alamio River as water source and servicing an agricultural area measuring 150 ha.
- Cantillan Irrigation System with Carac-an River as water source.
- Habitation sites of barangay Bon-ot, Gamuton and Panikian in Carrascal, and barangay Cabangahan in Cantilan.
- Within Lanuza bay, into which the Carac-an River discharges about 18,7 downslope of Area 2 mine, are the San Pedro Marine Protected Area in Cantillan and the Lanuza Marine Park and Sanctuary in Lanuza.

Our Environmental Performance Report and Management Plan (EPRMP) cited the 2011 assessment of the terrestrial wildlife vertebrates within the MPSA area. It recorded a total of eighty-two (82) wildlife species representing five (5) species of amphibians, six (6) species of reptiles, sixty (60) species of birds and eleven (11) species of mammals. According to the assessment, based on the composition of the species, the area was considered relatively good for terrestrial wildlife. This indicates that the area has ample forest cover and the species are not disturbed by the operations.

We practice due diligence and regular monitoring to ensure minimal environmental impact. We have an active mine rehabilitation plan that transforms mined out areas into arable lands that can provide livelihood for the communities.

The Company works closely with the Mine Environmental Protection & Enhancement Office (MEPEO) in rehabilitating disturbed lands through soil amelioration, a process of improving soil consistency by adding amendments. Organic substances are mixed with the soil to aid healthy plant growth.

Bamboo and other indigenous tree species cover the mined-out areas of Pili, Sipangpang and Cabangahan. Promoted by the DENR at the initiative of Secretary Roy A. Cimatu for rehabilitation, MHI pioneered the planting of bamboo in mined-out areas. Trenches were dug and the topsoil was mixed with organic fertilizer.

Bamboo growth is monitored by our Environment Team together with the representatives from MEPEO. The plants at the Pili Mined-out area have shown satisfactory growth. A total of 17,058 plants are now growing at the mined-out area. An additional 1,858 Bamboo seedlings (Kawayan Tinik) are also serving as slope stabilizer.

Addressing Effluents

Currently, our wastewater is not recycled and no sufficient data is available for discharge volume. Nevertheless, the Company is in the process of determining if it can quantify the amount of water discharged and the percent of waste water recycled. The Environment Team is looking into improving the spillway of the settling ponds to enable discharge measurement.

Water quality monitoring remains consistent within standards set by the government. As we have reported in the Company's Annual Environmental Protection and Enhancement Program (APEP) for 2019, the water quality in all stations are within the standard level, under the DENR's Administrative Order No. 2016-08, entitled "Water Quality Guidelines and Effluent Standards of 2016." The sampling and analysis are done on a quarterly basis by F.A.S.T. Laboratories, the accredited lab of DENR.

Managing Air Emissions

Dust is the prevalent problem in Nickel Laterite Mining. Laterite materials are so fine they become airborne during hot weather and turns into mud during rainy season.

To manage dust generated from mining operations and to protect the health of employees and host communities, we regularly deploy water trucks to spray water in haulage and nearby community roads.

A total of **110,504 cu.m** of water was consumed in 2019 for spraying the main haulage road which is a 23.0-kilometer stretch from the Cabangahan Mine Site to the Carrascal Bay loading area. Street sweepers were deployed to clean community roads and highways. Trees were also planted along the roadside and mine access road to act as dust bio-filters.

Ambient air quality results were all within the specified National Ambient Air Quality Standards (NAAQS) for Source Specific Air Pollutants from Industrial Sources/Operations. Regular monitoring is conducted to ensure that air, water resources and noise levels are within the prescribed standards. Monitoring results are submitted to the Environmental Management Bureau (EMB) through the Self-Monitoring Report (SMR) and Compliance Monitoring Report (CMR). In-house monthly monitoring is done by the company's technical personnel, and quarterly monitoring is carried out by a commissioned third party service provider.

To achieve sustainable GHG levels, there are plans to conduct a carbon sequestration study in the coming year. This will serve as the Company's benchmark for reducing GHG emissions.

Our regular emission tests show that air emission levels are below national threshold limits. We will continue to manage these emissions to prevent any form of damage in the future.

110,504
cubic meter
Water consumed for spraying

Responsible Solid & Hazardous Waste Management

MHI recently donated Php4 Million to the Municipality of Carrascal in Surigao del Sur to support the sanitary landfill project. Using an engineered disposal method, the waste is buried in a controlled land pile. The bottom of the landfill has a plumbing system to collect liquid substances and prevents the leakage which can harm waterways. The Php4 Million donation is a testament to the Company's support for environmental initiatives that protect host communities.

Our Environment Team ensures proper waste management at the mine site. Hazardous waste facilities were constructed to ensure proper collection, segregation and disposal. Solid waste materials are collected on a regular basis. Recyclable materials are brought to a Materials Recovery Facility (MRF) while the residual wastes are disposed at LGU Carrascal Eco-park disposal area.

For everyone's safety, wastes are not reused or incinerated. Disposal is done by a DENR accredited waste collector and treatment plant. Within the year, a total of 22,783.75 kilograms of segregated wastes were collected and disposed, 6,565 kilograms of which are Biodegradable, 5,090.25 kilograms are Residual and 11,027.50 kilograms are Recyclable.

Php4 Million
For Sanitary Landfill Project

MMDC donates P4M for Carrascal Sanitary Landfill Project

Fully committed to support its host and neighboring communities, Marcventures Mining and Development Corporation (MMDC) handed its Php4 million donation to the Municipality of Carrascal in Surigao del Sur province to support the sanitary landfill project.

"MMDC is committed to support its host communities. This environmental initiative is very significant because it focuses on the health and safety of the people in Carrascal" explained MMDC Resident Mine Manager Engr. Lito Mortella.

The project aims to properly manage the waste generated within the municipality. Using an engineered disposal method, the waste is buried underground or in a controlled and monitored large pile. The bottom of the landfill has a plumbing system which collect liquid substances. The system prevents the leakage of leachate which can harm the waterways.

MMDC owns a nickel mine operating in the municipalities of Cantilan, Carrascal and Madrid in the province of Surigao del Sur under a Mineral Production Sharing Agreement (MPSA) 016-93-XII covering an area of 4,799 hectares.

Present during the turnover ceremony were (L-R) Tourism Officer and MENRO OIC Joseph Urgel, MMDC Community Relations Manager Nancy Baldoza, Carrascal Vice Mayor Jessie James Valle, Mayor Vicente Pimentel III, MMDC Mine Manager Engr. Lito Mortella, Mine Geology & Engineering Superintendent Leo Delos Reyes, Mine Environmental Protection and Enhancement Department Manager Engr. Angel Cao, and Community Relations Officer Leo Oreza.

Developing Materials Management Capabilities

Our operating model requires the efficiency of a large-scale infrastructure. Nickel production involves the use of heavy equipment, process chemicals, fuel and utility vehicles. Apart from our in-house team, we work closely with general contractors for extraction, hustling and hauling services.

We actively engage our Contractors by holding regular planning sessions, to effectively plan the mine operations and efficiently use existing resources. At the moment, the percentage of recycled input materials used for our mining operations is zero, but we recognize our responsibility to reduce the environmental impact for the future generation.

The Company takes into account the condition of materials, expiration date of process chemicals and the proper maintenance of equipment and condition of vehicles to minimize environmental impact. Utilization of recycled and renewable materials to maximize resource efficiency has been suggested on several occasions. We are looking into the possibility if it could benefit the current operational set-up.

Enhancing Strict Environmental Compliance

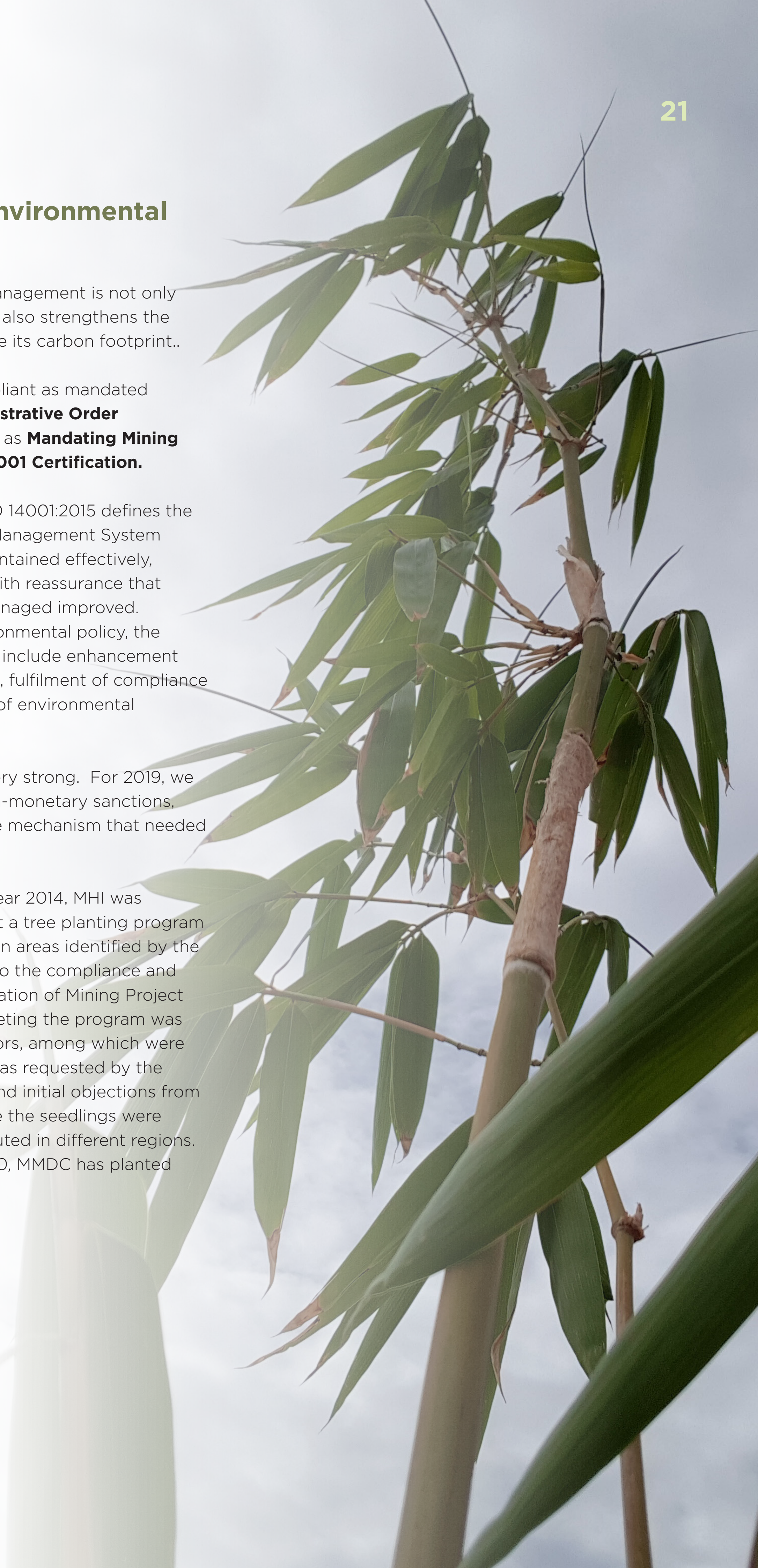
Responsible environmental management is not only integral to legal compliance; it also strengthens the Company's initiatives to reduce its carbon footprint..

MMDC is ISO 14001:2015 compliant as mandated by the DENR under its **Administrative Order No. 2015-07** otherwise known as **Mandating Mining Contractors to Secure ISO 14001 Certification.**

The international Standard ISO 14001:2015 defines the criteria for an environmental Management System which if implemented and maintained effectively, can provide an organization with reassurance that environmental risk is being managed improved. Consistent with MMDC's environmental policy, the intended outcomes of its EMS include enhancement of environmental performance, fulfilment of compliance obligations, and achievement of environmental objectives.

Our Compliance Program is very strong. For 2019, we had no monetary fines, no non-monetary sanctions, and no cases involving dispute mechanism that needed to be resolved.

It is worth noting that in the year 2014, MHI was directed by MGB to implement a tree planting program for three (3) million seedlings in areas identified by the MGB and/or DENR; pursuant to the compliance and adherence to its Partial Declaration of Mining Project Feasibility. The delay in completing the program was brought about by several factors, among which were revisions in the work program as requested by the MGB and host communities, and initial objections from our host communities because the seedlings were directed by MGB to be distributed in different regions. Nevertheless, as of March 2020, MMDC has planted 703,779 seedlings in total.



Energizing Community Engagement

A. Corporate Citizenship

A significant part of our operations is enhanced through our commitment to the development of our host and neighboring communities. For the FY2019, MHI spent Php30 Million for its SDMP and Php 3 Million for Corporate Social Responsibility (CSR).

We believe that CSR initiatives should not just meet but aim to exceed the basic needs of mining communities by optimizing people empowerment, providing opportunities for sustainable livelihood, and protecting socio-cultural values and local customs while improving economic conditions and human advancement.

MHI recognizes the value of education in uplifting lives. Among the highlights of our education program are the scholarships to incoming college students from indigent families and indigenous communities. They are enrolled in different colleges and universities in the Visayas and Mindanao areas. Aside from providing tuition and miscellaneous fees, they receive monthly board and lodging allowance.

The shortage of teaching personnel has also become a problem in different barangays. Under its education program, MHI has subsidized the salary of volunteer teachers assigned in different schools to bring down the teacher-student ratio and promote quality education. A total of Php7.3 Million was spent on these projects. We also provided financial support to Day Care centers.

MHI aims to develop the local economy by helping organizations start their own business. We spent a total of Php8 Million for various projects that provided opportunities for local residents to create, build and earn. Rice seeds were given to farmers so that they can yield more crops and receive higher income. In Barangay Cabangahan, indigent families were each carabaos for their agricultural business. Organizations were given seed money for their income generating projects like tent and chair rentals and pedicab services.

In support of the customs and tradition of the communities, we actively take part in traditional celebrations like fiestas, foundation days and other church-related activities. In 2019, Php2.3 Million was spent on programs geared towards the preservation of the socio-cultural heritage. We also supported church renovations, sports events, fiestas and other community activities.

B. Stakeholder Engagement Practices

Host Community Procurement Practices

MHI believes in shared sustainable prosperity with its host communities. The Company's procurement practices significantly benefit the businesses in the region. From construction, automotive and electrical supplies, a big percentage of the materials used for mining operations are purchased from local entrepreneurs.

Since the Company maintains living quarters for male and female employees in the site, the daily household requirements for our personnel are sourced from local farmers and meat suppliers.

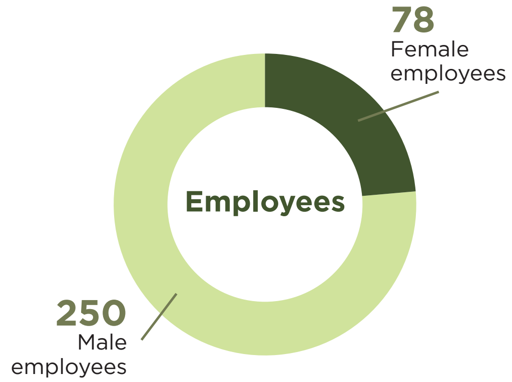
Given the remote location of the mining operations and the important role that mining supply chain can play to bring out economic and business opportunities, we will continue our practice of procuring from host community-based suppliers.

In 2019, MHI procured approximately P7.6 Million in goods and services from local suppliers in Surigao, Butuan City, Cebu City and Tagum City. The Company plans to significantly increase this to support the growth of industrialization in the community.

Enhancing Employee Management

MHI acknowledges that an engaged and productive workforce is essential to success. We aim to attract the best people in the industry and facilitate professional and personal development.

As of 2019, MHI has a total of 328 employees, as supported by accredited third-party suppliers and contractors recruited for certain mining activities and projects. Among these are 78 female employees and 250 male employees all with SSS, PhilHealth and Pag-ibig benefits those qualified are provided certain economic benefits.



When we assess the capability of current and prospective employees, we take into account their technical skills, knowledge acquired through experience, mental skills, social skills, commitment and the exceptional drive to succeed. In order to meet its goals, we are aware that we need to have the right people while aligning the workforce aspirations with the company's mission and vision. The attrition rate of 24.83 percent is a result of our current efforts maximize shareholder value as we rationalize our manpower requirements through right-sizing initiatives.

In the mining industry, MHI is known to provide appropriate and competitive salary packages to attract, retain, and motivate its employees. We uphold high labor standards in the workplace, including compliance with labor laws like fair wages, minimum wage policies and benefits.

Employee Development

In the increasingly competitive market for skills, we are actively evaluating various programs aimed at enhancing skills, knowledge and awareness. An effective business operation is anchored on individuals who are committed to drive value for the organization.

For 2019, the Human Resources (HR) Team organized its yearly Corporate Governance Seminar for the Company's Board of Directors and key officers. The 2019 seminar covered discussions on Labor Laws, Succession Planning, Strengthening Internal Control and Revised Corporation Code.

The Technical Group also spearheaded a Surpac Training for the Ggeologists at the mine site. Surpac is a geology and mine planning software that uses 3D graphics and workflow automation.

Meanwhile, our HR Team continue to exploring avenues that can intensify its training activities to support the development of its personnel and that of the organization.

Nurturing Labor-Management Relations

The Company continues to nurture good relations with its senior officers, employees, organized labor groups, and the host communities within the MPSA area. MMDC regularly holds town hall meetings so that urgent matters can be openly addressed by the management.

MHI's existing rate of employees covered by Collective Bargaining Agreement is at 47 percent. It has a cooperative and healthy relationship with SRM-MMDC-TUCP and is working on renewing its 5-year collective bargaining agreement.

To maintain high quality standards of performance and productivity, our Human Resources and Administration has implemented a total of 246 regular consultations concerning employee-related policies.

The mine site covers a total of 42 communities throughout the municipalities of Carrascal, Cantilan and Madrid. Through the years, MHI has been very successful maintaining strong ties with various agencies and stakeholders.

Effective engagement with communities is important for business operations. As detailed in the Community Development section of our Annual Report, the Company has been actively giving assistance to indigent individuals. It has also implemented livelihood programs that give equal opportunities for everyone to create, build and earn.

Promoting Diversity and Equal Opportunity

A diverse workforce is always a competitive advantage. A variety of minds is needed to tackle complex global challenges faced by the mining industry. MHI embraces diversity and is committed to provide broader opportunities especially in the communities it operates.

MHI provides equal opportunity in recruitment and career development regardless of gender. In 2019, female workers represented around 24 percent of the work force.

The Company upholds its legal obligation to prioritize the talents in the community. MHI works closely with its host and neighboring communities, including Indigenous Cultural Communities/ Indigenous Peoples (ICCs/IPs).

MHI has a total of 81 employees from ICCs/IPs

The terms and conditions of MHI's MPSA also guards against gender discrimination with the right of women workers to participate in policy and decision-making processes affecting their rights and benefits are duly respected.

Prior to operations, MHI also signed a Free, Prior and Informed Consent (FPIC) memorandum of agreement with the member of the IP communities. One of the conditions is the priority-hiring for IP members.

Ensuring Occupational Health and Safety

Our business strategy focuses on operating safely, sustainability and responsibility. We maintain safe and healthy working conditions. We conduct regular safety trainings, follow standard procedures and apply technically proven and economically feasible environmental protection measures to safeguard the lives and health of our employees and nearby communities.

MMDC is compliant with the ISO OHSAS 1800:2007 as mandated to all establishments pursuant to **Republic Act No. 11058** otherwise known as *"An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof."*

The OHSAS 1800:2007 is an international standard which provides a framework to identify, control and decrease the risks associated with health and safety within the workplace. Implementing the standard will send a clear signal to our stakeholders that we view employee's health and safety as a priority within our organization.

Proof of our commitment is our intense preparation and zealous determination to take part in various Mine Safety competitions. We scored our first victory in the year 2019 when we finished second place at the Caraga Mining Symposium Safety Competition. A few months after the Caraga event, we finished third place in the fire extinguishing competition during the Mine Safety and Environment Conference in Baguio City.

With our safety techniques in place, we recorded a total of 2,318,440 man-hours without lost-time accident. For FY2019, we had zero (0) fatalities and our Safety and Health Department consistently aims

for zero (0) lost time accident, promote and protect the safety and health of all personnel, and comply with regulatory compliance.

The only work-related injury recorded was very minor, which, in normal circumstances, was treated successfully in accordance with recognized first-aid training.

Building a safe, responsible work culture requires the mastery of safety procedures. It is important that such concepts are top of mind, and almost second nature to all employees at the mine site. Basic Occupational Safety and Health and Basic First Aid and Life Support are given every year to constantly remind everybody of the risk of unsafe work habits. Emergency fire and earthquake drills are conducted quarterly.

Toolbox trainings are regularly organized to further enhance basic and informal discussion among employees that focuses on particular issues like safety on the road, common accidents, hazardous materials and other relevant topics.

Good Corporate Governance

Our commitment to Good Corporate Governance is closely aligned with our vision to pursue our corporate goals while ensuring the welfare of our host communities and protecting our environment while supporting the principles of transparency, integrity, and accountability. We recognize that in order to enhance shareholder value, we must abide by corporate governance principles and practices as well as regulatory reporting to provide investors with an accurate and balanced overview of the Group's performance.

In the course of its business operations and in its dealings with local government, local suppliers, and partners, we are exposed to a relatively high degree risk of corruption. Therefore, we make it one of our top priorities to put into place internal processes and policies to prevent it.

We manage this risk by maintaining standards of procurement that undergo rigorous scrutiny and maintain zero-tolerance for all forms of unethical practices. As part of our Whistle Blowing Policy, employees who are aware of a valid occurrence of unethical behaviors are highly encouraged to report to Management without fear of repercussions. Management does not hesitate to pursue disciplinary actions which may even result in replacement of key executives for actions detrimental to and in contravention of the Company's corporate governance practices.

Transparent Supply Chain Management

MHI's subsidiary, MMDC, has a Supplier Accreditation Policy which lists documentary requirements from both contractors and suppliers who wish to do business with the company. It evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment.

Contractors and suppliers are required to submit to an accreditation process and MMDC retains the right to audit and verify practices.

An accredited credit investigation agency will also check for derogatory records such as collection cases against the Company, its major stockholders and key officers. The accreditation is renewed every year and suppliers are expected to submit updated records upon renewal.

MHI values its relationships with contractors and suppliers who make an effort to adhere to the policy, with the goal that the enterprise would thrive and unlock more opportunities for local employment.

"To protect the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth."

As MHI optimizes its approach to responsible procurement, it looks into expanding its provisions to include the contractor's environmental performance and other social investments.

Likewise, MMDC is certified as **ISO 9001**, an internationally recognized standard for Quality Management Systems (QMS). It is the most widely used QMS standard in the world and provides a framework and set of principles that ensure a common-sense approach to the management of the organization to consistently satisfy customers and other stakeholders.

Anti-Corruption Measures

The Company implements a code of conduct which provides comprehensive guidance on safety, health and environment, treating people with professionalism, protecting the Company's physical assets, information and interest and conducting business with integrity.

All employees are fully oriented with the code of conduct and are given online copies of the policies upon hiring. The department heads are also issued printed versions complete with signed certification that they have fully understood all items mentioned. They are tasked to cascade all policies and procedures to the members of their respective teams to ensure full understanding and compliance.

Data Privacy and Security Protection

MHI strictly complies with the national data privacy laws. A data privacy officer is assigned to strictly implement confidentiality measures to comply with Philippine data privacy law.

The entire organization along with its customers strictly complies with the rules and regulation of the Data Privacy Act of 2012, "to protect the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth."

Risks related to the collection, retention and use of information are managed by strictly enforcing the Company's policy on Protection of Confidential Information.(MC-002-19).

Upon hiring, our employees are asked to sign a deal of undertaking to certify that all information are solely for performing functions. No information will be disclosed without proper authorization. Employees are reminded to exercise caution when posting about company activities in social media.

Moving forward and beyond FY2019, MHI seeks to step up its efforts to identify areas where we can improve our corporate governance initiatives.

Index of Material Topics

Pursuant to Annexes A (Reporting Template) and B (Topic Guide) of the SEC Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies), the following are the topics MHI has identified as material for the reporting period and which were addressed in this report:

TOPIC	PAGE NUMBER IN THE SEC GUIDELINES	PAGE NUMBER IN THE REPORT
Air Emissions	27	18
Anti-Corruption	21	29
Climate-Related Risks and Opportunities	20	14
Data Privacy and Security Protection	41	29
Diversity and Equal Opportunity	35	25
Economic Performance	19	10
Effluents	30	17
Employee Management	33	24
Employee Training	34	24
Energy	24	15
Environmental Compliance	31	21
Labor Laws and Human Rights	36	14
Labor Management Relations	34	24
Materials Management	25	20
Occupational Health & Safety	36	26
Procurement Practices	21	23
Relationship with Communities	38	22
Solid & Hazardous Waste Management	29	19
Supply Chain Management	37	28
Water	25	15
Watershed Protection	26	16