

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, 2020
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

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**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

-

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

Marcventures Holdings, Inc.

MARC

PSE Disclosure Form 17-1 - 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, 2020
Currency	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
Current Assets	1,084,222,184	779,290,957
Total Assets	6,163,695,628	6,091,350,455
Current Liabilities	1,026,488,783	1,403,367,545
Total Liabilities	1,867,116,716	2,167,660,001
Retained Earnings/(Deficit)	980,673,981	605,626,516
Stockholders' Equity	4,296,578,912	3,923,690,454
Stockholders' Equity - Parent	3,872,793,076	3,946,727,880
Book Value Per Share	1.43	1.3

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
Gross Revenue	2,876,676,296	1,432,534,095
Gross Expense	2,219,872,441	1,255,958,766
Non-Operating Income	37,172,350	11,014,270
Non-Operating Expense	64,492,696	61,630,647
Income/(Loss) Before Tax	629,481,509	125,958,952
Income Tax Expense	254,434,044	88,116,546
Net Income/(Loss) After Tax	375,047,465	37,842,406
Net Income/(Loss) Attributable to Parent Equity Holder	375,047,465	37,842,406
Earnings/(Loss) Per Share (Basic)	0.12	0.01
Earnings/(Loss) Per Share (Diluted)	0.12	0.01

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2020	Dec 31, 2019
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.06	0.56
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.86	0.44
Solvency Ratio	Total Assets / Total Liabilities	3.3	2.81
Financial Leverage Ratios			
Debt Ratio	Total Debt/Total Assets	0.3	0.36
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	0.43	0.55
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	10.88	3.05
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	1.43	1.55
Profitability Ratios			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	42.72	40.81
Net Profit Margin	Net Profit / Sales	13.04	2.64
Return on Assets	Net Income / Total Assets	6.08	0.62
Return on Equity	Net Income / Total Stockholders' Equity	8.73	0.96
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	11.77	75.38

Other Relevant Information

Amended to correct the figures under Current liabilities, Total Liabilities, Retained Earnings, Stockholders' Equity, Income/Loss before Tax and Net Income/Loss after Tax in the disclosure template.

Filed on behalf by:

Name	Maila Lourdes De Castro
Designation	VP Legal

COVER SHEET

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SEC Registration Number

M	A	R	C	V	E	N	T	U	R	E	S		H	O	L	D	I	N	G	S	,		I	N	C	.		A	N	D		
S	U	B	S	I	D	I	A	R	I	E	S																					
{	F	O	R	M	E	R	L	Y	:	A	J	O	.	N	E	T		H	O	L	D	I	N	G	S	,		I	N	C	.	}

(Company's Full Name)

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P	A	S	E	O		{	F	O	R	M	E	R	L	Y	:	C	I	T	I	B	A	N	K		C	E	N	T	E	R	}
8	7	4	1		P	A	S	E	O		D	E		R	O	X	A	S		M	A	K	A	T	I		C	I	T	Y	

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

ROLANDO S. SANTOS

(Contact Person)

8831-44-79

(Company Telephone Number)

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Month Day

(Calendar Year)

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(Form Type)

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Month Day

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

2184

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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
December 31, 2020 (SEC Use Only)

Industry Classification Code:

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 BDO Towers Paseo 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:

<u>Title of each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>	<u>Name of each stock exchange in which securities are listed</u>
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 ₱1.46 at the Philippine Stock Exchange as of December 31, 2020.

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

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

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

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

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 Management 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 (BRC) 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, BRC, AMPI and BARI as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019.

The Parent Company's current registered office is located at Unit 4-3 4th Flr. BDO Towers Paseo, 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 ₱1.64 per share equivalent to ₱74,999,997.84. The subscription price was based on the average 30 day high and low prices from January 3, 2018 to February 9, 2018 as disclosed.

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

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

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

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

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

Furthermore, the Stockholders also authorized the 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.

On 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

Updates and Developments in 2020

The Security Agreements of the Corporation for the loan obligations of its subsidiaries are 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, BDO Towers Paseo
Unit 4-3	006-2014001598	313.76 sqm.	4F, BDO Towers Paseo
Unit 4-4	006-2014001597	469.55 sqm.	4F, BDO Towers Paseo
Parking B351	006-2014001599	36 sqm.	Basement, BDO Towers Valero
Parking B352			
Parking B353			
Parking LB70	006-2018002293	12 sqm.	Basement, BDO Towers Valero

- b. 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	2020	2019
Marcventures Mining and Development Corporation (MMDC)	100%	100%
BrightGreen Resources Corporation (BRC)	100%	100%
Alumina Mining Philippines Inc. (AMPI)	100%	100%
Bauxite Resources Inc. (BARI)	100%	100%

Marcventures Mining and Development Corporation. 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 likely have a material adverse effect on the Company's operations. Accordingly, the Company has continued its mining operations in areas covered by the MPSA.

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

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

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

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

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

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

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

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

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. 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 was granted by Philippine National Government, through the DENR, 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 contract area over a period of 25 years from July 1, 1993. The MPSA is valid until 2018 and renewable for another 25 years. MMDC has identified Nickel Ore as the primary mineral that will be extracted and sold to third parties due to the abundance and favorable characteristics of nickel within the mineral property.

The MPSA was originally granted to Ventura Timber Corporation on June 19, 1992 and subsequently approved on July 1, 1993. In January 1995, a deed of assignment 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 282.8 hectares on the above MPSA covered area.

On June 24, 2016, the DENR issued an order approving the extension of MPSA for a period of 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 tenements, particularly, under MPSA 179-2002 VIII (SBMR) with an area of 6,694 Hectares located in Motiong, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002 to Alumina Mining Philippines Inc. and MPSA 180-2002 VIII (SBMR) with an area of 5,519 Hectares located in Gandara, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002 in favor of Bauxite Resources Inc. and MPSA 015-93-XIII issued to BrightGreen Resources Corp. which was approved on 01 July 1993, covering approximately 4,860 hectares of Carrascal and Cantilan, Surigao del Sur.

Government Regulation and Approvals

As mentioned above, the Company's subsidiaries respectively hold MPSAs issued by the MGB which define the percentage share of the local and national government in the mining revenues. MGB also regulates the export of mineral ores with the issuance of Ore Transport/Mineral Ore permits before any shipment can be made. The DENR monitors compliance with the environmental protection and enhancement program, 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 ₱146.93 million on its environmental and enhancement program (EPEP) in 2020.

Related Party Transactions

As at December 31, 2020, the total advances to related parties has an outstanding balance of ₱39.18 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, 2020 has an outstanding balance of ₱140.27 million which represents a non-interest bearing unsecured loan payable on demand.

Please refer to Note 19 on page 35 of the 2020 Audited Consolidated Financial Statements (ACFS).

Employees

- Parent Company- Marcventures Holdings, Inc. (MHI)
The Company currently has a total of 7 employees, consisting of 2 executive positions, 2 in Accounting and Treasury, 1 in Admin., and 2 messenger personnel. For the ensuing 12 months, the Company anticipates it will have the same number of employees. There is no employees' union and neither is there a collective bargaining agreement with the employees. There has not been a strike by the employees in the Company's history. The Company believes relations with the employees are good.
- Marcventures Mining & Development Corporation (MMDC)
As of December 31, 2020, MMDC engaged a total of 353 workers. Out of the 353 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	15	1	16
Managers	11	10	21
Supervisors	23	85	108
Rank and File	23	135	158
Subtotal	72	231	303
Security Agency	0	50	50
Total	72	281	353

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

	Makati Office	Mine Site	Total
Regular	59	213	272
Probationary	10	7	17
Service Contract	0	5	5
Regular Seasonal	0	0	0
Project Based	3	6	9
Subtotal	72	231	303
Security Agency	0	50	50
Total	72	281	353

On September 10, 2020, MMDC has successfully finalized a collective bargaining agreement with the Samahan ng Responsableng Manggagawa ng Marcventures Mining and Development Corporation (SRMMMMDC) for Rank and File Union and Marcventures Mining and Development Corporation Supervisory Union (MMDCSU) – Associated Professional Supervisory Office and Technical Employees Union (APSOTEU) – Trade Union Congress of the Philippines (TUCP) for Supervisory Union. The agreement shall be in full force for a period of 5 years starting June 1, 2020 for Rank and Union and August 1, 2020 for Supervisory Union.

Risks Related to our Business and Industry

Market Risk

MMDC's revenue is dependent on both volume exported and the world market price of nickel. The sales price of nickel ore 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.

Socio-Political Risk

The Mining operations can be affected by relevant changes in the rules and regulations in the mining laws of the Philippines, as well as its implementation, both local and national. Impact would include changes in the company's mining methods and processes to avoid related fines and penalties, and also on any required rehabilitation efforts by local and national government.

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 24 on pages 40-44 of the 2020 ACFS.

Risk Management

Risk Policy Statement

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

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

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

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

Purpose

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

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

To meet this commitment, risk management is to be every employee's business. All employees are responsible and accountable for managing risks within their area of responsibility and that

the Board and senior management is responsible of its oversight. Three lines of defense are also identified within the organization to be the operational staff and associates, line supervisors and managers and lastly, the Compliance and Audit function.

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

The organization is averse to risks relating to:

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

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	<p>Measured & Indicated Saprolite: 11.832 million WMT at 1.34% Nickel, 12.59% Iron</p> <p>Limonite 62.796 million WMT at 0.87% Nickel and 44.17% Iron</p> <p>Inferred Saprolite: 5.103 million WMT at 1.30% Nickel and 12.77% Iron</p> <p>Limonite: NA</p>	<p>Measured & Indicated Saprolite: 3.055 million WMT at 1.59% Nickel, 14.85% Iron</p> <p>Limonite 12.972 million WMT at 1.07% Nickel and 39.73% Iron</p> <p>Inferred Saprolite: 0.329 million WMT at 1.61% Nickel and 14.25% Iron</p> <p>Limonite: 4.698 million WMT at 0.90% Nickel and 39.61% Iron</p>	<p>Measured & Indicated Bauxite Ore: 41.713 million WMT At 40.06% Al₂O₃ and 14.50% SiO₂</p> <p>Inferred Bauxite Ore 17.275 million WMT at 38.96% Al₂O₃ and 16.59% SiO₂</p>	<p>Measured & Indicated Bauxite Ore: 31.469 million WMT At 43.78% Al₂O₃ and 7.96% SiO₂</p> <p>Inferred Bauxite Ore 28.436 million WMT at 43.75% Al₂O₃ and 8.09% SiO₂</p>

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, 2020. 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	74.628 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 are readily convertible to prove and probable ore reserve. For other discussions of mining properties, please refer to Note 9, pages 25-26 of the 2020 ACFS.

Property and Equipment

Office Space

In January 2014, the company acquired two (2) condominium units located at Citi Center Condominium Project, Citibank Center (Now: BDO Towers Paseo), 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 8 on pages 24-25 of the 2020 ACFS.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

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

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

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

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

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

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

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

On 23 Jan. 2019, MHI received an advance copy of the revised assessment (PhP3,974,419.10) On 7 Feb. 2019, MHI submitted a protest letter to the revised assessment to the RDO. On 15 June 2020, MHI received an FDDA dated 04 June 2020 from the BIR requesting MHI to pay its deficiency tax liabilities for TY2014 broken down as follows:

Income Tax	PhP607,530.54
Value Added Tax	392,875.10
Expanded Withholding Tax	434,718.93
Documentary Stamp Tax	1,601,352.48
TOTAL	PhP3,036,477.05

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

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

Marcventures Mining and Development Corporation (MMDC), one of MHI's subsidiaries, is a party to a number of legal proceedings that commonly arise in the course of running a fully operational business concern.

To the 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 2020 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 26 September 2019
4. Approval of the Management Report and Audited Financial Statements for the Year Ended 31 December 2019
5. Ratification of all acts of the Board of Directors and Management
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
	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
	2020	
January – March	1.00	0.45
April – June	0.70	0.50
July - September	1.09	0.57
October – December	1.66	0.81

Latest Market Price

On the trading date of December 31, 2020, the closing market price of the Company’s common stock was ₱1.46 per share.

Stockholders

The number of shareholders of record as of December 31, 2020 was 2,184. The outstanding shares as December 31, 2020 were 3,014,820,305 common shares, 2,868,638,114 or 95.15% of which are owned by Filipinos.

**MARCVENTURES HOLDINGS, INC.
TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2020**

1	PCD NOMINEE CORPORATION (FILIPINO)	FILIPINO	2,535,175,735	84.09%
2	PCD NOMINEE CORP. (NON-FILIPINO)	NON-FILIPINO	146,095,058	4.85%
3	STINSON PROPERTIES INC.	FILIPINO	87,834,569	2.91%
4	SUREGUARD PROPERTIES INC.	FILIPINO	86,514,534	2.87%
5	MYOLNER PROPERTIES INC.	FILIPINO	86,514,533	2.87%
6	GLORIOUS DECADE PROPERTIES, INC	FILIPINO	30,000,000	1.00%
7	ANTHONY M. TE	FILIPINO	27,000,500	0.90%
8	GLORIOUS DECADE PROPERTIES, INC.	FILIPINO	13,013,000	0.43%
9	ATC SECURITIES, INC.	FILIPINO	808,023	0.03%
10	WILLY O. DIZON OR NENE C. DIZON	FILIPINO	667,000	0.02%
11	BENJAMIN S. GELI	FILIPINO	100,000	0.00%
12	JOHN C. JOVEN	FILIPINO	100,000	0.00%
13	ANSALDO GODINEZ & CO., INC.	FILIPINO	92,255	0.00%
14	PACIFICO B. TACUB	FILIPINO	50,000	0.00%
15	OTILIA D. MOLO OR ELAINE D. MOLO	FILIPINO	48,419	0.00%
16	ARNOLD JANSSEN T. BANTUGAN OR CHRISTINE ANGELI L. BANTUGAN	FILIPINO	45,000	0.00%
17	TERESITA N. LIM	FILIPINO	40,000	0.00%
18	VICENTE GOQUIOLAY & CO., INC.	FILIPINO	39,599	0.00%
19	ALBERTO MENDOZA&/OR JEANIE MENDOZA	FILIPINO	30,000	0.00%
20	PERALTA ENRIQUE B.	FILIPINO	23,000	0.00%
	TOTAL TOP 20 SHAREHOLDERS		3,014,139,225	99.98%

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

Cash Dividends

Earnings	Date			Amount	
	Declared	Record	Payable	Dividends Per Share	Total Declared (in millions)
2020	No dividends were declared for the year 2020				
2019	No dividends were declared for the year 2019				
2018	No dividends were declared for the year 2018				
2017	No dividends were declared for the year 2017				
2016	No dividends were declared for the year 2016				
2015	No dividends were declared for the year 2015				
2014	Nov. 14, 2014	Dec. 19, 2014	Jan. 16, 2015	₱0.15	₱273.2
2014	Sept. 19, 2014	Oct. 31, 2014	Oct. 22, 2014	0.15	273.2

Stock Dividends

There were no stock dividends declared for years 2015 to 2020.

Sales of Securities

As of December 31, 2020, there are no sales of unregistered or exempt Securities.

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, 2020, 2019 and 2018 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2020, 2019 and 2018 and as of December 31, 2020, 2019 and 2018 are discussed below.

A. Discussion for 2020 and 2019 Financial Results

Results of Operations

	Audited (in million Pesos)		Increase (Decrease)	
	2020	2019	Amount	%
Revenues	₱2,876.68	₱1,432.53	₱1444.1	100.81%
Cost of Sales	1,647.83	847.98	799.85	94.32%
Operating Expenses	599.37	458.60	140.77	30.69%

Income (Loss) Before Income Tax	629.48	125.96	503.52	399.75%
Income Tax	254.43	88.12	166.32	188.75%
Net Income (Loss)	₱375.05	₱37.84	₱337.21	891.08%

Revenues

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

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

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

WMT

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

Average Price per wmt (in US\$)

	2020	2019	Increase (decrease)
Limonite	-	\$10.90	(\$10.90)
Saprolite	\$33.99	\$31.08	\$2.91

Cost of Sales

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

Operating Expenses

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

- Environmental expenses increased by ₱90.89 million or 162.18% in compliance with the required minimum of 3.0% of the direct mining cost be allocated to mitigate environmental issues.
- Social Development Program increased by ₱23.41 million or 143.79% in compliance with implementing rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of the operating cost be allocated for the development of host and neighboring mining communities.
- Taxes and licenses increased by ₱36.54 million or 97.67% due to higher assessment of LGU business tax for 2019 gross revenue which is the basis in computing the business permit.
- Royalties increased by ₱15.35 million or 103.30%. These expenses were computed and paid based on the percentage of gross sales.
- Professional Fee increased by ₱6.24 million or 18.73% due to more consultancy and professional engagements.
- Representation increased by ₱8.25 million or 200.12% due maximal meetings/ dialogue with the stakeholders and clients.
- Community relation increased by ₱0.49 million or equivalent to 4.49% as the Company continues its projects on education and health for the community.
- The increase in other expenses such supplies, utilities and other operating expenses also contributed to the total increase in operating expense.

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

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

Financial Position

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

Assets

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

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

Liabilities

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

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

Stockholders' Equity

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

Consolidated Cash Flow

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

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

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

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

B. 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 implementing rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of the operating cost be allocated for the development of host and neighboring mining communities.
- Taxes and licenses decreased by ₱17.10 million or 31.36% due to lower assessment of LGU business tax for 2018 gross revenue which is the basis in computing the business permit.
- Salaries and wages decreased by ₱13.45 million or 11.55% due the management reorganization meant to promote efficiency.
- Professional 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 Consolidate 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.

Financial Indicators

Key Performance Indicators (KPI's)

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

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

Note:

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

Other Information

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

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

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

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	
	2020	2019
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 2020.

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

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

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

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	92	Filipino	Chairman
Isidro C. Alcantara, Jr.	67	Filipino	Director
Macario U. Te	91	Filipino	Director
Augusto C. Serafica	59	Filipino	Director
Carlos Alfonso T. Ocampo	56	Filipino	Independent Director
Marianne Regina T. Dy	44	Filipino	Director
Ruby Sy	68	Filipino	Director
Michael L. Escaler	70	Filipino	Director
Anthony M. Te	51	Filipino	Director
Kwok Yam Ian Chan	33	British	Director
Sesinando E. Villon <i>(resigned effective 19 October 2020)</i>		Filipino	Director
Rolando S. Santos	70	Filipino	Treasurer/ SVP Finance & Administration
Reuben F. Alcantara	38	Filipino	Senior Vice President for Marketing and Business Development
Roberto V. San Jose	78	Filipino	Corporate Secretary
Ana Maria A. Katigbak	51	Filipino	Asst. Corporate Secretary and Corporate Information Officer,
Maila G. De Castro	45	Filipino	Co-Asst. Corporate Secretary and Vice President and Head for Legal
Dale A. Tongco	56	Filipino	Vice-President for Controllershship
Deborra C. Ilagan	57	Filipino	Vice-President for Human Resources / Administration

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. was elected as Director of Marcventures Holdings, Inc., in August 2013. He retired as President effective on 31 October 2020. He had also served as the Company's Executive Vice President. He currently sits as Director and President of Bright Kindle Resources and Investment Inc. and Financial Risk Resolutions Advisory, Inc.; as Director of BrightGreen Resources, Corp.; Alumina Mining Phils. Inc.; and Bauxite Resources, Inc. In April 2018, Mr. Alcantara was elected Chairman of Philippine Nickel Industry Association (PNIA)

As a long-time Senior Banker, he was 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.

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. Kwok Yam Ian Chan was elected as Independent Director on 25 September 2020. He is currently a Director of Zenith System and Heavy Equipment, Seaborne Shipping Inc., and lsky Empire Realty Inc. He is likewise a Director of Megalifters Cargo Handling Corp., King Dragon Realty Corp. and DK Ventures Inc. Previous to that, he was the Managing Director of Dunfeng Philippines International Inc. from 2010 to 2017. He was also the President of Dunfeng Shipping Inc. from 2013 to 2017 and served as a Director of Mannage Resource and Trading Inc. from 2015 to 2017. He obtained his master's degree in Economics majoring in Finance at California

Polytechnic University. Mr. Chan graduated from DLSU - College of St. Benilde with a Bachelor of Science degree in Business Administration majoring in Export Management.

Mr. Sesinando E. Villon was elected director in September 2019. He is a retired associate justice of the Court of Appeals on July 2019 having served as magistrate of the Court of Appeals for the past fifteen (15) years. He resigned as Director of Marcventures Holdings Inc. last 19 October 2020 in view of his appointment as a regular member of the Judicial Integrity Board of the Supreme Court.

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 Senior Vice President for Marketing and Business Development. 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.

Mr. Dale A. Tongco was appointed Vice-President for Controllershship in October 2020. He concurrently serves as Vice President for Controllershship of Marcventures Holdings, Inc. He is a Certified Public Accountant with extensive experience in Public Accounting Firms as External Auditor and with Corporations as an Internal Auditor and Risk Management Officer specifically in the areas of Fraud Management; ISO 9001 and 14001 Audit and Management; Process and Control Review; Policies and Procedures Documentation; Corporate Governance; and Finance and Treasury. His professional experience over 13 years includes stints in KPMG, Deloitte, Phil-Am-AIA, CP de Guzman & Co.-CPAs and Benguet Corporation.

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.

Ms. Deborra C. Ilagan was elected Vice President for Human Resource and Administration in October 2020. She has been a Human Resources practitioner for well over 20 years with solid background in various HR roles and office administration functions, as well as Finance. Her longest stint (1991-2014) was with Metro Drug, Inc. – a leading distributor of pharmaceutical and healthcare products – where she rose through the ranks from Management Services Supervisor, Treasury Supervisor, Assistant Manager, HR Manager, and Vice President for HR. She was instrumental in building the HR department's resources, led collective bargaining agreement negotiations from 2002 to 2013, and implemented 3 rightsizing and early retirement programs of the company. She transitioned to her role as Associate Director – Human Resources and Systems in 2017 at Pacific Cross Insurance, Inc. where she led overall HR operations.

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., a Director, is the father of Mr. Reuben Alcantara, who is SVP for Marketing and Business Development. 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

On October 16, 2019 Justice Vicente V. Mendoza 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	2020	2019	2018
Chairman, President, Corporate Secretary, Assistant Corporate Secretary and All Executive Officers	₱38,967,649	₱39,435,000	₱42,463,222

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, 2020:

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	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	540,778,604	17.94%
		Rodolfo Yu	Filipino	172,635,000	5.73%
		RYM Business Management Corp.	Filipino	309,999,946	10.28%
		Dy Family	Filipino	348,500,000	11.56%
		Isidro C. Alcantara, Jr.		169,378,982	5.62%

SEC FORM 17-A
MARCVENTURES HOLDINGS, INC.

	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.	Filipino	766,046,807	25.41%
	PCD authorizes its trading participants to vote the shares registered in their name.			
TOTAL			2,475,954,339	82.13%

As of December 31, 2020, the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 146,182,191 shares or equivalent to 4.85%

Security Ownership of Management – Record “r” and Beneficial “b” (direct/indirect) owners as of December 31, 2020:

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	2,018 “r” (direct) 169,378,982 “b” (indirect)	Filipino	0.00% 5.62%
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) 55,629,100 “b” (indirect)	Filipino	0.90% 1.85%
Common	Kwok Yam Ian Chan	1,000 “r” (direct) 0 “b” (indirect)	British	0.00%
Common	Michael L. Escaler Director	1 “r” (direct) 0 “b” (indirect)	Filipino	0.00%
Common	Rolando S. Santos Treasurer	1 “r” (direct) 0 “b” (indirect)	Filipino	0.00%

SEC FORM 17-A
MARCVENTURES HOLDINGS, INC.

Common	Roberto V. San Jose Corporate Secretary	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Ana Katigbak Asst. Corporate Secretary	0 150,000	"r" (direct) "b" (indirect)	Filipino	0.00%
Common	Reuben F. Alcantara the VP Marketing, Business Development, and Strategic Planning	499 0	"r" (direct) "b" (indirect)	Filipino	0.00%
	Maila G. De Castro VP Legal	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
	Dale A. Tongco VP Financial & Controller	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
	Deborra C. Ilagan VP HR/ Admin	0 0	"r" (direct) "b" (indirect)	Filipino	0.00%
		195,631,720 231,158,081	"r" "b"		

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

The Company retains the law firm of Castillo Laman Tan Pantaleon & San Jose Law Offices (CLTPS) where 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 Marcventures Mining & Development Corporation. 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 2020 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 2020

10-19-2020	Appointment of Ms. Deborra C. Ilagan
10-19-2020	Resignation of Justice Sesinando E. Villon as Director
10-16-2020	Results of Organizational Meeting
10-16-2020	Results of Annual Stockholders' Meeting
09-25-2020	Retirement of Mr. Isidro C. Alcantara Jr. and Election of Mr. Kwok Yam Ian Chan
09-22-2020	Amendments to By-Laws
09-22-2020	Amendment of the Articles of Incorporation
09-22-2020	(Amend-2) Notice of Annual Meeting
09-11-2020	Postponement of Annual Stockholders' Meeting
09-11-2020	(Amend-1) Notice of Annual Meeting
08-04-2020	PRESS RELEASE-Marcventures Has Strong 2019-20 Recovery
08-03-2020	FINANCIAL PERFORMANCE
07-24-2020	Promotion of Mr. Reuben F. Alcantara
07-24-2020	Notice of Annual Meeting
07-24-2020	Results of the Board Meeting
07-01-2020	Resignation of Mr. Leddie D. Gutierrez
04-14-2020	Postponement of Annual Stockholders' Meeting
03-16-2020	Response to SEC Notice to the Publicly Listed Companies issued on 12 March 2020

SIGNATURES

Pursuant to the requirements of the 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 Makati on MAY 17 2021, 2021.

By:



CESAR C. ZALAMEA
Chairman



ROLANDO S. SANTOS
Officer-in-Charge



DALE A. TONGCO
Vice President for Controllership

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:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Place Issued/Valid Until</u>
Cesar C. Zalamea	TIN 137-712-551	
Rolando S. Santos	TIN 127-551-084	
Dale A. Tongco	TIN 125-401-967	

known to me and to me known as the same persons who executed the foregoing **2020 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.

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

Doc. No. 482
Page No. 99
Book No. 1
Series of 2021.


REUBEN CARLO O. GENERAL
Notary Public for Makati City
Appt. No. M-136 Until 31 Dec. 2021
Roll of Attorneys No. 59087
IBP Membership No. 143757; 02/02/2021
PTR No. MKT-8547469ME; 01/15/2021
MCLE Compliance No. VI -0021476; 3/26/2019
4F BDO Towers, 8741 Paseo de Roxas, Makati City



Jommel Ramos <jommel.ramos@marcventures.com.ph>

Tax Return Receipt Confirmation

1 message

ebirforms-noreply@bir.gov.ph <ebirforms-noreply@bir.gov.ph>

Fri, May 14, 2021 at 9:17 AM

To: jommel.ramos@marcventures.com.ph

This confirms receipt of your submission with the following details subject to validation by BIR:

File name: 000104320000-1702RTv2018C-122020V1.xml

Date received by BIR: 14 May 2021

Time received by BIR: 08:55 AM

Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

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This is a system-generated email. Please do not reply.

Bureau of Internal Revenue

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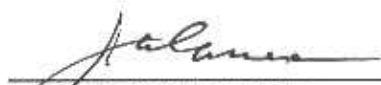
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**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

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

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

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



CESAR C. ZALAMEA
Chairman of the Board



ROLANDO S. SANTOS
Officer-in-charge



DALE A. TONGCO
Vice President – Controller



SUBSCRIBED AND SWORN to before me this 11 day of MAY 2021
affiant(s) exhibiting to their evidence of identity, as follows:

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

Pale Tongco

Doc. No. 466;
Page No. 99;
Book No. L;
Series of 2021.

Notary Public

REUBEN CARLO O. GENERAL
Notary Public for Makati City
Appt. No. M-136 Until 31 Dec. 2021
Roll of Attorneys No. 59087
IBP Membership No. 143757; 02/02/2021
PTR No. MKT-8547469ME; 01/15/2021
MCLE Compliance No. VI-0021476; 3/26/2019
4F BDO Towers, 8741 Paseo de Roxas, Makati C^o



INDEPENDENT AUDITORS' REPORT

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

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, 2020 and 2019, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the separate financial statements, including a summary of significant accounting policies.

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

Basis for 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.

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

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2019

Valid until October 16, 2022

PTR No. 8534277

Issued January 5, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

MARCVENTURES HOLDINGS, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION

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

See accompanying Notes to Separate Financial Statements.

MARVENTURES HOLDINGS, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2020	2019	2018
OPERATING EXPENSES	13	₱73,237,199	₱73,648,813	₱75,938,590
INTEREST INCOME	5	173	1,947	5,386
LOSS BEFORE INCOME TAX		(73,237,026)	(73,646,866)	(75,933,204)
PROVISION FOR INCOME TAX	15	-	-	-
NET LOSS		(73,237,026)	(73,646,866)	(75,933,204)
OTHER COMPREHENSIVE LOSS				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gain loss on retirement benefit liability - net of deferred income tax	14	(697,778)	(203,084)	(1,538,860)
TOTAL COMPREHENSIVE LOSS		(₱73,934,804)	(₱73,849,950)	(₱77,472,064)

See accompanying Notes to Separate Financial Statements.

MARVENTURES HOLDINGS, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

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

See accompanying Notes to Separate Financial Statements.

MARVENTURES HOLDINGS, INC.
SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		(P73,237,026)	(P73,646,866)	(P75,933,204)
Adjustments for:				
Depreciation	9	6,201,436	6,780,089	7,994,926
Retirement benefit expense	14	635,350	771,079	(343,812)
Interest income	5	(173)	(1,947)	(5,386)
Operating loss before working capital changes		(66,400,413)	(66,097,645)	(68,287,476)
Decrease (increase) in:				
Dividends and other receivables		183,795,718	(7,555)	35,310
Other current assets		(2,567,565)	(1,538,793)	(1,554,680)
Deferred input vat		636,521	830,948	909,450
Increase (decrease) in dividends payable and other current liabilities		(7,017,062)	6,099,997	(109,428)
Net cash generated from (used for) operations		108,447,199	(60,713,048)	(69,006,824)
Benefits paid	14	(7,254,795)	-	-
Interest received		173	1,947	5,386
Net cash generated from (used in) operating activities		101,192,577	(60,711,101)	(69,001,438)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional advances to related parties		(35,455,845)	(287,134)	(80,541,321)
Acquisition of property and equipment	9	(240,276)	(164,196)	(44,077)
Payments from a related party		4,000	107,670,371	132,183,804
Payment for additional subscription	8	-	(13,750,000)	(75,000,000)
Net cash provided by (used in) investing activities		(35,692,121)	93,469,041	(23,401,594)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of advances from related parties		(55,430,795)	(26,088,007)	(53,499,517)
Proceeds from related parties		-	18,319	135,000,000
Net cash provided by financing activities		(55,430,795)	(26,069,688)	81,500,483
NET INCREASE (DECREASE) IN CASH		10,069,661	6,688,252	(10,902,549)
CASH AT BEGINNING OF YEAR		12,358,677	5,670,425	16,572,974
CASH AT END OF YEAR		P22,428,338	P12,358,677	P5,670,425
NONCASH FINANCIAL INFORMATION				
Issuance of capital stock through conversion of deposit for future stock subscription	11	P-	P-	P75,000,000

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, 2020 and 2019, 3,014,820,305 shares of the Company's shares of stock, are listed in the PSE.

The registered address of the Company is at 4th Floor, BDO Towers Paseo (formerly Citi Center), 8741 Paseo de Roxas, Makati City.

Approval of Separate Financial Statements

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

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

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

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

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 16, *Financial Risk Management Objectives and Policies*.

Adoption of Amended PFRS

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

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

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

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

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

Amended PFRS Issued But Not Yet Effective

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

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

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

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

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

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

Deferred effectivity -

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

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

Financial Assets and Liabilities

a. Recognition

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

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

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

b. Classification and Subsequent Measurement Policies

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

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

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

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

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

As at December 31, 2020 and 2019, cash, dividends and other receivables (excluding advances to officers and employees) and advances to related parties are classified under this category.

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

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

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

c. Reclassification

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

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

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

d. Impairment Policy on Financial Assets at Amortized Cost

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

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

e. Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

f. Offsetting of Financial Assets and Liabilities

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

g. Classification of Financial Instrument between Liability and Equity

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

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

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

Other Current Assets

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

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

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

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

Investments in Subsidiaries

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

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

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

Equity

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

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

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

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

Revenue Recognition

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

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

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

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

Operating Expenses

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

Employee Benefits

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

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

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

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

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

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

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

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

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

Income Taxes

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

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

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

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

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

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

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

VAT

Input VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other current assets" account in the separate statements of financial position.

Deferred Input VAT. In accordance with the Revenue Regulations (RR) No. 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.

Related Party Transactions and Related Parties

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Company; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) members of the key management personnel of the Company.

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

Provisions

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

Contingencies

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

Events after the Reporting Date

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

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.

Accounting Estimates and Assumptions

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

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

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

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

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

No provision for impairment loss was recognized on the Company's financial assets in 2020 and 2019.

The carrying amount of financial assets at amortized cost as at December 31, 2020 and 2019 are as follows:

	Note	2020	2019
Cash	5	₱22,428,338	₱12,358,677
Dividends and other receivables*	6	746,090,338	929,834,038
Advances to related parties	12	233,365,840	197,913,995

*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 2020 and 2019.

Property and equipment, net of accumulated depreciation, amounted to ₱86.5 million and ₱92.5 million as at December 31, 2020 and 2019, respectively (see Note 9).

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

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

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

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

	Note	2020	2019
Advances to officers and employees	6	₱33,082	₱85,100
Other current assets	7	56,701,265	54,133,700
Investments in subsidiaries	8	2,746,546,182	2,746,546,182
Property and equipment	9	86,524,454	92,485,614
Deferred input vat		1,148,696	1,785,217

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

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

Retirement benefit expense (income) recognized in profit or loss amounted to ₱0.6 million, ₱0.8 million and (₱0.3 million) in 2020, 2019 and 2018, respectively (see Note 14).

Retirement benefit liability amounted to ₱1.4 million and ₱7.0 million as at December 31, 2020 and 2019, respectively (see Note 14).

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

The Company's unrecognized deferred tax assets amounted to ₱67.1 million and ₱49.1 million as at December 31, 2020 and 2019, respectively (see Note 15). Management assessed that there will be no sufficient future taxable profits against which the deferred tax assets can be utilized.

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

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:

	2020	2019
Cash on hand	₱54,545	₱54,545
Cash in banks	22,373,793	12,304,132
	₱22,428,338	₱12,358,677

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to P173, P1,947 and P5,386 in 2020, 2019 and 2018, respectively.

6. Dividends and Other Receivables

This account consists of:

	Note	2020	2019
Dividends receivable	8	P741,532,189	P923,592,420
Advances to officers and employees		33,082	85,100
Others		4,558,149	6,241,618
		P746,123,420	P929,919,138

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

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

7. Other Current Assets

This account consists of:

		2020	2019
Prepaid income tax		P49,403,933	P49,403,933
Input VAT		6,290,085	4,729,767
Prepayments		1,007,247	-
		P56,701,265	P54,133,700

8. Investments in Subsidiaries

As at December 31, 2020 and 2019, the balance of investments in subsidiaries consist of:

	Note	2020	2019
Marcventures Mining and Development Corp. (MMDC) -			
Balance at beginning of year		P1,683,750,000	P1,670,000,000
Additional subscription during the year		-	13,750,000
Balance at end of year		1,683,750,000	1,683,750,000
Acquired through merger - BGRC, AMPI and BARI	4	1,062,796,182	1,062,796,182
		P2,746,546,182	P2,746,546,182

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.

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

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-X Surigao Mineral Reservation (SMR) covering an area of approximately 4,799 hectares located in the municipalities of 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 and 2018, the Company made an additional subscription of 1,375,000 and 7,500,000 shares at ₱10 per share for ₱13.8 million and ₱75.0 million, respectively.

Dividends receivable amounted to ₱741.5 million and ₱923.6 million as at December 31, 2020 and 2019, respectively (see Note 6).

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

On February 13, 2017, MMDC received an order from the DENR cancelling its MPSA due to alleged violations of environment-related laws and regulations. The Technical Committee Report on MMDC shows only a recommendation for fine and suspension. The Management and its legal counsel have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining.

On February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum. MMDC asserted that the grounds for cancellation cited by the DENR: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President GMA; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area. As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to circumstances beyond its control.

As at December 31, 2020, MMDC has not received any decision nor update from the Office of the President. MMDC's Legal Counsel is of a good faith position that the it may continue its operations because the execution of the Order of the DENR Secretary is deemed automatically stayed as a matter of law on account of the pendency of MMDC's appeal.

MMDC has continuously been granted the necessary regulatory permits and licenses to operate, including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits. As proof its compliance, MMDC has also secured a certification from the MGB as of January 22, 2020, attesting to the validity and existence of its MPSA and that MMDC has an approved Declaration of Mining Project Feasibility covering its entire contract mining area as of 15 October 2014.

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

BGRC

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

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

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

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

AMPI

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

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

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

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

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 180-2002-VIII-SBMR covering 5,519 hectares in the Municipalities of Gandara, San Jose de 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 Show-Cause Orders dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. The companies submitted a reply explaining that BGRC, AMPI and BARI have prior legal right. Management believes that the potential outcome of any legal proceedings will not have a material adverse effect on the operations of the subsidiaries.

As at December 31, 2020, the DENR has not issued any other Show Cause Orders for BGRC, AMPI and BARI. Basing on the letters from FMB and DENR, the Management and Legal Counsel of BGRC, AMPI and BARI take a good faith position that these have rendered that Show-Cause Orders moot and academic. Of note is the recent letter-approval of the DENR, through the MGB, dated 18 May 2020, granting the requested extension of the Exploration Period of AMPI and BARI's respective MPSAs from 18 June 2020 to 18 June 2022.

The summarized financial information of the subsidiaries are as follows:

	2020			
	MMDC	BGRC	AMPI	BARI
Current assets	₱1,091,159,730	₱2,582,721	₱11,015,515	₱1,776,538
Noncurrent assets	2,299,109,074	71,852,946	125,287,911	58,371,239
Current liabilities	1,877,116,284	116,532,045	60,173,110	2,021,378
Noncurrent liabilities	217,764,384	–	131,819,788	57,829,162
Equity (capital deficiency)	1,295,388,136	(42,096,378)	(55,689,472)	297,237
Revenue	2,876,676,296	–	–	–
Net income (loss)	530,544,394	(4,480,542)	(21,889,911)	(720,415)
Total comprehensive income (loss)	529,083,165	(4,480,542)	(21,889,911)	(720,415)
	2019			
	MMDC	BGRC	AMPI	BARI
Current assets	₱798,008,100	₱2,398,123	₱59,843,555	₱169,364
Noncurrent assets	2,483,185,230	68,327,313	117,602,706	56,696,156
Current liabilities	2,421,706,379	108,341,272	9,656,440	3,401,129
Noncurrent liabilities	93,181,980	–	201,589,382	52,444,739
Equity (capital deficiency)	766,304,971	(37,615,836)	(33,799,561)	1,019,652
Revenue	1,432,534,095	–	–	–
Net income (loss)	165,435,649	(3,702,568)	(26,410,498)	(2,462,156)
Total comprehensive income (loss)	161,340,608	(3,702,568)	(26,410,498)	(2,462,156)

9. Property and Equipment

The balances and movements in this account are as follows:

		2020		
	Note	Building and Improvements	Office Furniture, Fixtures and Equipment	Total
Cost				
Balances at beginning of year		₱125,665,001	₱5,747,584	₱131,412,585
Acquisitions		–	240,276	240,276
Balances at end of year		125,665,001	5,987,860	131,652,861
Accumulated Depreciation				
Balances at beginning of year		33,423,878	5,503,093	38,926,971
Depreciation	13	6,027,163	174,273	6,201,436
Balances at end of year		39,451,041	5,677,366	45,128,407
Carrying Amount		₱86,213,960	₱310,494	₱86,524,454

		2019			
	Note	Building and Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
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	13	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
Carrying Amount		₱92,241,123	₱244,491	₱–	₱92,485,614

Fully depreciated property and equipment with cost of ₱6.3 million and ₱5.8 million as at December 31, 2020 and 2019 are still being used by the Company and retained in the accounts.

10. Dividends Payable and Other Current Liabilities

This account consists of:

	Note	2020	2019
Statutory payables		₱11,862,658	₱14,261,097
Dividends payable	11	4,707,886	4,707,886
Accrued expenses	11	789,401	5,408,024
Others		1,072,631	1,072,631
		₱18,432,576	₱25,449,638

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.

11. Equity

Capital Stock

Movements in this account are as follows:

	2020		2019		2018	
	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	3,014,820,305	₱3,014,820,305	2,969,088,599	₱2,969,088,599
Issuance of shares	-	-	-	-	45,731,706	45,731,706
Balance at end of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305
Additional Paid-in Capital						
Balance at beginning of year	269,199,788	₱269,199,788	269,199,788	₱269,199,788	239,931,494	₱239,931,494
Proceeds in excess of par value	-	-	-	-	29,268,294	29,268,294
	269,199,788	₱269,199,788	269,199,788	₱269,199,788	269,199,788	₱269,199,788

On December 29, 2017, the SEC approved the increase in authorized capital stock of the Company to accommodate the merger, as stated in Note 1, from 2,000,000,000 shares at ₱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
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, 2020 and 2019 (see Note 10).

12. Related Party Transactions

Transactions with related parties are summarized below:

	Transactions during the year		Outstanding Balances		Nature
	2020	2019	2020	2019	
Dividends Receivable					
<i>Subsidiary</i>	P-	P-	P741,532,189	P923,592,420	Dividends
Advances to Related Parties					
<i>Subsidiaries</i>	P35,455,845	P287,134	P148,365,840	P112,913,995	Working fund
	-	-	85,000,000	85,000,000	Management fee
			P233,365,840	P197,913,995	
Dividends Payable					
<i>Stockholders</i>	P-	P-	P4,707,886	P4,707,886	Working fund
Advances from a Related Party					
<i>Subsidiary</i>	P-	P18,319	P-	P55,430,795	Working fund

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

The changes in advances from a related party arising from financing activities as at December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of year	P55,430,795	P81,500,483
Financing cash flow	(55,430,795)	(26,069,688)
Balance at end of year	P-	P55,430,795

Management Contract

In December 2014, the Company entered into a management contract with MMDC to oversee and supervise MMDC's operations. The management contract shall be effective for a period of three (3) years commencing January 1, 2014. In 2017, the management contract was extended for another three (3) years. In 2020 and 2019, the Company did not charge management fee to MMDC. Management fee charged to MMDC in 2017 amounted to P85.0 million.

As at December 31, 2020 and 2019, the Company has not provided any allowance for impairment losses for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related party operates.

Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to P39.0 million, P44.3 million and P83.2 million in 2020, 2019 and 2018, respectively. Retirement benefit expense of key management personnel amounted to P0.6 million, P0.8 million and P1.4 million in 2020, 2019 and 2018, respectively.

13. Operating Expenses

This account consists of:

	Note	2020	2019	2018
Salaries and allowances		₱29,447,348	₱41,245,442	₱39,457,536
Professional fees		17,792,348	13,051,715	15,493,696
Penalties		7,038,076	-	-
Depreciation	9	6,201,436	6,780,089	7,994,926
Outside services		4,061,497	1,391,610	3,549,674
Dues and subscriptions		3,217,161	3,153,260	3,680,369
Representation		1,810,161	205,746	451,836
Retirement benefit expense (income)	14	635,350	771,079	(343,812)
Communication, light and water		571,876	948,139	1,009,045
Taxes and licenses		34,541	2,171,148	1,719,436
Others		2,427,405	3,930,585	2,925,884
		₱73,237,199	₱73,648,813	₱75,938,590

Others include insurance and transportation, among others.

14. Retirement Benefit Liability

The Company has an unfunded, noncontributory defined benefit plan covering all its permanent employees. Under this plan, the employees are entitled to retirement benefits ranging from 50% to 200% of the final monthly salary for each year of credited service. This plan is in accordance with Republic Act No. 7641, which mandates a minimum retirement benefit equivalent to one-half month salary per year of service.

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2020.

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

	2020	2019	2018
Current service cost	₱292,110	₱139,599	₱233,920
Net interest cost	324,488	435,415	228,341
Past service cost	18,752	196,065	(806,073)
	₱635,350	₱771,079	(₱343,812)

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

	2020	2019
Balance at beginning of year	₱6,993,278	₱5,932,079
Retirement benefit expense (income) recognized in profit or loss:		
Interest cost	324,488	435,415
Current service cost	292,110	139,599
Past service cost	18,752	196,065
Remeasurement losses (gains) recognized in OCI arising from:		
Deviations of experience from assumptions	885,720	359,800
Changes in financial assumptions	111,106	(69,680)
Benefits paid	(7,254,795)	-
Balance at end of year	₱1,370,659	₱6,993,278

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

	2020	2019
Discount rate	3.53%	4.64%
Salary increase rate	3.00%	3.00%

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

Sensitivity analysis on retirement benefit liability as at December 31, 2020 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(₱100,005)
	-1%	115,651
Salary increase rate	+1%	114,580
	-1%	(102,900)

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

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

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

	2020		
	Accumulated Actuarial Gain (Loss)	Deferred Tax Liability (see Note 15)	Net Actuarial Gain
Balance at beginning of year	₱1,803,106	₱540,932	₱1,262,174
Actuarial loss	(996,826)	(299,048)	(697,778)
Balance at end of year	₱806,280	₱241,884	₱564,396

	2019		
	Accumulated Actuarial Gain (Loss)	Deferred Tax Liability (see Note 15)	Net Actuarial Gain
Balance at beginning of year	₱2,093,226	₱627,968	₱1,465,258
Actuarial loss	(290,120)	(87,036)	(203,084)
Balance at end of year	₱1,803,106	₱540,932	₱1,262,174

The maturity analysis of the undiscounted benefit payments as at December 31, 2020 follow:

Less than one (1) year	568,257
One (1) year to less than five (5) years	195,443
Five (5) years to less than 10 years	321,898
10 years and above	10,292,793
	<u>₱11,378,391</u>

The average duration of the expected benefit payments at the end of the reporting period is 5.81 years.

15. Income Taxes

The Company has no current provision for income tax in 2020 and 2019 due to its net taxable loss position.

Deferred tax liability amounting to ₱0.2 million and ₱0.5 million as at December 31, 2020 and 2019, respectively, pertains to remeasurement gain on retirement liability (see Note 14).

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

	2020	2019	2018
Income tax at statutory rate	(₱21,971,108)	(₱22,094,060)	(₱22,779,961)
Change in unrecognized deferred tax assets	17,981,386	20,294,644	13,020,453
Expired MCIT	1,700,000	1,800,000	1,701,000
Add (deduct) tax effects on:			
Nondeductible expense	2,259,494	—	—
Expired NOLCO	30,280	—	8,060,124
Interest income subjected already to final tax	(52)	(584)	(1,616)
	<u>₱—</u>	<u>₱—</u>	<u>₱—</u>

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

	2020	2019
NOLCO	P64,269,101	P44,778,320
Retirement benefit liability	2,829,520	2,638,915
Excess MCIT over RCIT	-	1,700,000
	P67,098,622	P49,117,235

Details of NOLCO are as follows:

Year incurred	Expiry date	Amount	Incurred	Expired	Balance
2020	2025	P-	P65,070,203	P-	P65,070,203
2019	2022	72,877,734	-	-	72,877,734
2018	2021	76,282,402	-	-	76,282,402
2017	2020	100,932	-	100,932	-
		P149,261,068	P65,070,203	P100,932	P214,230,339

On September 30, 2020, BIR issued the RR No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that net operating loss of the business or enterprise for taxable years 2020 and 2021 to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises" or "CREATE" was approved and signed into law by the Philippine President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The enactment of the CREATE Act is considered a non-adjusting subsequent event. Accordingly, the income tax rate used in preparing the separate financial statements as at and for the year ended December 31, 2020 is 30% for RCIT. The change in income tax rates does not have financial impact to the Company due to its net loss position.

16. Financial Risk Management Objectives and Policies

General

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

Financial Risk Management Objectives and Policies

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

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

The tables below show the credit quality per class of financial assets as at December 31, 2020 and 2019.

	December 31, 2020						
	High Grade	Standard Grade	Past Due			Total	Allowance for Impairment Loss
			1 - 30 Days	31 - 90 Days	More than 90 Days		
12-Month ECL:							
Cash in banks	₱22,373,793	P-	P-	P-	P-	₱22,373,793	P-
Dividends and other receivables*	746,090,338	-	-	-	-	746,090,338	-
Advances to related parties	233,365,840	-	-	-	-	233,365,840	-
	₱1,001,829,971	P-	P-	P-	P-	₱1,001,829,971	P-

*Excluding advances to officers and employees amounting to ₱33,082.

	December 31, 2019						
	High Grade	Standard Grade	Past Due			Total	Allowance for Impairment Loss
			1 - 30 Days	31 - 90 Days	More than 90 Days		
12-Month ECL:							
Cash in banks	₱12,304,132	P-	P-	P-	P-	₱12,304,132	P-
Dividends and other receivables*	929,834,038	-	-	-	-	929,834,038	-
Advances to related parties	197,913,995	-	-	-	-	197,913,995	-
	₱1,140,052,165	P-	P-	P-	P-	₱1,140,052,165	P-

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

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

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

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

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2020 and 2019, based on contractual undiscounted payments.

	On Demand	Less than Three Months	Three to Six Months	Within One Year	More than One Year	Total
December 31, 2020						
Dividends payables and other current liabilities*	P6,569,918	P-	P-	P-	P-	P6,569,918
December 31, 2019						
Dividends payables and other current liabilities*	P11,188,541	P-	P-	P-	P-	P11,188,541
Advances from a related party	55,430,795	-	-	-	-	55,430,795
	P66,619,336	P-	P-	P-	P-	P66,619,336

*Excluding statutory payables amounting to P11.9 million and P14.3 million as at December 31, 2020 and 2019, respectively.

Fair Value of Financial Assets and Liabilities

The following are the fair value of the Company's financial instruments as at December 31, 2020 and 2019:

	2020	2019
Financial Assets		
Cash	P22,428,338	P12,358,677
Dividends and other receivables*	746,090,338	929,834,038
Advances to related parties	233,365,840	197,913,995
	P1,001,884,516	P1,140,106,710
Financial Liabilities		
Dividends payable and other current liabilities**	P6,569,918	P11,188,541
Advances from a related party	-	55,430,795
	P6,569,918	P66,619,336

*Excluding advances to officers and employees amounting to P33,082 and P85,100 as at December 31, 2020 and 2019, respectively.

**Excluding statutory payables amounting to P11.9 million and P14.3 million as at December 31, 2020 and 2019, respectively.

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

17. Capital Management Objectives, Policies and Procedures

The Company considers its capital stock and APIC aggregating ₱3,284.0 million as at December 31, 2020 and 2019, as its core capital. The Company maintains its current capital structure and makes adjustments to it, if necessary, to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

There were no changes in the Company's objectives, policies or processes in 2020 and 2019.



**REPORT OF INDEPENDENT AUDITORS
 TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE
 SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors
 Marcventures Holdings, Inc.
 4th Floor, BDO Towers Paseo (formerly 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, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 on which we have rendered our report dated May 10, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has nine hundred thirty six (936) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & Co.

Carolina P. Angeles

CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

SEC Accreditation No. 86981-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2019

Valid until October 16, 2022

PTR No. 8534277

Issued January 5, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 2 9 4 2

COMPANY NAME

M A R C V E N T U R E S H O L D I N G S , I N C . A N D S U B S I D I
A R I E S

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

4 t h F l o o r , B D O T o w e r s P a s e o (f o r m e r l y C
i t i C e n t e r) , 8 7 4 1 P a s e o d e R o x a s , M a k a t
i C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

maila.decastro@marcventures.com.ph

Company's Telephone Number/s

(02) 8831-4479

Mobile Number

0919-993-7231

No. of Stockholders

2,184

Annual Meeting (Month / Day)

September 26

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Rolando S. Santos

Email Address

rolly.santos@marcventures.com.ph

Telephone Number/s

(02) 8831-4479

Mobile Number

0998-985-0229

CONTACT PERSON'S ADDRESS

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

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

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

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

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

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

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



CESAR C. ZALAMEA
Chairman of the Board



ROLANDO S. SANTOS
Officer-in-charge



DALE A. TONGCO
Vice President – Controller




SUBSCRIBED AND SWORN to before me this MAY day 07 of 2021
affiant(s) exhibiting to their evidence of identity, as follows:

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

Doc. No. 48;
Page No. 46;
Book No. 1;
Series of 2021.

Notary Public


REUBEN CARLO O. GENERAL
Notary Public for Makati City
Appt. No. M-136 Until 31 Dec, 2021
Roll of Attorneys No. 59087
IBP Membership No. 143757; 02/02/2021
PTR No. MKT-8547469ME; 01/15/2021
MCLE Compliance No. VI-0021476; 3/26/2019
4F BDO Towers, 8741 Paseo de Roxas, Makati City

INDEPENDENT AUDITORS' REPORT

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

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, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and consolidated notes to financial statements, including a summary of significant accounting policies.

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

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 ₱4.4 billion and ₱4.5 billion as at December 31, 2020 and 2019, respectively. Under the PFRS, the Company is required to assess the carrying amounts of these assets if there is any indication of impairment. The assessment is significant to our audit because the assessment process requires significant judgment, assumptions and estimates.

We performed the necessary procedures by reviewing the assumptions used by the management in the impairment assessment, in particular, those involving the forecasted cash flows and discount rate, and evaluated whether a reasonably possible change in these assumptions could cause the carrying amounts to exceed the estimated recoverable amounts.

Further disclosures are included in Note 3, *Significant Judgments, Accounting Estimates and Assumptions - Estimating Depletion Rate and Recoverable Reserves*, and Note 9, *Mining Rights and Other Mining Assets*.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our Auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this Auditors' report.

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

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

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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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



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

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

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

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

REYES TACANDONG & Co.

Carolina P. Angeles

CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

SEC Accreditation No. 86981-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2019

Valid until October 16, 2022

PTR No. 8534277

Issued January 5, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

MARVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2020	2019
ASSETS			
Current Assets			
Cash	4	P241,951,074	P314,440,796
Trade and other receivables	5	542,258,519	204,463,789
Advances to related parties	19	39,179,557	51,366,755
Inventories	6	127,217,784	76,934,360
Other current assets	7	133,615,250	132,085,257
Total Current Assets		1,084,222,184	779,290,957
Noncurrent Assets			
Property and equipment	8	209,369,331	275,879,333
Mining rights and other mining assets	9	4,435,089,769	4,504,413,119
Net deferred tax assets	21	36,193,214	32,716,374
Other noncurrent assets	10	398,821,130	499,050,672
Total Noncurrent Assets		5,079,473,444	5,312,059,498
		P6,163,695,628	P6,091,350,455
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	P409,425,087	P769,333,142
Current portion of loans payable	13	335,975,945	510,069,579
Advances from related parties	19	140,272,674	110,846,820
Dividends payable	14	4,707,886	4,707,886
Income tax payable		136,107,191	8,410,118
Total Current Liabilities		1,026,488,783	1,403,367,545
Noncurrent Liabilities			
Loans payable - net of current portion	13	286,529,622	208,999,799
Provision for mine rehabilitation and decommissioning	12	55,675,292	52,634,827
Retirement benefit liability	18	33,160,260	37,395,071
Deferred tax liability	21	465,262,759	465,262,759
Total Noncurrent Liabilities		840,627,933	764,292,456
Total Liabilities		1,867,116,716	2,167,660,001
Equity			
Capital stock	14	3,014,820,305	3,014,820,305
Additional paid-in capital	14	269,199,788	269,199,788
Retained earnings		980,673,981	605,626,516
Cumulative Remeasurement gain on retirement benefit liability - net of deferred tax	18	31,884,838	34,043,845
Total Equity		4,296,578,912	3,923,690,454
		P6,163,695,628	P6,091,350,455

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2020	2019	2018
REVENUE		P2,876,676,296	P1,432,534,095	P987,255,064
COST OF SALES	15	1,647,827,569	847,975,370	921,269,786
GROSS INCOME		1,228,848,727	584,558,725	65,985,278
OPERATING EXPENSES	16	572,046,872	407,983,396	507,959,941
INCOME (LOSS) FROM OPERATIONS		656,801,855	176,575,329	(441,974,663)
INTEREST EXPENSE	13	(64,492,696)	(61,630,647)	(40,763,016)
INTEREST INCOME	4	766,044	236,547	149,306
OTHER INCOME	17	36,406,306	10,777,723	1,926,242
INCOME (LOSS) BEFORE INCOME TAX		629,481,509	125,958,952	(480,662,131)
INCOME TAX EXPENSE (BENEFIT)	21	254,434,044	88,116,546	(91,855,012)
NET INCOME (LOSS)		375,047,465	37,842,406	(388,807,119)
OTHER COMPREHENSIVE INCOME				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax	18	(2,159,007)	(4,298,125)	2,878,596
TOTAL COMPREHENSIVE INCOME (LOSS)		P372,888,458	P33,544,281	(P385,928,523)
Basic and diluted earnings (loss) per share	22	P0.124	P0.013	(P0.129)

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2020	2019	2018
CAPITAL STOCK - ₱1 par value				
Authorized - 4,000,000,000 shares	14			
Issued and outstanding:				
Balance at beginning of year		₱3,014,820,305	₱3,014,820,305	₱2,969,088,599
Issuance		-	-	45,731,706
Balance at end of year		3,014,820,305	3,014,820,305	3,014,820,305
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year	14	269,199,788	269,199,788	239,931,494
Proceeds in excess of par value		-	-	29,268,294
Balance at end of year		269,199,788	269,199,788	269,199,788
RETAINED EARNINGS				
Balance at beginning of year		605,626,516	567,784,110	956,591,229
Net income (loss)		375,047,465	37,842,406	(388,807,119)
Balance at end of year		980,673,981	605,626,516	567,784,110
CUMULATIVE REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - Net of deferred tax				
	18			
Balance at beginning of year		34,043,845	38,341,970	35,463,374
Remeasurement gain (loss)		(2,159,007)	(4,298,125)	2,878,596
Balance at end of year		31,884,838	34,043,845	38,341,970
		₱4,296,578,912	₱3,923,690,454	₱3,890,146,173

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		₱629,481,509	₱125,958,952	(₱480,662,131)
Adjustments for:				
Depletion	9	174,132,163	61,542,082	57,456,596
Interest expense	13	64,492,696	61,630,647	40,763,016
Depreciation and amortization	8	48,866,200	68,138,439	67,736,982
Provision for expected credit loss	5	20,000,000	20,000,000	25,808,706
Retirement expense	19	8,592,588	8,702,664	4,872,143
Interest income	4	(766,044)	(236,547)	(149,306)
Operating income (loss) before working capital changes		944,799,112	345,736,237	(284,173,994)
Decrease (increase) in:				
Trade and other receivables		(357,794,730)	(20,848,638)	(6,705,472)
Inventories		(50,283,424)	68,922,379	83,590,881
Other assets		(726,818)	(16,087,056)	(27,000,181)
Increase (decrease) in trade and other payables		(354,858,055)	286,780,681	189,544,430
Net cash generated from (used for) operations		181,136,085	664,503,603	(44,744,336)
Income tax paid		(129,288,522)	(37,000)	(42,533,115)
Retirement benefits paid	18	(15,911,695)	—	(14,608,627)
Interest received		766,044	236,547	149,306
Net cash provided by (used in) operating activities		36,701,912	664,703,150	(101,736,772)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Mining rights and other mining assets	9	(64,146,344)	(168,834,748)	(532,399,980)
Property and equipment	8	(23,018,667)	(1,352,188)	(85,469,959)
Decrease (increase) in:				
Other noncurrent assets		100,229,542	(67,252,935)	(19,963,627)
Advances to related parties		12,187,198	1,897,842	(10,436,220)
Net cash provided by (used in) investing activities		25,251,729	(235,542,029)	(648,269,786)

(Forward)

		Years Ended December 31		
	Note	2020	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans	26	(P96,796,646)	(P72,555,662)	(P190,421,095)
Interest	26	(67,072,571)	(54,548,881)	(38,440,950)
Availment of loans	13	-	-	843,344,896
Increase (decrease) in advances from related parties		29,425,854	(14,975,434)	115,820,824
Net cash provided by (used in) financing activities		(134,443,363)	(142,079,977)	730,303,675
NET INCREASE (DECREASE) IN CASH		(72,489,722)	287,081,144	(19,702,883)
CASH AT BEGINNING OF YEAR		314,440,796	27,359,652	47,062,535
CASH AT END OF YEAR		P241,951,074	P314,440,796	P27,359,652
NONCASH FINANCIAL INFORMATION				
Completed constructions transferred to mining rights and other mining assets	8	P40,662,469	P-	P52,138,951
Accretion of interest on provision for mine rehabilitation and decommissioning	12	3,040,465	654,498	2,088,831
Amortization of debt-issue cost on loans payable	13	232,835	216,157	141,582
Capitalized depreciation to mine development costs	8	-	1,367,440	2,824,999
Issuance of capital stock through conversion of deposit for future stock subscription	14	-	-	75,000,000

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
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. However, as prescribed by the Revised Corporation Code of the Philippines, effective February 23, 2019, the Company shall have perpetual existence.

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

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

Approval of Financial Statements

The consolidated financial statements as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on May 10, 2021, as reviewed and recommended for approval by the Audit Committee on the same date.

Information about the Subsidiaries

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

Marcventures Mining and Development Corp. (MMDC)

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

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

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

On June 24, 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 MMDC's operations (see Notes 3 and 23). Accordingly, MMDC has continued its mining operations in the area covered by its MPSA.

BrightGreen Resources Corporation (BGRC)

BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business. The Parent Company acquired BGRC from its merger with Brightgreen Resources Holdings, Inc. (BHI) in 2017.

On July 1, 1993, the DENR approved BGRC's application for 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.

Alumina Mining Philippines, Inc. (AMPI)

AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business. The Parent Company acquired AMPI from its merger with Asia Pilot Mining Phils. Corp. (APMPC) in 2017.

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

Bauxite Resources, Inc. (BARI)

BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business. The Parent Company acquired BARI from its merger with Asia Pilot Mining Phils. Corp. (APMPC) in 2017.

On December 5, 2002, the DENR approved BARI's application for 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 companies submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 23).

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

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

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

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

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

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

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

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

Further disclosures are included in Note 24, *Financial Risk Management Objectives and Policies and Fair Value Measurement*.

Adoption of Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant amended PFRS which the Company adopted effective for annual periods beginning January 1, 2020:

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

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

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

Amended PFRS Issued But Not Yet Effective

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

Effective for annual periods beginning on or after June 1, 2020 -

- Amendments to PFRS 16, *Leases – Covid-19-related Rent Concessions* – The changes amend PFRS 16 to (1) provide lessees with an exemption from assessing whether Covid-19-related rent concession is a lease modification; (2) require lessees that apply the exemption to account for Covid-19-related rent concessions as if they were not lease modifications; (3) require lessees that apply exemption to disclose this fact; and (4) require lessees to apply the exemption retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, but not require them to restate prior period figures.

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

- Amendments to PFRS 3, *References to the Conceptual Framework* – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the “10% test” in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
 - Amendment to PFRS 16, *Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* – The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* – The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labor and direct materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Deferred effectivity -

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

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiaries as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018.

Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company and is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date on which control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as that of the company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest in a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Company: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Company's share of components previously recognized in other comprehensive income (OCI) to profit or loss.

Financial Assets and Liabilities

a. Recognition

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

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

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

b. Classification and Subsequent Measurement Policies

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

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

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

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

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

As at December 31, 2020 and 2019, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties and rehabilitation cash fund (RCF), rental deposit and monitoring trust fund (MTF) (included under "Other noncurrent assets") accounts are classified under this category (see Notes 4, 5, 10 and 19). Cash in the consolidated statements of financial position comprise cash on hand and in banks, excluding any restricted cash. Restricted cash, which includes RCF and MTF, is not available for use by the Company and therefore is not considered highly liquid.

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

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

As at December 31, 2020 and 2019, the Company's trade and other payables (excluding advances from customers and excise tax and other statutory payables), loans payable, advances from related parties and dividends payable are classified under this category (see Notes 11, 13, 14 and 19).

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

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

g. Classification of Financial Instrument between Liability and Equity

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

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

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

Inventories

Inventories, which consist of ore stockpiles, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). Cost consists of contractual services, personnel costs, depletion, depreciation and other costs that are directly attributable in bringing the ore in its saleable conditions. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

Other Current Assets

Other current assets include prepaid income tax, advances to contractors and suppliers, mining and office supplies and prepaid expenses.

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

Prepaid Expenses. Prepaid expenses represent expenses not yet incurred but paid in advance and are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on goods or services to be purchased in connection with the mining operation. These are reclassified to proper asset account in the consolidated statements of financial position or charged to expense in profit or loss upon actual receipt of goods or services, which is normally within 12 months or within the normal operating cycle. Otherwise, these are classified as noncurrent assets.

Mining and Office Supplies. Mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method. These are charged to expense in profit or loss upon use.

Property and Equipment

Property and equipment, except for land, are initially measured at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Cost also includes any asset retirement obligation and capitalized interest on borrowed funds used in the case of a qualifying asset.

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

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

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

	Number of Years
Building and improvements	5-20
Office furniture, fixtures and equipment	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 cumulative remeasurement gain or loss on retirement benefit liability.

Revenue Recognition

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

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

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

Sale of Ore. Sale of ore is recognized at a point in time upon delivery of goods to and acceptance by the customers.

The following specific recognition criteria must also be met before other revenue items are recognized:

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

Other Income. Income from other sources is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefits related to a decrease in an asset or an increase in a liability that can be measured reliably.

Cost of Sales. Cost of sales is recognized when the related goods are sold.

Operating Expenses. Operating expenses constitute costs of administering the business and costs incurred to sell and market goods and services. These are expensed as incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customer has both of the following:

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

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

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

Company as Lessee

The Company has elected to apply the recognition exemption on its short-term lease. The Company recognized the lease payments associated with this lease as an expense on a straight-line basis over the lease term.

Foreign Currency-Denominated Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in the profit or loss in the period these arise.

Income Taxes

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

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

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

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

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

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

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

Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other noncurrent assets" in the consolidated statements of financial position.

Related Party Transactions and Related Parties

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Company; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) members of the key management personnel of the Company.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current 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 exercise judgments, make accounting estimates and use assumptions that affect the amounts reported in the consolidated financial statements. The judgments and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

Judgments

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

Assessing the Ability of the Company to Continue as a Going Concern. The Company received an order from the DENR for the cancellation of its MPSA (see Note 1). The management and its legal counsel believe that the order has no basis and the outcome of the legal actions taken will not have a material adverse effect on the Company's operations. The Company has continued its mining operations in the areas covered by the MPSA and has continuously been granted the necessary regulatory permits and licenses to operate (see Note 23). Accordingly, the management assessed that the Company will continue as a going concern.

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso, which is the currency of the primary economic environment in which the Company operates.

Determining Operating Segments. Determination of operating segments is based on the information about the components that management uses to make decisions about the operating matters of the Company. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's BOD, in order to allocate resources to the segment and assess its performance.

Management has assessed that the Company has only one operating segment which consists of mining exploration, development and production.

Defining Default and Credit-Impaired Financial Assets. Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.
- b. Qualitative Criteria - The borrower meets 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's lease agreement for its office space qualifies as a short-term lease with a lease term of less than twelve (12) months. The Company has elected to apply the recognition exemption on its short term leases.

Rental expense recognized by the Company amounted to ₱0.3 million, ₱0.6 million and ₱3.2 million in 2020, 2019 and 2018, respectively (see Note 20).

Accounting Estimates and Assumptions

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

Estimating Allowance for ECL on Trade and Other Receivables. The Company uses a provision matrix based on historical default rates for trade and other receivables (excluding advances to officers and employees). The provision matrix specifies provision rates depending on the number of days that receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

Provision for ECL amounted to P20.0 million in 2020, P20.0 million in 2019 and P25.8 million in 2018. The allowance for ECL amounted to P86.6 million and P66.6 million as at December 31, 2020 and 2019, respectively. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are P507.9 million and P175.9 million as at December 31, 2020 and 2019, respectively (see Note 5).

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

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

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

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus the ECL on these financial assets in 2020, 2019 and 2018 are not significant and not recognized.

The carrying amounts of the Company's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 24, *Financial Risk Management Objectives and Policies*.

Estimating NRV of Inventories. The Company recognizes loss on inventories whenever NRV becomes lower than costs due to damage, physical deterioration, obsolescence, changes in price levels or other causes. NRV is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

No provision for inventory obsolescence was recognized in 2020, 2019 and 2018. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to P127.2 million and P76.9 million as at December 31, 2020 and 2019, respectively (see Note 6).

Estimating the Realizability of Input VAT. The Company assesses the realizability of input VAT based on its ability to utilize the asset. The assessment is made on a continuing basis year on year.

No provision for impairment loss was recognized in 2020, 2019 and 2018. The carrying amount of noncurrent input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to P307.7 million and P304.7 million as at December 31, 2020 and 2019, respectively (see Note 10).

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

There were no changes in estimated useful lives of property and equipment in 2020, 2019, and 2018. Property and equipment, net of accumulated depreciation, amounted to ₱209.4 million and ₱275.9 million as at December 31, 2020 and 2019, respectively (see Note 8).

Estimating Depletion Rate and Recoverable Reserves. Depletion rates used to amortize mine and mining properties and mining rights under “Mining rights and other mining assets” account presented in the consolidated statements of financial position are assessed on an annual basis based on the results of latest estimate of recoverable reserves, which is subject to future revisions. Recoverable reserves and resource estimates for development project are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cost based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. The Company’s reserves are estimated based on local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a competent person.

The carrying amounts of mining rights and other mining assets are as follows:

	Note	2020	2019
Mining rights	9	₱2,527,633,755	₱2,582,800,790
Mine and mining properties	9	1,744,699,198	1,771,077,160

Estimating Provision for Mine Rehabilitation and Decommissioning. The Company recognizes provision for its obligation to decommission and rehabilitate mine sites at the end of term of its MPSA. The provision represents the best estimate of the expenditures required to settle the present obligation at the current reporting date. The amount of provision depends on the completeness of rehabilitation and decommissioning activities performed by the Company during and immediately after every mining operation. Changes in rehabilitation and decommissioning costs are recognized as additions or charges to the corresponding provision when these occur.

While the Company has made its best estimate in establishing the decommissioning and rehabilitation provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and rehabilitation activities, the ultimate provision requirements could either increase or decrease significantly from the Company’s current estimates. The obligation to rehabilitate and decommission a mine generally arises when the ground/environment is disturbed at the production location.

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of “Mining assets” in the consolidated statements of financial position, amounted to ₱34.1 million and ₱36.2 million as at December 31, 2020 and 2019, respectively (see Note 9).

Provision for mine site rehabilitation and decommissioning amounted to ₱55.7 million and ₱52.6 million as at December 31, 2020 and 2019, respectively (see Note 12).

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

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

The Company's subsidiaries, BGRC, AMPI and BARI, have not yet started commercial operations. The Company considered this as an indicator of impairment on the mining rights and deferred exploration costs attributable to these subsidiaries and, therefore, performed an impairment review.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the CGU to which the asset belongs.

Recoverable amount of an asset is higher of its fair value less costs to sell or value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the Company's expected mining operations. The estimated cash flows are discounted using pre-tax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Based on management assessment, the estimated recoverable amount of the CGU is higher than its carrying amount. Accordingly, no impairment loss was recognized in 2020, 2019 and 2018.

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

	Note	2020	2019
Mining rights and other mining assets	9	₱4,435,089,769	₱4,504,413,119
Property and equipment	8	209,369,331	275,879,333
Other current assets	7	133,615,250	132,085,257
Other noncurrent assets (excluding financial assets and input VAT)	10	85,011,606	186,580,281
Advances to officers and employees	5	34,346,965	28,579,937

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

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

Retirement benefit liability amounted to ₱33.2 million and ₱37.4 million as at December 31, 2020 and 2019, respectively (see Note 18).

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

The Company's recognized deferred tax assets amounted to ₱36.9 million and ₱33.4 million as at December 31, 2020 and 2019, respectively (see Note 21).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at December 31, 2020 and 2019 because the management assessed that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.

The Company's unrecognized deferred tax assets amounted to ₱89.7 million and ₱72.0 million as at December 31, 2020 and 2019, respectively (see Note 21).

Contingencies. The Company is currently involved in various legal proceedings which the Company believes to have no material adverse effect on its financial position. It is possible however, that changes in estimates relating to these proceedings may materially affect the results of operations of the Company (see Note 23).

4. Cash

This account consists of:

	2020	2019
Cash on hand	₱247,195	₱214,091
Cash in banks	241,703,879	314,226,705
	₱241,951,074	₱314,440,796

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

	Note	2020	2019	2018
Cash in banks		₱731,382	₱179,319	₱105,815
RCF and MTF (shown under other noncurrent assets account)	10	34,662	57,228	43,491
		₱766,044	₱236,547	₱149,306

5. Trade and Other Receivables

This account consists of:

	2020	2019
Trade receivables	P586,334,701	P232,879,542
Advances to officers and employees	34,346,965	28,579,937
Others	8,208,439	9,635,896
	628,890,105	271,095,375
Allowance for ECL	(86,631,586)	(66,631,586)
	P542,258,519	P204,463,789

Trade receivables are noninterest-bearing and usually collected within 30 days.

Advances to officers and employees are unsecured, noninterest-bearing and subject to liquidation within one (1) year.

Movements in allowance for ECL are as follows:

	Note	2020	2019
Balance at beginning of year		P66,631,586	P46,631,586
Provision	16	20,000,000	20,000,000
Balance at end of year		P86,631,586	P66,631,586

6. Inventories

This account consists of beneficiated nickel ore amounting to P127.2 million and P76.9 million as at December 31, 2020 and 2019, respectively, which is stated at cost. The cost of inventories is lower than its NRV.

Inventories charged to "Cost of sales" account in the consolidated statements of comprehensive income amounted to P1,647.8 million, P848.0 million and P921.3 million in 2020, 2019 and 2018, respectively (see Note 15).

7. Other Current Assets

This account consists of:

	2020	2019
Prepaid income tax	P49,492,733	P49,529,464
Prepaid expenses	29,285,862	32,340,725
Advances to contractors and suppliers	20,662,835	17,541,605
Mining and office supplies	17,957,398	18,201,636
Others	16,216,422	14,471,827
	P133,615,250	P132,085,257

Prepaid income tax represents creditable withholding tax and other tax credits of the Parent Company.

Prepaid expenses pertain to insurance, excise tax and rent.

Advances to contractors and suppliers include materials and fuel and oil to be supplied for the use of the heavy equipment and are deductible against contractors' future billings.

Mining and office supplies include mechanical, electrical and other materials that will be used in the Company's mining operation.

Others include advances made to National Commission of Indigenous People (NCIP).

8. Property and Equipment

The balances and movements of this account are as follows:

	2020					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction In-progress	Total
Cost						
Balances at beginning of year	P58,597,484	P169,768,530	P100,108,592	P378,846,725	P45,063,720	P752,385,051
Additions	–	502,059	11,348,689	11,167,919	–	23,018,667
Reclassification	–	3,925,051	–	476,200	(45,063,720)	(40,662,469)
Balances at end of year	58,597,484	174,195,640	111,457,281	390,490,844	–	734,741,249
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	74,293,407	89,799,986	312,412,325	–	476,505,718
Depreciation and amortization	–	9,628,449	7,276,530	31,961,221	–	48,866,200
Balances at end of year	–	83,921,856	97,076,516	344,373,546	–	525,371,918
Net Carrying Amount	P58,597,484	P90,273,784	P14,380,765	P46,117,298	P–	P209,369,331

	2019					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balances at beginning of year	P58,597,484	P169,727,730	P98,672,406	P382,296,725	P45,188,518	P754,482,863
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	P58,597,484	P95,475,123	P10,308,606	P66,434,400	P45,063,720	P275,879,333

Heavy and transportation equipment with carrying amounts of P6.8 million and P35.3 million as at December 31, 2020 and 2019, respectively, are held as collaterals for loans payable. In 2017, MMDC obtained additional long-term loans with transportation equipment held as collateral with carrying amount of nil and P0.6 million as at December 31, 2020 and 2019, respectively (see Note 13). In 2017, BGRC obtained a four-year promissory note with transportation equipment held as collateral with carrying amount of P0.3 million and P0.8 million as at December 31, 2020 and 2019, respectively (see Note 13).

In 2020, the Company completed the construction of road trails and bridges at its mine site in Surigao del Sur amounting to P40.7 million. Accordingly, the cost was transferred to mine development costs (see Note 9).

In 2019, the Company disposed a fully depreciated asset with a total cost of P3.5 million.

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

	Note	2020	2019	2018
Charged to:				
Cost of sales	15	P13,575,789	P15,920,112	P12,541,427
Operating expenses	16	35,290,411	52,218,327	55,195,555
		48,866,200	68,138,439	67,736,982
Capitalized to mine development costs	9	–	1,367,440	2,824,999
		P48,866,200	P69,505,879	P70,561,981

Fully depreciated property and equipment with cost of P191.2 million and P190.7 million as at December 31, 2020 and 2019, respectively, are still being used by the Company and retained in the accounts.

9. Mining Rights and Other Mining Assets

The balances and movements of this account are as follows:

	2020					
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total
Mine Development Costs			Mine Rehabilitation Asset	Total Mine and Mining Properties		
Cost						
Balances at beginning of year	P2,935,579,522	P150,535,169	P2,066,297,519	P44,167,841	P2,110,465,360	P5,196,580,051
Additions	–	12,221,647	51,924,697	–	51,924,697	64,146,344
Reclassification	–	–	40,662,469	–	40,662,469	40,662,469
Balances at end of year	2,935,579,522	162,756,816	2,158,884,685	44,167,841	2,203,052,526	5,301,388,864
Accumulated Depletion						
Balances at beginning of year	352,778,732	–	331,442,381	7,945,819	339,388,200	692,166,932
Depletion	55,167,035	–	116,843,786	2,121,342	118,965,128	174,132,163
Balances at end of year	407,945,767	–	448,286,167	10,067,161	458,353,328	866,299,095
Net Carrying Amount	P2,527,633,755	P162,756,816	P1,710,598,518	P34,100,680	P1,744,699,198	P4,435,089,769

	2019					
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total
Mine Development Costs			Mine Rehabilitation Asset	Total Mine and Mining Properties		
Cost						
Balances at beginning of year	P2,935,579,522	P142,224,907	P1,904,405,593	P44,167,841	P1,948,573,434	P5,026,377,863
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	P2,582,800,790	P150,535,169	P1,734,855,138	P36,222,022	P1,771,077,160	P4,504,413,119

Mining Rights

Mining rights of the Company consist of:

	2020	2019
Mining rights on explored resources of MMDC	₱886,820,390	₱941,987,425
Mining rights of BGRC, AMPI and BARI	1,640,813,365	1,640,813,365
	₱2,527,633,755	₱2,582,800,790

Mining Rights on Explored Resources of MMDC. This represent the excess of the fair value of shares issued by the Parent Company over the book value of the net assets of MMDC when the Parent Company acquired 100% ownership in MMDC.

A third party was commissioned for a fairness opinion on the fair and reasonable value of MMDC, primarily for the explored mineral resources covered by MMDC's MPSA. The assumptions used on the valuation include, among others, discount rate of 25% and a constant nickel price of US\$11,000 per metric ton over a ten-year projection period.

Mining rights of BGRC, AMPI and BARI. This represents the mining rights resulting from the merger of the Parent Company with BHI and APMPC in 2017 (see Note 1).

Deferred Exploration Costs

Deferred exploration costs pertains to the capitalized expenditures associated with finding specific mineral resources such as acquisition of rights to explore, geological and geophysical studies and exploration drilling and sampling.

Mine and Mining Properties

Mine Development Costs. Mine development costs include the costs incurred on an already operating mine area. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, road developments and developing additional mine yards.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to nil, ₱1.4 million and ₱2.8 million in 2020, 2019 and 2018, respectively (see Note 8).

In 2020, the Company reclassified the cost of completed road trails and bridges amounting to ₱40.7 million from property and equipment to mine development costs (see Note 8).

Mine Rehabilitation Asset. Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of its ore activities, as required in its MPSA (see Note 12).

Carrying value of mine and mining properties amounted to ₱1,744.7 million and ₱1,771.1 million as at December 31, 2020 and 2019, respectively.

10. Other Noncurrent Assets

This account consists of:

	Note	2020	2019
Input VAT		₱307,734,715	₱306,438,245
Rehabilitation cash fund (RCF)		5,545,217	5,511,116
Rental deposit	20	363,250	355,250
Monitoring trust fund (MTF)		166,342	165,780
Advances to a contractor		–	101,139,441
Others		85,011,606	85,440,840
		₱398,821,130	₱499,050,672

RCF is reserved as part of the Company's compliance with the approved rehabilitation activities and schedules for specific mining project phase, including research programs as defined in the Environmental Protection and Enhancement Program (see Note 20).

MTF is exclusively used in activities approved by the Mine Rehabilitation Fund Committee.

Advances to a contractor are advance payments made to the contractor in connection with the Company's plan to build and operate a nickel processing plant.

Others pertain to deposit in compliance with the requirements of regulatory agencies.

Interest income from RCF and MTF amounted to ₱34,662, ₱57,228 and ₱43,491 in 2020, 2019 and 2018, respectively (see Note 4).

11. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade payables		₱149,953,857	₱328,322,949
Advances from customers		206,249,090	343,997,812
Excise tax and other statutory payables		22,269,466	28,244,589
Accrued expenses:			
Interest	13	277,094	5,327,094
Others		24,435,258	57,186,872
Others		6,240,322	6,253,826
		₱409,425,087	₱769,333,142

Trade payables primarily consist of liabilities arising from transactions with contractors and suppliers related to the normal course of business and are generally noninterest bearing. Trade payables are generally on a 90-day credit term.

Advances from customers pertain to noninterest bearing advances and refundable deposit made by customers for future ore shipments.

Other statutory payables include other taxes payable and mandatory contributions. These are normally settled within one (1) month.

Other accrued expenses include accruals for rent and accrual of expenditures for Social Development Management Programs as required by the MGB, among others.

12. Provision for Mine Rehabilitation and Decommissioning

Movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		₱52,634,827	₱51,980,329
Accretion of interest	13	3,040,465	654,498
Balance at end of year		₱55,675,292	₱52,634,827

A provision is recognized for the estimated rehabilitation costs of the Company's mine site upon termination of the Company's ore extraction activities, which is about 13 years. The provision is calculated by the Company's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 4.53% as the effective interest rate.

13. Loans Payable

This account consists of:

	2020	2019
Short-term loans - MMDC	₱256,000,000	₱490,733,751
Long-term loans:		
AMPI	₱156,230,131	₱198,854,439
MMDC	210,275,436	29,114,165
BGRC	–	367,023
	366,505,567	228,335,627
Less current portion	79,975,945	19,335,828
	₱286,529,622	₱208,999,799

Short-term Loans

MMDC obtained short-term loans from local banks to finance working capital requirements. The short-term loans bear interest rates ranging from 6.28% to 8.75% in 2020 and 5.00% to 8.00% in 2019. Interest rates are subject to repricing normally every month.

On January 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. In 2020, part of the ₱400.0 million loan facility was restructured into a long-term loan.

The outstanding balance of the loans from these credit facilities are summarized below:

Classification	2020	2019
P200.0 million credit facility	₱60,000,000	₱75,000,000
P400.0 million credit facilities	170,000,000	390,288,125
	₱230,000,000	₱465,288,125

In 2018, MMDC obtained a short-term loan from a related party amounting to ₱26.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 19). No principal payments were made in 2020 and 2019, and the loan was renewed for another term.

Long-term Loans

AMPI

On September 21, 2018, AMPI obtained a five-year promissory note of ₱200.0 million which will be used to finance AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.5%. The principal is due on maturity. In 2019, the loan was restructured to include the Parent Company to act as a surety or guarantor to jointly and severally pay the loan.

As at December 31, 2020 and 2019, the outstanding balance of the loan is as follows:

	2020	2019
Principal amount	₱157,142,857	₱200,000,000
Unamortized debt-issue cost	(912,726)	(1,145,561)
	₱156,230,131	₱198,854,439

Movements of unamortized debt-issue costs are as follows:

	Note	2020	2019
Balance at beginning of year		₱1,145,561	₱1,361,718
Amortization	26	(232,835)	(216,157)
Balance at end of year		₱912,726	₱1,145,561

MMDC

On July 15, 2015, MMDC obtained a five-year promissory note amounting to ₱100.0 million from a local financing company, which is covered by a chattel mortgage on transportation equipment and bears an annual interest rate of 6%. The principal payments and interest are payable monthly until maturity. This was fully settled in 2020.

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱6.8 million and ₱35.3 million as at December 31, 2020 and 2019, respectively (see Note 8).

On July 11, 2017, MMDC obtained a five-year promissory note amounting to ₱1.6 million from a local bank, which is covered by a chattel mortgage on MMDC's transportation equipment and bears an annual interest rate of 10.34%. As at December 31, 2020 and 2019, the balance of the promissory note amounted to ₱0.6 million and ₱1.1 million, respectively.

The carrying amount of transportation equipment held as collateral amounted to nil and ₱0.6 million as at December 31, 2020 and 2019, respectively (see Note 8).

On February 18, 2020, MMDC's short-term loans amounting to P200.0 million was restructured into a three (3)-year term loan. The loan bears an annual interest rate of 8.97% payable quarterly and the interest rate is subject to repricing. Principal payments are payable quarterly starting May 18, 2021 until maturity.

BGRC

On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to P2.6 million, which is covered by a chattel mortgage and bears an annual interest rate of 9.02%. This was fully settled in 2020.

The carrying amount of transportation equipment held as collateral amounted to P0.3 million and P0.8 million as at December 31, 2020 and 2019, respectively (see Note 8).

Movements in the loans payable follows:

	2020	2019
Balance at beginning of year	P719,069,378	P791,408,883
Payments	(96,796,646)	(72,555,662)
Amortization of debt-issue cost	232,835	216,157
Balance at end of year	P622,505,567	P719,069,378

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

	Note	2020	2019	2018
Loans payable		P61,452,231	P60,976,149	P38,579,497
Provision for mine rehabilitation and decommissioning	12	3,040,465	654,498	2,183,519
		P64,492,696	P61,630,647	P40,763,016

Accrued interest payable amounted to P0.3 million and P5.3 million as at December 31, 2020 and 2019, respectively (see Note 11).

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

	Amounts
Not later than one (1) year	P79,975,945
Later than one year but not more than five (5) years	286,529,622
	P366,505,567

14. Equity

Movements in this account are as follows:

	2020		2019		2018	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized 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
Issued and Outstanding						
Balance at beginning 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
Issuance of shares	-	-	-	-	45,731,706	45,731,706
Balance at end of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305
Additional Paid-in Capital						
Balance at beginning of year		₱269,199,788		₱269,199,788		₱239,931,494
Proceeds in excess of par value		-		-		29,268,294
Balance at end of year		₱269,199,788		₱269,199,788		₱269,199,788

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.

Dividends payable amounted to ₱4.7 million as at December 31, 2020 and 2019.

15. Cost of Sales

This account consists of:

	Note	2020	2019	2018
Contractual services		₱1,032,007,627	₱451,977,196	₱597,181,332
Production overhead		191,272,884	87,560,434	59,304,571
Depletion	9	174,132,163	61,542,082	57,456,596
Personnel costs		156,709,857	100,638,603	48,757,667
Excise tax		115,067,052	57,301,364	44,442,402
Demurrage costs		15,345,621	4,113,200	17,994,910
Depreciation	8	13,575,789	15,920,112	12,541,427
		1,698,110,993	779,052,991	837,678,905
Net movement in inventories		(50,283,424)	68,922,379	83,590,881
		₱1,647,827,569	₱847,975,370	₱921,269,786

Contractual services pertain to activities directly related to mining. The services include, among others, mine extraction, loading, hauling, barging and stevedoring.

Production overhead consists of repairs and maintenance of heavy equipment, utilities, mining supplies used, among others.

Demurrage costs are fees charged by the chartered ship for failure to load the mineral ores to ship within the agreed period.

Under Section 80 of the Republic Act No. 7942, *The Mining Act of 1995*, Government share in an 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 Acceleration and Inclusion Act.

16. Operating Expenses

This account consists of:

	Note	2020	2019	2018
Environmental expenses	20	₱146,929,598	₱56,042,520	₱54,367,101
Salaries and allowances		80,197,516	102,984,634	116,433,559
Taxes and licenses		73,958,234	37,415,478	54,512,018
Social development programs	20	39,688,936	16,279,884	44,011,111
Professional fees		39,554,245	33,315,431	43,593,614
Depreciation and amortization	8	35,290,411	52,218,327	55,195,555
Royalties	20	30,205,101	14,857,247	10,366,178
Provision for ECL	5	20,000,000	20,000,000	25,808,706
Representation		12,367,183	4,120,691	9,508,685
Community relations		11,529,160	11,034,181	9,891,815
Outside services		11,451,722	10,786,391	20,662,398
Retirement benefit expense	19	8,592,588	8,702,664	4,872,143
Communication, light and water		6,029,291	5,889,692	5,581,826
Dues and subscriptions		3,217,161	3,153,260	3,680,369
Transportation and travel		2,129,059	5,709,344	7,591,282
Office supplies		1,220,601	933,282	7,788,915
Rent expense	20	323,302	645,034	3,164,289
Advertisement		29,157	314,046	1,707,802
Others		49,333,607	23,581,290	29,222,575
		₱572,046,872	₱407,983,396	₱507,959,941

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

17. Other Income

This account consists of:

	2020	2019	2018
Foreign exchange gain	₱1,371,735	₱1,261,403	₱1,405,162
Others	35,034,571	9,516,320	521,080
	₱36,406,306	₱10,777,723	₱1,926,242

Others include charges to contractor and supplier discount, among others.

18. Retirement Benefit Liability

The Company has an unfunded, noncontributory defined benefit plan covering all its permanent employees. Under this plan, the employees are entitled to retirement benefits ranging from 50% to 200% of the final monthly salary for each year of credited service. This plan is in accordance with Republic Act No. 7641, which mandates a minimum retirement benefit equivalent to one-half month salary per year of service.

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2020.

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

	2020	2019	2018
Current service cost	P5,416,152	P4,735,379	P5,354,636
Net interest cost	1,820,256	1,660,320	2,064,314
Past service cost	1,356,180	2,306,965	-
Settlement loss	-	-	(2,546,807)
	P8,592,588	P8,702,664	P4,872,143

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2020 and 2019 and changes in the present value of defined benefit obligation are as follows:

	2020	2019
Balance at beginning of year	P37,395,071	P22,552,229
Retirement benefits expense recognized in profit or loss:		
Current service cost	5,416,152	4,735,379
Net interest cost	1,820,256	1,660,320
Past service cost	1,356,180	2,306,965
Remeasurement losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	4,115,333	634,254
Deviations of experience from assumptions	(1,031,037)	5,505,924
Benefits paid	(15,911,695)	-
Balance at end of year	P33,160,260	P37,395,071

The principal actuarial assumptions used to determine retirement benefit liability for 2020 and 2019 are as follows:

	2020	2019
Discount rates	3.53% - 3.64%	4.64% - 4.92%
Salary increase rates	3.00%	3.00%

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

Sensitivity analysis on defined benefit obligation as at December 31, 2020 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(P3,302,601)
	-1%	3,982,497
Salary increase rate	+1%	3,960,989
	-1%	(3,380,066)

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

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

The cumulative remeasurement gain recognized in OCI as at December 31, 2020 and 2019 follows:

	2020		
	Cumulative Remeasurement Gain	Deferred Tax Liability (see Note 21)	Net Remeasurement Gain
Balance at beginning of year	P48,634,065	(P14,590,220)	P34,043,845
Actuarial loss	(3,084,296)	925,289	(2,159,007)
Balance at end of year	P45,549,769	(P13,664,931)	P31,884,838

	2019		
	Cumulative Remeasurement Gain	Deferred Tax Liability (see Note 21)	Net Remeasurement Gain
Balance at beginning of year	P54,774,243	(P16,432,273)	P38,341,970
Actuarial gain	(6,140,178)	1,842,053	(4,298,125)
Balance at end of year	P48,634,065	(P14,590,220)	P34,043,845

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

19. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

	Note	Transaction Amounts		Outstanding Balances		Nature and Terms
		2020	2019	2020	2019	
Advances to related parties		₱12,187,198	₱2,627,325	₱39,179,557	₱51,366,755	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		₱29,423,853	₱8,818,974	₱140,272,674	₱110,846,820	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	13	₱-	₱-	₱26,000,000	₱26,000,000	Short-term loan; unsecured; interest-bearing; payable on demand

As at December 31, 2020 and 2019, the Company has not provided any allowance for ECL for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to ₱84.3 million, ₱80.0 million and ₱127.3 million in 2020, 2019 and 2018, respectively. Retirement benefit expense of key management personnel amounted to ₱2.8 million, ₱2.4 million and ₱3.2 million in 2020, 2019 and 2018, respectively.

20. Commitments

Social and Environmental Responsibilities

Social Development and Management Programs (SDMP)

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

The Company's implemented social development programs to host communities amounted to ₱39.7 million, ₱16.3 million and ₱44.0 million in 2020, 2019 and 2018, respectively (see Note 16).

Environmental Protection and Enhancement Program (EPEP)

EPEP refers to comprehensive and strategic environmental management plan to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment. This program is monitored by the 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 is required to set up a fund to ensure compliance with the program. The balance of the fund, presented as RCF under "Other noncurrent assets" account, amounted to ₱5.5 million as at December 31, 2020 and 2019.

The Company implemented projects amounting to ₱146.9 million, ₱56.0 million and ₱54.4 million in 2020, 2019 and 2018, respectively (see Note 16).

Royalty Agreement

In July 2008, the Company entered into a memorandum of agreement with the Indigenous Cultural Communities/Indigenous People (ICC/IP) and NCIP pursuant to the requirements, the Company pays royalties equivalent to a certain percentage of gross revenue to the ICC/IP.

Royalty expense amounted to ₱30.2 million, ₱14.9 million and ₱10.4 million in 2020, 2019 and 2018, respectively (see Note 16).

Lease Commitment

The Company leases an office space for its operations. Rental deposit amounted to ₱0.4 million as at December 31, 2020 and 2019 (see Note 10).

Rental expense arising from short-term leases amounted to ₱0.3 million, ₱0.6 million and ₱3.2 million in 2020, 2019 and 2018, respectively (see Note 16).

21. Income Taxes

Components of income tax expense (benefit) are shown below:

	2020	2019	2018
Current	₱261,173,036	₱12,337,430	₱1,787,769
Deferred	(6,738,992)	75,779,116	(93,642,781)
	₱254,434,044	₱88,116,546	(₱91,855,012)

The reconciliation of income (loss) before tax computed at the statutory income tax rate to the provision for (benefit from) income tax are as follows:

	2020	2019	2018
Income tax at statutory rate	₱188,844,453	₱37,787,686	(₱144,198,639)
Changes in unrecognized deferred tax assets	17,208,380	23,990,659	18,977,388
Add (deduct) income tax effects of:			
Nondeductible expenses	38,851,805	20,477,569	22,620,740
Expired NOLCO	8,041,460	4,122,716	9,089,291
Expired MCIT	1,717,760	1,808,880	1,701,000
Interest income subjected to final tax	(229,814)	(70,964)	(44,792)
	₱254,434,044	₱88,116,546	(₱91,855,012)

The Company's net deferred tax assets arising from temporary differences as at December 31, 2020 and 2019 are summarized as follows:

	2020	2019
Deferred tax assets:		
Allowance for ECL on receivables	P24,020,408	P18,020,408
Retirement benefit liability	9,294,996	8,579,606
Provision for mine rehabilitation	3,563,148	2,651,008
Excess MCIT over RCIT	-	4,187,441
	36,878,552	33,438,463
Deferred tax liabilities:		
Unrealized foreign exchange gain	(411,521)	(378,421)
Debt issue cost	(273,817)	(343,668)
	(685,338)	(722,089)
	P36,193,214	P32,716,374

The presentation of net deferred tax assets are as follows:

	Note	2020	2019
Through profit or loss		P49,858,145	P47,306,594
Through other comprehensive income	18	(13,664,931)	(14,590,220)
		P36,193,214	P32,716,374

The Company's deferred tax liability amounting to P465.3 million as at December 31, 2020 and 2019 is attributable to the mining rights of BGRC, AMPI and BARI, as a result of business combination.

Management believes that it may not be probable for future taxable profit to be available in the future against which the benefits of the following deferred tax assets can be utilized.

	2020	2019
NOLCO	P86,306,189	P67,570,654
Retirement benefit liability	2,829,520	2,638,915
Excess MCIT over RCIT	32,560	1,750,320
	P89,168,269	P71,959,889

Details of NOLCO of the Company are as follows:

Year incurred	Expiry date	Amount	Expired/ Application	Balance
2020	2025	P89,256,645	P-	P89,256,645
2019	2022	98,920,446	-	98,920,446
2018	2021	99,510,205	-	99,510,205
2017	2020	26,804,863	(26,804,863)	-
		P314,492,159	(P26,804,863)	P287,687,296

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 to implement Section 4 (bbbb) of the Republic Act No. 11494, otherwise known as “Bayanihan to Recover as One Act”. This RR provides that net operating loss of a business or enterprise for taxable years 2020 and 2021 are to be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

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

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2019	2022	₱2,432,232	(₱2,417,432)	₱-	₱14,800
2018	2021	1,787,769	(1,770,009)	-	17,760
2017	2020	1,717,760	-	(1,717,760)	-
		₱5,937,761	(₱4,187,441)	(₱1,717,760)	₱32,560

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On March 26, 2021, Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises” or “CREATE” was approved and signed into law by the Philippine President. Under the CREATE, the RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

The enactment of the CREATE Act is considered a non-adjusting subsequent event. Accordingly, the income tax rate used in preparing the financial statements as at and for the year ended December 31, 2020 is 30% for RCIT.

The table below summarizes the financial impact of the change in income tax rate to the Company’s financial statements had the CREATE been substantively enacted as at December 31, 2020:

	Audited Balances (Based on Old Income Tax Rate)	Balances Using Revised Income Tax Rate	Differences
Net deferred tax assets	₱36,193,214	₱30,161,012	₱6,032,202
Income tax payable	136,107,191	114,325,713	21,781,478
Deferred tax liability	465,262,759	387,718,966	77,543,793
Retained earnings	980,673,981	1,071,689,561	(91,015,580)
Cumulative remeasurement gain on retirement benefit liability - net of deferred tax	31,884,838	34,162,327	(2,277,489)
Income tax expense - current	261,173,036	239,391,558	21,781,478
Income tax expense (benefit) - deferred	(6,738,992)	1,570,699	(8,309,691)
Net income	375,047,465	388,519,252	(13,471,787)
Other comprehensive income (loss) - net of deferred tax	(2,159,007)	118,482	(2,277,489)

22. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows:

	2020	2019	2018
Net income (loss) shown in the consolidated statements of comprehensive income (a)	₱375,047,465	₱37,842,406	(₱388,807,119)
Weighted average number of common shares (b)	3,014,820,305	3,014,820,305	3,007,198,354
Basic earnings (loss) per share (a/b)	₱0.124	₱0.013	(₱0.129)

The Company does not have potentially dilutive common shares.

23. Contingencies

Cancellation of MMDC's MPSA

On February 13, 2017, MMDC received an order from the DENR cancelling its MPSA due to alleged violations of environment-related laws and regulations. The Technical Committee Report on MMDC however only shows a recommendation for fine and suspension.

The Management and its legal counsel have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining. On February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum. MMDC asserted that the grounds for cancellation cited by the DENR: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President Gloria Macapagal Arroyo; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area. As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to circumstances beyond its control.

As at December 31, 2020, MMDC has not received any decision nor any notice from the Office of the President. MMDC's Legal Counsel is of a good faith position that the it may continue its operations because the execution of the Order of the DENR Secretary is deemed automatically stayed as a matter of law on account of the pendency of MMDC's appeal, as likewise confirmed by the Office of the President.

MMDC has continuously been granted the necessary regulatory permits and licenses to operate, including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits. As proof its compliance, MMDC has also secured a certification from the MGB as of February 16, 2021, attesting to the validity and existence of its MPSA and that MMDC has an approved Declaration of Mining Project Feasibility covering its entire contract mining area as of October 15, 2014.

MMDC has continued mining operations in areas covered by the MPSA (see Note 1).

Show-Cause Orders of BGRC, AMPI and BARI

On 27 February 2017, BGRC, AMPI and BARI received Show-Cause Orders dated 13 February 2017. The said Show Cause Orders indicated that the covered areas of their respective MPSAs (MPSA No. 015-93-X-SMR for BRC, 179-2002-VIII- SBMR for AMPI and 180-2002-VIII- SBMR for BARI) are within a watershed and they are directed to show cause why their respective MPSAs should not be cancelled.

BGRC

The Management and the Legal Counsel of BGRC take the good faith position that the operations of BGRC under said MPSA is granted with prior rights as duly recognized by law. The alleged impairment and damage in the BGRC MPSA area is not supported by any specific acts of impairment because BGRC is not yet operating in the area but has only completed exploration and drilling.

AMPI and BARI

The Management and the Legal Counsel of AMPI and BARI take the good faith position that there is no legal basis for the cancellation.

The Forest Management Bureau (FMB) issued a letter dated 27 July 2017 indicating that the MPSAs of AMPI and BARI fall outside any proclaimed watersheds.

Subsequently, the DENR issued a letter dated 10 August 2017 stating that the MPSA Nos. 179-2002-VIII- SBMR (for AMPI) and 180-2002-VIII- SBMR (for BARI) are not located within any proclaimed watershed.

As at December 31, 2020, the DENR has not issued any other Show Cause Orders for BGRC, AMPI and BARI. Basing on the above letters from FMB and DENR, the Management and Legal Counsel of BGRC, AMPI and BARI take a good faith position that these have rendered that Show-Cause Orders moot and academic. Of note is the recent letter-approval of the DENR, through the MGB, dated 18 May 2020, granting the requested extension of the Exploration Period of AMPI and BARI's respective MPSAs from 18 June 2020 to 18 June 2022.

Legal Proceedings

The Company is a party of certain legal proceedings and the Management, after consultation with its legal counsel, believes that none of these contingencies will materially affect the Company's financial position and results of operations.

24. Financial Risk Management Objectives and Policies and Fair Value Measurement

General

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

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as trade and other receivables (excluding advances to officers and employees), RCF, MTF, rental deposit, trade and other payables (excluding excise tax and other statutory payables and advances from customers), dividends payable and advances to and from related parties, which arise directly from operations. The main risks arising from the use of these financial instruments are foreign currency risk, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

Foreign Currency Risk. The Company's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar with respect to US dollar-denominated financial assets.

The Company's transactional currency exposures arise from its cash in banks and trade receivables which are denominated in US dollar. The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk.

The following table shows the Company's US dollar-denominated financial assets and their Philippine Peso equivalent as at December 31, 2020 and 2019:

	2020		2019	
	Philippine Peso	US Dollar	Philippine Peso	US Dollar
Cash in banks	₱142,812,658	\$2,974,025	₱239,250,801	\$4,714,859
Trade receivables	586,334,701	12,210,219	232,349,372	4,588,711
	₱729,147,359	\$15,184,244	₱471,600,173	\$9,303,570

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at December 31, 2020 and 2019, the exchange rates applied were ₱48.02 and ₱50.74 per US\$1, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2020 and 2019 (due to changes in the fair value of financial assets). There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2020	+2.28	₱16,624,560
	-2.28	(16,624,560)
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 loans payable are exposed to changes in market interest rates since the loans are subject to variable interest rates.

The table below set forth the estimated change in the Company's income before tax to a reasonably possible change in the market prices of loans payable brought about by reasonably possible change in interest rates as at December 31, 2020 and 2019.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2020	+2.70%	(P1,741,303)
	-2.70%	1,741,303
December 31, 2019	+3.42%	(2,107,768)
	-3.42%	2,107,768

Credit Risk. Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, trade and other receivables (excluding advances to officers and employees) and advances to related parties, RCF, MTF and rental deposit, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The tables below show the credit quality per class of financial assets as at December 31, 2020 and 2019.

	2020						
	High Grade	Standard Grade	Past Due but not Impaired			Impaired	Total
			1 - 30 Days	31 - 90 Days	More than 90 Days		
Lifetime ECL (not credit impaired): Trade and other receivables*	P-	P8,208,439	P77,580,211	P84,203,374	P337,919,530	P86,631,586	P594,543,140
12 - month ECL:							
Cash in banks	241,703,879	-	-	-	-	-	241,703,879
Advances to related parties	-	39,179,557	-	-	-	-	39,179,557
RCF and MTF	5,711,559	-	-	-	-	-	5,711,559
Rental deposit	-	363,250	-	-	-	-	363,250
	247,415,438	39,542,807	-	-	-	-	286,958,245
	P247,415,438	P47,751,246	P77,580,211	P84,203,374	P337,919,530	P86,631,586	P881,501,385

*Excluding advances to officers and employees amounting to P34.3 million as at December 31, 2020.

	2019						
	High Grade	Standard Grade	Past Due but not Impaired			Impaired	Total
			1 - 30 Days	31 - 90 Days	More than 90 Days		
Lifetime ECL (not credit impaired): Trade and other receivables*	P-	P9,635,896	P10,898,025	P12,762,354	P142,587,577	P66,631,586	P242,515,438
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
	P319,903,601	P61,357,901	P10,898,025	P12,762,354	P142,587,577	P66,631,586	P614,141,044

*Excluding advances to officers and employees amounting to P28.6 million as at December 31, 2019.

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

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For other financial assets consisting of cash in banks, advances to related parties, RCF and MTF and rental deposit, the Company manages credit risk based on the Company's policy and uses judgment in making assumptions for estimating the risk of default and expected loss rates. This is based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

Cash in banks, RCF and MTF are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under standard grade since the counterparties are reputable related parties with low credit risk.

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2020 and 2019, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

	2020					Total
	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	
Trade and other payables*	P6,517,416	P24,435,258	P149,953,857	P-	P-	P180,906,531
Dividends payable	4,707,886	-	-	-	-	4,707,886
Loans payable**	258,429,963	23,449,904	48,000,621	94,548,567	247,977,330	672,406,385
Advances from a related party	140,272,674	-	-	-	-	140,272,674
	P409,927,939	P47,885,162	P197,954,478	P94,548,567	P247,977,330	P998,293,476

*Excluding excise tax and other statutory payables and advances from customers amounting to P228.5 million as at December 31, 2020.

**Including interest payable up to maturity amounting to P24.7 million as at December 31, 2020.

	2019					Total
	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	
Trade and other payables*	₱11,580,920	₱57,186,872	₱328,322,949	₱-	₱-	₱397,090,741
Dividends payable	4,707,886	-	-	-	-	4,707,886
Loans payable**	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

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

**Including interest payable up to maturity amounting to ₱86.4 million as at December 31, 2019.

Fair Value of Financial Assets and Financial Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the consolidated financial statements:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	₱241,951,074	₱241,951,074	₱314,440,796	₱314,440,796
Trade and other receivables*	507,911,554	507,911,554	175,883,852	175,883,852
Advances to related parties	39,179,557	39,179,557	51,366,755	51,366,755
RCF and MTF	5,711,559	5,711,559	5,676,896	5,676,896
Rental deposit	363,250	363,250	355,250	355,250
	₱795,116,994	₱795,116,994	₱547,723,549	₱547,723,549
Financial Liabilities				
Trade and other payables**	₱180,906,531	₱180,906,531	₱397,090,741	₱397,090,741
Dividends payable	4,707,886	4,707,886	4,707,886	4,707,886
Loans payable	622,505,567	649,932,918	719,069,378	805,470,588
Advances from related parties	140,272,674	140,272,674	110,846,820	110,846,820
	₱948,392,658	₱975,820,009	₱1,231,714,825	₱1,318,116,035

*Excluding advances to officers and employees amounting to ₱34.3 million and ₱28.6 million as at December 31, 2020 and 2019, respectively.

**Excluding excise tax and other statutory payables and advances from customers amounting to ₱228.5 million and ₱372.2 million as at December 31, 2020 and 2019, respectively.

Cash, Trade and Other Receivables (excluding advances to officers and employees), Advances to Related Parties, RCF and MTF, Trade and Other Payables (excluding excise tax and other statutory payables and advances from customers), Dividends Payable and Advances from Related Parties. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

Rental Deposit. The fair value of rental deposit has not been determined using observable market data because management believes that the difference between fair value and carrying amount is not significant.

Loans Payable. Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDST-R2 rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

25. Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Company manages its capital structure and makes adjustments to it, whenever there are changes in economic conditions. The Company monitors its capital using debt to equity ratio. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or by conversion of related party advances to an equity component item.

The Company's debt-to-equity ratio is shown below.

	2020	2019
Total debt	₱1,867,116,716	₱2,167,660,001
Total equity (excluding remeasurement gain on retirement benefit liability)	4,264,696,074	3,889,646,609
Debt-to-equity ratio	0.44:1.00	0.56:1.00

There were no changes in the Company's objectives, policies or processes in 2020, 2019 and 2018.

26. Notes to Consolidated Statements of Cash Flows

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

	2020		
	Loans Payable (see Note 13)	Accrued Interest (see Note 11)	Total
Balance at beginning of year	₱719,069,378	₱5,327,094	₱724,396,472
Cash flows from financing activities:			
Payments of:			
Loans payable	(96,796,646)	-	(96,796,646)
Interest	-	(67,072,571)	(67,072,571)
Noncash changes:			
Amortization of debt issue costs	232,835	-	232,835
Interest expense	-	62,022,571	62,022,571
Balance at end of year	₱622,505,567	₱277,094	₱622,782,661
	2019		
	Loans Payable (see Note 13)	Accrued Interest (see Note 11)	Total
Balance at beginning of year	₱791,408,883	₱277,094	₱791,685,977
Cash flows from financing activities:			
Payments of:			
Loans payable	(72,555,662)	-	(72,555,662)
Interest	-	(54,548,881)	(54,548,881)
Noncash changes:			
Amortization of debt issue costs	216,157	-	216,157
Interest expense	-	59,598,881	59,598,881
Balance at end of year	₱719,069,378	₱5,327,094	₱724,396,472



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

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

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, 2020 and 2019, and for the years ended December 31, 2020, 2019, and 2018, and have issued our report thereon dated May 10, 2021. 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, 2020 and 2019, and for the years ended December 31, 2020, 2019, and 2018 and no material exceptions were noted.

REYES TACANDONG & Co.

Carolina A. Angeles
CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

SEC Accreditation No. 86981-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2019

Valid until October 16, 2022

PTR No. 8534277

Issued January 5, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2020

Ratio	Formula	2020	2019
Current ratio	Total Current Assets	₱1,084,222,184	₱779,290,957
	Divided by: Total Current Liabilities	1,026,488,783	1,403,367,545
	Current ratio	1.06:1	0.56:1
Solvency ratio	Net Income Before Depreciation and Amortization, and Depletion	₱598,045,828	₱167,522,927
	Divide by: Total liabilities	1,867,116,716	2,167,660,001
	Solvency ratio	0.32:1	0.08:1
Debt-to-equity ratio	Total Liabilities	₱1,867,116,716	₱2,167,660,001
	Divide by: Total equity	4,296,578,912	3,923,690,454
	Debt-to-equity ratio	0.43:1	0.55:1
Asset-to-equity ratio	Total Assets	₱6,163,695,628	₱6,091,350,455
	Divide by: Total equity	4,296,578,912	3,923,690,454
	Asset-to-equity ratio	1.43:1	1.55:1
Interest rate coverage Ratio	Pretax income before interest	₱693,974,205	₱187,589,599
	Divided by: Interest expense	64,492,696	61,630,647
	Interest rate coverage ratio	10.76:1	3.04:1
Profitability Ratio	Net income	₱375,047,465	₱37,842,406
	Divide by: Total equity	4,296,578,912	3,923,690,454
	Profitability ratio	0.09:1	0.01:1

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF PARENT COMPANY'S
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2020

	Amount
Unappropriated retained earnings available for dividend declaration at the beginning of year	P661,445,613 -
Net loss during the year closed to retained earnings	(73,237,026)
Unappropriated retained earnings available for dividend declaration at end of year	P588,208,587

**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES**

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

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, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018 included in this Form 17-A and have issued our report thereon dated May 10, 2021. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules 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 for the year ended December 31, 2020
- Schedules Required by Annex 68-J of the Revised Securities Regulation Code (SRC) Rule 68 as at December 31, 2020
- Conglomerate Map as at December 31, 2020

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

REYES TACANDONG & 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

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2019

Valid until October 16, 2022

PTR No. 8534277

Issued January 5, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULES REQUIRED UNDER ANNEX 68-J OF THE REVISED
SECURITIES REGULATION CODE RULE 68
DECEMBER 31, 2020

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C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	<u>2</u>
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E	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	<u>4</u>
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G	Capital Stock	<u>6</u>

Schedule A. Financial Assets
December 31, 2020

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

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2020

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

Schedule C. Amounts Receivable from Related Parties Eliminated during the Consolidation of Financial Statements
December 31, 2020

Name of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
Marventures Mining and Development Corporation	P141,152,007	P-	P-	P-	P141,152,007	P-	P141,152,007
BrightGreen Resources Corporation	5,628,288	-	-	-	5,628,288	-	5,628,288
Alumina Mining Philippines, Inc.	-	30,067,422	-	-	30,067,422	-	30,067,422
Bauxite Resources Inc.	50,944,812	5,474,623	-	-	56,419,435	-	56,419,435
	P197,725,107	P35,542,045	P-	P-	P233,267,152	P-	P233,267,152

Schedule D. Long - term Debt
December 31, 2020

Title of issue and type of obligation	Amount shown under caption "Current portion of Loans payable"	Amount shown under caption "Loans payable - net of current"
<i>Notes Payable</i>		
United Coconut Planters Bank	₱170,411,984	₱195,775
Philippine Veterans Bank	75,000,000	125,000,000
Philippine Business Bank	60,000,000	156,230,131
Prime Media Holdings, Inc.	26,000,000	-
Orix Metro Leasing and Finance Corp.	4,563,961	5,103,716
	₱335,975,945	₱286,529,622

Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2020

Name of Related Party	Beginning Balance	Ending Balance
Bright Kindle Resources & Investments, Inc.	₱6,800,000	₱808,398
Prime Media Holdings, Inc.	33,011,281	32,843,689
Strong Mighty Steel, Inc.	15,000,000	15,000,000
Trans Middle East Phils Equities, Inc.	38,514,716	74,099,764
RYM Business Management Corp.	43,520,823	43,520,823
	₱136,846,820	₱166,272,674

Schedule F. Guarantees of Securities of Other Issuers
December 31, 2020

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
-Not Applicable -				

Schedule G. Capital Stock

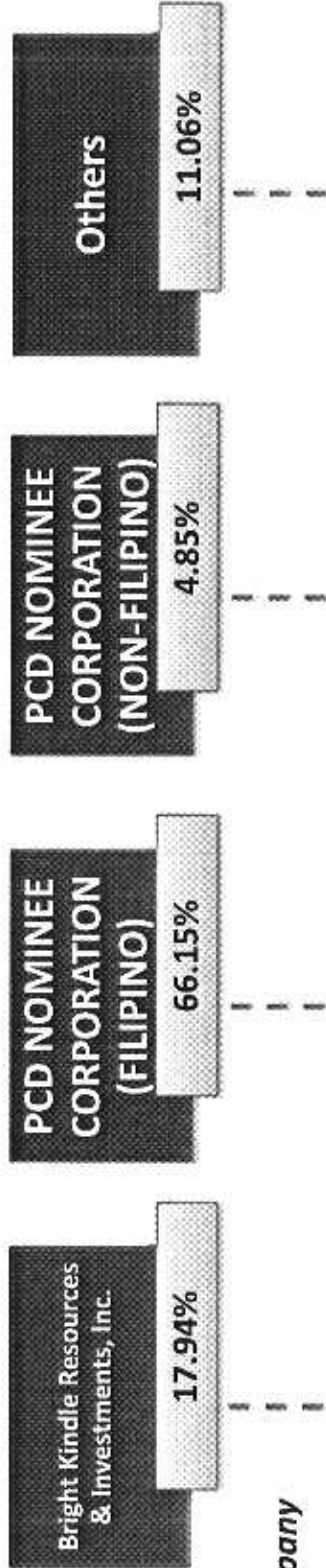
Title of issue	Number of shares authorized	Number of shares issued and outstanding shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by related parties	Directors officers and employees	Others
Common Stock	4,000,000,000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

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONGLOMERATE MAP

DECEMBER 31, 2020

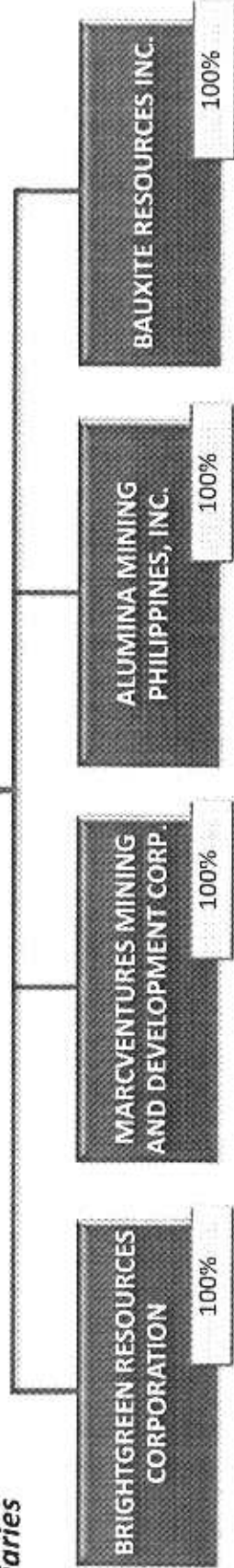
Stockholders



Parent Company



Subsidiaries





Sustaining Our Ecosystem

2020 Sustainability Report

Board Statement

The Company's Sustainability Report for 2020 sets out our sustainability measures in the face of the global impact of the Corona Virus Disease (Covid-19) pandemic. Our focus on the health and safety of our people and the continued livelihood of our host communities despite the hardships brought about by Covid-19 speaks of our commitment to sustainable mining practices.

Through the collective efforts of our employees, in cooperation and through extensive coordination with various external stakeholders, contractors, suppliers, host communities, and local government agencies, we weathered the impact of Covid-19 with minimal business disruption and equally as important, while safeguarding the welfare of the local communities where we operate in. MHI actively took part in relief operations throughout the communities in Cantillan, Carrascal, and Madrid in Surigao del Sur, reaching at least 1,040 families and 175 Senior Citizens needing immediate aid, and in the communities in Paranas, Catbalogan, San Jorge, and Matuguinao in Samar, where public scoping activities were conducted.

Our financial performance of Php332.78 Million in 2020 signified a steady return to a position of strength. MMDC's operating profits is 105.4% higher than its 2019 performance, we were better able to perform and meet our sustainable goals. We aim to continuously focus on mitigating and reducing our operations' environmental impact.

As we ease back into a new normal, we are optimistic that the Company's operations will continue to bring about positive changes to the communities we serve and in turn, translate better stakeholder value. Metal and mining remain integral to social and economic development. For 2020, the country's nickel industry projected a strong year with the rise in demand in the foreign market. While we saw a 14% drop in the country's output from 21.6 Million Dry Metric Tons (DMT) in 2019 to 18.5 Million DMT in 2020, especially between the months of March and May due to the strict quarantine measures that limited logistics across the country, the nickel industry's export value improved to almost Php 25 Billion during the January-September period, from Php 24 Billion in the same period in 2019¹. The Company is proud to contribute to this collective economic value which has proven invaluable especially amidst the business closures and economic slowdown our country has experienced.

On April 14, President Duterte signed Executive Order No. 130, lifting the moratorium on new mining agreements. This was imposed in 2012 by former President Benigno Aquino III. The Executive Order will reopen doors to investments, allow new mining deals, and possible renegotiation of existing contracts.

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

- We take our stewardship of the environment seriously as we continue to work on implementing responsible mining methods while providing a sustainable solution to mine rehabilitation and instituting long-term livelihood opportunities for future generations - our Bamboo initiatives is a testament to this stewardship mindset.
- We also put utmost emphasis on the health, security, and safety of our employees as well as partnering with our host communities to facilitate their economic and social growth and development we demonstrated this through our prompt and active response to the threat of Covid-19 in light of relief efforts and livelihood programs for local communities.
- Lastly, but equally as important, MHI remains committed to complying with national and local government laws and regulations bearing in mind that good governance is at the heart of our future as an organization and as an on-going business concern, we immediately reallocated Php 7.59 Million pursuant to the directive of the Mines and Geosciences Bureau (MGB) in its Memorandum dated March 27, 2020, directing mining companies to realign its unutilized Social Development and Management Program (SDMP) funds to support communities needing aid and support.

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

Our overall approach to sustainability is guided by our Sustainability Framework, and the conduct of our business, based on our Code of Conduct and Corporate Governance policies. This approach establishes our sustainability vision, topics deemed material to the Company, and our future commitments which we strive to align with the United Nations Sustainable Development Goals. Mindful that there is a need to increase focus on non-financial and sustainability reporting, this Report was prepared in accordance with Principle 10 of the Code of Corporate Governance for Publicly-Listed Companies (PLCs) stating that companies should ensure that material and reportable non-financial and sustainability issues are disclosed.

With the foregoing considerations in mind, the Board of MARCVENTURES HOLDINGS, INC. ("MHI" or the "Group" or the "Company") proudly presents its second Sustainability Report pursuant to Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 4, Series of 2019² for the period 1 January to 31 December 2020. This Report is prepared for all stakeholders with an interest in the mining industry and/or sustainability performance of the Company and is recommended to be read in conjunction with its Annual Report.

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

¹ <https://www.bworldonline.com/foreign-demand-seen-to-boost-nickel-industry/>
² Sustainability Reporting Guidelines for Publicly-Listed Companies, 15 February 2019

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To Our Stakeholders

Sustainability is at the center of Marcventures. The strength of our mining business lies in good governance and economic contribution. But underneath our adherence to regulations and business efficiency is our commitment to our host communities. Our mining operation covers 42 communities throughout the municipalities of Carrascal, Cantillan and Madrid in Surigao del Sur. Our initiatives go beyond basic needs. We work closely with communities to optimize empowerment by providing opportunities like educational assistance, sustainable livelihood and protecting socio-cultural values.

We recognize the value of education in uplifting lives. Marcventures has the most number of college-level scholars among all mining companies in the Caraga region. The scholars are from low-income families and members of indigenous communities. We support local economy by helping organizations start their own business. We give farmers rice seeds, we provide rotavators, utility vehicles and even carabaos to support their agricultural business.

We consider our communities our trusted partners in sustainability. We take part in their traditional celebrations like fiestas, foundation days and other church-related activities. In planning our operations, we always take into account what lies ahead for the communities when mining stops? For now, we can provide jobs, health care, livelihood and education. But what will happen if mining stops? It is important that they have a reliable source of livelihood.

Marcventures is the acknowledged pioneer in bamboo and has been cited by the Department of Environment and Natural Resources (DENR). The planting of Bamboo for mine rehabilitation is now mandated by the DENR for all mining companies.

Bamboo is a US\$60.0 Billion Global Industry and produces numerous products like chopsticks, toys, construction materials to textiles. It has a 100-year genetic life and requires very low maintenance. The bamboo plantation in our mining rehabilitation areas can pave the way for processing companies and factories for continued income for the communities.

We began our journey to sustainability in 2019, armed with our passion for environmental enhancement and community livelihood. But all these were put to a test, as the global pandemic challenged all industries. Despite the difficulties, we at Marcventures worked doubly hard and was even cited for our efficient response. Our efforts were recognized by the Employers Confederation of the Philippines.

In Surigao, we were the first mining company to release an operations manual on Safety Protocols. As an export-oriented company, we were allowed to operate during the quarantine under strict protocols. We aimed for minimal business interruption so we can work efficiently, contribute to the economy and continue to support the livelihood of our communities.

We will continue to be inspired by our stakeholders as we continue our journey to sustainability. Along with our initiatives we likewise pay close attention to the health and wellness of our employees and members of our communities. We will continue to enrich our programs and follow protocols for everyone's safety.

We thank God Almighty for guiding us through our journey to sustainability and for consistently blessing us with a good and productive year.



Rolando Santos
Senior Vice President - OIC



Our Group Structure & Business Context

Marcventures Holdings, Inc. ("MHI"), formerly AJO.net Holdings, Inc., was incorporated on August 7, 1957 and became a publicly-listed company in 1958.

On March 30, 2010, the Securities and Exchange Commission (SEC) approved the change in name to the present one, and further approved the change in its primary purpose to include land ownership.

On December 29, 2017, the Securities and Exchange Commission approved MHI's merger with Asia Pilot Mining Philippines Corp. (APMPC) and BrightGreen Resources Holdings Inc. (BRC) with MHI as the surviving entity. The merger resulted in MHI's acquisition of APMPC's subsidiaries, namely, Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI), the only two (2) bauxite mines in the Philippines, as well as MHI's subsidiary, BrightGreen Resources Corporation (BRC).

Through its subsidiaries, MHI conducts business by investing in mining and associated activities. Currently, it has investments in four (4) wholly-owned subsidiaries: a) Marcventures Mining and Development Corporation (MMDC), b) BrightGreen Resources Corporation (BRC); c) Alumina Mining Philippines Inc. (AMPI) and d) Bauxite Resources Inc. (BARI).

At present, of the four (4) subsidiaries, MMDC is fully operational while the other three (3) subsidiaries are in various permitting, exploratory, and developmental phases. Thus, through MMDC, MHI participates in addressing the growing worldwide demand for nickel, with a majority, if not all, of its ore production exports currently geared towards the Asian market. MHI conducts its businesses in a way that not only generates returns for its shareholders, but also provides a positive contribution to its host communities.

To this end, MHI focuses on key strategic elements to achieve its desired results. It strives to embed Responsible Mining and Sustainable Greening Solutions with a focus on business governance practices and operations that mitigate, manage, and rehabilitate potential negative impacts of its operations on the environment.

MHI, through its operating subsidiary MMDC, provides opportunities to local communities to improve their quality of life while championing their right to a healthy, safe, and secure working environment. It likewise aims to develop and maintain a team of trained professionals accountable to both its internal and external stakeholders. In sum, MHI advocates responsible consumption and production, facilitates partnerships to improve living standards, and adheres to the principles of transparency and compliance. In so doing, MHI pursues shareholder value premised on good corporate governance.



Subsidiaries

Marcventures Mining and Development Corporation

Location: Surigao Del Sur (Cantilan, Carrascal and Madrid)
Ownership: 100% MHI
MPSA No.: 016-93- XIII (approved on July 01, 1993)
Area: 4799 hectares
Mining Method: Contour Mining
Ore Type: Nickel (Saprolite and Limonite)
Market/ Buyers: Direct shipment to China (primarily); Japan and Asia (prospective)
Mineral Resource Report as of December 31, 2020:

- Total Measured and Indicated Saprolite Mineral Resource: 11.83 Million Wet Metric Tons (WMT) with an average grade of 1.34% Ni and 12.59% Fe
- Total Measured and Indicated Limonite Mineral Resource : 62.80 Million Wet Metric Tons (WMT) with an average grade of 0.87% Ni and 44.17% Fe

BrightGreen Resources Corporation

Location: Surigao del Sur (Carrascal and Cantilan)
Ownership: 100% MHI
MPSA No.: 015-93-XIII approved on July 01, 1993
Area: 4,860 hectares
Mining Method: Contour Mining
Ore Type: Nickel (Saprolite and Limonite)
Mineral Resource Report signed by a Competent Person on March 2016:

- Total Measured and Indicated Mineral Resource is 16.03M WMT with average grade of 1.17% Ni and 34.98% Fe.
- This is further broken down to 3.06M WMT saprolite with an average grade of 1.59% Ni and 14.85% Fe, and 12.97M WMT limonite with an average grade of 1.07% Ni and 39.73% Fe.

BRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category. BRC also completed its public scoping activity for its Environmental Impact Assessment (EIA) process in January, 2021.

Alumina Mining Philippines Inc.

Location: Samar (Paranas, Motiong)
Ownership: 100% MHI
MPSA No. 179-2002 VIII (SBMR) issued on December 5, 2002
Area: 6,694 hectares

Bauxite Resources Inc.

Location: Samar (Matuguinao, Gandara, San Jose de Buan, San Jorge)
MPSA No. 180-2002 VIII (SBMR) issued on December 5, 2002.
Area: 5,519.01 hectares
Ownership of AMPI & BARI: 100% MHI through a merger and acquisition deal with Asia Pilot Mining Philippines Corporation (APMPC)
Ore Type: Bauxite, raw material of Aluminum
Mineral Resource Report signed by a Competent Person on March 2016 reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person (CP) for Geology in June 2017: 73.2 Million WMT
Mineable Ore: 67.3 Million Metric Tons
Shippable Ore: 60.1 Million Metric Tons

Both AMPI and BARI are in the process of securing Environmental Compliance Certificate (ECC) for the planned development and mine operation of the Samar Bauxite Project. Notwithstanding the imposed country-wide lockdown due to the COVID-19 pandemic, AMPI and BARI were able to complete the public scoping and technical scoping stages of the Environmental Impact Assessment (EIA) process in January, 2021.



Materiality Process

For our year 2020 Report, we identified material topics on the basis of Global Reporting Initiative (GRI) Standards which defines “materiality” as “topics and indicators that reflect the organization’s significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders”.

This approach is based on the principles of materiality which requires organizations to report on significant economic, environmental, and social impacts that are deemed material by stakeholders.

Sustainability Context and Challenges of Mining Operations

Sustainability is one of the main drivers of MHI’s businesses. As a responsible miner, process efficiency is geared towards protecting the environment while generating value to the stakeholders.

MHI is committed to contributing to the socio-economic development of the communities surrounding its mining

tenements. As it pursues its corporate goals, the Company aims to be a catalyst for the upliftment of the lives of its host communities and aspire to be a responsible steward of Mineral Resources, a gift from the Divine Providence.

Year 2020 was marked by various challenges, economic and social disruption among others, due to Covid-19. Its effect on day-to-day operations, community concerns, and stakeholders’ relationships were instrumental in directing the Company’s efforts in identifying and evaluating material topics for this year’s report.

Group-Wide Sustainability Reporting

To complete MHI’s 2019 Sustainability Report, the Company’s first stand-alone Sustainability Report, MHI engaged Atty. Teodoro Y. Kalaw IV, a certified sustainability trainer by the Global Reporting Initiative and a sustainability report assurer by the Institute of Certified Sustainable Practitioners. Atty. Kalaw facilitated an extensive sustainability orientation and materiality assessment workshop in 2019 for key officers and staff of the Company.



Defining Materiality

There are 14 topics of high significance for 2020 and these guide the flow and content of this Sustainability Report vis-à-vis the UN Sustainable Development Goals (SDGs).

During the 2019 materiality assessment workshop, material issues facing the Company as well as topics and business aspects deemed important to its stakeholders were identified and analyzed based on its current business model and strategic plans. We identified material sustainability topics of importance to both our internal and external stakeholders through a materiality determination process consisting of a five-stage method:

- **Definition of purpose and scope of assessment**
- **Topic identification and categorization**
- **Focus prioritization**
- **Validation**
- **Reporting**

The sustainability reporting process was then further enhanced with the set-up of the Company's Technical Working Group (TWG) composed of members of the Corporate Communications, Legal, and Compliance Departments. The group developed a working understanding of the issues that are material to MHI's operations. These issues were further cascaded to different departments such as Engineering and Technical Services, Compliance, Community Relations, Human Resources and Legal, who then sought to verify issues with concerned stakeholders.

While the TWG followed the same process for the completion of the Company's year 2020 Sustainability Report using the same scoreboard and metrics as that of 2019 which underscore material sustainable topics relevant to the Company performance, it also placed special emphasis on the topics like community health, food security and other significant areas challenged by the ongoing global pandemic. The Company also plans to institute a review of material topics every two years from the time it submitted its first Sustainability Report in 2019 and incorporate wider external feedback into the assessment process as it remains committed to the continual improvement of its materiality assessments.

For the year 2020, the topics chosen signify MHI's Economic, Environment, and Social Impact in the light of its engagement with various stakeholders. We follow the reporting template on the topic guide provided by the Securities and Exchange Commission Memorandum Circular No. 4, Series of 2019.

Highlights of 2020 Material Topics

GOOD CORPORATE GOVERNANCE

MHI, as a publicly-listed corporation, ensures continuous adherence to corporate governance rules, regulations, and requirements imposed by the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).



CORPORATE GOVERNANCE STEWARDSHIP

The Board of Directors is the most senior governance body of the Company and exercises its oversight functions through the Executive Committee which meets regularly once a month or at least once every quarter. Corollary to setting the policies for the accomplishment of the corporate objectives, it provides an independent check on Management.



ECONOMIC PERFORMANCE

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



CLIMATE-RELATED RISKS AND OPPORTUNITIES

Disruption in supply chain is largely affected by changes in rainfall rate and extreme weather events which we consider the top climate-related risk that causes delays, suspension of operations, prevention of shipments or loading process.



ENVIRONMENTAL IMPACT MANAGEMENT

MHI continues to review its historical data to determine steps that can reduce its operations' impact to the environment. Regular inspections and monitoring of the Company's tenement areas are conducted to identify existing and potential environmental hazards for early detection and remediation.



PROCUREMENT PROCEDURE

MHI, through MMDC, supports local suppliers and directly contributes to the growth of the adjacent local economy. It follows a systematic procurement process through its bidding procedure which requires procurement of materials and services to be undertaken through competitive bidding to promote fair, economic, efficient, and effective competition and determine market price in the purchase of materials and services.

RESPONSIBLE MINING



RESOURCE MANAGEMENT

The environmental team has established a system for managing energy, water and material consumptions. We recognize the critical importance of water as a shared resource with our local stakeholders and view water management as one of our most material sustainable issues.



ECOSYSTEM AND BIODIVERSITY

MMDC continues to lead in the propagation of bamboo as a sustainable and rewarding livelihood project for mined-out areas. It is one of MHI's ongoing efforts to promote the progressive rehabilitation of land resources of its mined-out areas through reforestation projects. We also consider the overall eco-footprint of our projects when we design and evaluate their viability. Mine planning considers optimal land use and mitigation measures to the impact on land, flora, and fauna.



ENVIRONMENTAL IMPACT

Emissions, wastes and effluents are regularly monitored and regulated to manage environmental threat, risks, and hazard and to ensure that environmental impacts are within prescribed standards.



ENVIRONMENTAL COMPLIANCE

The Company has a dedicated Legal and Compliance team that monitors relevant laws, rules and regulations enforced by the Mines and Geosciences Bureau (MGB) and the Department of Environment and Natural Resources (DENR) to ensure the Company's compliance with environmental laws and the protection of the country's natural resources.

COMMUNITY ENGAGEMENT



EMPLOYEE MANAGEMENT

MHI firmly believes that its people are its primary asset in attaining its business objectives. As partners in providing value to its stakeholders, MHI ensures that their well-being are well cared for; and that in the conduct of its business, its employees are respected, rewarded, and secured.

This viewpoint extends to members of Indigenous Peoples (IP) and members of host communities who the Company also employs. The Company understands that recruiting and hiring from the communities where it operates in is foundational to local economic and social development.



WORKPLACE CONDITIONS, LABOR STANDARDS AND HUMAN RIGHTS

MMDC is committed to safety, health, security, and welfare of all the people involved in the mining operation. Apart from ensuring compliance with government-mandated benefits, MHI also offers extra compensation that fulfill its employees' medical, livelihood, and educational needs. These extend to their family members in the form of food subsidies, educational assistance, and health insurance.



SUPPLY CHAIN MANAGEMENT

The Company has a Supplier Accreditation Policy which evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment (DOLE).



DATA PRIVACY AND SECURITY

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

Responsible stewardship is also demonstrated as it engages in responsible data security, a vital material topic as the Company continues to search for other investment opportunities that could diversify its sources of revenue and add to shareholder value.

All assets are secure and kept confidential, with data security measures being properly enforced. For 2020, there were no reported incidents of data breaches, leaks, or losses in the Company.

Topics Deemed Non-Material

Upon review and appropriate deliberation, there are some topics which we deem non-material. Discussions on Customer Management, Product Health and Safety, and Product Marketing and Labelling, are currently not material to its business model from a sustainability perspective.

Our current main product, nickel ore, is exported in its raw form. While relationships with customers are vital to any organization, Customer Management and Marketing are deemed, at present, not material topics from a sustainability perspective. The increasing demand for nickel products worldwide outweighs supply which gives rise to a demand-driven and mutually desired long-term buyer relationships while prices are based primarily on the market rates and bidding processes. Moreover, since nickel products are extracted and shipped in its raw states with pre-agreed characteristics subject to independent third-party testing,

Product Labelling is also not considered as a material topic. Product Health and Safety is likewise not a going concern - under the mining supply chain, our commercial ore exports are not transmitted directly to end consumers but to traders or processing plants for refining. Moreover, nickel ore is not considered a hazardous substance as it does not emit toxic fumes and can be safely handled with bare hands.

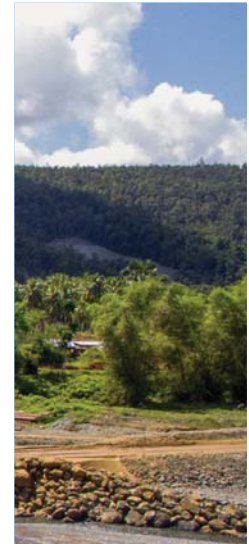
Strengthening Our Sustainability Reporting Processes

Moving forward, the Company aims to institute the regular review of its materiality assessments and strengthen the materiality matrix to encourage a more engaged participation and collaborative validation from its stakeholders. This comes with a vision to improve the process behind the preparation of the contents of this Sustainability Report and serve as reliable basis where stakeholders may track developments in the coming years.



Responsible Mining

A. Safeguarding Our Shared Future: Responsible Mining Through Sustainable Greening Solutions



Responsible Mining means providing Sustainable Greening Solutions that safeguard both the environment and long-term livelihood prospects of host communities. It is the guiding principle of MHI's day-to-day operations at the mine site. Together with stakeholders, the Company continues its initiatives to build, nurture and empower communities, promote social development and management, improve health and safety practices, and minimize the impact of our operations on the environment. The potential for growth continues to drive the Company's business prospects.

In its latest industry report, Fitch Solutions Macro Research forecasted nickel mine production to grow by 8.3% in 2021, above the average growth of 5.9% year-on-year experienced over 2010-2019.⁵ Growth will be driven by a recovery in output in the Philippines and Indonesia. Fitch emphasized that lockdowns and supply chain constraints in the Philippines in 2020 had reduced output by 27.7%.

In the longer term, Fitch forecasts global nickel mine production to grow by an annual average rate of 3.7% year-on-year over 2021-2029, a significant slowdown from the 5.9% year-on-year average achieved over 2010-2019, which was boosted by higher nickel prices at the time and strong Indonesian output before another export ban in 2014.

By 2029, Fitch expects global annual nickel production to reach 2.7 Million Tonnes (MT), up from 2.0 MT in 2020.

Fitch is confident that in 2020 onwards, the Philippines will regain its spot as the largest global producer due to a restriction on nickel ore exports in Indonesia leading to a halt to mining operations. Growth potentials drive the Company's business prospects and as a responsible investor in the mining sector, we prioritize land rehabilitation as it is the backbone of environmental sustainability.

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

Bamboo provides huge environmental benefits as it is a renewable resource, absorbs greenhouse gases, fast growing, enriches and protects the soil, and is highly adaptable. This grass specie offers opportunities for job generation and is a good substitute for wood in many applications, such as paper, furniture, and building materials.

⁵ <https://www.mining.com/rising-nickel-prices-to-support-project-development-report/>



THRIVING COMMUNITIES AFTER EXTRACTION ACTIVITIES

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

In 2017, Marcventures embarked on a Bamboo Plantation Development program that will help the community tap into the country's bamboo industry.

In 2018, Marcventures formed the Pili Kawajan Association (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.

The biggest impact of MHI's bamboo project was DENR's direct acknowledgement of the global potential of bamboo. DENR Secretary Roy A. Cimatu has instructed mining companies in the Philippines to develop bamboo plantation in their mining properties as part of the mine rehabilitation program.

To date, Marcventures has planted a total of 50,577 seedlings covering over 69.68 hectares. Currently growing at the mined-out areas are Giant Bamboo (*Dendrocalamus giganteus*) and Kawayang Tinik (*Bambusa blumeana*), the two commercially viable varieties.

Improving Safety, Health, and Well-being of Our Stakeholders

MHI's commitment to the safety, health and well-being of all people involved in its business endures and remains at the forefront of its operations. It provides and maintains safe and healthy working conditions, promotes regular safety training, follows standard operating procedures, and applies technically proven and economically feasible environmental protection measures that safeguard the lives and health of all its employees and adjoining communities.

Adaptive and Proactive Health and Safety Measures in the Face of Covid-19

In February 2020, with talks of a possible lockdown in Metro Manila, MHI, through MMDC Management, proactively prioritized the drafting of an Emergency Interim Work-From-Home (WFH) Guidelines. When the Enhanced Community Quarantine (ECQ) was announced in mid-March 2020, MMDC seamlessly implemented the flexible work program for the Makati Head Office and likewise developed step-by-step operating protocols for its mine site operations. The Company kept employees informed of the initiatives undertaken to allay fears and promote a sense of continuity despite uncertainties of the times. Fortunately, the Company has a robust IT network that its office staff could WFH with little disruption.

At the mine site, additional safety measures were immediately included in the MMDC's Manual of Operations. The site adopted embarkation and disembarkation protocols, quarantine provisions for on-board personnel and the use of face mask, face shield and personal protective equipment.

As a result of its quick and efficient response, MMDC is the only mining company in Surigao that was able to ship out during the month of March.

Once government eased regulations on lockdowns and quarantine restrictions, we gradually implemented a return-to-work program for our Makati Office. This entailed redesigning work practices and spaces to allow physical and social distancing where possible, including flexible work arrangements. Employees at the Makati head office were required to fill-out a daily Health Declaration Checklist. Temperatures are checked every day, physical distancing is strictly implemented, face masks and face shield are worn at all time. To minimize contact with the general public, we also provided transportation services for employees. We adopted contact tracing measures, testing prioritization, and quarantine procedures which continue to evolve in response to the growing situation. Also, we posted Covid-19 Prevention infographics in strategic places to remind everyone to keep safe.

ISO Certification

MMDC received recertification for Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015) and the migration from OHSAS 18001:2007 (Occupational Health and Safety Assessment Series [OHSAS]) to ISO 45001:2018 (Occupational Health and Safety Management System).

The International Organization for Standardization (ISO) is an independent, non-governmental, international organization composed of representatives from various national standards organizations. It promotes worldwide propriety, industrial and commercial standards to ensure the quality, safety, and efficiency of products, services, and systems.

The Quality Management System (ISO 9001:2015) is an integral part of an organization's sustainable development. It demonstrates the organization's ability to enhance customer satisfaction through a process improvement system, thereby consistently resulting in products and services that meet customer and applicable statutory and regulatory requirements.

The Environmental Management System (ISO 14001:2015) is an internationally agreed standard used to manage environmental responsibilities in a systematic manner that contributes to the environmental pillar of sustainability. Environmental performance is improved through the more efficient use of resources and reduction of waste. As it provides value for the environment, the organization is gaining competitive advantage and the trust of stakeholders. It is consistent with the organization's environmental policy which covers enhancement of environmental performance, fulfillment of compliance obligations, and achievement of environmental objectives.

The Department of Environment and Natural Resources mandates ISO 14001:2015 certification for mining companies as per DAO 2015-07 otherwise known as Mandating Mining Contractors to Secure ISO 14001 Certification. As a measure of responsible mining in the country, this ensures that appropriate measures are in place to achieve minimal negative impacts on the environment.

The National Quality Assurance Philippines Inc. (NQA) has also recommended MMDC to migrate from OHSAS 18001:2007 into ISO 45001:2018. This certification enables MMDC to provide safe and healthy workplaces by preventing work-related injury and ill-health, as well as by proactively improving its occupational health and safety performance.

Contributing to the UN Sustainable Development Goals Armed with a commitment to Responsible Mining Through Sustainable Greening Solutions, MHI's nickel mining business reported a positive performance in year 2020 despite the challenges brought about by the pandemic. While the growing

demand for nickel, the increase in tonnage sales, and the upward trend in the global market all contributed to the Company's successful financial standing in 2020, major operational initiatives which were instituted allowed the Company to perform efficiently, in spite of the limitations brought about by nationwide quarantine and lockdowns.

With health protocols in place for a seamless production process, the Company was able to contribute to the following Sustainable Development Goals of the United Nations.



Ensuring healthy lives and well-being for all (SDG3)

The health and wellness of a growing community is essential to sustainable development. MHI has several health projects in place under its Annual Social Development Management Program. This includes giving assistance to indigent patients and procuring medical equipment for different health centers in Cantillan, Carrascal, and Madrid in the province of Surigao del Sur.

The Covid-19 pandemic caused a major disruption in the livelihood of communities nationwide. The lockdowns and quarantine implementation severely restricted travel and movement, limited business operations and commercial activities, and suspended mass public transportation in the area. Some businesses were forced to close down, causing countless workers to lose their jobs and other income sources. With the growing fear of contracting the deadly virus, was the surging need for protective measures (e.g. face masks, face shield and disinfecting solutions, physical and social distancing protocols). MHI immediately procured and distributed face masks, digital thermometers and disinfecting solutions to be used by the employees in the mine site and instituted an awareness campaign on its safety and health protocols.

The Mines and Geosciences Bureau (MGB) released a memorandum on March 27, 2020 instructing companies to realign unutilized Social Development and Management Program (SDMP) funds to support communities affected by Covid-19. We then realigned a total of Php 7.59 Million to assist the adjacent communities of the mine site. The Company also distributed rice, relief goods, food packs, milk, vitamins and hygiene kits to frontliners and residents in host and neighboring communities.

Achieve Food Security, Improved Nutrition and Sustainable Agriculture (SDG2)



The pandemic greatly affected the food and agricultural sector. Prompt measures were needed to ensure that food supply chains are kept active to mitigate risks that have considerable impact on everyone especially the poor and vulnerable.



MMDC distributed vegetable seeds so families can grow their own greens.

To ease the difficulties in food supply, MHI, through MMDC, encouraged families in Carrascal to maintain home gardens and grow their own vegetables and develop self-sustaining food supply in the face of the ongoing health crisis. Apart from relief goods, the Company distributed vegetable seeds to residents in support of the municipality's program entitled 'Gulayan sa Panimalay". The program is part of the municipality's food sufficiency strategy, where residents are encouraged to produce fresh and healthy farm to table food.

The project not only helped minimize daily food cost. It also supports local rice farmers through financial assistance, free hauling services and direct purchase of their rice products at a competitive farm gate price. It also helped nurture family ties, as the productive activity kept family members preoccupied, keeping their minds off the uncertainties brought about by the pandemic and strengthened the community's agricultural sustainability.

Quality Education for All (SDG4)



Education is a key focus area in helping local communities. A sustainable approach to improve a community's standard of living is to provide educational opportunities for the young motivated learners.

MHI recognizes the value of education in uplifting lives. The Company is known to have the biggest scholarship program in the Caraga region. Despite the ongoing pandemic, MHI upheld its commitment to its scholars for continued scholarship grants for 2020-2021 academic year.

A total of two hundred thirty-three (233) students from Cabangahan, Babuyan, Bacolod, Cabas-an, Bayugo, Parang and Gamuton continue to receive monthly financial assistance under the Social Development Management Program (SDMP) - Development of Host and Neighboring Communities (DHNC) Program.

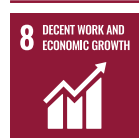
MHI also supports the education of twenty-two (22) college students enrolled in different universities, under the SDMP Development of Mining Technology and Geosciences (DMTG) program. All 22 students are taking up mining and environmental-related courses. Some of the program graduates are now working at the company mine site in Surigao.

The Company also supports the education of thirty-two (32) students from indigenous communities under MHI's Corporate Social Responsibility (CSR) program. All 32 students are currently on full scholarship, receiving free tuition with a monthly allowance of Php 5,000 per student.

MHI's educational program also extends to teachers. For years, the Company has been subsidizing the salary of volunteer teachers. The number of students continue to grow every year, but unfortunately public schools do not have enough resources to employ more educators. MHI supports the salary of the volunteer teachers in several barangays namely Cabangahan, Panikian, Bon-ot, Gamuton, Babuyan, Bacolod, Parang and Cabas-an to help improve the quality of education in the communities.

MHI also funds the annual "Brigada Eskwela" program of Panikian Elementary School and Daycare Center, Panikian Gospel Church, Macam Elementary School and Camp David Primary School. Also known as National Schools Maintenance Week, "Brigada Eskwela" is the nationwide initiative of the Department of Education (DepEd). It mobilizes volunteers from all sectors to contribute their time and effort to prepare the public school facilities for the coming school year.

A total of Php 13,159,924.00 in 2020 was spent for all these projects under the SDMP Access to Education and Education Support Program.



Sustainable Economic Growth and productive employment (SDG8)

MHI continues to empower host communities by providing opportunities to improve their standard of living. The local community is an integral part of business operations, thus priority is given to community members in the company recruitment processes. To date, eighty-one (81) members of indigenous cultural communities are currently employed by the Company, through MMDC.

MHI supports local business owners by procuring food supplies and services from community entrepreneurs. It even helps business owners by providing seed capital for various projects.

Through its Social Development and Management Program (SDMP) Enterprise Development and Networking Program, the Company spent a total of Php 6 Million in 2020 for livelihood programs to give opportunities to communities to create, build and earn.

Farm products

MHI provided vegetable seeds to encourage families to grow vegetables in their own garden and aid the food supply during the pandemic. Farmers were given rice seeds, organic fertilizers and carabaos to help plow the farm lands and yield more crops for higher income. Chariot vehicles were purchased for the farmer association for the efficient delivery of market products.

MHI also purchased rotavator machines for the farmers in barangays Cabas-an, Parang and Bacolod. With their new rotavators, farmers were able to churn and aerate the soil before planting their crops. The Company also built a rice mill that offers affordable rice clearing services to farmers.

Small Business

Seed capitals were given to members of cooperative associations to help them start their income generating businesses like pedicab services and table and chair rentals. Under the SDMP, the Company's total expenditure for host and neighboring communities was Php 15 Million in 2020. This includes educational support, health and services, enterprise and infrastructure development for the communities in Cantillan, Carrascal and Madrid.

Corporate social investments are closely monitored through a standardized reporting process aimed at maximizing the value that the Company and its host and neighboring communities derive from these investments.

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

- Philippine Mining Act of 1995



DECENT LIVING SPACES. Left photo shows the family home, before MMDC's home-building project.



Safe and Resilient Human Settlements and Sustainable Communities (SDG 11)

Safe and decent living spaces bring new hope and opportunities for developing communities. For 2020, the Company financed the construction of houses for families in barangay Bon-ot, Panikian, Banban and Gamuton. A joint project between the Company and the local government, safe and adequate living spaces bring new hope and new opportunities for the community.

Other projects supported by the Company include facilities for potable water in Cabangahan and Bayogo. And to help mothers look after their small children, daycare and school feeding centers were built in Panikian, Parang and Babuyan. MMDC also helped boost local entrepreneurship by opening community enterprise livelihood centers for the small businesses in Cabangahan and Bayogo.

The efforts to focus on efficiency and productivity improvements in 2020 generated an economic value of Php 2.88 Billion. With the new business climate resulting from the global pandemic, the Company gears up to deliver significant financial returns, and continues to enhance its operations to ensure high quality ore for nickel buyers.

Direct Economic Value Generated and Distributed

Disclosure	Amount (2019)	Amount (2020)	Units
Direct economic value generated (revenue)	1,432,534,095	2,876,676,296	PhP
Direct economic value distributed:			
a. Operating costs	640,652,771.34	2,096,067,612	PhP
b. Employee wages and benefits	203,623,237	212,074,999	PhP
c. Payments to suppliers, other operating costs	224,328,045	1,188,809,161	PhP
d. Dividends given to stockholders and interest payments to loan providers	63,913,146	106,941,090	PhP
e. Taxes and royalties paid to government	204,413,671	269,899,400	PhP
f. Investments to community (e.g. donations, CSR)	43,251,513	9,891,340	PhP



Responsible Consumption and Production (SDG 12)

MHI's positive performance is supported by sustainable consumption and production. The Company values doing more and doing better with the least possible impairment to resources. In all activities and business processes from exploration to hauling right through the delivery of commercial ores to customers, the Company commits to achieving sustainable growth that is aligned with its corporate values and to always take into consideration the interests of its stakeholders.

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

Operationally, MMDC had a successful year when it generated a direct economic value of Php 2,876,676,296 in 2020 despite the economic challenges brought by the global pandemic. The Company is gearing up for an equally productive year in the new normal. Initiatives to upgrade its business models to adapt to changes and trends and continuously ensure high quality products for its buyers are in place and reviewed religiously.

Operating Costs and Expenses were at Php 2,096,067.00 in 2020. The increase was primarily due to the high volume of ore produced and sold. The company also spent over Php 212,074,999.00 for employee wages and benefits.

Success is anchored on workforce productivity. Efficiency and product improvements bring significant changes in the workforce. It paves the way for advancements and higher compensation for current employees as it opens more job opportunities within MMDC's host communities.

The expenditures for suppliers and other operating costs amounted Php 1,188,809,161. On the basis of the results for the year in review, the Company paid interest to loan providers totaling Php 106,941,090.

Profitability from enhanced business models translated to over Php 269,899,400 in government payments in the form of royalties and taxes. This includes excise and withholding taxes, quarterly income taxes as well as permits and licenses. The rise in profit allowed optimal returns for shareholders, with enough resources for future investments.



The Company's expenditure in host and neighboring communities totaled Php 9,891,340. The Company's corporate social investments are closely monitored through a standardized reporting process aimed at maximizing the value that MMDC and its host and neighboring communities derive from these investments.

MMDC continues to focus on its core strengths in order to stay competitive in the coming years.

Partnerships to Facilitate Sustainable Development

(SDG 17)

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

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

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

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

Bamboo Plantation Program of the Mining Sector

In June 2020, the Mines and Geosciences Bureau (MGB) released a Memorandum on the "Establishment of Bamboo Plantation in Mining Areas" instructing mining contractors/ permittees/permit holders to establish an additional bamboo plantation equivalent to ten percent (10%) of their declared final mining area to bring the total target bamboo plantation area to at least twenty percent (20%). The new instruction from DENR on the Bamboo Plantation Program of the Mining Sector is in line with the recovery of the economy in post Covid-19.

This is a development from the initial Memorandum dated September 10, 2019, issued by DENR Secretary Roy A. Cimatu, instructing the establishment and maintenance of a bamboo plantation equivalent to ten percent (10%) of the mined-out areas.

As of June 2020, the total plantation area, under the Bamboo Plantation Program of the Mining Sector is now twenty percent (20%). To date, the Company has planted a total of 50,577 seedlings covering over 69.68 hectares. Currently growing at the mined-out areas are Giant Bamboo (*Dendrocalamus giganteus*) and Kawayang Tinik (*Bambusa blumeana*), two most commercially viable varieties.

United Nations Global Compact

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

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

B. Addressing the Pandemic and Climate-Related Risks and Opportunities



MMDC Management recognizes that issues associated with the pandemic and climate change present significant economic and financial risks and opportunities over long, medium and shorter-term investment horizons.

Covid-19 may have caused unprecedented disruptions not only in business and commercial operations but also in the day-to-day lives of the public in general, but, it did not stop the Company from focusing on sustainable mining practices. In fact, the pandemic brought valuable lessons on mitigation and response planning.

Business continuity played a vital role in ensuring seamless operations. The Company focused on the prevention of the virus, by releasing official health protocols for all areas of the business including embarkation and disembarkation safety protocols at the mine site.

As stated in the section on Adaptive and Proactive Health and Safety Measures in the Face of Covid-19, the company was able to draft Work-From-Home (WFH) Guidelines prior to the declaration of the lockdown. With operational tasks executed remotely, information digitalization became a necessity for data collection, retrieval and viewing.

The use of electronic signature has also transformed the daily workflow. It is recognized as legally enforceable and has simplified the decision-making process. Data Privacy and Security Protection, plays a crucial role in information digitalization. As discussed in the section on Corporate Governance, risks related to the collection, retention and use of information are managed by strictly enforcing the Company policy on Protection of Confidential Information (MC-002-19).

The global pandemic has pushed companies to have a crisis management team in place. MHI organized a Senior Management Committee composed of top officers from

Finance, Legal and Compliance to decide on crucial matters and ensure continuous day-to-day operations.

We have also identified a range of climate-related risks to our operations including changes in rainfall rates, higher temperatures, longer rainy seasons, and extreme weather conditions, among others. These factors affected our daily operations as well as the lives of the people living in nearby communities. We experienced a decrease in revenue projections which resulted in revising our 2020 financial targets due to business disruption brought about by both the pandemic coupled with these climate-related challenges.

On a high note, with the change in climate comes the need to utilize resources efficiently. Lower energy consumption means reduced operating costs. It will give access to a new emerging market that gives importance to lower carbon footprint. It also promotes resilience because of the long-lasting benefits from carbon reducing projects.

Climate-related risks were identified and assessed through regular site visits, monitoring of operating activities, internal discussions on climate change matters, regular review of business plans, and overseeing major capital expenditures.

The metrics used by the organization to assess climate-related risks and opportunities are energy, usage, greenhouse emission and the number of trees planted.

These risks and opportunities come not only from the physical and ecological impacts of climate change, but also from the economic risks such as market dynamics and technological developments.

Management continues to strive for mining only commercial ores that are economically viable with radically less waste produced, less areas disturbed, less energy and water consumption and less Greenhouse Gas (GHG) emission.

Climate-related risks and opportunities can reduce operating costs as the Company implements its policy for reducing energy consumption and GHG emission. The simple act of switching off air-conditioning systems when not in use can reduce electricity consumption and cost. And if the Company decides to acquire new vehicles, fuel efficient models would be an economical choice. Initiatives that reduce energy consumption and GHG emissions would result in reduced cost.

MMDC mining areas are located in Surigao del Sur which sees more extreme weather recently compared to other regions in the Philippines. A Risk Management Program will ensure that business will continue even as extreme weather impacts the area. The government is expected to impose additional policies on climate-change response which will entail additional taxation.

To manage climate-related risks, the Company monitors its environmental impact through its Operations and Compliance teams. They work hand in hand with its Internal Audit Division in evaluating and designing the effectiveness of risk controls. All relevant findings are reported to the Board's Audit Committee. A Risk Management Program can be used to guide Management on how to manage climate-change risks.

MMDC Management also continues to review its historical data to determine measures to reduce energy usage and Greenhouse Gas (GHG) emissions from exploration and production activities to generally reduce hazardous environmental impact. Management is responsible for monitoring the progress of mitigating actions and determining further risks.

Conserving Water Resources

Water is a valuable shared resource between a mining company and its host communities. This inorganic chemical substance is vital to all life forms topped with a significant environmental and economic worth.

Water is a vital resource for mining operations. It is used in every process, from power generation, dust management, to sanitation of facilities and for daily health intake.

MHI recognizes the importance of proactively managing water quality of both surface and drinking water sources. In 2020, the Company's total water consumption was 136,961.78 cubic meters.

Water conservation and recycling efforts have been in place since MMDC began its operations. This year, the Company funded the construction of potable water facilities in far flung areas of Cabangahan and Bayogo. It also promotes efficient water management to ensure continuous water supply and avoid disruption in operations. Apart from focusing on the community's safety and sanitation, residents are also taught to conserve water.

Soil movement during mining operations and road construction can cause siltation of nearby water systems. When vegetation is removed in a certain area, the soil can erode easily causing particles to fall straight into the natural water system. The siltation

particles increase in volume during heavy rains. Likewise, soil run-off from hauling roads also cause siltation of nearby canals.

The Company's Environmental team actively performs mitigating measures to address siltation. Settling ponds and collector sumps are constructed along the haul roads. The ponds are regularly monitored, maintained and de-silted so that the water remains clean. Silt fences also line the area to arrest possible spills from roads and drainage channels. Areas that are accessible by heavy equipment are manually desilted. Existing silt booms are reinforced with sheet piles to provide additional control. This prevents silt plume migration along the coastline areas during loading activities.

Earthworks like slope stabilization, benching and resurfacing are also performed as the need arises to minimize water run off, siltation, and discoloration of nearby water systems.

Water quality is also analyzed on a monthly basis and monitoring is conducted on marine waters (causeway area), surrounding creeks, rivers and including the discharge from settling ponds. Sampling and analysis are done on a quarterly basis by First Analytical Services and Technical Cooperative (FAST), a DENR accredited laboratory.

Promoting Energy Efficiency

Energy efficiency and carbon emissions are considered top priorities in mining operations. Aside from controlling hazardous environmental impact, it directly affects operational costs.

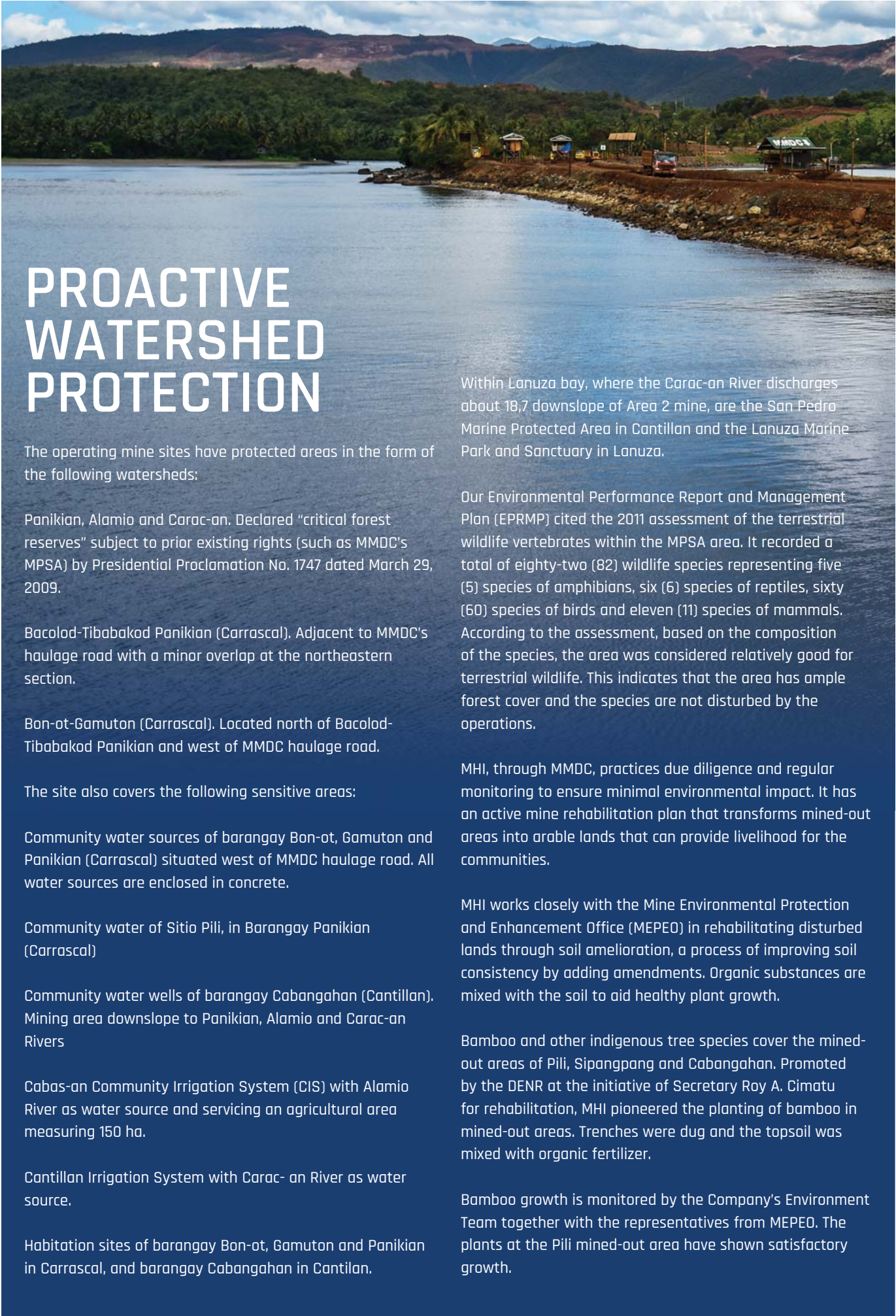
The Environmental Team follows a process to ensure that energy data is reviewed on a regular basis. This is supplemented by an energy conservation campaign that would motivate employees. Information materials on energy saving tips are posted in strategic locations around the office to encourage everyone to help the Company achieve its energy management goals.

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

In 2020, the Company consumed a total of 8,894,879.00 Liters of diesel fuel, a big leap from the 2019 consumption which was 4,132,055.51 Liters. This was due to the major increase in production from 1.4 Million Tons in 2019 to 1.7 Million Tons in 2020.

The challenge to explore other conservation and energy efficiency measures to cut operating and product costs lives on. Apart from the major improvement in revenue for customers and shareholders, it will be a significant contribution to the environment and for the generations to come.

For now, the Company is not using energy from renewable sources but it continues to study the possibility of shifting to a more earth-friendly energy source to reduce potential GHG emissions.



PROACTIVE WATERSHED PROTECTION

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

Panikian, Alamio and Carac-an. Declared “critical forest reserves” subject to prior existing rights (such as MMDC’s MPSA) by Presidential Proclamation No. 1747 dated March 29, 2009.

Bacolod-Tibabakod Panikian (Carrascal). Adjacent to MMDC’s haulage road with a minor overlap at the northeastern section.

Bon-ot-Gamuton (Carrascal). Located north of Bacolod-Tibabakod Panikian and west of MMDC haulage road.

The site also covers the following sensitive areas:

Community water sources of barangay Bon-ot, Gamuton and Panikian (Carrascal) situated west of MMDC haulage road. All water sources are enclosed in concrete.

Community water of Sitio Pili, in Barangay Panikian (Carrascal)

Community water wells of barangay Cabangahan (Cantillan). Mining area downslope to Panikian, Alamio and Carac-an Rivers

Cabas-an Community Irrigation System (CIS) with Alamio River as water source and servicing an agricultural area measuring 150 ha.

Cantillan Irrigation System with Carac- an River as water source.

Habitation sites of barangay Bon-ot, Gamuton and Panikian in Carrascal, and barangay Cabangahan in Cantilan.

Within Lanuza bay, where the Carac-an River discharges about 18,7 downslope of Area 2 mine, are the San Pedro Marine Protected Area in Cantillan and the Lanuza Marine Park and Sanctuary in Lanuza.

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

MHI, through MMDC, practices due diligence and regular monitoring to ensure minimal environmental impact. It has an active mine rehabilitation plan that transforms mined-out areas into arable lands that can provide livelihood for the communities.

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

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

Bamboo growth is monitored by the Company’s Environment Team together with the representatives from MEPEO. The plants at the Pili mined-out area have shown satisfactory growth.

Addressing Effluents

The marine waters in the causeway area, surrounding creeks, rivers and discharges from constructed settling ponds go through regular water quality check. Collected water samples are analyzed by the Company's in-house monitoring team and confirmed by a DENR accredited third-party laboratory.

For now, the wastewater from the mine site is not recycled and no sufficient data is available to determine water discharge volume. The Environment Team is in the process of determining possibility of quantifying the amount of water discharged and the percentage of recycled waste water.

First Analytical Services And Technical Cooperative (FAST) Laboratories performs the quarterly testing and analysis, while the in-house team monitors water quality on a monthly basis.

According to the analysis by both in-house team and third-party FAST laboratory, ambient, effluent and process-related water quality in all stations are within the DENR Standard under DAO 2016-08 for freshwater/marine water bodies and General Effluent Standards. Potable Water Analysis also show all required parameters are within the Philippine National Standards for Drinking Water (PNSDW 2017).

Managing Air Emissions

Mining activities like exploration and production activities cause air emissions like GHG emissions and hazardous air pollutants as those activities can send laterite particles up in the air. The dust material is so fine that it stays in the air during hot weather, and turns into mud during the rainy season.

Dust is a prevalent problem in nickel mining. Aside from air pollution, it can affect the health of the people living in the different communities. To manage dust, water trucks are deployed to spray water in haulage and nearby community roads. A total of 126,007.44 cubic meters of water was consumed in 2020 for spraying the main haulage road which is a 23.0-kilometer stretch from the Cabangahan Mine Site to the Carrascal Bay loading area. Street sweepers were also deployed to clean community roads and highways. Trees were also planted along the roadside and mine access road to act as dust bio-filters.

To check air quality, monthly sampling and analysis is done by the Company's technical personnel, while the quarterly sampling and analysis is carried out by a commissioned third-party service provider. For 2020, the third-party testing, was done only during the first quarter due to Covid-19 restrictions.

We are glad to report that all ambient air quality results were within the specified National Ambient Air Quality Standards (NAAQS) for Source Specific Air Pollutants from

Industrial Sources/Operations. Monitoring results are submitted to the Environmental Management Bureau (EMB) through the Self-Monitoring Report (SMR) and Compliance Monitoring Report (CMR).

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

The overall result of regular emission tests in 2020 show that air emission levels are below national threshold limits. The technical team will continue to manage these emissions to prevent any form of damage in the future.

Responsible Solid and Hazardous Waste Management

Environmental management is anchored on proper waste disposal as the Company is properly aware of the harmful consequences of solid and hazardous wastes. MHI, through MMDC, has several facilities at the mine site for hazardous wastes to ensure proper collection, segregation and disposal. Solid waste materials are collected on a regular basis. Recyclable materials are brought to a Materials Recovery Facility (MRF) while the residual wastes are disposed at LGU Carrascal Eco-park disposal area.

For everyone's safety, the wastes collected from the mine site are not reused or incinerated. It is disposed by a DENR accredited waste collector and treatment plant.

A total of 13,399.10 kilograms of segregated wastes were collected and disposed in 2020. The biodegradable material weighed 5,088.50 kgs. Residual was 6,426.00 kgs. and the recyclable materials weighed 1,885.60 kgs.

In 2019, MHI supported the sanitary landfill project of the Municipality of Carrascal by giving Php 4 Million cash donation. Using an engineered disposal method, the waste is buried in a controlled land pile. The bottom of the landfill has a plumbing system that collects liquid substances and prevents the leakage which can harm waterways.



Reinforcing Materials Management Capabilities

Nickel production involves the use of heavy equipment, process chemicals, fuel, and utility vehicles. The Company's operating model requires the efficiency of a large-scale infrastructure. Apart from its in-house team, the Company works closely with general contractors for extraction, hustling and hauling services.

MHI, through MMDC, actively engages its Contractors by holding regular planning sessions to effectively plan the mine operations and efficiently use existing resources. At the moment, the percentage of recycled input materials used for its mining operations is zero, but it recognizes its responsibility to reduce the environmental impact for the future generation.

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

Enhancing Strict Environmental Compliance

Responsible environmental management is a testament of the Company's commitment to reduce its carbon footprint. In 2020, MMDC was once again cited for its Environmental Management System (ISO 14001:2015). Certified by the International Organization for Standardization (ISO), the system helps organizations improve their environmental performance through more efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders. It also calls for the management of environmental aspects and ensure their conformity to compliance obligations while addressing risks associated with threats and opportunities.

MMDC was also recertified for its Quality Management System (ISO 9001:2015). The standard is an integral part of an organization's efforts towards sustainable development and promotes it as a tool for improving overall performance.

The NQA Philippines Inc. also recommended the migration of MMDC from OHSAS 18001:2007 into ISO 45001:2018. This certification enables MMDC to provide safe and healthy workplaces by preventing work-related injury and ill-health, as well as by proactively improving its occupational health and safety performance.

All three certifications are a testament of the unified, streamlined and high efficiency level of the business processes across MMDC's management spectrum.

The ISO is an international standard-setting body composed of representatives from various national standards organizations. The organization promotes worldwide propriety, industrial and commercial standards.

It is worth noting that in 2014, MMDC was directed by MGB to implement a tree planting program for three (3) million seedlings in areas identified by the MGB and/or DENR pursuant to the requirements of and in adherence to the terms and conditions of its Partial Declaration of Mining Project Feasibility. While MMDC sought to implement the program, several delays occurred in completing the program brought about by several factors, among which were revisions in the work program as requested by the MGB and host communities, and initial objections from our host communities to the directive that the seedlings be distributed in different regions.

The Director of the MGB, Atty. Wilfredo G. Moncano, granted the Company's request to reconsider the imposition of the penalty to plant 3 Million seedlings (Penalty), and credit MMDC's accomplishments as part of MMDC's compliance with its obligations under its Special Tree-Cutting and Earth-Balling Permit (STCEP).

The approval of MGB is expected to generate savings to the Company in the amount of PhP98,188,230.00. As of 18 February 2021, 729,924 out of the 3 Million seedlings are already planted. A total of PhP 38,600,204.00 has already been expended to date.



Energizing Community Engagement

A. Corporate Citizenship



A significant part of our operations is enhanced through the Company's commitment to the development of its host and neighboring communities. In 2020, MMDC spent Php 39,924.689.00 Million for its SDMP and Php 9,891.340.00 Million for Corporate Social Responsibility (CSR) initiatives.

CSR projects like educational assistance to members of indigenous communities, health programs and livelihood development, meet the basic needs of mining communities. The initiatives optimize people empowerment, provide opportunities for sustainable livelihood, and protect socio-cultural values and local customs while improving economic conditions and human advancement.

Educational Assistance

MMDC is known to have one of the biggest scholarship programs in the Caraga region. Despite the ongoing pandemic, the Company upheld its commitment to its scholars and continued the support for the 2020-2021 academic year.

Among the highlights of the education program are the scholarships for incoming college students from indigent families and indigenous communities. They are enrolled in colleges and universities in the Visayas and Mindanao areas. They study in Surigao del Sur College, Saint Joseph Institute of Technology, Surigao Education Center, Saint Paul University, Saint Jude Thadeaus Institute of Technology and other colleges and universities in the Visayas and Mindanao

areas. Aside from covering the tuition and miscellaneous fees, they receive monthly board and lodging allowance.

The shortage of teaching personnel has also become a problem in different barangays. Under its education program, MHI has subsidized the salary of volunteer teachers assigned in different schools to bring down the teacher-student ratio and promote quality education.

Livelihood Development

Through its Social Development and Management Program (SDMP), the Company has spent a total of Php 6,000,000.00 Million in 2020 for its livelihood programs to ensure that equal opportunities to create, build and earn are extended to all sectors of society.

Apart from providing vegetable seeds to aid in the food supply in the pandemic, farmers were given rice seeds, organic fertilizers and carabaos to help plow the farm lands and yield more crops for higher income. The Company also purchased chariot vehicles for the farmer association for the efficient delivery of market products.

MMDC also purchased rotavator machines for barangays Cabas-an, Parang and Bacolod. Rotavators are used to churn and aerate the soil before planting. The Company also built a rice mill that offers affordable rice clearing services to farmers and gave seed capital to members of cooperative associations to help them start their own income generating business like pedicab services and table and chair rentals.

In support of the customs and tradition of the communities, the Company actively takes part in traditional celebrations like fiestas, foundation days and other church-related activities.

In 2020, Php 2.3 Million was spent on programs geared towards the preservation of the socio-cultural heritage. We also supported church renovations, sports events, fiestas and other community activities.

B. Stakeholder Engagement

Host Community Procurement Practices

The Company's procurement practices significantly benefit businesses in the region. MHI believes in shared sustainable prosperity. From construction, automotive and electrical supplies, a big percentage of the materials used for mining operations are purchased from local entrepreneurs in Surigao del Sur.

With the Company maintaining living quarters for male and female employees at the site, we rely on local produce and other food suppliers for the daily meals of the employees. Given the remote location of its mining operations and the Company's role in the economic growth and business opportunities, we will continue to procure from the entrepreneurs at the host community.

In 2020 the Company procured approximately P20 Million in goods and services from local suppliers in Surigao, Davao, Butuan, Cebu, Tagum and Tandag. We fully support the growth of industrialization in various communities.



Enhancing Employee Management

An engaged and productive workforce is essential to success. The Company aims to attract the best people in the industry and facilitate professional and personal development.

As of 2020, MHI, through MMDC, has a total of 355 employees, as supported by accredited third-party suppliers and contractors recruited for certain mining activities and projects. All in all, MHI has a total of 88 female and 267 male employees all with SSS, PhilHealth and Pag-IBIG benefits.

	2019	2020
Total number of female employees	78	88
Total number of male employees	250	267
Total number of employees	328	355

When MHI assesses the capability of current and prospective employees, it takes into account not just their technical skills and knowledge acquired through experience, equal value is given to their mental and social skills, commitment and drive to succeed.

In order for MHI to meet its goals as a company, it acknowledged the need to have the right people as it aligns the workforce aspirations with the Company's mission and vision. The attrition rate of 13.49 percent is a result of the Company's current efforts to maximize shareholder value. Despite the global pandemic which affected most industries, 2020's attrition rate is 54 percent lower than 2019's 24.83 percent. The decrease is a result of the rationalization initiatives which focused on reorganization, reassignment of work responsibilities and abolition of redundant positions.

In the mining industry, MHI is known to provide appropriate and competitive salary packages to attract, retain, and motivate its employees. It also upholds high labor standards in the workplace, including compliance with labor laws like fair wages, minimum wage policies and benefits.

Employee Development

In the increasingly competitive market for skills, MHI continuously evaluates various programs aimed at enhancing skills, knowledge, and awareness.

For 2020, the Company's Legal Department organized its yearly Corporate Governance Seminar for the Company's Board of Directors (BOD) and key officers in compliance with SEC MC Nos. 20-2013 and 2-2015. The workshop covered discussions on Risk Assessment, Risk Management, BOD's Duties, Responsibilities and Liabilities, and Safeguard Against Fraud. The training was

conducted by the Center for Training and Development, Inc., an accredited training provider on Corporate Governance.

Several trainings on Safety and Health were also conducted via zoom, to limit face-to-face interaction. Details are discussed in the report's Safety section.

The Human Resources (HR) Team will continue to explore avenues to enhance activities in support of personnel development. All in all, for the year 2020, a total of 1600 hours were spent on employee training.



Nurturing Labor-Management Relations

The Company continues to nurture good relations with its senior officers, employees, organized labor groups, and the host communities within the MPSA area. MMDC regularly holds town hall meetings so that important or urgent matters can be properly raised and openly addressed by the Management.

Collective Bargaining Agreement

The Collective Bargaining Agreements (CBAs) were completed in September 2020, after three weeks of negotiations. MHI, through MMDC, maintains a cooperative and healthy relationship with Samahan ng Responsableng Manggagawa ng Marcventures Mining and Development Corporation-Associated Labor Unions-Trade Union Congress of the Philippines (SRMMMDC-ALU-TUCP), the sole and exclusive bargaining agent of MMDC's rank-and-file employees, and Associated

Professional Supervisory Office and Technical Employee Union (APSOTEU), the sole and exclusive bargaining agent of MMDC's supervisory employees.

A total of 128 employees are members of SRMMMDC-ALU-TUCP, and 60 employees are members of APSOTEU. MMDC's existing rate of employees covered by Collective Bargaining Agreement is at 46 percent (46%).

To maintain high quality standards of performance and productivity, MMDC's Human Resources and Administration Department together with the Internal Audit group conducted regular consultations on employee-related policies.

The mine site covers a total of 42 communities throughout the municipalities of Carrascal, Cantilan and Madrid. Through the years, MHI has been very successful in maintaining strong ties with various local agencies and stakeholders.

Manpower Rationalization



In response to the global health crisis affecting the continued operational and financial viability of companies across all industries, the Company conducted a systematic job rationalization procedure, side-by-side with a reorganization, reassignment of work responsibilities, voluntary retirement of certain individuals, and abolition of redundant positions. This is in line with Management's goal to look into ways of optimizing its resources to ensure its continued competitiveness and viability while safeguarding the economic and social welfare of its employees.

Mindful of the effects of Covid-19 pandemic on the livelihood of our employees, the first phase of this initiative covered a review of manpower requirements per Division which was completed by end of October 2020, after assessing the impact of the pandemic on our continued capability to operate and function, given the challenges of the situation.

The second phase of this initiative covered the study and identification of superfluous positions and non-critical functions which may be outsourced or assigned to project-based employees. The Company ensured that proper notices, procedures, and employee dialogues were conducted before implementation and as a matter of course, implementation was done in phases taking into account employee welfare. Our HRAD submitted the necessary establishment report to the Department of Labor and Employment (DOLE) last November 2019, and redundancy letters with computation of separation pay were subsequently served to the affected employees.

Promoting Diversity and Equal Opportunity

The Company embraces diversity and is committed to providing broader opportunities especially in the communities it operates. A diverse workforce is always a competitive advantage. A variety of minds is needed to tackle complex global challenges faced by the mining industry.

MHI provides equal opportunity in recruitment and career development regardless of gender. In 2020 female workers represented about twenty five percent (25%) of the workforce.

The Company upholds its legal obligation to prioritize the talents in the community. Prior to the start of operations, we signed a Free, Prior and Informed Consent (FPIC) Memorandum of Agreement with members of IP communities. One of the conditions is the priority-hiring for IP members.

MHI works closely with its host and neighboring communities, including Indigenous Cultural Communities (ICC) / Indigenous Peoples (IP). In fact, a total of eighty-one (81) employees from indigenous communities are currently working in MMDC.

The terms and conditions of the Company's Mineral Product Sharing Agreement (MPSA) are duly respected. This includes guarding against gender discrimination and recognizing the rights of women workers to participate in policy and decision-making processes affecting their rights and benefits.



Ensuring Occupational Health and Safety

MHI's business strategy focuses on operating safely, sustainability and responsibility. Safe and healthy working conditions are properly maintained. Safety trainings are regularly conducted. Standard procedures are seriously followed. Technically proven and economically feasible environmental protection measures are applied at all times to safeguard the lives and health of the employees and nearby communities.

As mentioned in this Report's section on Sustainable Development Goals, the National Quality Assurance Philippines Inc. (NQA) recommended MMDC's migration from OHSAS 18001:2007 into ISO 45001:2018, which was completed on September 30, 2020. This certification reinforces MMDC's commitment to a safe and healthy workplace to preventing work-related injuries and ill-health, as it proactively improves its occupational health and safety performance.

Building a safe, responsible work culture requires the mastery of safety procedures. It is important that such concepts are top of mind, and almost second nature to all employees at the mine site. Basic Occupational Safety and Health and Basic First Aid and Life Support training programs are conducted yearly as a constant reminder to everybody of

the risk of unsafe work habits. Meanwhile, we also conduct emergency fire and earthquake drills on a quarterly basis.

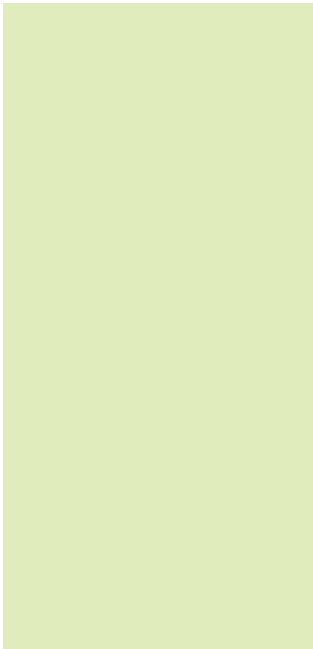
The mine site safety trainings on Sanitation, Food Handling, and Preparation were conducted by the members of Carrascal Rural Health Unit. The Behavioral Base Safety Webinar and Job Hazard Analysis were conducted by Safety Inc. a third party training organization.

Toolbox sessions are also organized to update employees about existing issues. The informal gathering encourages employees to express their opinion while fostering camaraderie. In 2020, toolbox sessions tackled issues on road safety, hazardous materials and other relevant topics.

At the Makati head office, safety officers along with representatives from various departments attended the following training sessions:

Basic Occupational Safety and Health

The session focused on developing skills to identify safety, health, and environmental hazards, determining appropriate control measures and implementing organizational safety and health policies and programs.



Psychological First Aid

The training is in response to the need to support people in distress because of the Covid-19 outbreak. It teaches participants on how to pay attention to the person's reactions, active listening, practical assistance to help address immediate problems and basic needs.

Loss Control Management Training

The session imparts techniques to enable safety leaders at all levels to continually improve the organization's safety performance. It addresses the mindset of the current management as well as issues that influence the effective safety implementation.

Job Hazard Assessment Training

The training helps participants identify the hazardous jobs in the workplace, determine the hazards and potential consequences, and develop corrective and preventive measures to eliminate or reduce the accidents, injuries and illnesses.

Safe Man Hours

With safety techniques in place, a total of 3,424,569 man-hours was recorded without lost-time accident. Our Safety and Health Department consistently aims for zero (0) lost time accident, promote and protect the safety and health of all personnel, and comply with regulatory compliance.

For the year 2020, MMDC recorded three (3) fatalities, and one accident involved the driver of our contractor EZM. MMDC assisted in bringing the injured individuals to the hospital while EZM settled all damages.

Because of the incident, the committee on Central Safety and Health, organized by the Mine Safety and Health Department, has agreed that all drivers and operators will be subject to mandatory drug testing every two (2) months. Drivers and operators also need to undergo alcohol test prior to dispatch.

ANO ANG COVID-19?

Ang COVID-19 ay isang bagong uri ng mikrobyo na kumakalat sa mga tao at nagdudulot ng iba't-ibang uri ng sakit, gaya ng karaniwang ubo't-sipon at maaring umaabot sa malubhang impkasyon. Maari itong maging sanhi ng Pneumonia, Acute Respiratory Syndrome, problema sa bato, at pagkamatay. Ayon sa World Health Organization o WHO, ang Covid 19 ay isang pandemiko at nakakaapekto sa maraming bansa sa buong mundo.

MGA SINTOMAS NG COVID-19

There were also three (3) work-related injuries recorded in 2020. The injured were treated in accordance with the recognized first-aid training. All three recovered after treatment.

Covid-19 Health and Safety Measures

As discussed in the section on Health and Safety Measures Against Covid-19, as early as February 2020, Management prioritized the drafting of an Emergency Interim Work-From-Home (WFH) Guidelines in anticipation of potential lockdowns. The transition to a flexible work program (i.e. skeletal work arrangement/work-from-home arrangement) was seamless for the Makati Head Office when community quarantine restrictions were implemented nationwide.

To manage continuity of operations, communication lines with senior management were kept constantly open. The application of leave deductions and timekeeping requirements were suspended. Work Plans designed to monitor important deliverables were put in place. Employees were provided with hardware and software access and designated information point persons took charge of disseminating information to their departments and teams. Management Committee check-ins and coordination meetings were intensified between mine site operations and the Makati head office.

Special Update: MMDC Cited by the Employers Confederation of the Philippines' (ECOP) for Best Practices

MMDC was among the top companies in the Philippines that received commendation for its responses and best practices during the Enhanced Community Quarantine (ECQ). Its response to the enhanced community quarantine was among the business cases featured in Employers Confederation of the Philippines' (ECOP) "Series on Good Business Practices."

The Employers Confederation of the Philippines (ECOP) is a nationally established umbrella organization dealing with important national issues related to employment, industrial relations, labor issues and related social policies. MMDC was part of "Business Cares: A Series on Good Business Practices" – a campaign that aims to strengthen the business community by promoting models of corporate programs during the crisis with a goal of encouraging companies to emulate policies and look after the welfare of employees during this crisis.

MMDC's orientation towards conducting business guided by the principle of ethical practices and best operating processes looked to address the 4Ps of its operations during the community quarantine: People, Processes, Protocols, and Public, referring to the Company's commitment to serve the community where it operates.

Best Practices of Marcventures Mining and Development Corporation (MMDC)

by ECOP | May 18, 2020 | Best Practices, COVID19



Good Corporate Governance



“To protect the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth.”

MHI's commitment to Good Corporate Governance is closely aligned with its vision to pursue its corporate goals while ensuring the welfare of its host communities and protecting the environment. The commitment supports the principles of transparency, honesty, integrity, fairness, and accountability. We acknowledge that in order to enhance shareholder value, we must abide by corporate governance principles and practices as well as regulatory reporting to provide investors with an accurate and balanced overview of the Group's performance.

In the course of our business operations and in dealing with local government, local suppliers, and partners, MHI is exposed to a relatively high corruption risk. Therefore, the Company makes it a priority to put in place, the internal processes and policies to prevent corruption.

Risks are managed by maintaining standards of procurement that undergo rigorous scrutiny and a zero-tolerance policy for all forms of unethical practices. As part of our Whistle Blowing Policy, employees who are aware of a valid occurrence of unethical behaviors are highly encouraged to report to Management without fear of repercussions. Management does not hesitate to pursue disciplinary actions which may even result in replacement of key executives for actions detrimental to and in contravention of the Company's corporate governance practices.

Transparent Supply Chain Management

MHI's subsidiary, MMDC, has a Supplier Accreditation Policy which lists documentary requirements from both contractors and suppliers who wish to do business with the Company. It evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment.

Contractors and suppliers are required to submit to an accreditation process and MMDC retains the right to audit and verify practices.

An accredited credit investigation agency will also check for derogatory records such as collection cases against the Company, its major stockholders and key officers. The accreditation is renewed every year and suppliers are expected to submit updated records upon renewal. MHI values its relationships with contractors and suppliers who make an effort to adhere to the policy.

As we optimize our approach to responsible procurement, we are also looking into expanding our contractual remedies to include the environmental performance, social commitments and even the investments of our contractors and suppliers.

Anti-Corruption Measures

The Company also practices zero-tolerance policy on misappropriation of Company assets and properties, fraudulent acts and reporting, corruption and bribery in any form, and unethical practices. We support this emphasis on integrity, transparency and accountability in the conduct of its operations by providing for a mechanism (the "Whistleblower Policy") that is available to all individuals to raise concerns which they perceive as wrong, irregular and illegal within the organization.

The Policy encourages and allows any individual ("Whistleblower") to promptly report any observed risk, danger, malpractice, wrong doing or any questionable business practice that may affect others, the Company or the Public without fear of discrimination, harassment and/or retaliation as a result of the disclosure, provided it is made in good faith and without malice.

Further and as already discussed in the section on Supply Chain Management of this Report, our procurement and supply policies and standard operating procedures are based on principles of fair treatment and open competition. All our third-party contractors and suppliers are expected to act with integrity including their compliance with contractual terms and conditions.

Data Privacy and Security Protection

The Company strictly complies with the national data privacy law. A data privacy officer is assigned to strictly implement confidentiality measures at all levels.

The Company along with its external stakeholders abide with the rules and regulations of the Data Privacy Act of 2012 which "protects the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth."

Risks related to the collection, retention and use of information are managed by the Company's policy on Protection of Confidential Information. (MC-002-19).

Upon hiring, employees are asked to sign a Deal of Undertaking to certify that all information are solely for performing functions. No information will be disclosed to anyone outside the Company, unless cleared by the data privacy officer and the Company's legal team.

The Audit Team is currently working with all departments in reviewing all company policies - with the move towards a more digitized workplace in view of the pandemic, the Company is also looking into its IT and Communications Policies to improve its capabilities to address the challenges brought about by which will be expanded to include a Social Media policy which emphasizes the role of all employees in protecting the Company's reputation. Our employees are well-aware that they must exercise caution, discretion, and judgement when posting about Company activities in their personal social media accounts, however a formal policy on this issue is becoming more relevant as we continue to digitize our workplace.

Data Integrity and Reporting Transparency

Hand in hand with securing data privacy is the need to increase the comprehensiveness and accuracy of our data gathering processes to improve our capability to effectively monitor our progress and timely reporting. We are committed to increasing our systems and procedures for data gathering as we look at how to integrate online tools to better address our needs.



Disclaimers and Cautionary Notes

CAUTIONARY DISCLAIMER - FORWARD-LOOKING STATEMENTS

Certain of the statements and information in this report constitute “forward-looking statements” and “forward-looking information” within applicable laws (collectively, “forward-looking statements”). Any forward-looking statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects,” “is expected,” “anticipates,” “believes,” “plans,” “projects,” “estimates,” “assumes,” “intends,” “strategies,” “targets,” “goals,” “forecasts,” “objectives,” “budgets,” “schedules,” “potential,” or variations thereof or stating that certain actions, events or results “may,” “could,” “would,” “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements relate to, among other things: future profitability, growth, acquisitions and shareholder returns, and potential future offerings of Securities.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, social and economic impacts of COVID-19; risks relating to: fluctuating commodity prices; calculation of resources, reserves and mineralization and precious and base metal recovery; interpretations and assumptions of mineral resource and mineral reserve estimates; exploration and development programs; feasibility and engineering reports; permits and licenses; title to properties; property interests; joint venture partners; acquisition of commercially mineable mineral rights; financing; recent market events and conditions; economic factors affecting the Company; timing, estimated amount, capital and operating expenditures and economic returns of future production; integration of future acquisitions into the Company's existing operations; competition; operations and political conditions; regulatory environment in the market; environmental risks; foreign exchange rate fluctuations; insurance; risks and hazards of mining operations; key personnel; conflicts of interest; dependence on management; internal control over financial reporting and bringing actions and enforcing judgments under Philippine laws, as well as those risks and uncertainties discussed in the Company's

corresponding public filings. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those expressed or implied in the forward-looking statements.

The Company's forward-looking statements are necessarily based on a number of estimates, assumptions, beliefs, expectations and opinions of management as of the date of this news release that while considered reasonable by management of the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. These estimates, assumptions, beliefs, expectations and opinions include, but are not limited to, those related to the Company's ability to carry on current and future operations, including: the duration and effects of COVID-19 on our operations and workforce; development and exploration activities; the timing, extent, duration and economic viability of such operations; the accuracy and reliability of estimates, projections, forecasts, studies and assessments; the Company's ability to meet or achieve estimates, projections and forecasts; the availability and cost of inputs; the price and market for outputs; foreign exchange rates; taxation levels; the timely receipt of necessary approvals or permits; the ability to meet current and future obligations; the ability to obtain timely financing on reasonable terms when required; the current and future social, economic and political conditions; and other assumptions and factors generally associated with the mining industry. Other than as required by applicable securities laws, the Company does not assume any obligation to update forward-looking statements if circumstances or management's assumptions, beliefs, expectations or opinions should change, or changes in any other events affecting such statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. For the reasons set forth above, investors should not place undue reliance on forward-looking statements

Corporate Information

Name of Organization

Marcventures Holdings, Inc. (MHI)

Principal Office:

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

Report Boundary:

Subsidiaries:

- a. Marcventures Mining and Development Corporation
- b. BrightGreen Resources Corporation
- c. Alumina Mining Philippines, Inc.
- d. Bauxite Resources, Inc.

Business Model:

Holding company listed in the Philippine Stock Exchange (PSE) and whose shares are actively traded on the PSE under the stock symbol “MARC”

Mineral Production Service Agreements (MPSA) with the Government for mining and export of mineral products

Activities:

Primary: To engage in the purchase, exchange, assignment, and hold investments and all properties

Secondary: To embark in the discovery, exploration, and development of mineral oils, petroleum in its natural state, rock or carbon oils, natural gas, other volatile mineral substances and salt, as well as other minerals of whatever nature; to mine, dig, refine, prepare for market, buy, sell, and transport the same, their products compounds, and derivatives.

Reporting Period:

January 1 to December 31, 2020

Index of Material Topics

Pursuant to Annexes A (Reporting Template) and B (Topic Guide) of the SEC Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies), the following are the topics MHI has identified as material for the reporting period and which were addressed in this Report:

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