

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Sep 30, 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
Metro Manila
6. Industry Classification Code(SEC Use Only)
[REDACTED]
7. Address of principal office
4th Floor Citibank Center, 8741 Paseo de Roxas, Makati City
Postal Code
1227
8. Issuer's telephone number, including area code
+632 8831-4479
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. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 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

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 17-2 - Quarterly Report References: SRC Rule 17 and Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2020
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2020	Dec 31, 2019
Current Assets	2,220,913,285	779,290,957
Total Assets	7,439,366,371	6,091,350,455
Current Liabilities	2,620,709,058	1,403,367,545
Total Liabilities	3,352,496,632	2,167,660,001
Retained Earnings/(Deficit)	768,805,801	605,626,516
Stockholders' Equity	4,086,869,739	3,923,690,454
Stockholders' Equity - Parent	3,891,415,032	3,946,731,607
Book Value per Share	1.29	1.31

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	601,453,184	559,790,088	1,762,750,522	737,148,665
Gross Expense	530,266,903	469,441,266	1,451,704,271	878,619,432
Non-Operating Income	809,204	1,536,057	2,832,999	1,655,755
Non-Operating Expense	12,793,809	16,529,185	32,850,484	43,366,991
Income/(Loss) Before Tax	59,201,676	75,355,694	281,028,766	-183,182,003
Income Tax Expense	33,542,009	22,606,708	117,849,481	-

Net Income/(Loss) After Tax	25,659,667	52,748,986	163,179,285	-183,182,003
Net Income Attributable to Parent Equity Holder	25,659,667	52,748,986	163,179,285	-183,182,003
Earnings/(Loss) Per Share (Basic)	0.01	0.02	0.05	0.06
Earnings/(Loss) Per Share (Diluted)	0.01	0.02	0.05	0.06

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.13	-0.2
Earnings/(Loss) Per Share (Diluted)	0.13	-0.2

Other Relevant Information

SEE ATTACHED SEC FORM 17-Q

Filed on behalf by:

Name	Maila Lourdes De Castro
Designation	VP Legal

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **September 30, 2020**
2. Commission identification number **12942**
3. BIR Tax Identification No. **470-000-104-320**
4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: **(SEC Use Only)**
7. Address of registrant's principal office: **Unit 4-3 Citibank Center Cond. 8741 Paseo de Roxas, Makati City**
8. Registrant's telephone number, including area code: **(63 2) 8831-4479**
9. Former name, former address and former fiscal year, if changed since last report. **N. A.**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock (₱1.00 par value)	3,014,820,305 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes. The common shares are listed on the Philippine Stock Exchange.
Note: only 1,821,758,599 are listed with PSE

12. Indicate by check mark whether the registrant:

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

Yes

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

Yes

Table of Contents

PART I - FINANCIAL INFORMATION.....	3
Item 1- Financial Statements.....	3
Summary of Consolidated Balance Sheet as of Sept. 30, 2020 and December 31, 2019	3
Summary of Consolidated Income Statement for the three month and nine-month period ended Sept. 30, 2020 and 2019	3
Summary of Consolidated Statement of Cash Flows for the nine-month period ended Sept. 30, 2020 and 2019	4
Item 2. - Management’s Discussion and Analysis of Financial Condition and Results of Operation...	4
Financial Condition and Results of Operation.....	4
Horizontal and Vertical Analysis:	7
Key Performance Indicators.....	9
PART II - OTHER INFORMATION	10
PART III - FINANCIAL SOUNDNESS INDICATORS.....	10
SIGNATURES.....	11
Consolidated Financial Statements.....	15

PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

The unaudited Consolidated Financial Statements of Marcventures Holdings Inc. (the "Company") and its Subsidiaries as at September 30, 2020 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2019) and for the three-month and nine-month period ended September 30, 2020 and 2019 are in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Consolidated Balance Sheet as of September 30, 2020 and December 31, 2019

	Amounts in ₱'000			
	Sept. 30, 2020 Unaudited	Dec. 31, 2019 Audited	Increase (Decrease) Amount Percentage	
Current Assets	₱2,220,913	₱779,291	₱1,441,622	184.99%
Noncurrent Assets	5,218,453	5,312,059	(93,606)	(1.76%)
Total Assets	₱7,439,366	₱6,091,350	₱1,348,016	22.13%
Current Liabilities	₱2,620,709	₱1,403,368	₱1,217,342	86.74%
Noncurrent liabilities	731,788	764,292	(32,505)	(4.25%)
Total Stockholders' Equity	4,086,870	3,923,690	163,179	4.16%
Total Liabilities and Stockholders' Equity	₱7,439,366	₱6,091,350	₱1,348,016	22.13%

Summary of Consolidated Income Statement for the three-month and nine-month period ended September 30, 2020 and 2019

	Amounts in ₱'000			
	For the three-month ended September 30		Increase (Decrease)	
	2020	2019	Amount	Percentage
Revenues	₱601,453	₱559,790	₱41,663	7.44%
Cost of Sales	(311,972)	(389,397)	77,425	(19.88%)
Gross Profit	289,481	170,393	119,088	69.89%
Operating expenses	(218,294)	(80,044)	(138,425)	172.93%
Income from operations	71,186	90,349	(19,163)	(21.21%)
Other Income (Expenses)	(11,985)	(14,993)	3,008	(20.06%)
Net income (loss) for the period	59,202	75,356	(16,155)	(21.44%)
Provision for income tax	(33,542)	(22,607)	(10,935)	48.37%
Net income (loss) for the period	₱25,660	₱52,749	(₱88,456)	(51.36%)

	Amounts in ₱'000			
	For the nine-month ended		Increase (Decrease)	
	September 30 2020	2019	Amount	Percentage
Revenues	₱1,762,751	₱737,149	₱1,025,602	139.13%
Cost of Sales	(1,031,210)	(578,270)	(452,940)	78.33%
Gross Profit	731,541	158,879	572,662	360.44%
Operating expenses	(420,495)	(300,350)	(120,145)	40.06%
Income from operations	311,046	(141,471)	452,517	319.87%
Other Income (Expenses)	(30,018)	(41,711)	11,694	(28.04%)
Net income (loss) for the period	281,029	(183,182)	464,211	253.42%
Provision for income tax	(117,849)	-	(117,849)	-
Net income (loss) for the period	₱163,179	(₱183,182)	₱346,362	189.08%

Summary of Consolidated Statement of Cash Flows for the nine-month period ending September 30, 2020 and 2019

	For Nine-Month Ended Sept. 30	
	2020 (₱'000)	2019 (₱'000)
Cash generated in operating activities	₱241,598	₱299,964
Cash used in investing activities	(23,136)	(56,936)
Cash used in financing activities	(57,611)	(63,353)
Net decrease in cash and cash equivalent	160,851	179,675
Cash - beginning	314,441	27,360
Cash - ending	₱475,428	₱207,035

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion is based on the unaudited interim consolidated financial statements as at September 30, 2020 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2019) and for the three-month and nine-month period ended September 30, 2020 and 2019, prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

Financial Condition and Results of Operation:

Nine-month period ended September 30, 2020 compared with nine-month ended September. 30, 2019

Revenues

For the nine-month period ended September 30, 2020, total revenues amounted to ₱1,762.8 million, higher by ₱1,025.6 million or 139.13% as compared with ₱737.1 million reported in the same period of prior year. It was attributable to higher prices of nickel ore during the period and the increase in tonnage sold as compared to last year of the same period which led to an increase in total revenue.

Despite of the Corona Virus Disease 2019 (COVID 19) pandemic which has greatly affected society and global economy of countries all over the world, the Company was able to ship out 22 vessels of Saprolite Nickel Ore or a

total 1,187,937 WMT for the nine months period of 2020 which was higher by 3 vessels as compared to 2019 shipments of the same period.

Cost of Sales

Our cost of sales went up to ₱1,031.2 million or an increase of ₱452.9 million (equivalent to 78.33% increase) as compared to ₱578.3 million last year and it was due to higher revenue and higher volume of Nickel Ore sold during the period.

Operating Expenses

The Company's total operating expenses increased by 40.00% or ₱120.0 million from ₱300.3 million of the same period of last year to ₱420.5 million this year. The increase was due to the following:

- Environmental expenses increased by ₱118.1 million or 382.82% due to maintenance of haul road, stockyard and mine pits to avoid environmental issues within the community.
- Taxes and Licenses increased by ₱10.6 million or equivalent to 31.1% due to higher assessment of business taxes for 2019 gross revenue as basis for computing the municipal business permits.
- Corporate social responsibility increased by ₱6.2 million or 2,674.5% as the Company continues its projects on education and health for the community.
- Social Development Program increased by ₱5.5 million or 28.53% in compliance with implementing rules and regulation of 1995 Philippine Mining Act, which requires that 1.5% of the operating cost be allocated for the development of host and neighboring mining communities.
- Royalties increased by ₱8.1 million or equivalent to 77.27%. These expenses were computed and paid based on the percentage of gross sales.
- Representation increased by ₱6.7 million or equivalent to 232.21% due to frequent meetings with the buyers and stakeholders.
- Salaries and wages increased by ₱7.4 million or equivalent to 11.51% due to Management's decision to hire key staff and executive positions to implement and/or augment the Company's internal controls.

The above cost increases were partly offset by the following:

- Depreciation expense decreased by ₱8.9 million or equivalent to 25.76% due to full depreciation of almost all of the Company's properties and equipment as of the period.
- Transportation and travel decreased by ₱1.5 million or equivalent to 46.54% because of the COVID-19 pandemic which restricted domestic and foreign travels.
- Decrease in Outside Services by ₱2.6 million or equivalent to 27.558% due to lesser outsourced manpower services engagement.

Statement of Financial Position

September 30, 2020 vs. December 31, 2019

Assets

The consolidated total assets of the Company increased by ₱1,348.0 million from ₱6,091.4 million as of December 31, 2019 to ₱6,612.2 million as of September 30, 2020. The 22.13% increase was mainly due to the following:

- **Increase in Total Current Assets** from ₱779.3 million as of December 31, 2019 to ₱2,220.9 million as of September 30, 2020 or equivalent to 185.0% or ₱1,441.6 million. The increase was attributable to the following:
 - Cash increased by ₱161.0 million or 51.20%. Apart from the proceeds from the sale of nickel ore, the increase was also due to the advances from customer for the reservation / allocation of nickel ore.
 - Trade and other receivables increased by ₱931.9 million or 455.80% due to the uncollected sales of nickel ore for the period.
 - Ore inventory increased by ₱93.5 million or 121.56% due to higher production as compared to last year.
 - Other current assets increased by ₱259.6 million or 196.55% which is attributable to the prepayments of excise taxes and insurances.
 - The increase, however, was partly offset by the decrease in advances to related parties in the amount of ₱4.5 million as a result of partial settlement.

- **Decrease in Total Noncurrent Assets** from ₱5,312.1 million as of December 31, 2019 to ₱5,218.5 million as of September 30, 2020, or equivalent to 1.76%. The decrease in the amount of ₱93.6 million was attributable to the decrease in property and equipment due to depreciation and decrease in mining rights and other mining assets due to depletion.

Liabilities

The consolidated total liabilities of the Company increased by ₱1,184.8 million or 54.66% from ₱2,167.7 million as of December 31, 2019 to ₱3,352.5 million as of September 30, 2020. This was mainly due to the advances from customers for ore sales allocation and income tax payable for the period.

Equity

The Stockholders' Equity of the Company increased by ₱163.2 million or 4.16% from ₱3,923.7 million as of December 31, 2019 to ₱4,086.9 million as of September 30, 2020, due the net income for the period.

Statement of Cash Flows

September 30, 2020 vs. September 30, 2019

The net cash generated in operating activities decreased slightly from ₱299.9 million in 2019 to ₱241.6 million in 2020. The slight decrease is attributable to the increase in the advances from customers which were offset by the increase in trade receivables and payment of income tax.

Net cash used in investing activities is lower by ₱33.8 million in 2020 as compare to 2019. This is mainly due to the acquisition of additional property and equipment during the year.

Net cash used in financing activities is lower by ₱5.74 million in 2020 as compared to 2019. This is mainly due to the partial settlement of bank loans and payments of its interest.

The net effect of the foregoing operating, investing, and financing activities are increases in cash of ₱160.9 million and ₱179.7 million on September 30, 2020 and 2019, respectively. The cash balances at the end of the period are ₱475.4 million and ₱207.0 million as of September 30, 2020 and 2019, respectively.

Horizontal and Vertical Analysis:

	Consolidated		Increase (Decrease)	
	September 30, 2020	December 31, 2019	Amount	%
ASSETS				
Current Assets				
Cash	₱475,291,403	₱314,440,796	₱160,850,607	51.20%
Trade and other receivables	1,136,410,221	204,463,789	931,946,432	455.8%
Inventories	170,456,871	76,934,360	93,522,511	121.56%
Advances to related parties	46,915,162	51,366,755	(4,451,593)	(8.67%)
Other current assets	391,703,490	132,085,257	259,618,233	196.55%
Total Current Assets	2,220,913,285	779,290,957	1,441,622,328	184.99%
Noncurrent Assets				
Property and equipment	255,658,152	275,879,333	(20,211,181)	(7.33%)
Mining rights	4,431,594,497	4,504,413,119	(72,818,622)	(1.62%)
Net deferred tax assets	33,600,974	32,716,374	884,600	2.70%
Other noncurrent assets	497,599,463	499,050,672	(1,451,209)	(0.29%)
Total Noncurrent Assets	5,218,453,086	5,312,059,498	(93,606,412)	(1.76%)
TOTAL ASSETS	₱7,439,366,371	₱6,091,350,455	₱1,348,015,916	22.13%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱1,956,731,669	₱769,333,142	₱1,187,398,527	154.34%
Loans payable	518,698,171	510,069,579	8,628,592	1.69%
Advances from related parties	94,257,753	110,846,820	(16,589,067)	(14.97%)
Dividends payable	4,707,886	4,707,886	-	-%
Income tax payable	46,347,631	8,410,118	37,937,513	451.09%
Total Current Liabilities	2,620,709,058	1,403,367,545	1,217,341,513	86.74%

Long-term debt - net of current portion	₱175,610,317	₱208,999,799	(33,389,482)	(15.98%)
Provision for mine rehabilitation and Decommissioning	52,634,827	52,634,827	–	0.00%
Retirement benefit liability	37,395,071	37,395,071	–	0.00%
Deferred tax liability	466,147,359	465,262,759	884,600	0.19%
Total Noncurrent Liabilities	731,787,574	764,292,456	(32,504,882)	(4.25%)
Total Liabilities	3,352,496,632	2,167,660,001	1,184,836,631	54.66%

Equity				
Capital stock	3,014,820,305	3,014,820,305	–	0.00%
Additional paid-in capital	269,199,788	269,199,788	–	0.00%
Retained earnings	768,805,801	605,626,516	163,179,285	26.94%
Remeasurement gain on retirement benefit liability - net of deferred tax	34,043,845	34,043,845	–	0.00%
Total Equity	4,086,869,739	3,923,690,454	163,179,285	2.46%
TOTAL LIABILITIES AND EQUITY	₱7,439,366,371	₱6,091,350,455	₱1,348,015,916	22.13%

OTHER INFORMATION

- a. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
- b. There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- d. Aside from the volatile prices of ore in the market and USD exchange rate, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- e. The causes for the material changes from period to period in the financial accounts were explained in the Management's discussion and analysis of financial condition and results of operation.
- f. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- g. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- h. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
- i. There are no new issuances, repurchases, and repayments of debt and equity securities.
- j. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- k. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
- l. There are no contingent liabilities or contingent assets since the last annual balance sheet date.
- m. There are no material contingencies and other material events or transactions during the interim period.
- n. There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Key Performance Indicators

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

	September 30, 2020	September 30, 2019
Net Income (Loss)	₱163,179,285	(₱183,182,003)
Quick assets	1,611,837,764	726,183,858
Current assets	2,220,913,285	1,050,130,416
Total assets	7,439,366,373	6,311,412,636
Current liabilities	2,620,709,058	1,743,568,583
Total liabilities	3,352,496,632	2,554,508,511
Stockholders' Equity	4,086,869,739	3,756,904,125
Number of common shares outstanding	3,014,820,305	3,014,820,305

Liquidity ratios:		
Current ratio	0.85:1	0.60:1
Quick ratio	0.73:1	0.42:1
Solvency Ratios:		
Debt ratio	0..35:1	0.40:1
Debt to Equity ratio	0.82:1	0.68:1
Profitability ratios:		
Earnings (loss) per share	0.05	(0.06)
Book value per share	1.36	1.24

PART II - OTHER INFORMATION

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

NONE


PART III - FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula	Unaudited Sept. 30, 2020	Audited December 31, 2019
Current ratio	Total Current Assets	₱2,220,913,285	₱779,290,957
	Divided by: Total Current Liabilities	2,620,709,058	1,403,367,545
	Current ratio	0.85:1	0.56:1
Solvency ratio	Net Income (Loss) Before Depreciation and Amortization	₱399,288,787	₱255,639,473
	Divide by: Total liabilities	3,352,496,632	2,167,660,001
	Solvency ratio	0.12:1	0.12:1
Debt-to-equity ratio	Total Liabilities	₱3,352,496,632	₱2,167,660,001
	Divide by: Total equity	4,086,869,739	3,923,690,454
	Debt-to-equity ratio	0.82:1	0.55:1
Asset-to-equity ratio	Total Assets	₱7,439,366,373	₱6,091,350,455
	Divide by: Total equity	4,086,869,739	3,923,690,454
	Asset-to-equity ratio	1.82:1	1.55:1
Interest rate coverage Ratio	Pretax income (loss) before interest	₱313,879,250	₱187,589,599
	Divided by: Interest expense	32,850,484	61,630,647
	Interest rate coverage ratio	9.55:1	3.04:1
Profitability Ratio	Net income (loss)	₱163,179,285	₱37,842,406
	Divide by: Total equity	4,086,869,739	3,923,690,454
	Profitability ratio	0.04:1	0.01:1

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **MARVENTURES HOLDINGS, INC.**


Signature and Title: ROLANDO S. SANTOS
SVP-Finance

Date: November 15, 2020


Signature and Title: RENITA S. TY
Accountant

Date: November 15, 2020

Marcventures Holdings, Inc. and Subsidiaries

Unaudited Interim Consolidated Financial Statements
September 30, 2020 and for the Three Months & Nine Months Ended
September 30, 2020 and 2019

*(With Comparative Audited Consolidated Statements of Financial Position as at
December 31, 2019)*

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

		Unaudited	Audited
	Note	Sept. 30, 2020	Dec. 31, 2019
ASSETS			
Current Assets			
Cash	5	₱475,427,541	₱314,440,796
Trade and other receivables	6	1,136,410,221	204,463,789
Inventories	7	170,456,871	76,934,360
Advances to related parties	21	46,915,162	51,366,755
Other current assets	8	391,703,490	132,085,257
Total Current Assets		2,220,913,285	779,290,957
Noncurrent Assets			
Property and equipment	9	255,658,152	275,879,333
Mining rights and other mining assets	10	4,431,594,497	4,504,413,119
Net deferred tax assets		33,600,974	32,716,374
Other noncurrent assets	11	497,599,463	499,050,672
Total Noncurrent Assets		5,218,453,086	5,312,059,498
		₱7,439,366,371	₱6,091,350,455
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	₱1,956,697,617	₱769,333,142
Current portion of loans payable	14	518,698,171	510,069,579
Advances from related parties	21	94,257,753	110,846,820
Dividends payable	15	4,707,886	4,707,886
Income tax payable		46,347,631	8,410,118
Total Current Liabilities		2,620,709,058	1,403,367,545
Noncurrent Liabilities			
Long-term debt - net of current portion	14	175,610,317	208,999,799
Provision for mine rehabilitation and decommissioning	13	52,634,827	52,634,827
Retirement benefit liability	20	37,395,071	37,395,071
Deferred tax liability	4	466,147,359	465,262,759
Total Noncurrent Liabilities		731,787,574	764,292,456
Total Liabilities		3,352,496,632	2,167,660,001
Equity			
Capital stock	15	3,014,820,305	3,014,820,305
Additional paid-in capital	15	269,199,788	269,199,788
Retained earnings		768,805,801	605,626,516
Remeasurement gain on retirement benefit liability - net of deferred tax		34,043,845	34,043,845
Total Equity		4,086,869,739	3,923,690,454
		₱7,439,366,371	₱6,091,350,455

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2020

		Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	Note	2020	2019	2020	2019
REVENUE	16	₱601,453,184	₱559,790,088	₱1,762,750,522	₱737,148,665
COST OF SALES	17	(311,972,407)	(389,397,162)	(1,031,209,672)	(578,269,706)
GROSS INCOME (LOSS)		289,480,777	170,392,926	731,540,850	158,878,959
OPERATING EXPENSES	18	(218,294,496)	(80,044,104)	(420,494,599)	(300,349,726)
INCOME (LOSS) FROM OPERATIONS		71,186,281	90,348,822	311,046,251	(141,470,767)
INTEREST EXPENSE		(12,793,809)	(16,529,185)	(32,850,484)	(43,366,991)
INTEREST INCOME	5	154,806	4,157	177,044	30,798
OTHER INCOME (CHARGES) - Net	19	654,398	1,531,900	2,655,955	1,624,957
INCOME (LOSS) BEFORE INCOME TAX		59,201,676	75,355,694	281,028,766	(183,182,003)
PROVISION FOR INCOME TAX		(33,542,009)	(22,606,708)	(117,849,481)	-
NET INCOME (LOSS)		₱25,659,667	₱52,748,986	₱163,179,285	(₱183,182,003)
Basic and diluted earnings (loss) per share	23	₱0.01	₱0.02	₱0.05	(₱0.06)

See accompanying Notes to Consolidated Financial Statements.

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

	Note	Nine Months Ended Sept. 30	
		2020	2019
CAPITAL STOCK - ₱1 par value	15		
Authorized - 4,000,000,000 shares			
Issued and outstanding:			
Balance at beginning of year		₱3,014,820,305	₱3,014,820,305
ADDITIONAL PAID-IN CAPITAL	15	269,199,788	269,199,788
RETAINED EARNINGS			
Balance at beginning of year			567,784,110
Transition adjustment on initial application of PFRS 9 - net of deferred tax		–	49,939,953
Balance at beginning of year		605,626,516	617,724,063
Net income (loss)		163,179,285	(183,182,003)
Balance at end of year		768,805,801	434,542,060
REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - net of deferred tax		34,043,845	38,341,970
		₱4,086,869,739	₱3,756,904,123

See accompanying Notes to Consolidated Financial Statements.

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

	Note	Nine Months Ended Sept. 30	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		P281,028,766	(P183,182,003)
Adjustments for:			
Depreciation	9	35,176,198	21,025,374
Depletion	10	82,450,556	52,865,428
Interest expense		32,850,484	43,366,991
Interest income	5	(177,044)	(30,798)
Provision for deferred tax			12,323,399
Operating income (loss) before working capital changes		431,328,960	(53,631,609)
Decrease (increase) in:			
Trade and other receivables		(931,946,434)	(265,305,268)
Inventories		(93,522,511)	-
Advances to related parties		4,451,593	(6,682,980)
Other current assets		(259,618,233)	2,618,732
Increase (decrease) in:			
Trade and other payables		1,187,398,527	624,227,541
Advances from related parties		(16,589,067)	(1,293,038)
Net cash generated from operations		321,468,783	299,933,378
Income tax paid		(79,911,968)	-
Interest received	5	177,044	30,798
Net cash provided by operating activities		241,733,859	299,964,176
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	9	(14,955,015)	-
Mining rights and other mining assets	10	(9,631,934)	(67,981,988)
Decreased in other noncurrent assets		1,451,209	11,046,177
Net cash used in investing activities		(P 23,135,740)	(P56,935,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest		(32,850,484)	(43,366,991)
Loans		(24,760,890)	(19,986,192)
Net cash used in financing activities		(57,611,374)	(63,353,183)
NET INCREASE (DECREASE) IN CASH		160,986,744	179,675,182
CASH AT BEGINNING OF YEAR		314,440,796	27,359,652
CASH AT END OF YEAR		P475,427,540	P207,034,834

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.

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

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

Events After the Reporting Period

The ongoing global Corona Virus Disease 2019 (COVID-19) pandemic has resulted to a slowdown of the Philippine economy as it triggered the implementation of various levels of community quarantine and other restrictions, especially on movement and travel, all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company’s operations and financial performance, however, cannot be reasonably determined as at the report date.

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

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

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

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

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.

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 (BGRC)	100%	100%
Alumina Mining Philippines Inc. (AMPI)	100%	100%
Bauxite Resources Inc. (BARI)	100%	100%

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

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

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

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

On February 13, 2017, MMDC received an Order from the DENR cancelling its Mineral Production Sharing Agreement (MPSA) No. 016-93-X-SMR due to alleged impairment of the functions of the watershed caused by MMDC's operation, failure to comply with the penalty of planting three million seedlings and violation of environment-related laws and regulations. On February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President (OP). Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum from the Order of the Department of Environment and Natural Resources (DENR) Secretary cancelling Mineral Production Sharing Agreement No. 016-93-X (SMR).

The Appeal is based, among others, on the grounds that it is the good faith belief of Management and both its external and internal Legal Counsel, that the Order is without basis in fact and in law. MMDC is engaged in clean and responsible mining and it has implemented all the necessary measures to ensure that it is environmentally compliant. Further, there was no indication in the said Order as to the specific facts and provisions of law allegedly violated. Likewise, while its operations are within a proclaimed watershed, Presidential Proclamation No. 1747 recognizes its prior legal right to mine in the area considering that its MPSA was approved in 1993 prior to issuance of the said proclamation in 2009, to wit: (a) operations is allowed by law since said MPSA dated July 1, 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President GMA;

and (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area.

MMDC subsequently wrote a letter to the Office of the President (OP) requesting for the issuance of a formal Stay of Execution Order pending Appeal. In a letter dated May 2, 2017, the OP stated that the issuance of a Stay of Execution Order is not necessary because the execution of the Order of the DENR Secretary is deemed stayed as a matter of course on account of the pendency of the Appeal. The OP ordered the DENR to file its Comment on the Appeal and DENR filed its Comment dated April 17, 2017. Thereafter, MMDC filed a Reply on July 12, 2017, as well as a Supplement thereto on July 26, 2017. The case remains pending to date.

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 MMDC's operations (see Note 25). Accordingly, MMDC has continued its mining operations in areas covered by the MPSA.

BrightGreen Resources Corporation (BGRC). BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business.

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

Alumina Mining Philippines Inc. (AMPI). AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

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

Bauxite Resources Inc. (BARI). BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

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

BGRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. The Company submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 24).

- AMPI and BARI:

In the said letters, the DENR stated that the contract areas covering the Mineral Production Sharing Agreements (MPSA) [MPSA 179-2002-VIII-SBMR for AMPI and MPSA 180-2002-VIII-SBMR for BARI] are within a watershed and that in case mining operation will be pursued in the said areas, said operation, given its extractive, and disruptive nature, will cause impairment in the ecological functions of that watershed. Further, in the said letters, AMPI and BARI were directed to show cause why their respective MPSAs should not be cancelled.

In reply, AMPI and BARI wrote separate letters dated February 27, 2017 stating, among others, the following:

- a. that no valid grounds exist for the cancellation of the MPSAs;
- b. that contract areas are not part of any declared watershed; and
- c. that the contract areas are even declared as Bauxite Mineral Reservation which allows development and exploitation of bauxite deposits.

On August 7, 2017, MHI received a letter from the Forest Management Bureau (FMB) of the DENR dated July 27, 2017 which certified that the MPSAs of AMPI and BARI fall outside any proclaimed watersheds.

The Mines and Geosciences Bureau (MGB) of the DENR also issued a letter dated August 10, 2017 stating, among others, that the MPSA Nos. 179-2002-VIII-SBMR and 180-2002-VIII-SBMR are not located within any proclaimed watershed, and that the MPSAs are located within the Samar Bauxite Mineral Reservation pursuant to the Presidential Proclamation (PP) No. 1615.

The MGB also approved the third renewal of the Exploration Period under MPSA Nos. 179-2002-VIII-SBMR and 180-2002-VIII-SBMR on June 18, 2018.

As of May 18, 2020, the MGB approved AMPI and BARI's Request for the Extension of the fourth term (third renewal) of the Exploration Period under MPSA Nos. 179-2002-VIII-SBMR and 180-2002-VIII-SBMR for another period of two (2) years effective from June 18, 2020 to June 18, 2022 to recover their unused term after evaluating that both AMPI and BARI were prevented from performing (1) the obligations under the MPSA, (2) the conditions stated in the June 18, 2018 Letter, and (3) the activities under the approved Exploration Work Program (ExWP) due to the prevailing peace and order condition within the contract area, hence, a force majeure situation.

- BRC

In its Letter dated February 13, 2017, the Department of Environment and Natural Resources (DENR) directed BRC to show cause why its Mineral Production Sharing Agreement (MPSA) No. 015-93-X should not be cancelled for being within a protected watershed. In Letter-Reply dated February 27, 2017, BRC stated that Proclamation No. 1747 recognizes the company's prior right to operate in the contract area despite being a watershed and that the cited provisions allegedly violated by the BRC were mere declarations of general policies and are therefore too vague to be the basis for cancellation of the MPSA.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

The consolidated financial statements of the Company have been prepared on a historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

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

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

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

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

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

Further disclosures are included in Note 25 *Financial Risk Management Objectives and Policies and Fair Value Measurement*.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant new and amended PFRS which the Company adopted effective for annual periods beginning January 1, 2019:

- PFRS 16, *Leases*

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

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

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate

used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

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

Company as a Lessee. The Company has applied the requirements of PFRS 16 retrospectively. On the date of transition, the Company has lease agreements for its office space that has lease term of less than (12) twelve months subject to renewal on an annual basis, upon mutual agreement between the parties. Further, the lease qualifies a short-term lease and the Company has elected not to recognize ROU assets and lease liability. The related rental on this lease arrangement is recognized in the profit or loss on a straight line basis (see Note 22).

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

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

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

New and Amended PFRS Issued But Not Yet Effective

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

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

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been

introduced to help companies determine whether an acquisition is of a business or a group of assets.

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

Deferred effectivity -

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

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC, BGRC, AMPI and BARI as at September 30, 2020 and December 31, 2019 and for the quarters ended September 30, 2020 and 2019.

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 September 30, 2020 and December 31, 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 impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2020 and December 31, 2019, the Company’s cash, trade and other receivables (excluding advances to officers and employees), and rehabilitation cash fund

(RCF), rental deposit and monitoring trust fund (MTF) (included under “Other noncurrent assets”) account are classified under this category (see Notes 5, 6 and 11).

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

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

As at September 30, 2020 and December 31, 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, dividends payable and long-term debt are classified under this category (see Notes 12 ,14 and 15).

c. Reclassification

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

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

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

d. Impairment Policy on Financial Assets at Amortized Cost

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

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

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

instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

e. Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

f. Offsetting of Financial Assets and Liabilities

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

g. Classification of Financial Instrument between Liability and Equity

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

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

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

Cash

Cash in the consolidated statements of financial position comprise cash on hand and in banks, excluding any restricted cash. Restricted cash, which includes RCF and MTF, is not available for use by the Company and therefore is not considered highly liquid.

Inventories

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

Other Current Assets

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

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

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

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

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

Property and Equipment

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

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

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

Depreciation and amortization 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 remeasurement gain or loss on retirement benefit liability.

Deposit for Future Stock Subscription

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

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD and stockholders' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and
- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposit for future stock subscription shall be recognized as a liability.

Revenue Recognition

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

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

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

Sale of Ore. Sale of ore is recognized upon delivery of goods to and acceptance by customers.

Reservation Fee for Ore Allocation. Revenue is recognized when the grant of right to ore to be provided in the future is established.

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

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

Cost and Expense Recognition

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

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

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

Interest Expense. Interest expense is recognized in the consolidated statements of comprehensive income using the effective interest method.

Leases

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

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

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

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

Company as Lessee

The Company has elected not to recognize ROU asset and lease liability for short-term lease. The Company recognized the lease payments associated with this lease as an expense on a straight-line basis over the lease term.

Foreign Currency-Denominated Transactions

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

Income Taxes

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

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

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

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

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

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

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

Value Added Tax (VAT)

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

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

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

Related Party Transactions and Related Parties

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

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

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Mine Rehabilitation and Decommissioning. The Company recognizes provision when there is partial fulfillment of obligation to restore operating locations at the end of the reporting period. The nature of these restoration activities includes dismantling and removing structures,

rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste site and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the production location.

Where applicable, the Company recognizes a mine rehabilitation asset under the mine and mining properties related to the obligation arising from the mine rehabilitation and decommissioning. The cost of such asset corresponds to the present value of future cost of rehabilitation and decommissioning and amortized over expected settlement of the obligation using units of production method. The estimated future costs of rehabilitation and decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. Any amount deducted from the cost of asset shall not exceed its carrying amount. In case the decrease in the obligation exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

Contingencies

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

Earnings (Loss) Per Share

Basic. Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any.

Diluted. Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential dilutive common shares during the period.

Events After the Reporting Date

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

Segment Reporting

The Company has one operating segment which consists of mining exploration, development, and production. The Company's asset producing revenues are located in the Philippines.

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

Assessing the Ability of the Company to Continue as a Going Concern. The Company received an order from the DENR for the cancellation of its MPSA. The Management and its Legal Counsel believe that the order has no basis and the outcome of the legal actions taken will not have a material adverse effect on the Company's operations (see Note 1). Accordingly, the management assessed that the company would continue as a going concern.

Establishing Control over the Subsidiaries. The Parent Company determined that it has control over the subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

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

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

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

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

- a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.
- b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - The borrower is experiencing financial difficulty or is insolvent;
 - The borrower is in breach of financial covenants; and
 - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

Accounting for Operating Lease - Company as Lessee. The Company has a lease agreement for its office space qualifies as a short-term lease with a lease term of less than twelve (12) months. The Company has elected not to recognize ROU asset and lease liability for these leases.

Accounting Estimates and Assumptions

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

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

Provision for ECL amounted to nil and ₱20.0 million September 30, 2020 and December 31, 2019, respectively. The allowance for ECL amounted to ₱66.6 million as at September 30 2020 and December 31, 2019. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱1.20 million and ₱242.5 million as at September 30, 2020 and December 31, 2019, respectively (see Note 6).

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

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

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

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus, the ECL on these financial assets in 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 25, *Financial Risk Management Objectives and Policies*.

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

No provision for inventory obsolescence was recognized in September 30, 2020 and as at December 31, 2019. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱170.5 million and ₱76.9 million as at September 30, 2020 and December 31, 2019, respectively (see Note 7).

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

No provision for impairment loss was recognized in September 30, 2020 and as at December 31, 2019. The carrying amount of input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱308.2 million and ₱306.4 million as at September 30, 2020 and December 31, 2019, respectively (see Note 11).

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

There were no changes in estimated useful lives of property and equipment in 2020 and 2019. Property and equipment, net of accumulated depreciation, amounted to ₱255.7 million and ₱275.9 million as at September 30, 2020 and December 31, 2019, respectively (see Note 9).

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

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

	Note	Sept. 30, 2020	Dec. 31, 2019
Mining rights	10	₱2,551,406,010	₱2,582,800,790
Mine and mining properties	10	1,724,521,909	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 ₱19.6 million and ₱36.2 million as at September 30, 2020 and December 31, 2019, (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱52.6 million as at September 30, 2020 and December 31, 2019 (see Note 13).

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

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

No impairment loss was recognized in 2020 and 2019.

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

	Note	Sept. 30, 2020	Dec. 31, 2019
Advances to officers and employees	6	₱-4,197,234	₱28,579,937
Other current assets	8	391,703,490	132,085,257
Property and equipment	9	255,658,152	275,879,333
Mining rights and other mining assets	10	4,431,594,497	4,504,413,119
Other noncurrent assets (excluding financial assets and input VAT)	11	183,321,343	186,580,281

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

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

Retirement benefit liability amounted to ₱37.4 million as at September 30, 2020 and December 31, 2019 (see Note 20).

Recognizing Deferred Tax Assets. The Company reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that

sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

The Company's recognized deferred tax assets amounted to ₱33.6 million and ₱32.7 million as at September 30, 2020 and December 31, 2019, respectively.

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at September 30, 2020 and December 31, 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 net deferred tax assets amounted to ₱72 million as at December 31, 2019.

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

4. Acquisition of Group of Assets

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as surviving entity (see Note 1). As at the acquisition date, BHI's and APMPC's assets consist mainly of mining rights and deferred exploration costs. Management determined that based on the substance of the underlying circumstances at that date, BHI and APMPC did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed in the group based on their relative fair values.

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

	BHI	APM	Allocation
Assets			
Current assets	₱2,862,560	₱111,725	₱2,974,285
Mining rights	695,649,865	945,163,500	1,640,813,365
Deferred exploration costs	75,640,185	2,195,389	77,835,574
Property and equipment	2,062,499	–	2,062,499
	776,215,109	947,470,614	1,723,685,723
Liabilities			
Advances from related parties	111,856,563	14,897,589	126,754,152
Deferred tax liability	211,153,999	254,108,760	465,262,759
Loans payable	1,742,257	–	1,742,257
Other liabilities	1,462,290	3,464,265	4,926,555
	326,215,109	272,470,614	598,685,723
Net assets acquired	₱450,000,000	₱675,000,000	₱1,125,000,000

The consideration for the acquisition cost consists of 1,125,000,000 common shares of the Parent Company issued at ₱1 a share.

The assets of BGRC, AMPI and BARI are among the assets acquired in the merger between MHI, APMP and BHI (see Note 1). The merger was accounted by virtue of a tax-free exchange pursuant to Section 40(C)(2) in relation to Section 40(C)(6)(b) of the National Internal Revenue Code of 1997, as amended.

The fair value of the mining rights used as basis for allocating the acquisition cost are based on the report by Competent Persons (CP) dated June 30, 2017 and was arrived at using the Discounted Cash Flow method (DCF) under the income approach methodology. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. Under the DCF method, the forecasted cash flows is discounted back to the valuation date, resulting in a present value of the asset.

The significant unobservable inputs used in the fair value measurement of the Company's mining rights categorized within Level 3 of the fair value hierarchy follows:

	BHI	APM
Mining life	10	20
Discount rate	12%	12%
Estimated mineral ore reserves (WMT):		
Nickel ore	9,513,459	—
Bauxite ore	—	28,904,888
Market price (per WMT)	₱850 to ₱1,550	₱1,350 to ₱1,550
Estimated annual shipment of mineral ore (WMT)	951,345	1,445,244
Production costs:		
Average variable cost	₱477 to ₱479	₱663
Fixed	₱448	₱490
Operating costs (percentage of gross revenue)	18%	19% to 33%
Estimated project costs	₱976,901,820	₱1,693,192,588
Exchange rate of Philippine Peso to US Dollar	₱50: \$1	₱50: \$1

Discount Rate. The risk inherent in the pre-feasibility study stage and scale of production was considered in determining the Risk Adjusted Discount Rate that was used to discount the net cash flows generated from shipments during the period of analysis.

Estimated Mineral Ore Reserves. Ore reserve estimation is performed by the CP in accordance with Philippine Mineral Reporting Code.

Market Prices. Market prices are based on the Bloomberg conservative Nickel ore price forecast and Shanghai metal market for the nickel and bauxite mineral ore, respectively.

Production Costs. Estimated costs incurred in extracting mineral ores that composed of variable and fixed costs.

Operating Cost. Estimated cost of administering the business and costs incurred to sell and market goods.

Estimated Project Costs. Project costs pertain to project-related capital expenditures such as mining equipment fleet, mine support services equipment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitation and decommissioning program.

Sensitivity Analysis

Significant increases (decreases) in estimated mineral ore reserves, market price and exchange rate in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate, production and operating costs and estimated project costs in isolation would result in a lower (higher) fair value measurement.

Information about the Absorbed Companies

BHI. BHI was incorporated and registered with the SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BGRC (see Note 1).

APMPC. APMPC was incorporated and registered with the SEC on August 14, 2013 to engage in mining activities. APM owns 100% interests in AMPI and BARI (see Note 1).

5. Cash

This account consists of:

	Unaudited September 30, 2020	Audited December 31, 2019
Cash on hand	P219,090	P214,091
Cash in banks	475,208,450	314,226,705
	P475,427,541	P314,440,796

Cash in banks earn interest at prevailing bank deposit rates. Interest income of P177,044 and P149,306 was earned for the period ended September 30, 2020 and for the year ended December 31, 2019, respectively.

6. Trade and Other Receivables

This account consists of:

	Unaudited September 30, 2020	Audited December 31, 2019
Trade receivables	P1,184,010,349	P232,879,542
Advances to officers and employees	4,197,234	28,579,937
Others	14,834,224	9,635,896
	1,203,041,807	271,095,375
Allowance for ECL	(66,631,586)	(66,631,586)
	P1,316,410,221	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:

	Unaudited Sept. 30, 2020	Audited December 31, 2019
Balance at beginning of year	P66,631,586	P46,631,586
Provision	–	20,000,000
Balance at end of year	P66,631,586	P66,631,586

Aging of Trade Receivables as at September 30, 2020:

<i>1 to 30 days past due</i> P'000	<i>31 to 60 days past due</i> P'000	<i>61 to 90</i> P'000	<i>120+ past due</i> P'000	<i>Total</i> P'000
P4,197,234	P1,064,499,221	P14,834,224	P232,879,542	P1,316,410,221

7. Inventories

This account consists of beneficiated nickel ore amounting to P170.5 million and P76.9 million which is stated at cost as at September 30, 2020 and December 31, 2019, respectively. The cost of inventories is lower than its NRV.

8. Other Current Assets

This account consists of:

	Unaudited September 30, 2020	Audited December 31, 2019
Prepaid income tax	P101,622,148	P49,529,464
Advances to contractors and suppliers	243,156,337	17,541,605
Mining and office supplies	18,232,992	18,201,636
Prepaid expenses	3,742,618	32,340,725
Others	24,858,395	14,471,827
	P391,703,490	P132,085,257

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

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

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

Prepaid expenses pertain to insurance, excise tax and rent.

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

9. Property and Equipment

The balances and movements of this account are as follows:

	Unaudited September 30, 2020					Total
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	
Cost						
Balances at beginning of year	₱58,597,484	₱169,768,530	₱100,108,592	₱378,846,725	₱45,063,720	₱752,385,051
Additions	–	142,766	3,345,229	11,476,021	–	14,955,015
Balances at end of year	58,597,484	169,911,296	103,453,821	390,313,746	45,063,720	767,340,066
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	74,293,407	89,799,986	312,412,325	–	476,505,718
Depreciation and amortization	–	6,980,683	4,827,044	23,368,471	–	35,176,198
Disposal	–	–	–	–	–	–
Balances at end of year	–	81,274,090	94,627,030	335,780,796	–	511,681,916
Net Carrying Amount	₱58,597,484	₱88,637,206	₱8,826,791	₱54,532,950	₱45,063,720	₱255,658,152

	Audited December 31, 2019					Total
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	
Cost						
Balances at beginning of year	₱58,597,484	₱169,727,730	₱98,672,406	₱382,296,725	₱45,188,518	₱754,482,863
Additions	–	–	1,436,186	–	(83,998)	1,352,188
Disposal	–	–	–	(3,450,000)	–	(3,450,000)
Reclassification	–	40,800	–	–	(40,800)	–
Balances at end of year	58,597,484	169,768,530	100,108,592	378,846,725	45,063,720	752,385,051
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	62,962,064	80,555,340	266,932,435	–	410,449,839
Depreciation and amortization	–	11,331,343	9,244,646	48,929,890	–	69,505,879
Disposal	–	–	–	(3,450,000)	–	(3,450,000)
Balances at end of year	–	74,293,407	89,799,986	312,412,325	–	476,505,718
Net Carrying Amount	₱58,597,484	₱95,475,123	₱10,308,606	₱66,434,400	₱45,063,720	₱275,879,333

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

In 2019, the Company disposed a fully depreciated asset with a total cost of ₱3.5 million.

Fully depreciated property and equipment with cost of ₱190.7 million as of September 30, 2020 and December 31, 2019 are still being used by the Company and retained in the accounts.

10. Mining Rights and Other Mining Assets

The balances and movements of this account are as follows:

	Unaudited September 30, 2020					
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total
			Mine Development Costs	Mine Rehabilitation Asset	Total	
Cost						
Balances at beginning of year	₱2,935,579,522	₱150,535,169	₱2,066,297,519	₱44,167,841	₱2,110,465,360	₱5,196,580,05
Additions	4,500,525	5,131,409				9,631,934
Balances at end of year	2,940,080,047	155,666,578	2,066,297,519	44,167,841	2,110,465,360	5,206,211,985
Accumulated Depletion						
Balances at beginning of year	352,778,732	–	331,442,381	7,945,819	339,388,200	692,166,932
Depletion	35,895,305	–	29,887,862	16,667,389	46,555,251	82,450,556
Balances at end of year	388,674,037	–	361,330,243	24,613,208	385,943,451	774,617,488
Net Carrying Amount	₱2,551,406,010	₱155,666,578	₱1,704,967,276	₱19,554,633	₱1,724,521,909	₱4,431,594,497

	Audited December 31, 2019					
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total
			Mine Development Costs	Mine Rehabilitation Asset	Total	
Cost						
Balances at beginning of year	₱2,935,579,522	₱142,224,907	₱1,904,405,593	₱44,167,841	₱1,948,573,434	₱5,026,377,863
Additions	–	8,310,262	161,891,926		161,891,926	170,202,188
Balances at end of year	2,935,579,522	150,535,169	2,066,297,519	44,167,841	2,110,465,360	5,196,580,051
Accumulated Depletion						
Balances at beginning of year	331,407,578	–	292,093,028	7,124,244	299,217,272	630,624,850
Depletion	21,371,154	–	39,349,353	821,575	40,170,928	61,542,082
Balances at end of year	352,778,732	–	331,442,381	7,945,819	339,388,200	692,166,932
Net Carrying Amount	₱2,582,800,790	₱150,535,169	₱1,734,855,138	₱36,222,022	₱1,771,077,160	₱4,504,413,119

Mining Rights

Mining rights of the Company consist of:

	Note	September 30, 2020	December 31, 2019
Mining rights on explored resources		₱906,092,120	₱941,987,425
Mining rights of BGRC, AMPI and BARI	4	1,645,313,890	1,640,813,365
		₱2,551,406,010	₱2,582,800,790

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

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

Deferred Exploration Costs

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

Mine and Mining Properties

Mine Development Costs. Mine development costs include the costs incurred on an already operating mine area. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, road developments and developing additional mine yards. Carrying value of mine and mining properties amounted to ₱1,724.5 million and ₱1,771.1 million as at September 30, 2020 and December 31, 2019, respectively.

Mine Rehabilitation Asset. Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of MMDC's ore activities, as required in MMDC's MPSA (see Note 13).

11. Other Noncurrent Assets

This account consists of:

		Unaudited	Audited
	Note	September 30, 2020	December 31, 2019
Input VAT		₱308,237,934	₱306,438,245
Advances to a contractor		101,139,441	101,139,441
Rehabilitation cash fund (RCF)		5,511,116	5,511,116
Rental deposit	22	363,250	355,250
Monitoring trust fund (MTF)		165,780	165,780
Others		82,181,902	87,812,635
		<u>₱497,599,463</u>	<u>₱499,050,672</u>

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

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

MTF is exclusively used in activities approved by the Mine Rehabilitation Fund Committee. Others pertain to deposit in compliance with the requirements of regulatory agencies.

12. Trade and Other Payables

This account consists of:

		Unaudited	Audited
		September 30, 2020	December 31, 2019
Trade payables		₱557,904,225	₱328,322,949
Advances from customers		1,268,240,808	343,997,812
Excise tax and other statutory payables		45,403,510	28,244,589
Accrued expenses:			
Interest		277,094	5,327,094
Others		77,490,733	57,186,872
Others		7,381,247	6,253,826
		<u>₱1,956,697,617</u>	<u>₱769,333,142</u>

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

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

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

Other accrued expenses include accrual of expenditures for social development management program as required by the MGB.

13. Provision for Mine Rehabilitation and Decommissioning

Movements of this account are as follows:

	Unaudited September 30, 2020	Audited December 31, 2019
Balance at beginning of year	P52,634,827	P51,980,329
Accretion of interest	–	654,498
Balance at end of year	<u>P52,634,827</u>	<u>P52,634,827</u>

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

14. Loans Payable

This account consists of:

	Unaudited September 30, 2020	Audited December 31, 2019
Short-term loan – MMDC	<u>P518,698,171</u>	<u>P510,069,579</u>
Notes payable-net of current portion		
AMPI	P170,283,010	P198,854,439
MMDC	5,327,307	9,778,337
BGRC	–	367,023
	<u>P175,610,317</u>	<u>P208,999,799</u>

Short-term Loan

MMDC obtained short-term loans from local banks to finance working capital requirements. The short-term loans bear interest rates ranging from 5.00% to 8.00% to be repriced normally every month and has maturity of not more than one year.

On January 12, 2015, MMDC obtained a credit facility amounting to ₱200.0 million and a domestic bills purchase line amounting to ₱5.0 million from a local bank. The credit facilities are secured by the interests and rights of the Parent Company over 647,692 shares of stocks of MMDC.

In 2018, MMDC obtained credit facilities limited to ₱400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 150% of the credit facility limit.

In 2018, MMDC obtained a short-term loan from a related party amounting to ₱26.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 21). This was not yet paid and renewed for another term.

Long-term Debt

AMPI

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

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.

On July 11, 2017, MMDC obtained a five-year promissory note amounting to ₱1.6 million from a local bank, which is covered by a chattel mortgage on MMDC's transportation equipment and bears an annual interest rate of 10.34%.

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

BGRC

On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortgage and bears an annual interest rate of 9.02%. The carrying amount of transportation equipment held as collateral amounted to ₱0.8 million as of December 31, 2019 (see Note 9)

15. Equity

Movements of this account are as follows:

	Nine Months Ended September 30			
	2020		2019	
	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
Capital Stock				
Balance at beginning of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305
Balance at end of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305
Additional Paid-in Capital		₱269,199,788		₱269,199,788

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 of September 30, 2020 and December 31, 2019..

16. Revenue

This account consists of:

	Nine Months Ended September 30,	
	2020	2019
Sale of ore	₱1,762,750,522	₱737,148,665
Reservation fee for ore allocation	–	–
	₱1,762,750,522	₱737,148,665

17. Cost of sales

This account consists of:

		Nine months ended September 30,	
		2020	2019
Contractor services		₱742,537,791	₱352,191,430
Personnel costs		110,547,412	93,828,123
Production overhead		93,312,502	77,197,956
Depletion	10	82,450,556	21,025,374
Demurrage costs		15,345,619	–
Excise tax		70,510,021	20,728,700
Depreciation	9	10,028,293	13,298,123
		1,124,732,183	578,269,706
Net movement in inventories		(93,522,511)	–
		₱1,031,209,672	₱578,269,706

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.

18. Operating Expenses

This account consists of:

		Nine months ended September 30,	
	Note	2020	2019
Salaries and allowances		₱71,622,500	₱64,231,660
Environmental expenses	22	148,920,705	30,844,189
Depreciation and amortization	9	25,781,172	34,726,175
Taxes and licenses		44,867,098	34,222,985
Professional fees		23,888,301	20,799,118
Social development program	22	24,737,991	19,246,233
Royalties		18,508,880	10,441,284
Community relations		6,422,980	231,500
Outside services		6,952,744	9,596,750
Communication, light and water		4,235,904	5,324,885
Transportation and travel		1,680,406	3,143,166
Dues and subscriptions		2,701,417	2,373,055
Office supplies		909,645	875,869
Rent expense		94,762	26,673,059
Advertisement and representation		9,616,161	2,894,625
Others		29,553,951	34,725,173
		₱420,494,599	₱300,349,726

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

19. Other Income (Charges) - Net

This account consists of:

		Nine months ended September 30,	
	Note	2020	2019
Foreign exchange gain (loss)		1,269,685	₱39,106
Loss on sale of assets		—	(32,809)
Others		1,386,270	1,618,660
		₱2,655,955	₱1,624,957

20. Retirement Benefit Liability

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

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2019.

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

	Audited December 31, 2019
Balance at beginning of year	₱22,552,229
Retirement benefits expense recognized in profit or loss:	
Current service cost	4,735,379
Net interest cost	1,660,320
Past service cost	2,306,965
Settlement gain	-
Remeasurement losses (gains) recognized in OCI arising from:	
Changes in financial assumptions	634,254
Deviations of experience from assumptions	5,505,924
Benefits paid	-
Balance at end	₱37,395,071

21. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

Note	Transaction Amounts		Outstanding Balances		Nature and Terms
	Unaudited Sept. 30, 2020	Audited Dec. 31, 2019	Unaudited Sept. 30, 2020	Audited Dec. 31, 2019	
Advances to related parties	(₱4,451,593)	₱2,627,325	₱46,915,162	₱51,366,755	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties	(₱16,589,067)	₱8,818,9754	₱94,257,753	₱110,846,820	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	₱-	₱-	₱26,000,000	₱26,000,000	Short-term loan; unsecured; interest-bearing; payable in installments

As of September 30, 2020, and December 31, 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.

22. Commitments

Social and Environmental Responsibilities

Social Development Management Programs (SDMP)

SDMP are five (5) year programs of the projects identified and approved for implementation, in consultation with the host communities. The Company provides an annual budget for SDMP projects that focuses 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 ₱24.7 million and ₱19.2 million in September 2020 and 2019, respectively (see Note 18).

Environmental Protection and Enhancement Program (EPEP)

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

The Company implemented projects amounting to ₱148.9 million and ₱30.8 in September 2020 and 2019, respectively (see Note 18).

Royalty Agreement

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

Lease Commitment

The Company leases an office space for its operations. Rental deposit amounted to ₱0.4 million as at September 30, 2020 and December 31, 2019 (see Note 11).

23. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows:

	Nine Months Ended September 30,	
	2020	2019
Net income (loss) shown in the consolidated statements of comprehensive income (a)	₱163,179,267	(₱183,182,003)
Weighted average number of common shares (b)	3,014,820,305	3,014,820,305
Basic loss per share (a/b)	₱0.05	(₱0.06)

The Company does not have potentially dilutive common shares.

24. Contingencies

Cancellation of MMDC's MPSA

On February 13, 2017, MMDC received an order from the DENR cancelling its MPSA No. 016-93-X-SMR due to alleged impairment of the functions of the watershed caused by MMDC's operation, failure to comply with the penalty of planting three million seedlings and violation of environment-related laws and regulations.

The Management and its Legal Counsel have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining. It has implemented all the necessary measures to ensure that it is environmentally compliant. While its operation is within a proclaimed watershed, Presidential Proclamation No. 1747 recognizes its prior legal right to mine in the area considering that its MPSA was approved in 1993 prior to the issuance of the said proclamation in 2009.

As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to previous inaction of the DENR. The Company submitted the program for the tree planting of three million seedlings as early as February 24, 2015. There were several communications between MMDC and the DENR/MGB regarding this matter. In a letter dated April 22, 2016, MMDC informed MGB that there is a strong objection from the LGU in the host communities of MMDC since they will not benefit from the Program as MGB directed MMDC to plant in regions where it did not have any mining operations. Thereupon, MMDC recommended to the DENR/MGB to implement the program through its National Greening Project to be funded by MMDC. After several follow-ups, on December 21, 2016, MMDC received a letter from then DENR Secretary Gina Lopez dated December 1, 2016 finally directing MMDC to plant the three million seedlings in its host communities. MMDC immediately coordinated with the Regional Director of DENR. Hence, an inventory of seedlings available in the area was made. Based on the report of DENR Region XIII, a total of 1,513,928 seedlings are available in the area. To ensure immediate and proper implementation of the tree planting activity, MMDC entered into a Memorandum of Agreement with the mayors of the municipalities in its host communities on February 9, 2017. This action demonstrates MMDC's readiness and willingness to implement the program. Thus, no fault nor delay can be attributed to MMDC with regard to the implementation of the three million seedlings.

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

The Technical Committee Report on MMDC shows only a recommendation for fine and suspension. Thus, the Management strongly believes that the cancellation of MMDC's MPSA is unwarranted and should be overturned. Thus, on February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President (OP). Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum from the Order of the Department of Environment and Natural Resources (DENR) Secretary cancelling Mineral Production Sharing Agreement No. 016-93-X (SMR).

In May 2017, the Company, through its external counsel, filed a Notice of Appeal to the Office of the President requesting said Office to issue a formal Stay of Execution Order, thus the execution of the Order of the DENR Secretary is deemed stayed as a matter of course on account of the pendency of MMDC's appeal. Further, in the said Appeal, MMDC was able to address the grounds for cancellation cited by the DENR: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President GMA; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area.

As of December 31, 2019, the Company has not received any decision nor update from the Office of the President and in view of the Notice of Appeal filed by MMDC, the Management and its Legal Counsel take a good faith position that the company may continue its operations because the issuance of the Office of the President of a formal Stay of Execution is unnecessary.

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

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

Show-Cause Orders of BGRC, AMPI and BARI

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

BGRC

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

AMPI and BARI

The Management and the Legal Counsel of AMPI and BARI take the good faith position that the concerned MPSAs and the area of operations are not located in lawfully declared watershed, thus there is no legal basis for the cancellation.

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

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

As at December 31, 2019, the DENR has not issued any other Show Cause Orders for BGRC, AMPI and BARI. Basing on the above letters from FMB and DENR, the Management and Legal Counsel of BGRC, AMPI and BARI take a good faith position that these have rendered that Show-Cause Orders moot and academic. Of note is the recent letter-approval of the DENR, through the MGB, dated May 18, 2020, granting the requested extension of the Exploration Period of AMPI and BARI's respective MPSAs from June 18, 2020 to June 18, 2022.

Legal Proceedings

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

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

General

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

Financial Risk Management Objectives and Policies

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

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

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

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

	Unaudited September 30, 2020		Audited December 31, 2020	
	Philippine Peso	US Dollar	Philippine Peso	US Dollar
Cash in banks	₱243,825,478	\$5,035,636	₱239,250,801	\$4,714,859
Trade receivables	1,184,010,349	24,452,919	232,349,372	4,588,711
	₱1,427,835,827	\$29,488,555	₱471,600,173	\$9,303,570

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at September 30, 2020 and December 31, 2019, the exchange rates applied were ₱48.42 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, 2019 and 2018 (due to changes in the fair value of financial assets). There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2019	+1.27	₱5,989,322
	-1.27	(5,989,322)

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows on the fair values of financial instruments. The Company follows a prudent policy on managing its assets or liabilities so as to ensure that exposures to fluctuations in interest rate are kept within acceptable limits.

The Company's short-term loan and long-term debt are exposed to changes in market interest rates since the loans are subject to variable interest rates.

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

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2019	+3.42%	(₱20,992,080)
	-3.42%	20,992,080

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 of 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 September 30, 2020 and December 31, 2019.

	Unaudited September 30, 2020						
	High Grade	Standard Grade	Past Due			Total	Allowance for ECL
			1 – 30 Days	31 – 90 Days	More than 90 Days		
Lifetime ECL (not credit impaired):							
Trade and other receivables*	₱-	₱14,834,224	₱1,184,010,349	₱-	₱-	₱1,198,844,573	₱66,631,584
12 - month ECL:							
Cash in banks	475,208,450	-	-	-	-	335,804,360	-
Advances to related parties	-	46,915,162	-	-	-	46,640,883	-
RCF and MTF	5,676,896	-	-	-	-	5,676,896	-
Rental deposit	-	363,250	-	-	-	363,250	-
	480,885,346	47,278,412	-	-	-	528,163,758	-
	₱480,885,346	₱62,112,636	₱1,184,010,349	₱-	₱-	₱1,727,008,331	₱66,631,584

*Excluding advances to officers and employees amounting to ₱4.2 million in September 30, 2020

	High Grade	Standard Grade	Past Due			Total	Allowance for ECL
			1 – 30 Days	31 – 90 Days	More than 90 Days		
Lifetime ECL (not credit impaired):							
Trade and other receivables*	P-	P9,639,231	P10,898,025	P12,762,354	P209,219,163	P242,518,773	P66,631,586
12 - month ECL:							
Cash in banks	314,226,705	-	-	-	-	314,226,705	-
Advances to related parties	-	51,366,755	-	-	-	51,366,755	-
RCF and MTF	5,676,896	-	-	-	-	5,676,896	-
Rental deposit	-	355,250	-	-	-	355,250	-
	319,903,601	51,722,005	-	-	-	371,625,606	-
	P319,903,601	P61,361,236	P10,898,025	P12,762,354	P209,219,163	P614,144,379	P66,631,586

*Excluding advances to officers and employees amounting to P31.2 million in 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 September 30, 2020 and December 31, 2019, based on contractual undiscounted payments. Loans payables consist of principal and estimated future interest payments.

	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	Total
Unaudited Sept. 30, 2020						
Trade and other payables*	₱298,893,980	₱57,186,872	₱286,972,447	₱-	₱-	₱549,277,589
Dividends payable	4,707,886	-	-	-	-	4,707,886
Loans payable and long-term debt**	101,000,000	19,989,762	210,598,988	261,713,969	101,005,769	694,308,488
Advances from a related party	94,257,753	-	-	-	-	98,137,638
	₱498,859,619	₱77,176,634	₱497,571,435	₱161,713,969	₱101,005,769	₱1,436,327,426
Audited December 31, 2019						
Trade and other payables*	₱11,580,920	₱57,186,872	₱286,972,447	₱-	₱-	₱355,740,239
Dividends payable	4,707,780	-	-	-	-	4,707,780
Loans payable and long-term debt**	101,000,000	19,989,762	210,598,988	261,713,969	252,743,573	846,046,292
Advances from a related party	110,846,820	-	-	-	-	110,846,820
	₱228,135,520	₱77,176,634	₱497,571,435	₱261,713,969	₱252,743,573	₱1,317,341,131

*Excluding excise tax and other statutory payables and advances from customers amounting to ₱1,313 million and ₱372.2 million as at Sept. 30, 2020 and December 31, 2019 and 2018, respectively.

**Including interest payable up to maturity amounting to ₱277 million and ₱85.6 as at September 30, 2020 and 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:

	Unaudited Sept. 30, 2020		Audited December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	₱475,427,541	₱475,427,541	₱314,440,796	₱314,440,796
Trade and other receivables*	1,132,212,987	1,132,212,987	175,887,187	175,887,187
Advances to related parties	46,915,162	46,915,162	51,366,755	51,366,755
RCF and MTF	5,676,896	5,676,896	5,676,896	5,676,896
Rental deposit	363,250	363,250	355,250	355,250
	₱1,660,595,836	₱1,660,595,836	₱547,726,884	₱547,726,884

*Excluding advances to officers and employees amounting to ₱4.2 million and ₱28.6 million as at Sept. 30, 2020 and Dec. 31, 2019, respectively.

	Unaudited Sept., 30, 2020		Audited December 31, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trade and other payables*	₱643,053,299	₱643,053,299	₱355,740,239	₱355,740,668
Dividends payable	4,707,887	4,707,887	4,707,780	4,707,780
Loans payable	760,419,881	760,419,881	760,419,880	843,959,023
Advances from related parties	94,257,753	94,257,753	110,846,820	110,846,820
	₱1,502,438,819	₱1,502,438,819	₱1,231,714,719	₱1,315,254,291

*Excluding excise tax and other statutory payables and advances from customers amounting to ₱1.3 million and ₱372.2 million as at Sept. 30, 2020 and Dec. 31, 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 and Long-term Debt. Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDST-R2 rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

26. Capital Management Objectives, Policies and Procedures

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

	Unaudited	Audited
	September 30, 2020	December 31, 2019
Total debt	₱3,352,496,632	₱2,273,707,552
Total equity (excluding remeasurement gain on retirement benefit liability)	4,052,825,894	3,887,364,110
Debt-to-equity ratio	0.83:1.00	0.56:1.00

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

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

Ratio	Formula	Unaudited Sept. 30, 2020	Audited December 31, 2019
Current ratio	Total Current Assets	₱2,220,913,285	₱779,290,957
	Divided by: Total Current Liabilities	2,620,709,058	1,403,367,545
	Current ratio	0.85:1	0.56:1
Solvency ratio	Net Income (Loss) Before Depreciation and Amortization	₱399,288,787	₱255,639,473
	Divide by: Total liabilities	3,352,496,632	2,167,660,001
	Solvency ratio	0.12:1	0.12:1
Debt-to-equity ratio	Total Liabilities	₱3,352,496,632	₱2,167,660,001
	Divide by: Total equity	4,086,869,739	3,923,690,454
	Debt-to-equity ratio	0.82:1	0.55:1
Asset-to-equity ratio	Total Assets	₱7,439,366,371	₱6,091,350,455
	Divide by: Total equity	4,086,869,739	3,923,690,454
	Asset-to-equity ratio	1.82:1	1.55:1
Interest rate coverage Ratio	Pretax income (loss) before interest	₱313,879,250	₱187,589,599
	Divided by: Interest expense	32,850,484	61,630,647
	Interest rate coverage ratio	9.55:1	3.04:1
Profitability Ratio	Net income (loss)	₱163,179,285	₱37,842,406
	Divide by: Total equity	4,086,869,739	3,923,690,454
	Profitability ratio	0.04:1	0.01:1