CR06217-2020

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

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

1. Check the appropriate box:
   - ○ Preliminary Information Statement
   - ◉ Definitive Information Statement
2. Name of Registrant as specified in its charter
   Marcventures Holdings Inc.
3. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
4. SEC Identification Number
   12942
5. BIR Tax Identification Code
   000-104-320-000
6. Address of principal office
   4th Floor Citibank Center, Paseo de Roxas, Makati City
   Postal Code
   1227
7. Registrant's telephone number, including area code
   (632)-88314479
8. Date, time and place of the meeting of security holders
   October 16, 2020 at 2:00 pm, 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City via Virtual Meeting/Videoconferencing/Remote Communication
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Sep 24, 2020
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    -
    Address and Telephone No.
    -

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

COMMON	3,014,820,305

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

(•) Yes ( ) No

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

Philippine Stock Exchange

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

Marcventures Holdings, Inc.
MARC

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

Date of Stockholders' Meeting	Oct 16, 2020
Type (Annual or Special)	Annual
Time	2PM
Venue	4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City via Virtual Meeting/Videoconferencing/Remote Communication
Record Date	Aug 24, 2020

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
None

Filed on behalf by:

Name	Maila Lourdes De Castro

Designation	VP Legal

COVER SHEET

1	2	9	4	2					

SEC Registration Number

M A R C V E N T U R E S H O L D I N G S , I N C .
(f o r m e r l y A J O . N E T H O L D I N G S , I N C .)

(Company's Full Name)

4 t h F l o o r C i t i b a n k C e n t e r
P a s e o d e R o x a s M a k a t i C i t y
M e t r o M a n i l a

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

Maila G. De Castro
(Contract Person)

(02) 88314479
(Company Telephone Number)

1	2		3	1

Month *Day*
(Fiscal Year)

2	0	-	I	S

(Form Type)

0	6		2	8

Month *Day*
(Annual Meeting)

2020
DEFINITIVE
INFORMATION
STATEMENT

Secondary License Type, If Applicable)

Corporation Finance Department
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

2171
Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign
	N/A

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. **MARCVENTURES HOLDINGS, INC.**
   Name of the Registrant as specified in its charter

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

4. SEC Identification Number **12942**

5. BIR Tax Identification Code **000-104-320-000**

6 **4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City**
Address of principal office Postal Code **1227**

7. **(02) 8831-4479 or 8856-7976**
   Registrant's telephone numbers, including area code

8. October 16, 2020 **at 2:00 pm, 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City via Virtual Meeting/Videoconferencing/Remote Communication**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders –
   September 24, 2020

10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor: **MARCVENTURES HOLDINGS, INC.**

    Address and Telephone No.: **4th Floor Citibank Center Bldg.**
    8741 Paseo de Roxas, Makati City
    Metro Manila, Philippines 1227
    Tel. (632) 831-4479
    Attn: Ms. Racquel Frondoso

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

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

*** As of 31 July 2020**

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

YES [X] NO [ ]

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

Philippine Stock Exchange - Common Stock

MARCVENTURES
HOLDINGS INC.

September 17, 2020

Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Manila

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

Re: **2020 Definitive Information Statement**

Gentlemen:

We respectfully submit the Definitive Information Statement of **MARCVENTURES HOLDINGS, INC. ("MARC")** in relation to the conduct of its annual stockholders' meeting to be held on October 16, 2020 at 2:00 p.m., at the 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City, via a virtual meeting. Incorporated therein are the following changes and comments of the Securities and Exchange Commission on MARC's Preliminary Information Statement:

Checklist of Requirements	**SEC Remarks**	**MARC's Actions**
Item 1. Date, Time and Place of Meeting Approximate Date on which information statement is first sent or given to security holders	Please comply with the Notice dated April 20, 2020 re: Alternative Mode of Distribution.	MARC will comply with SEC Notice dated April 20, 2020. Please refer to the Notice of Meeting and page 3 of the Definitive Information Statement.
Item 2. Dissenter's Right of Appraisal Brief outline of appraisal or similar right of dissenter	Indicate whether there are actions that require the exercise of the Appraisal Right in this year's stockholders' meeting.	Please see page 3 of the Definitive Information Statement.
Item 5. Directors & Executive Officers	Submit a certification that none of the directors and officers works in government and if there is, submit a letter consent from the head of agency.	Please refer to the Secretary's Certificate dated August 25, 2020.

(A) (1) Identify Directors, Including Independent Directors and Executive Officers (a) Names, ages, and citizenship of all Directors, including independent directors and executive officers and all persons nominated or chosen to become such (b) List of positions and offices such persons will hold; (c) Term of office as a Director and the period which the person has served; (d) Brief description of person's business experience (last five years); and (e) Identification of other directorship held in reporting companies.	Incomplete (1) Identify other nominees for independent directors and the person/s who nominated the candidates for Independent Director and their relationship, if any, (2) Submit a Certification on the Qualifications and Disqualifications of Independent Directors; and (3) Information of the other nominees for independent directors.	Please refer to page 13 of the Definitive Information Statement. Please refer to Schedules 2 and 3 for the Certificates executed by Atty. Carlos Alfonso T. Ocampo and Mr. Kwok Yam Ian Chan.
Item 6. Compensation of Directors & Executive Officers (1) Summary Compensation Table (a) Name and Principal (b) Year (c) Salary (P) (d) Bonus € Other Annual Position Compensation	Not complied with. (1) Indicate the names of the following persons: the CEO and top four (4) most highly compensated Executive Officers in the Compensation Table; (2) the compensation of all directors and officers as a group unnamed; and (3) the estimated compensation for 2020 for the CEO and top four (4) highly compensated executive officers and all other directors and officers as a group unnamed.	Please refer to page 16 of the Definitive Information Statement.

MARCVENTURES HOLDINGS INC.

Part II. Item 4. Person Making the Solicitation	Incomplete nominee for independent director/s.	Please refer to page 23 of the Definitive Information Statement.
Part III. Signature Page The report filed with the Commission shall be manually signed. Copies not manually signed shall bear typed or printed signatures. 20-IS 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 hereunto duly authorized. Issuer Date Signature and Title	Unsigned	See Signature Page
MANAGEMENT REPORT Interim Financial Statements (b) Interim Periods: Comparable discussion to assess material changes (last fiscal year and comparable interim period in the preceding year). Disclose the required information under subparagraph (2) (a) (I) to (viii) above.	Submit 2nd Quarter Report for the period ended June 30, 2020, considering that the meeting date is September 25, 2020.	Please refer to the attached 2nd Quarter Report of MARC for the period ended June 30, 2020

Very truly yours,

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

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

SECRETARY'S CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

I, **ANA MARIA A. KATIGBAK**, of legal age, Filipino, with office address at the 3rd Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, being the duly elected Assistant Corporate Secretary of **MARCVENTURES HOLDINGS INC.** (the "Corporation"), a corporation duly organized in accordance with Philippine law, with principal office at the 4th Floor, Citi Center Bldg., 8741 Paseo De Roxas, Makati City, do hereby certify that at the regular meeting of the Board of Directors of the Corporation held on July 24, 2020 at the principal place of business of the Corporation, the following resolutions were unanimously adopted and approved:

> "**RESOLVED**, that pursuant to Sections 49 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 6 (Series of 2020), the Board of Directors of **MARCVENTURES HOLDINGS, INC.** (the "Corporation") authorize, as it hereby authorizes, the holding and conduct by remote communication or *in absentia* of the Corporation's 2020 Annual Stockholders' Meeting and any postponements or adjournments thereof as may be determined by the President of the Company;
>
> **RESOLVED FURTHER**, that the stockholders of the Corporation be, as they are hereby, authorized to cast their votes by proxy, remote communication or *in absentia*, in accordance with the mechanisms and procedures to be issued by the Corporate Secretary;
>
> **RESOLVED FINALLY**, that management and the proper officers of the Corporation be, as they are hereby, authorized to perform all acts, and to sign, execute, file and deliver, for and on behalf of the Company, any and all documents which may be required by the Securities and Exchange Commission in relation to the Annual Stockholders' Meeting."

IN WITNESS WHEREOF, I have hereunto set my hand this SEP 17 2020 in Makati City.

aratigbak

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this SEP 1 7 2020 at Makati City by affiant whose identity I have confirmed through her Passport with No. P1893381A issued on February 7, 2017 in Manila, bearing the affiant's photograph and signature.

Doc. No. 346 ;
Page No. 71 ;
Book No. III ;
Series of 2020.

PORTIA JESSICA J. MACLAN
NOTARY PUBLIC
ROLL NO. 73308
MAKATI CITY, PHILIPPINES

PORTIA JESSICA J. MACLAN
Appointment No. M-54
Notary Public for Makati City
Until December 31, 2021
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 8116532; 01-02-2020; Makati City
IBP No. 102138; 01-02-2020; Makati Chapter
Roll No. 73308

MARCVENTURES
HOLDINGS INC.

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To All Stockholders:

Please be advised that the annual meeting of stockholders of **MARCVENTURES HOLDINGS, INC.** (the **"Corporation"**) will be held virtually on **October 16, 2020 (Friday) at 2:00 p.m.** at the 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City. Due to the Covid-19 pandemic and for the health and safety of the stockholders and other attendees, the meeting will be held virtually and stockholders who wish to attend should register according to the process below in order to have access to the meeting through the following link:

https://agm.conveneagm.com/marcventures/#/agm

The Agenda of the meeting is as follows:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of Previous Stockholders' Meeting
4. Approval of the Management Report and Audited Financial Statements
5. Ratification of All Acts of the Board of Directors and Management
6. Amendment of the Articles of Incorporation and By-Laws to Change the Corporate Name (from Marcventures Holdings, Inc. to Marcventures Nickel Holdings, Inc.)
7. Election of Directors
8. Appointment of the External Auditor
9. Other Matters
10. Adjournment

For purposes of the meeting, stockholders of record as of August 24, 2020 are entitled to receive notice and to vote at the said meeting. Stockholders intending to participate by remote communication should pre-register at https://agm.conveneagm.com/marcventures/#/agm on or before October 6, 2020. Please refer to the **Procedure for Registration, Participation, and Voting at the 2020 Annual Stockholders' Meeting** (attached to the Definitive Information Statement) for detailed information on the procedure for registration and participation by remote communication and voting *in absentia* (electronic voting) or by proxy. Validation of proxies will take place on October 9, 2020.

Pursuant to the Securities and Exchange Commission's Notice dated April 20, 2020, a copy of the Notice of the meeting, Definitive Information Statement, minutes of the previous meeting of the stockholders, and other documents related to the meeting may be accessed through the Company's website at www.marcventuresholdings.com and will also be available at https://agm.conveneagm.com/marcventures/#/agm and PSE Edge.

For information about the conduct of the virtual meeting, you may visit https://agm.conveneagm.com/marcventures/#/agm, or email rfrondoso@marcventures.com.ph.

Makati City, September 17, 2020.

ROBERTO V. SAN JOSE
Corporate Secretary

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

ANNEX TO THE NOTICE OF THE
2020 ANNUAL STOCKHOLDERS' MEETING

AGENDA
Details and Rationale

1. Call to order

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

2. Proof of Notice and Certification of Quorum

The Assistant Corporate Secretary, Atty. Ana Maria A. Katigbak, will certify that pursuant to SEC's Notice dated April 20, 2020, Notice of the meeting was published in print and online formats in the business section of 2 newspapers of general circulation for 2 consecutive days at least 21 days before the meeting. A copy of the Notice of the meeting together with the Definitive Information Statement, Minutes of the previous meeting of the stockholders, and other documents related to the meeting were made accessible through the Company's website at www.marcventuresholdings.com and will also be available at https://agm.conveneagm.com/marcventures/#/agm and PSE Edge**.**

Further, the Assistant Corporate Secretary will confirm whether the attendees at the meeting hold or represent a sufficient number of shares for quorum to exist for the valid transaction of business.

3. Approval of the Minutes of Previous Stockholders' Meeting

In accordance with SEC's Notice dated April 20, 2020, a copy of the draft Minutes of the previous meeting of the stockholders was made available for examination at the Company's website (www.marcventuresholdings.com) and PSE Edge. The stockholders will be requested to approve the draft minutes. The following is the proposed resolution:

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

4. Approval of the Management Report & Audited Financial Statements for the year ended December 31, 2019, and Interim Period Financial Report

The President, Mr. Isidro C. Alcantara, Jr., will present the Management Report, the Corporation's operational highlights and financial results, Audited Financial Statements for the year ended December 31, 2019, and interim period financial report. The Audited Financial Statements were prepared by the Corporation's external auditor, Reyes Tacandong & Co., and approved by the Corporation's Audit, Risk Oversight, and Related Party Transactions Committee and the Board of Directors. In compliance with regulatory requirements, the Audited Financial Statements have also been submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

The stockholders will be requested to approve the Management Report and Audited Financial Statements for the year ended December 31, 2019. The following is the proposed resolution:

> "**RESOLVED**, that the Management Report as presented by the President and the Corporation's Audited Financial Statements for year ended December 31, 2019 be, as they are hereby, approved."

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

The acts, proceedings, transactions, contracts, agreements, resolutions and deeds of the Board of Directors, Management and/or Officers of the Corporation that were significant towards achieving the Corporation's performance and results, and the stockholders will be requested to ratify the same. The following is the proposed resolution for approval of the stockholders:

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

6. Amendment of Articles of Incorporation and By-Laws to Change the Corporate Name)

On July 24, 2020, the Board of Directors approved the amendment of the Articles of Incorporation and By-Laws of the Corporation to change the corporate name from "Marcventures Holdings, Inc." to "Marcventures Nickel Holdings, Inc." The change of corporate name will be presented to the stockholders for approval. The following is the proposed resolution:

> "**RESOLVED,** that the stockholders of Marcventures Holdings, Inc. (the "Corporation") approve as they hereby approve the amendment of the Articles of Incorporation and By-Laws of the Corporation to change the corporate name of the Corporation from "Marcventures Holdings, Inc." to "Marcventures Nickel Holdings, Inc.";
>
> **RESOLVED, FURTHER**, that the directors and officers of the Corporation are hereby authorized to sign, execute and file with the Securities and Exchange Commission and other relevant government agencies, such documents as may be required to give effect to the foregoing resolution."

7. Election of Directors

It is proposed to elect the following individuals to the Board of Directors. The biographical profiles of the Nominee-Directors were provided in the Definitive Information Statement that was sent together with copies of this Notice to all stockholders of record. The Nominee-Directors are the following:

For Regular Directors:
1. Cesar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Macario U. Te
4. Michael L. Escaler
5. Marianne Regina T. Dy
6. Augusto C. Serafica, Jr.
7. Ruby Sy
8. Antony M. Te
9. Sesinando E. Villon

For Independent Directors:
1. Carlos Alfonso T. Ocampo
2. Kwok Yam Ian Chan

8. Appointment of Independent External Auditor

Upon the favorable recommendation of the Corporation's Audit, Risk, Oversight and Related Party Transaction Committee, the Corporation's external auditor, Reyes Tacandong & Co., is proposed to be reappointed as the Corporation's external auditor for the current year 2020-2021. The audit partner-in-charge is currently Ms. Carolina P. Angeles. The following is the proposed resolution for approval of the stockholders:

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

9. Other Matters

Stockholders may propose to discuss other issues and matters.

10. Adjournment

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

MARCVENTURES HOLDINGS, INC.
ANNUAL STOCKHOLDERS' MEETING
October 16, 2020

PROXY FORM

This proxy is being solicited on behalf of the Board of Directors and Management of Marcventures Holdings, Inc. (the "Company") for voting at the Annual Stockholders' Meeting to be held on October 16, 2020 *via a* virtual meeting.

I, the undersigned stockholder of the Company, do hereby appoint, name and constitute the Company's Chairman, Cesar C. Zalamea or President, Mr. Isidro C. Alcantara, Jr.

Or

____

as my attorney-in-fact and proxy, to represent me at the Annual Stockholders' Meeting of the Company to be held virtually on October 16, 2020 at 2:00 p.m. and any postponement(s) and adjournment(s) thereof, as fully and to all intents and purposes as I might or could do if present and voting in person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

AGENDA ITEMS	ACTION		
Item 1. Call to Order	No action necessary.		
Item 2: Proof of Notice and Certification of Quorum	No action necessary.		
	FOR	AGAINST	ABSTAIN
Item 3: Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 26 September 2019			
Item 4: Approval of the Management Report and Audited Financial Statements for the year ended 31 December 2019			
Item 5: Ratification of All Acts of the Board of Directors and Management			
Item 6: Amendment of the Articles of Incorporation and By-Laws to Change the Corporate Name (from Marcventures Holdings, Inc. to Marcventures Nickel Holdings, Inc.)			
Item 7: Election of Directors For Regular Directors:			
1. Cesar C. Zalamea			
2. Isidro C. Alcantara, Jr.			
3. Macario U. Te			
4. Michael L. Escaler			
5. Marianne Regina T. Dy			
6. Augusto C. Serafica, Jr.			
7. Ruby Sy			
8. Antony M. Te			
9. Sesinando E. Villon			
For Independent Directors:			
1. Carlos Alfonso T. Ocampo			
2. Kwok Yam Ian Chan			
Item 8: Approval of Appointment of Reyes Tacandong & Co. as the Company's External Auditor			
Item 9: Other Matters	According to Proxy's Discretion		
Item 10: Adjournment			

IN CASE A PROXY FORM IS SIGNED AND RETURNED IN BLANK

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

- FOR the approval of the minutes of previous Annual Meeting of the Stockholders;
- FOR the approval of the Management Report and Audited Financial Statements for year ended December 31, 2019;
- FOR the confirmation and ratification of all acts and resolutions of the Board of Directors and Management from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;
- FOR the approval on the amendment of the Company's Articles of Incorporation and By-Laws to Change the Corporate Name (from Marcventures Holdings, Inc. to Marcventures Nickel Holdings, Inc.).
- FOR the election of the following directors:

  For Regular Directors:
  1. Cesar C. Zalamea
  2. Isidro C. Alcantara, Jr.
  3. Macario U. Te
  4. Michael L. Escaler
  5. Marianne Regina T. Dy
  6. Augusto C. Serafica, Jr.
  7. Ruby Sy
  8. Anthony M. Te
  9. Sesinando E. Villon

  For Independent Directors:
  1. Carlos Alfonso T. Ocampo
  2. Kwok Yam Ian Chan

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

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

VALIDATION OF PROXIES

If you will not be able to attend the meeting but would like to be represented thereat, you must submit a duly signed and accomplished proxy form (i) by e-mail to rfrondoso@marcventures.com.ph or (ii) by delivery of an original signed proxy form to the Office of the Corporate Secretary of Marcventures Holdings, Inc., 4th Floor Citi Center, 8741 Paseo de Roxas, Makati City or on before 6:00 p.m., of October 6, 2020. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank, or other fiduciary allowed by law, must likewise present a notarized certification from the owner of record (i.e. the broker, bank, or other fiduciary) that he is the beneficial owner indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized Secretary's Certificate attesting to the authority of its representative to attend and vote at the stockholder's meeting. Validation of proxies shall be made on October 9, 2020 at the principal office of Marcventures Holdings, Inc.

REVOCATION OF PROXIES:

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

Signed this ________________ 2020 at __________________.
(DATE) (PLACE)

_________________________ _______________________
Printed Name of Stockholder Signature of Stockholder or Authorized Signatory

<u>PLEASE DATE AND SIGN YOUR PROXY</u>

PLEASE MARK, SIGN, AND RETURN YOUR SIGNED PROXY AND (I) E-MAIL, OR (II) DELIVER/ MAIL (IN TIME FOR IT TO REACH THE COMPANY) ON OR BEFORE 6:00 P.M. OF OCTOBER 6, 2020.

REPUBLIC OF THE PHILIPPINES)
CITY OF) S.S

SECRETARY'S CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

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

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

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

> "RESOLVED, as it is hereby resolved that ___________, be appointed by the Corporation to represent it at the meeting of the stockholders of MARCVENTURES HOLDINGS, INC. scheduled on October 16, 2020 and at any postponement thereof, and in connection therewith, to vote all shares registered in the name of the Corporation or to execute or give any proxies as she/he may deem proper."

IN WITNESS WHEREOF, I have hereunto set my hand on this ____ day of _________ at ______________.

____
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this _______ day of ______, affiant exhibiting to me his ______________ issued at _________ on ________ showing his photograph and signature.

Doc No._____;
Page No.: ____;
Book No. _____;
Series of 2020.

INFORMATION STATEMENT
(SEC FORM 20-IS)

PART 1: GENERAL INFORMATION

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

Date of meeting :	October 16, 2020 (Friday)
Time of meeting :	2:00 pm
Place of meeting :	4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City and via AGM@Convene.

Due to the COVID-19 pandemic and for the health and safety of all, the meeting will be held virtually and may be accessed through the following link: https://agm.conveneagm.com/marcventures/#/agm

Stockholders as of the Record Date of August 24, 2020 who successfully registered for the meeting may attend and participate in the virtual meeting by remote communication or *in absentia* through the above meeting link.

Please refer to the **Procedure for Registration, Participation, and Voting at the 2020 Annual Stockholders' Meeting** attached to this Information Statement as Schedule "1."

Approximate date on which the Information Statement is first sent to be sent or given to security holders:	September 24, 2020 (to be compliant with the requirements of publication of Notice of Meeting under SEC Notice dated 20 April 2020 re Alternative Mode of Distribution)
Complete mailing address of the principal office of the registrant	4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City

Item 2. DISSENTERS' RIGHT OF APPRAISAL

There are no matters to be taken up during the Annual Stockholders' Meeting on October 16, 2020 that will require the exercise of appraisal right by any dissenting stockholder.

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

a. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 80);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 80);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 80);

c. In case of merger or consolidation (Section 80);

d. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation (Section 80).

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

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

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

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

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

B. CONTROL & COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

(1) The Registrant has 3,014,820,305 outstanding common shares as of July 31, 2020. Each common share shall be entitled to one vote with respect to all matters to be taken up during the Annual Stockholders' Meeting.

(2) The record date for determining stockholders entitled to notice and to vote during the Annual Stockholders Meeting and also to this Information Statement is on August 24, 2020.

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

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

Security ownership of certain record ("r") and beneficial ("b") owners of five percent (5%) or more of the outstanding capital stock of the Registrant as of July 31, 2020:

Title of Class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (Based on new no. of Outstanding Shares
Common	RYM Business Management Corp.	-	Filipino	309,999,946	10.28%
Common	Ruby Sy	-	Filipino	168,615,000	5.59%
Common	PCD Nominee Corporation (registered owner in the books of the stock transfer agent)	Bright Kindle Resources & Investments Inc.	Filipino	600,000,000	19.90%
		Rodolfo Yu	Filipino	172,635,000	5.73%
		Dy Family	Filipino	348,500,000	11.56%
		Isidro C. Alcantara, Jr.		223,734,688	7.42%

		Except those enumerated above, the Company is not aware of other persons with lodged shares who are the beneficial owners of more than 5% of its outstanding capital stock. PCD authorizes its trading participants to vote the shares registered in their name.	Filipino	599,059,119	19.87%
			TOTAL	**2,422,543,753**	**80.35%**

Mr. Isidro C. Alcantara, Jr. shall represent and vote the shares held by Bright Kindle Resources and Investments, Inc. and RYM Business Management Corporation in the Annual Stockholders' Meeting.

As of July 31, 2020, the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 145,333,516 common shares or equivalent to 4.82%.

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

Title of Class	**Name of Beneficial Owner**	**Amount and nature of ownership (Indicate record ("r") and/or beneficial ("b")**	**Citizenship**	**Percent of Class**
Common	Cesar C. Zalamea Chairman	1,000 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Macario U. Te Director	1,000 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Isidro C. Alcantara, Jr. Director & President	2,018 "r" (direct) 223,734,688 "b" (indirect)	Filipino	0.00% 7.42%
Common	Marianne Regina T. Dy Director	1 "r" (direct) 5,999,999 "b" (indirect)	Filipino	0.00% 0.20%
Common	Carlos T. Ocampo Independent Director	1,000 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Augusto C. Serafica, Jr. Director	10,000 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Ruby Sy Director	168,615,000 "r" (direct) 0 "b" (indirect)	Filipino	5.59%

Common	Anthony M. Te Director	27,000,500 "r" (direct) 2,629,100 "b" (indirect)	Filipino	0.90% 0.08%
Common	Sesinando E. Villon Director	1 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Michael L. Escaler Director	1 "r" (direct) "b" (indirect)	Filipino	0.00%
Common	Rolando S. Santos Treasurer	1 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Roberto V. San Jose Corporate Secretary	0 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Ana A. Katigbak Asst. Corporate Secretary	0 "r" (direct) 150,000 "b" (indirect)	Filipino	0.00%
Common	Reuben F. Alcantara SVP Marketing, Business Development, and Strategic Planning	499 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Maila G. De Castro VP Legal	0 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
Common	Dale A. Tongco VP Finance & Controller	0 "r" (direct) 0 "b" (indirect)	Filipino	0.00%
		195,631,021 - "r" 232,513,787 – "b"		

Voting trust holders of 5% or More

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

Changes in control

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

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors and Executive Officers

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

Name	Age	Citizenship	Position
Cesar C. Zalamea	91	Filipino	Chairman
Isidro C. Alcantara, Jr.	66	Filipino	President/ Director
Macario U. Te	90	Filipino	Director
Augusto C. Serafica, Jr.	58	Filipino	Director
Marianne Regina T. Dy	43	Filipino	Director
Ruby Sy	68	Filipino	Director
Michael L. Escaler	69	Filipino	Director
Anthony M. Te	50	Filipino	Director

Sesinando E. Villon	71	Filipino	Director
Carlos Alfonso T. Ocampo	55	Filipino	Independent Director
Rolando S. Santos	70	Filipino	Treasurer/ Senior Vice President for Finance & Administration
Reuben F. Alcantara	37	Filipino	Senior Vice President for Marketing, Business Development and Strategic Planning
Maila G. De Castro	44	Filipino	Vice President and Head for Legal and Co. Asst. Corporate Secretary
Dale A. Tongco	55	Filipino	Vice President for Controllership
Roberto V. San Jose	77	Filipino	Corporate Secretary
Ana Maria A. Katigbak	51	Filipino	Asst. Corporate Secretary and Corporate Information Officer

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

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

Mr. Isidro C. Alcantara, Jr. is the President of Marcventures Holdings, Inc., a position he has held since he was elected in September 2014. Before his presidency, he was elected Director in August 2013 and had served as the Company's Executive Vice President. He currently sits as Vice Chairman and Director of Marcventures Mining and Development Corporation, one of the Company's wholly-owned subsidiary; as Director and President of Bright Kindle Resources and Investment Inc. and Financial Risk Resolutions Advisory, Inc.; as Chairman of BrightGreen Resources, Corp., Alumina Mining Phils. Inc., and Bauxite Resources, Inc. In April 2018, Mr. Alcantara was elected Chairman of the Philippine Nickel Industry Association (PNIA).

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

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

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

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

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

Mr. Serafica is also a member of the Board of Trustees of the AIM Scientific Research Foundation, Inc., President of the AIM Alumni Leadership Foundation, Inc., Treasurer of the

Federation of AIM Alumni Associations, Inc. and Director of the Alumni Association of AIM – Philippines, Inc. He is also the National Treasurer of the Brotherhood of Christian Businessmen and Professionals (BCBP).

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

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

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

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

Mr. Anthony M. Te was elected Director in October 2017 and has been a director of Marcventures Mining & Development Corp since August 2013. He is currently the Chairman of the Board of Asian Appraisal Company, Inc., Amalgamated Project Management Services, Inc., Asian Asset Insurance Brokerage Corp. and AE Protiena Industries Corp. He serves as Chairman and Chief Finance Officer of Mactel Corp., and as Director and Treasurer for Manila Standard Today Management, Inc. Mr. Te is a licensed soliciting official for Non-Life Insurance with the Philippine Insurance Commission. He previously sat as director in the following companies: AG Finance, Inc. Balabac Resources & Holdings Co., Inc., Commonwealth Savings & Loans Bank, EBECOM Holdings, Inc., Equitable PCI Bank, MRC Allied Industries, Inc., Oriental Petroleum & Minerals Corp., PAL Holdings, Inc., PGA Cars, Inc., and Phoenix Energy Corp. He obtained his Bachelor of Arts in Business Management from De La Salle University.

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

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

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

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

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

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

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

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

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

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

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

The Nominations Committee has screened the following nominees for election or re-election on October 16, 2020. The Nominations Committee determined that the candidates possess all the qualifications and none the disqualifications as director or independent director.

Nominees for Regular Directors:

1. Cesar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Macario U. Te
4. Michael Escaler
5. Marianne Regina T. Dy

6. Augusto C. Serafica, Jr.
7. Ruby Sy
8. Anthony M. Te
9. Sesinando E. Villon

Nominees for Independent Director:

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

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

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

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

Independent Directors

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

1. **Carlos Alfonso T. Ocampo**

   Atty. Ocampo possesses all the qualifications and none of the disqualifications as independent director since his election in the year 2013. (See Schedule "2")

2. **Kwok Yam Ian Chan**

   Mr. Chan possesses all the qualifications and none of the disqualifications as independent director since his election in the year 2013. (See Schedule "3")

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

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

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

In accordance with SEC Memorandum Circular No. 4 Series of 2017, the Independent Directors (ID) have not exceeded the maximum cumulative term of nine (9) years.

After a term of (9) years, the independent director may be re-elected as independent director subject to the conditions under the Code of Corporate Governance for Publicly Listed Companies. At the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting. In the alternative, the same may also qualify for nomination and election as a non-independent director.

Period in Which Directors and Executive Officers Should Serve

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

Term of Office of a Director

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

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

Significant Employees

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

Family Relationships

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

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

Involvement in Certain Legal Proceedings

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

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

Certain Relationships and Related Transactions

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

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

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

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

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

SUMMARY OF COMPENSATION TABLE

Names	Position	SALARY	BONUS	OTHER COMPENSATION
Executive officers				
Cesar Zalamea Isidro C. Alcantara, Jr. Arnulfo Santiago Rolando Santos Reuben F. Alcantara Maila G. De Castro	Chairman President/ CEO Senior Vice-President for Operations Senior Vice-President for Finance Senior Vice-President for Marketing Vice-President for Legal			
	2017	14,760,000	4,960,000	₱48,152,596.86
	2018	14,760,000	1,845,000	₱47,533,330.24
	2019	14,760,000	1,230,000	₱55,287,935.51
	2020 estimated			₱ 54,999,114.30
All other officers and directors as group unnamed	2017	–	–	₱6,255,000
	2018	–	–	₱6,600,000
	2019	–	–	₱7,650,000
	2020 estimated	₱–	₱	₱8,000,000

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

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

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

Item 7. INDEPENDENT PUBLIC ACCOUNTANTS

Independent Public Accountants, Reyes Tacandong & Co. ("RTC") will stand for re-election as the Company's auditor for the year 2020 which shall be subject to shareholders' approval during the Annual Meeting. RTC is currently the Company's Independent Public Accountant. Representatives of RTC will be present during the annual meeting and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

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

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

The following are members of the Audit Committee with one vacant seat arising from the resignation of Retired Justice Vicente V. Mendoza:

Chairman: Carlos Alfonso T. Ocampo (ID) Members: Augusto C. Serafica, Jr

Item 8.COMPENSATION PLANS

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2019, 17Q or the Quarterly Financial Statements as of 30 March 2020 and June 30, 2020 are attached hereto.

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

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

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

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

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

1. Approval of Minutes of the Previous Annual Meeting of the Stockholders held on 26 September 2019
2. Approval of the Management Report and Audited Financial Statements for the year ended 31 December 2019
3. Ratification of All Acts of the Board of Directors and Management
4. Election of Directors
5. Amendment of the Articles of Incorporation and By-Laws (Change of Corporate Name)
6. Appointment of the Independent External Auditor
7. Other Matters
8. Adjournment

Item 16. MATTERS NOT REQUIRED TO BE SUBMITTED

All corporate actions to be taken up at the annual stockholders' meeting this October 16, 2020 will be submitted to the stockholders of the Registrant for their approval in accordance with the requirements of the Revised Corporation Code of the Philippines.

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

ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENT5

There is a proposed action to be taken in relation to the Amendment of the Company's Articles of Incorporation and/or By-laws, which is limited to changing the corporate name from "Marcventures Holdings, Inc." to "Marcventures Nickel Holdings, Inc.", which is intended to facilitate comparative identification of MHI as part of the nickel industry and to reflect the Company's industry niche both in the local and international market.

ITEM 18. OTHER PROPOSED ACTIONS

Action is to be taken on the ratification and approval of the acts of the Board of Directors and Management from the last stockholders' meeting until the date of the 2020 Annual Stockholders' Meeting, including the following:

Meeting Date	Highlights
Regular Meeting of the Board of Directors dated **December 18, 2019**	- Approval of the Previous Meeting - Operational Matters • Operations Update • Proposed Head of Terms and/or Service Mining Agreement with EZM – Cabangahan Mine Area • Authority to Submit Application to Exceed Maximum Allowable Disturbed Area • Maximum Allowable Final Mining Areas for MPSA • Authority for Management to Negotiate for Development of BRC MPSA through Commercial Operations (Construction and Development/Service Mining Agreement) • Bauxite Project Updates and Developments - Finance Updates - Market Developments/Prices, Market Forecast, and Shipment Schedule - Retirement Plan Rules - Internal Rules of the Executive Committee - Appointment of Mr. Dale A. Tongco as Vice President and Financial Controller - Confirmation and/or Approval of MMDC's loan restructuring with Philippine Veterans Bank, with Pledge of MHI's shares in BrightGreen Resources Corporation and Conditional Assignment of Stock/Inventory - Other Matters
Special Meeting of the Board of Directors dated **March 13, 2020**	- Opening of Online Corporate Payroll Account with Rizal Commercial Banking Corporation ("RCBC")
Special Meeting of the Board of Directors dated **June 26, 2020**	- Approval of the 2019 Audited Financial Statements of the Corporation - Approval of the Corporation's 2019 Sustainability Report - Approval of the Corporation's 2020 Revised Manual on Corporate Governance - Confirmation of Approval of Required Disclosures and/or Documents for the Posting on the Corporation's Website to Comply with the Security and Exchange Commission's Prescribed Template for Publicly-Listed Companies' Website - Authority to Enter into Transactions with University of the Philippines – Department of Mining Metallurgical

	and Materials Engineering
Regular Meeting of the Board of Directors dated **July 24, 2020**	- Approval of the Minutes of the Previous Meetings • Minutes of MHI Regular BOD Meeting dated 18 December 2019; • Minutes of the Special Meetings of the BOD of MHI dated: ✓ 13 March 2020 ✓ 26 June 2020 • Minutes of the Joint Executive Committee Meeting of MHI and MMDC dated: ✓ 16 March 2020 ✓ 22 June 2020 - Summary/Situational Report from the Vice Chairman of MMDC and MHI President, Mr. Isidro C. Alcantara, Jr. - Operational Matters and Updates • Ore Reserves • Production • Shipment and Schedules for 2020 (as of 23 July 2020) • Sipangpang Mine Status • Materials Management • Other Matters - Controllership Updates • 2019 and 2018 Comparative Audited Financial Report • Year to Date (YTD) June 2020 Financial Report • Revised Full Year 2020 Financial Projections • New Enterprise-Wide Resource Planning (ERP) System - Marketing Updates • Market Updates and Outlook • Specific 2020 Marketing Initiatives • 2020 Price Outlook • Shipment Updates • Updates on BrightGreen Resources Corporation (BRC) - Compliance Updates • For Information on the Accomplishments of Compliance, Acquisition and Tenements Management Department - Treasury Updates • For Information: Updates on Cash Position (Receivables and Collectibles - Human Resources Updates • Special Voluntary Retirement Program • Manpower Headcount • Work Protocol and Preventive Measures during COVID-19 Pandemic • Table of Organization - Other Matters • Proposed Study for Nickel Processing Plant in Surigao – Shunying / Yetop MOA • Updates on Activities and 2020 Proposed Budget for the

	Samar Bauxite Project • Research Proposals Submitted to the Department of Science and Technology (DOST) in Collaboration with Different Academic Institutions (University of the Philippines National Institute of Geological Sciences, University of the Philippines Department of Mining, Metallurgy and Materials Engineering, and Beijing General Research Institute for Mining and Metallurgy) • AMPI/BARI – Study of Rare Earth Elements and Ore Beneficiation • MMDC – Reverse Leaching of Nickel Laterite Ore • Change in Corporate Name (Marcventures Nickel Holdings, Inc.) • MHI Sustainability Report • MHI Manual on Corporate Governance • MHI Annual Corporate Governance Report • MHI Website Compliance • Postponement and re-setting of the Annual Stockholders' Meeting for September 2020, and Authority of the President to determine the new date of the meeting and record date

Item 19. VOTING PROCEDURES

(a) the vote required for approval or election

A majority of the subscribed capital present in person or represented by proxy, shall be sufficient at a stockholders meeting to constitute a quorum for the transaction of any business whatsoever, except in those cases in which the Revised Corporation Code requires the affirmative vote of a greater portion.

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

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

Kindly also refer to the Procedure for Registration, Participation, and Voting at the 2020 Annual Stockholders' Meeting attached to this Information Statement.

(b) Method by which Votes will be counted

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

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

Kindly refer to the Procedure for Registration, Participation, and Voting at the 2020 Annual Stockholders' Meeting attached to this Information Statement.

PART II: INFORMATION REQUIRED IN A PROXY FORM

PLEASE USE THE ATTACHED PROXY FORM

Item 1. Identification

This proxy is solicited by the Board of Directors and Management of Marcventures Holdings Inc. The solicited proxy shall be exercised by the Chairman, Cesar C. Zalamea or the President, Isidro C. Alcantara, Jr., or the stockholder's authorized representative.

Item 2. Instruction

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

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

- FOR the approval of the minutes of the previous Annual Meeting of the Stockholders;
- FOR the approval of the Management Report and Audited Financial Statements for year ended 31 December 2019;
- FOR the confirmation and ratification of all acts and resolutions of Board of Directors and Management from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;
- FOR the approval on the amendment of the Company's Articles of Incorporation and By-Laws relative to Change the Corporate Name (from Marcventures Holdings, Inc. to Marcventures Nickel Holdings, Inc.)
- FOR the election of the following directors:

For Regular Directors:

1. Cesar C. Zalamea

2. Isidro C. Alcantara, Jr.
3. Macario U. Te
4. Michael L. Escaler
5. Marianne Regina T. Dy
6. Augusto C. Serafica, Jr.
7. Ruby Sy
8. Anthony M. Te
9. Sesinando E. Villon

For Independent Director:

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

- FOR the approval of the appointment of Reyes Tacandong & Co. as the Company's external auditor; and

- TO authorize the Proxy to vote according to discretion of the Company's President or Chairman of the Meeting on any matter that may be discussed under "Other Matters".

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

c. The matters to be taken up in the meeting are enumerated opposite the boxes on the accompanying Proxy Form. The names of the nominee directors are likewise enumerated opposite an appropriate space.

d. If a stockholder will not be able to attend the meeting but would like to be represented thereat, he may submit his Proxy Form, duly signed and accomplished, to the Office of the Co-Assistant Corporate Secretary at the head office of Marcventures Holdings Inc., 4th Floor Citibank Center Bldg, 8741 Paseo de Roxas, Makati City, on or before October 6, 2020. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required I.D., present a notarized certification from the owner of record (i.e. the broker, bank or other fiduciary) that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting.

Validation of proxies will take place on October 9, 2020, at the principal office of the Company.

Item 3. Revocability of Proxy

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

Item 4. Persons Making the Solicitation

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

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

The estimated amount to be spent by the Company to solicit proxies is PhP 20,000. The cost of solicitation will be borne by the Company.

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

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

PART III: SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on 17 September 2020.

MARCVENTURES HOLDINGS INC.

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

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

Attention: **RACQUEL S. FRONDOSO**
MARCVENTURES HOLDINGS INC.
4th Floor Citi Center, Paseo de Roxas, Makati City

Stock Transfer Agent:

RIEL JOHN SIMON C. REVELAR
PROCESSOR

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

Schedule 1 of the Definitive Information Statement
for the 2020 Annual Stockholders' Meeting of Marcventures Holdings, Inc.

Procedure for Registration, Participation and Voting at the 2020 Annual Stockholders Meeting of MARCVENTURES HOLDINGS, INC.

As a precautionary and safety measure in view of the Corona Virus Disease 2019 (COVID-19) pandemic, Marcventures Holdings, Inc. (the "Company") will be conducting its Annual Stockholder Meeting ("ASM") on October 16, 2020 at 2:00 PM, by way of a virtual meeting through remote communication or *in absentia*.

Only Stockholders of record as of August 24, 2020 who have successfully registered for the meeting shall be able to participate and vote in the 2020 ASM.

I. Registration and Participation/Attendance Procedure:

1. Stockholders who intend to participate in the virtual ASM may register at https://agm.conveneagm.com/marcventures/#/agm with the following requirements for registration:

   a. *For individual stockholders holding stock certificates in their names:*

      i. Scanned copy of any valid government-issued ID;
      ii. Active contact number, either landline or mobile;
      iii. Proxy Form, if any.

   b. *For corporate stockholders holding stock certificates in the name of the corporation:*

      i. Secretary's Certificate attesting to the authority of the representative to participate and / or vote in the 2020 ASM;
      ii. Documents required under items 1.a (i), (ii) and (iii) for the authorized representative.

   c. *For stockholders with joint accounts:*

      i. Scanned copy of authorization letter signed by other stockholders indicating the person among them authorized to participate and/or vote in the 2020 ASM;
      ii. Documents required under items 1.a (i), (ii) and (iii) for the authorized stockholder;

   d. *For stockholders under PCD Participant / Brokers Account or "Scripless Shares":*

i. Coordinate with the broker and request for the full account name and reference number or account number;

ii. Documents required under items 1.a (i), (ii) and (iii).

The foregoing documents shall be submitted by (i) email to rfrondoso@marcventures.com.ph, or (ii) delivery of the original copies to the Office of the Corporate Secretary at the principal office of Marcventures Holdings, Inc. located at 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

2. Upon successful registration at https://agm.conveneagm.com/marcventures/#/agm and validation of the documents submitted by email to rfrondoso@marcventures.com.ph or at the Company's office, the stockholder will receive an email confirmation and a unique link which can be used to log in and view the 2020 ASM.

3. Only those stockholders who have registered following the procedure above, and stockholders who have voted by providing their executed Proxy Form shall be included for purposes of determining the existence of a quorum.

4. For purposes of voting during the 2020 ASM, please see section on Voting Procedure below.

5. For the Question and Answer portion during the 2020 ASM, stockholders may send their questions related to the agenda at https://agm.conveneagm.com/marcventures/#/agm. Due to limitations on technology and time, not all questions may be responded to during the 2020 ASM but the Company will endeavor to respond to all the questions through email.

6. In compliance with SEC requirements, the proceedings during the 2020 ASM will be recorded will be recorded.

7. Stockholders intending to participate by remote communication in the 2020 ASM are required to register not later than October 6, 2020.

8. In compliance with the SEC Notice dated 2020 April 2020, the Definitive Information Statement, the Management Report, SEC Form 17A and other pertinent documents may be accessed through the Company's website at www.marcventuresholdings.com.

II. Voting Procedure:

Stockholders may vote during the 2020 ASM either (1) by Proxy or (2) by voting *in absentia* through our Online Stockholder Voting System.

Schedule 1 of the Definitive Information Statement
for the 2020 Annual Stockholders' Meeting of Marcventures Holdings, Inc.

1. Voting by Proxy:

   a. Download the Proxy Form at https://agm.conveneagm.com/marcventures/#/agm or the Company's website at www.marcventuresholdings.com and accomplish and sign the same. The Company's Chairman or President or your designated proxy is authorized to cast the votes pursuant your instructions in the Proxy Form.
   b. Send a scanned copy of the executed Proxy Form by email to rfrondoso@marcventures.com.ph
   c. The scanned copy of the executed Proxy Form should be emailed to the above not later than October 6, 2020.
   d. The original copy of the signed Proxy Form should be delivered to:

      The Corporate Secretary,
      Marcventures Holdings, Inc.
      4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City

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

   a. Follow the Registration and Participation/Attendance Procedure set forth above.
   b. Stockholders may vote in absentia through the Online Stockholder Voting System not later than October 6, 2020.
   c. Upon validation, the Company will send an email to the stockholder containing the link for the Online Stockholder Voting System and the instructions for casting votes in the Online Stockholder Voting System. Registered stockholders shall have until 5:00 PM of October 6, 2020 to cast their votes.
   d. All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:
      i. For items other than election of the Directors, the stockholder may vote: "For", "Against", or "Abstain". The vote shall be considered as cast for all the stockholder's shares.
      ii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.
   e. Once voting is completed in the Online Stockholder Voting System, the stockholder shall proceed to click on the "Submit" button which shall complete the process. Once submitted, the stockholder may no longer change the votes cast. The votes cast *in absentia* will have equal effect as votes cast by proxy.

Schedule 1 of the Definitive Information Statement
for the 2020 Annual Stockholders' Meeting of Marcventures Holdings, Inc.

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

- Email at rfrondoso@marcventures.com.ph; or
- Telephone number at 8831-4479; or
- Our stock transfer agent, Stock Transfer Service, Inc. (STSI), through
    - ✓ Riel Revelar at rcrevelar@stocktransfer.com.ph or
    - ✓ Reynand Malayao at cmalayao@stocktransfer.com.ph, or
    - ✓ STSI's telephone number at 8403-2410 or 8403-2412

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am elected for Independent Director of **MARCVENTURES HOLDINGS INC. ("MARC")** and have been its independent director since August 2013 (where applicable).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Bright Kindle Resources & Investments, Inc,	Independent Director	January 2014 to Present
Ocampo & Manalo Law Firm	Senior Partner	October 1997 to present
MAA General Assurance Phils., Inc.	Director	March 2003 to Present
South Forbes City College Corporation	Director	May 2009 to Present
Columbian Autocar Corporation	Director	October 2009 to April 2012
Asian Carmakers Corporation	Director	April 2008 to Present
Jam Transit, Inc.	Director	July 2009 to Present
Prestige Cars	Director	June 2006 to Present
Timebound Trading Corporation	Director	April 2013 to Present
Monpierre Foods Corporation	Director	December 2011 to Present
The Medical City – South Luzon	Corporate Secretary	June 2010 to Present
Adrianse Phils. Inc.	Director/ Corporate Secretary	March 2012 to Prese
Bluelion Motors Corp.	Director/ Corporate Secretary	February 1999 to Present
First Charters & Tours Transport Corp.	Director/ Corporate Secretary	July 2012 to Present
Brycl Resorts International Inc.	Director/ Corporate Secretary	July 2009 to Present
Autohaus Quezon City, Inc.	Director/ Corporate Secretary	April 2008 to Present
AVK Philippines, Inc.	Director/ Corporate Secretary	July 2000 to Present
Jam Liner, Inc.	Director/ Corporate Secretary	July 2009 to Present
Manila Golf & Country Club	Director/ Corporate Secretary	April 2008 to Present
Solen Innovations Holdings Inc.	Director	November 2016 to Present
Integrated Bar of the Philippines	Member	

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

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

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

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

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

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

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the above mentioned information within five days from its occurrence.

Done, this AUG 1 8 2020 day of ____ at Makati City

CARLOS ALFONSO T. OCAMPO
Affiant

SUBSCRIBED AND SWORN to before me this AUG 1 8 2020 day of ____ at Makati City affiant personally appeared before me and exhibited to me his Passport with Passport number P2096384A issued at DFA Manila on 02 March 2017 and valid until 01 March 2022.

Doc. No. 90 ;
Page No. 19 ;
Book No. 1 ;
Series of 2020;

ATTY. MA. ANGELICA C. DYCHIAO
Notary Public for Makati City
Appointment No. M-176 - Until Dec. 31, 2021
ROLL No. 40728
PTR No. 8125408; 01/08/2020
IBP No. 097413; 12/12/2019
28/F Pacific Star Bldg., Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for Independent Director of **MARCVENTURES HOLDINGS INC. ("MARC")** for its Annual Stockholders' Meeting on 16 October 2020.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

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

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

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

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

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

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

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

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the above mentioned information within five days from its occurrence.

Done, this__________day of_________at ____

KWOK YAM IAN CHAN
Affiant

SUBSCRIBED AND SWORN to before me this 16 day of SEP 2020 at MAKATI CITY affiant personally appeared before me and exhibited to me his ________________ issued at _________ on ___________ and valid until __________.

Doc. No. 372;
Page No. 76;
Book No. 169;
Series of 2020;

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

Ref. No. MHI_LEG2020_SC_016

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

SECRETARY'S CERTIFICATE

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

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

2. To the best of my knowledge and from official records on hand, I hereby certify that none of the Corporation's directors and officers are appointed or employed in any government agency or instrumentality.

IN WITNESS WHEREOF**,** I have hereunto set my hand this 25th day of August 2020 in Makati City.

MAILA LOURDES G. DE CASTRO
Co-Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 25th day of August 2020 in Makati City, affiant exhibited to me her Driver License No. NO2-95-296472 valid until 18 October 2021.

Doc. No.: 110;
Page No.:23;
Book No.: I;
Series of 2020.

MARJORIE A. SAN JUAN
Notary Public for Makati City
Appt. No. M-135 Until 31 Dec. 2021
Roll of Attorneys No. 71296
IBP Membership No. 100790; 01/03/2020
PTR No. MKT-8116380MG; 01/03/2020
MCLE Compliance No. VI -0013795; 10/12/2018
4F Citi Center, Paseo de Roxas, Makati City

MARCVENTURES HOLDINGS INC.

MANAGEMENT REPORT
Pursuant to SRC Rule 20

For the Annual Stockholders' Meeting
On October 16, 2020

I. Consolidated Audited Financial Statements

The Consolidated Audited Financial Statements of Marcventures Holdings, Inc. (MHI or the "Company") for the year ended as of December 31, 2019 and unaudited financial statements for the period ended June 30, 2020 and corresponding SEC Form 17Q are attached to this report.

II. Disagreements with Accountants on Accounting and Financial Disclosures

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

ITEM 1. BUSINESS

<u>Background</u>

The Parent Company, Marcventures Holdings, Inc. (formerly: AJO.net Holdings, Inc.) (MHI or the "Company"), was incorporated and registered with the Securities and Exchange Commission (SEC) on August 7, 1957, with a primary purpose to acquire by purchase, exchange, assignment, gift or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in, and with, and otherwise operate, manage, enjoy and dispose of, any and all properties of every kind and description and wherever situated, including land as and to the extent permitted by law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements and bonds, debentures, promissory notes, shares of stock, or other securities or obligations, created, negotiated or issued by any corporation, association or other entity, foreign or domestic and while the owner, holder or possessors thereof, to exercise all rights, powers and privileges of ownership or any other interest therein, including the right to receive, collect and dispose of, any and all rentals, dividends, interest and income derived therefrom, and the right to vote on any proprietary or other interest, on any shares of the capital stock, and upon any bonds, debentures or other securities having voting power, so owned or held; and provided it shall not engage in the business of an open-end or close-end investment company as defined in the Investment Company Act (Republic Act 2629), or act as a securities broker or dealer; to aid either by guaranty and/or surety, any subsidiary and/or affiliate of the corporation.[1]

On December 15, 2009, the Parent Company entered into a Memorandum of Agreement (MOA) between the shareholders of Marcventures Mining & Development Corporation (Investor Group) and their partners to exchange their ownership of MMDC for a total value of ₱1.3 billion consisting of: (i) new Parent Company shares worth ₱100.0 million representing the full payment of the balance for the

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1 AOI as amended on 29 December 2017.

subscription to the increase in authorized capital stock; (ii) additional Parent Company shares worth ₱1.15 billion to be issued from the authorized capital stock as increased, and the new par value of the Parent Company after its corporate restructuring; and (iii) 488 membership certificates of The Metropolitan Club, Inc. (Metroclub Certificates) with an agreed net value of ₱50.0 million together with the Parent Company's rights, obligation and interests. The consolidated financial statements assumed June 30, 2010 as the acquisition date.

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

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

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

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

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

On December 29, 2017, the Securities and Exchange Commission approved the merger of MHI with Asia Pilot Mining Philippines Corp. (APMPC) and BrightGreen Resources Holdings Inc. (BHI) with MHI as the surviving entity. The merger resulted to MHI's acquisition of APMPC's subsidiaries, namely, Alumina

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

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

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

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

The Company is listed in the Philippine Stock Exchange. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC, as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 and BGRC, AMPI and BARI as at December 31, 2019.

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

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

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

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

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

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

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

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

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

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

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

The foregoing has yet to be implemented.

Updates and Developments in 2019

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

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

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

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

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

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

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

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

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

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

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

Information about the Subsidiaries

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

Subsidiaries

Below are the Parent Company ownership interests in its subsidiaries:

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

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

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

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

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

On 13 February 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 17 February 2017, MMDC filed a Notice of Appeal to the Office of the President (OP). Subsequently, on 17 March 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 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President GMA; and (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area.

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

Management and its legal counsel 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 25).

- 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 27 February 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 07 August 2017, MHI received a letter from the Forest Management Bureau (FMB) of the DENR dated 27 July 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 10 August 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 18 June 2018.

As of 18 May 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 18 June 2020 to 18 June 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 18 June 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 13 February 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 27 February 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 bases for cancellation of the MPSA.

Products/Sales/Competition

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

Sources and availability of Raw Materials

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

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

Mining Claim

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

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

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

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

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

Government Regulation and Approvals

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

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

Compliance with Environmental Laws

The Company is strongly committed to its policy of protecting and enhancing the environment. It spent ₱56.04 million on its Environmental Protection and Enhancement Program (EPEP) in 2019.

Related Party Transactions

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

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

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

Employees

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

  The Company currently has a total of 7 employees, one of whom is in an executive position, 1 in legal, 2 in accounting/clerical, 1 in administrative, and 2 as messengerial personnel. For the ensuing 12 months, the Company anticipates it will have the same number of employees. There is no employees' union and neither is there a collective bargaining agreement with the employees. There has not been a strike by the employees in the Company's history. The Company believes relations with the employees are good.

- Marcventures Mining & Development Corporation (MMDC)

  As of December 31, 2019, MMDC engaged a total of 488 workers. Out of the 488 workers, 50 are employed by security agencies engaged by MMDC.

  Table below show the distribution of our workforce:

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

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

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

On May 22, 2015, MMDC entered into a collective bargaining agreement with the Samahan ng Responsableng Manggagawa ng Marcventures Mining & Development Corporation (SRMMDC). The agreement shall be in full force for a period of 5 years starting June 1, 2015. With the expiration of the CBA on 30 May 2020, the Company and SRMMDC are now entering into negotiations for a new agreement in case no petition for certification election has been filed by other labor groups.

<u>Risks Related to our Business and Industry</u>

<u>Market Risk</u>

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

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

<u>Operational Risk</u>

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

<u>Risk Management</u>

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

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

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

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

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

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

Purpose

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

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

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

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

The organization has a low appetite for risks relating to:

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

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

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

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

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

Foreign exchange risk

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

Other risks

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

ITEM 2. DESCRIPTION OF PROPERTIES

Mineral Properties

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

MMDC

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

BRC

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

AMPI

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

BARI

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

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

MMDC

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

	4.858 million WMT at 1.29% Nickel and 12.81% Iron Limonite: NA	0.329 million WMT at 1.61% Nickel and 14.25% Iron Limonite: 4.698 million WMT at 0.90% Nickel and 39.61% Iron		

Notes:

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

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

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

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

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

<u>Property and Equipment</u>

Office Space

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

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

MMDC Properties

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

Land and Improvements owned

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

Rented

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

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

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

- **Asia Pilot Mining Phils. Corp. vs. Reliance Insurance Co., Inc. et al. / I.C. CAD Case No. 4077 / Claim for Indemnity with Interest, Fees, and Damages**

  This is a complaint filed before the Claims and Adjudication Division of the Insurance Commission by Asia Pilot Mining Phil., Corp. (APMPC), as substituted by MHI pursuant to the Plan and Articles of Merger executed on 24 October 2017 and approved by the Securities and Exchange Commission on 29 December 2019. The complaint seeks indemnity with interest for the unjust refusal of Respondents Reliance Surety and Insurance, Co., (Reliance) and Bottomline Insurance Adjuster Services (Bottomline) to settle APMPC's insurance claim for PhP2,500,000.00 in view of the theft/carnapping of its Toyota Alphard Van.

The Management and the internal Legal Department of the Company are of the good faith belief that MHI was able to sufficiently establish the theft/carnapping of the subject vehicle, as copies of the warrants of arrest and the Information for carnapping filed before the Regional Trial Court of Makati City were duly submitted to the Respondents.

MHI completed the presentation its evidence and filed its Formal Offer of Documentary and Object Evidence on 12 February 2019. To date, the Company is still awaiting the resolution of pending incidents/motions.

- **Asia Pilot Mining Phils. Corp. vs. Reliance Insurance Co., Inc. et al. / I.C. Admin. Case No. RD-547 / For: Suspension /Revocation of Insurance Certificate/s of Registration and Authority and Issuance of Cease and Desist Orders**

  This is an *Administrative Complaint* filed by Asia Pilot Mining Phil., Corp. (“APMPC”), as substituted by MHI pursuant to the Plan and Articles of Merger executed on 24 October 2017 and approved by the Securities and Exchange Commission on 29 December 2019, before the Regulatory, Enforcement and Prosecution Division of the Insurance Commission against the Respondents Reliance Surety and Insurance, Co., (“Reliance”), the directors and directors of Reliance, and Respondent Roberto B. Moreno, who was the General Manager of Bottomline Insurance Adjuster Services (“Bottomline”). The *Administrative Complaint*, which was based from the same facts for I.C. CAD Case No. 4077, seeks administrative sanctions against the Respondents based on the Insurance Code of the Philippines by way of (i) suspension/revocation of Reliance’s Certificate of Registration and Authority to engage in insurance business and Mr. Moreno’s license as an Independent Insurance Adjuster; and (ii) issuance of cease and desist orders to prevent fraud and injury to the public during the pendency of the case.

  The case was previously set for the presentation of MHI’s evidence but due to the intervening death of Respondent Moreno, MHI moved for a clarificatory hearing set on 25 March 2020 to determine the effect of Respondent Moreno’s death on the case. With the declaration of the Enhanced Community Quarantine on 16 March 2020, the clarificatory hearing was postponed and is yet to be rescheduled.

  The Management and the internal Legal Department of the Company have a good faith belief that there is no justification to deny the insurance claim of APMPC. MHI submitted necessary documentary evidence to support its claims. Other defenses raised are immaterial for being intra-corporate matters beyond the jurisdiction of the Insurance Commission

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

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

  However, it was only on 11 December 2019 that MHI received a Preliminary Assessment Notice (“PAN”) dated 11 December 2019 for which MHI filed a Reply dated 20 December 2019

("Protest Letter") contesting the findings in the audit examination and was received by the BIR on 23 December 2019.

BIR issued its Formal Letter of Demand Notice on 06 January 2020 (which MHI received on 08 January 2020). The FLD/FAN stated that MHI has an aggregate liability of PhP47,523,045.52 (inclusive of penalties and interests up to 14 February 2020), broken down as follows:

Income Tax	PhP36,685,374.47
Value Added Tax	2,030,285.68
Expanded Withholding Tax	390,861.09
Withholding Tax on Compensation	8,416,524.28
TOTAL	**PhP47,523,045.52**

MHI reiterated in its Request for Reinvestigation/Reconsideration dated 07 February 2020 that the audit examination apparently went beyond the 120-day prescribed period.

On 10 March 2020, MHI received a letter from the BIR which granted its Request for Reinvestigation and directed MHI to submit the necessary documents within sixty (60) days from the date of filing of the Request for Reinvestigation/Reconsideration or until 7 April 2020.

BIR Revenue Regulations (RR) No. 7-2020 dated 27 March 2020 extended the statutory deadlines for submission and/or filing of certain documents including submission of documents for reinvestigation. Further, under BIR Memorandum Circular (RMC) No. 31-2020 dated 23 March 2020, the submission of the documents was extended to thirty (30) days from the lifting of the Enhanced Community Quarantine in the National Capital Region. Subsequently, RMC No. 39-2020 dated 7 April 2020 reiterated the deadline of extension to 30 days from the lifting of the order of state of emergency (ECQ).

Upon pronouncement by the President of the Philippines, the lifting of the ECQ will be on 31 May 2020. Thus, MHI is required to submit the documents for reinvestigation within 30 days from 31 May 2020 or until 30 June 2020.

On 30 June 2020, MHI submitted supporting documents for reinvestigation to the BIR.

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

- **BIR Final Decision on Disputed Assessment No. FDDA-058-RR8A-RDO50-2014-eLA No. 201500087180-A.N.0771 for taxable year 2014**

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

  On 28 August 2018, MHI received the Preliminary Assessment Notice (PAN) dated August 23, 2018. Deficiency Taxes, as follows: PhP8,813,617.70.

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

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

On 31 October 2018, MHI wrote to the Regional Director of Revenue Region 8, Glen Geraldino, to dispute the FAN requesting for a reinvestigation and detailing the explanation and reconciliation of the assessment. An appeal on prescription was again cited on the protest letter.

On 29 November 2018, MHI received a letter dated November 15, 2018 from the Regional Director granting MHI's request for reinvestigation.

On 27 December 2018 (based on receiving stamp of BIR), MHI submitted supporting documents to the protest letter to FAN.

On 23 January 2019, MHI received an advance copy in excel file of the revised assessment (PhP3,974,419.10)

On 7 February. 2019, MHI submitted a protest letter to the revised assessment to the RDO.

On 15 June 2020, MHI received an FDDA dated 04 June 2020 from the BIR requesting MHI to pay its deficiency tax liabilities for TY2014 broken down as follows:

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

MHI is requested to pay and submit proof of payment on or before 6 July 2020. In case MHI disagrees on the assessment, it may appeal to the Commission on Internal Revenue (CIR) or to the Court of Tax Appeals (CTA) within 30 days from receipt of the FDDA (i.e., 15 July 2020).

On 7 July 2020, MHI paid to the BIR the assessed total amount of Php 3,036,477.05.

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

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

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

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Stock Prices – Common Shares

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

	Price per Share (In Pesos) **	
	High	Low
	2017	
January – March	**2.77**	**1.60**
April – June	**2.21**	**1.65**
July - September	**2.28**	**1.76**
October – December	**2.07**	**1.62**
	2018	
January – March	**1.81**	**1.39**
April – June	**1.77**	**1.39**
July - September	**1.67**	**1.15**
October – December	**1.54**	**0.99**
	2019	
January – March	**1.31**	**1.00**
April – June	**1.12**	**1.00**
July - September	**1.44**	**1.00**
October – December	**1.21**	**0.80**
	2020	
January – March	**1.00**	**0.45**
April – June	**0.70**	**0.50**

Latest Market Price

On August 3, 2020, trading date, the closing market price of the Company's common stock was ₱0.74 per share.

Stockholders

The number of shareholders of record as of July 31, 2020 were 2,171. The outstanding shares as of July 31, 2020 were 3,014,820,305 common shares, 2,869,486,789 or 95.18% of which are owned by Filipinos.

MARCVENTURES HOLDINGS, INC.
TOP 20 STOCKHOLDERS

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

PCD NOMINEE CORPORATION (FILIPINO)	2,181,025,807	72.34%
RYM BUSINESS MANAGEMENT CORPORATION	309,999,946	10.28%
PCD NOMINEE CORP. (NON-FILIPINO)	145,246,058	04.82%
STINSON PROPERTIES INC.	87,834,569	02.91%
SUREGUARD PROPERTIES INC.	86,514,534	02.87%
MYOLNER PROPERTIES INC.	86,514,533	02.87%
CAULFIELD HEIGHTS INC.	44,999,982	01.49%
GLORIOUS DECADE PROPERTIES, INC	30,000,000	01.00%
ANTHONY M. TE	27,000,500	00.90%
GLORIOUS DECADE PROPERTIES, INC.	13,013,000	00.43%
ATC SECURITIES, INC.	808,023	00.03%
WILLY O. DIZON OR NENE C. DIZON	667,000	00.02%
BENJAMIN S. GELI	100,000	00.00%
JOHN C. JOVEN	100,000	00.00%

ANSALDO GODINEZ & CO., INC.	92,255	00.00%
PACIFICO B. TACUB	50,000	00.00%
OTILIA D. MOLO OR ELAINE D. MOLO	48,419	00.00%
ARNOLD JANSSEN T. BANTUGANOR CHRISTINE ANGELI L. BANTUGAN	45,000	00.00%
TERESITA N. LIM	40,000	00.00%
VICENTE GOQUIOLAY & CO., INC.	39,599	00.00%
	3,014,139,225	99.96%

*Out of the total shares lodged under the PCD, Bright Kindle Resources and Investment Corp. owns 600,000,000 shares or 32.94% of MARC as of July 31, 2020.

In July 2017, Mr. Isidro C. Alcantara, Jr. subscribed to 22,730,000 shares in the Company at PhP 2.20 per share or at a total value of PhP 50,006,000.00 Thus, as of 31 August 2017, the total oustanding capital stock of the Corporation is 1,844,088,599.

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

Dividends

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

Cash Dividends

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

Stock Dividends

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

Discussion on Compliance with leading practice on Corporate Governance

In compliance with SEC Memorandum Circular 15 series of 2017, the Company submitted its Integrated Annual Corporate Governance Report (" I-ACGR") in 2019 which shall be used as a tool to disclose Publicly-Listed Companies' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the "comply or explain" approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

The Company's corporate governance principles, structures and processes are established and articulated in two fundamental policies: The Manual on Corporate Governance (CG Manual) and the Code of Business Conduct and Ethics. These policies are responsive to the Company's operations, business environment and laws, rules and regulations applicable to the Company. As part of Board oversight, the Company's corporate governance policies and their effectiveness are reviewed on a periodic basis to ensure that they continue to be compliant, appropriate and effective.

The CG Manual institutionalizes the principles of good corporate governance in the entire organization and embodies the framework of rules, systems and processes that governs the performance by the Board and Management of their respective duties and responsibilities to the shareholders and other stakeholders.

Sales of Securities

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

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

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

Name	
Isidro C. Alcantara/President and CEO	45,000,000
Anthony M. Te/Director	27,000,000
Diane Madelyn C. Ching	18

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

Change(s) in Number of Issued and Outstanding Shares

Issued and Outstanding Shares		
Type of Security /Stock Symbol	**Before**	**After**

COMMON/MARC	2,969,088,599	3,014,820,305	

On February 13, 2019, Marcventures Holdings, Inc. has secured approval from the Philippine Stock Exchange (PSE) for the additional listing of 1.125 billion shares covering the merger between Marcventures Holdings, Inc., Brightgreen Resources Holdings, Inc. and Asia Pilot Mining Phils. Corporation with Marcventures as the surviving entity.

PSE also approved the listing for the two (2) private placements of Marcventures Holdings, Inc.'s President, Mr. Isidro C. Alcantara, Jr. The first placement is for 22.73 million common shares at Php2.20 per share for a total amount of Php 50,006,000.00 while the second placement is for 45,731,706 million common shares at Php1.64 per share for a total amount of Php74,999,997.84.

Adjustments

Issued Shares:

Type of Security /Stock Symbol	Before	After	
COMMON/MARC	3,014,820,305	3,014,820,305	

Outstanding Shares:

Type of Security /Stock Symbol	Before	After	
COMMON/MARC	3,014,820,305	3,014,820,305	

Correction in Listed Shares

On February 4, 2019, Castillo Laman Tan Panteleon San Jose Law Firm (CLTPSJ Law), on behalf of the Company, requested the Exchange to increase the number of the Company's listed shares by 30,912 shares to reconcile the number of listed MARC shares recorded in the Exchange with the records of the Company. The said 30,912 shares represent the shares that were listed in 1999 and were fully paid on September 29, 2010.

Listed Shares:

Type of Security /Stock Symbol	Before	After	
COMMON/MARC	1,889,820,305	3,014,820,305	

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

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

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

A. Discussion for 2019 and 2018 Financial Results

Results of Operations

	Audited (in million Pesos)		Increase (Decrease)	
	2019	2018	Amount	%
Revenues	**₱1,432.53**	₱987.26	₱445.28	45.10%
Cost of Sales	**847.98**	921.27	(73.29)	(7.96%)
Operating Expenses	**458.60**	546.65	(88.05)	(16.11%)
Income (Loss) Before Income Tax	**125.96**	(480.66)	606.62	481.60%
Income Tax	**88.12**	(91.86)	179.97	204.24%
Net Income (Loss)	**₱37.84**	(₱388.81)	₱426.65	1127.44%

Revenues

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

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

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

WMT

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

Average Price per wmt (in US$)

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

Cost of Sales

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

Operating Expenses

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

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

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

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

Financial Position

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

Assets

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

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

Liabilities

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

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

Stockholders' Equity

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

Consolidated Cash Flow

	Audited (in million Pesos)		Increase (Decrease)	
	2019	2018	Amoun	%
Cash provided by operating activities	**₱651.63**	₱3.65	₱647.9	17752.88%
Cash used in investing activities	**(237.44)**	(637.83)	400.39	(62.77%)

Cash (used) provided in financing activities	**(127.10)**	614.48	(741.58	(120.68%)

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

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

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

A. Discussion for 2018 and 2017 Financial Results

Results of operations

	Audited (in million Pesos)		Increase (Decrease)	
	2018	2017	Amount	%
Revenues	**₱987.26**	₱2,040.86	(₱1,053.60)	(51.63%)
Cost of Sales	**921.27**	1,335.91	(414.64)	(31.04%)
Operating Expenses	**507.96**	562.34	(54.38)	(9.67%)

Revenues

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

Cost of Sales

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

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

WMT

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

Average Price per wmt (in US$)

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

Operating Expenses

The Company's total operating expenses amounted to ₱507.96 million in 2018 as compared to ₱562.34 million in 2017, a decrease of ₱54.38 million or 9.67%, due to the following:

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

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

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

Financial Position

	Audited (in million Pesos)		Increase (Decrease)	
	2018	2017	Amount	%
Assets	**₱5,829.38**	₱5,316.11	₱513.27	9.65%
Liabilities	**1,939.24**	1,108.19	831.05	74.99%

Stockholders' Equity	**3,890.15**	4,207.93	(317.78)	(7.55%)

Assets

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

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

Liabilities

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

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

Stockholders' Equity

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

Consolidated Cash Flow

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

Cash used in financing activities	**614.48**	77.37	537.11	694.23

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

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

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

B. Discussion for 2017 and 2016 Financial Results

Results of operations

	Audited (in million Pesos)		Increase(Decrease)	
	2017	2016	Amount	%
Revenues	**₱2,040.86**	₱1,919.19	₱121.67	6.34%
Cost of Sales	**1,335.91**	1,421.75	(85.84)	(6.04%)
Operating Expenses	**562.34**	452.61	109.73	24.24%

Revenues

For the year ended December 31, 2017, MMDC sold an aggregate 2,179,657 wet metric tonnes (WMT) of nickel ore, or equivalent to 40 shipments of which 26.5 vessels of saprolite and 13.5 vessels of limonite, as compared to 2,597,102 WMT or equivalent to 48 shipments of which 13 vessels of saprolite and 35 vessels of limonite for the year 2016. Due to continous decrease in Limonite ore price MMDC shipped more tonnage of its saprolite ore that resulted to higher revenue in 2017 compared to 2016.

Cost of Sales

The Company's cost of sales amounted to ₱1,335.91 million in 2017 as compared to ₱1,421.75 million in 2016, a decrease of ₱85.84 million or 6.04%, due to lower volume of nickel ore shipped in 2017.

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

WMT

	2017	2016	Increase (decrease)
Limonite	744,679	1,895,112	(1,150,433)
Saprolite	1,434,978	701,990	732,988
	2,179,657	**2,597,102**	**(417,445)**

Average Price per wmt (in US$)

	2017	2016	Increase (decrease)
Limonite	$9.67	$11.39	($1.72)
Saprolite	22.26	23.24	(0.98)

Operating Expenses

The Company's total operating expenses amounted to ₱562.34 million in 2017 as compared to ₱452.61 million in 2016, an increase of ₱109.73 million or 24.24%, due to the following:

- Environmental expenses increased by ₱27.98 million or 81.71% due to the company's commitment to comply with the environmental responsibilities.
- Taxes and licenses increased by ₱19.13 million or equivalent to 49.93% mainly due to the business taxes paid to the municipalities of Cantilan and Carrascal, Surigao Del Sur and payment of taxes on the acquisition of condo unit for office expansion.
- Outside services increased by ₱23.80 million or 119.19% pertains to additional outsourced manpower and security services.
- Professional fees increased by ₱2.67 million or equivalent to 7.23% due to hiring of consultants.
- Social Development Program increased by ₱3.38 million or equivalent to 11.37% is consistent with the increase in operating cost in 2016 wherein 1.5% was allocated to the development of host and neighboring communities.
- Loading fee increased by ₱6.51 million or 41.78% inspite of lower volume of ore shipped in 2017 due to additional loading fees charged by another local government unit.
- Royalties increased by ₱1.29 million or 6.74% due to higher amount of gross sales of nickel ore for the year 2017.
- Transportation and travel by ₱2.0 million or 13.51% due various seminars and conferences
- Rental increased by ₱4.33 million or 99.85% due to rental of equipment, service vehicle and subscription to Bloomberg.
- Office supplies increased by ₱5.61 million or 183.83%.
- Representation increased by ₱3.97 million or 117.94% due to meetings with various stakeholders (employees, IPs and regulatory agencies such as NCIP, DOLE and others) and existing and prospective customers.
- Communication, light and water increased by ₱0.57 million or equivalent to 11.66% was largely due to the improvement in the communication lines between Surigao and Makati office thru a lease line.
- Dues and subscriptions increased by ₱1.27 million or 49%.
- Increase in Advertisement by ₱2.27 million or 2537.90% in 2017 due to the engagement of a media partner to promote awareness in the social commitments of the Company.
- Increase in other expenses by ₱29.12 million or 142.10%, a significant increase mainly due to moisture penalty.

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

- Community relations decreased by ₱16.76 million or equivalent to 77.56%.
- Repairs and maintenance decreased by ₱2.54 million or equivalent to 62.94% due to the sale of fully depreciated heavy equipment.

- Retirement benefit expense decreased by ₱6.05 million or equivalent to 39.11% due to the decrease in number of employees in 2017.

Financial Position

	Audited (in million Pesos)		Increase (Decrease)	
	2017	2016	Amount	%
Assets	**₱5,316.11**	₱3,385.34	₱1,930.77	57.03%
Liabilities	**1,108.19**	412.97	695.22	168.35%
Stockholders' Equity	**4,207.93**	2,972.37	1,235.55	41.57%

Assets

The consolidated total assets of the Company increased to ₱5,316.11 million as of December 31, 2017 from ₱3,385.34 million as of December 31, 2016. The 57.03% increase was mainly due to the net effect of the following:

- Cash decreased by ₱117.51 million or 71.40% is attributable to the payments of liabilities, acquisition of property and equipment used for the mining operations.
- Trade receivables increased by ₱166.90 million or 253.26% as a result of the sale of nickel ore in the last quarter of 2017. The company expected to collect these receivables in the first half of 2018.
- Ore inventory increased by ₱96.12 million or 72.09% from the 2016 level of ₱133.33 million to ₱229.45 million in 2017. The ore inventory increased by 66,540 wet metric tonnes (WMT) which is 101.00% higher than last year.
- Advances to related parties decreased by ₱82.56 million or 65.84% as a result of the merger with BrightGreen Resources Corporation.
- Mining rights and other mining assets increased by ₱1,861.76 million or equivalent to 92.90% was largely due mining assets of the subsidiaries AMPI, BARI and BRC and for the increase in MMDC mining asset.

Liabilities

As of December 31, 2017 the total liabilities of the Company increased by ₱695.22 million or 168.35% from ₱412.97 million in December 2016 to ₱1,108.19 in 2017. The increase was due to the following:

- Trade and other payable increased by ₱184.77 million or 179.30%, primarily due to coractors and suppliers.
- Loans payable decreased by ₱20.0 million or 20% due to partial settlement of bank loan.
- Advances from related party increased by ₱5.0 million or 100 percent due to additional loan from BKR
- Dividend payable decreased by ₱0.25 million or equivalent to 5% due to replacement of stale checks issued to stockholders.
- Income tax payable increased by ₱8.72 million or 27.24% due to increase of net income for the period.
- Retirement liability decreased by ₱9.54 million or 20.76% due to retrenchment of employees.

Stockholders' Equity

The stockholders' equity increased by ₱1.24 million from ₱2.97 million in 2016 to ₱4.21 million in 2017. The increase pertains to the Company's total comprehensive income for the year and 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 to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

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

Consolidated Cash Flow

	Audited (in million Pesos)		Increase (Decrease)	
	2017	2016	Amount	%
Cash provided by operating activities	**₱173.68**	₱215.30	(₱41.62)	(19.33)
Cash used in investing activities	**368.56**	212.65	155.91	73.32
Cash used in financing activities	**77.37**	28.28	49.09	173.59

The cash provided by operating activities decreased from ₱215.30 million in 2016 to ₱173.68 million in 2017. The Company reported a net income before income tax of ₱115.49 million in 2017 as compared to 2016 of a net income of ₱48.55 million.

In 2017, the Company's net cash used in investing activities are primarily due to the increase in property and equipment amounting to ₱120.36 million and increase in mine and mining properties amounting to ₱273.23 million as these were utilized in various stockyards in the form of matting, a meter thick layer of nickel blanketing the ground to prevent dilution of the ore stockpile currently stored or beneficiated.

In 2017, the Company's net cash used in financing activities are mainly due additional issuance of shares and deposit of future subscription these were partially offset on partial settlement of its interest-bearing loan.

Financial Indicators

Key Performance Indicators (KPI's)

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

	2019	2018
Net Income (Loss)	**₱37,842,406**	(₱388,807,119)
Current assets	**779,290,957**	551,145,763
Total assets	**6,091,350,455**	5,829,382,974
Current liabilities	**1,403,367,545**	1,140,620,272
Total liabilities	**2,167,660,001**	1,939,236,801

Stockholders' Equity	**3,923,690,454**	3,890,146,173
No. of common shares outstanding	**3,014,820,305**	3,014,820,305

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

The Company uses the following formulas to calculate the foregoing performance indicators of the Company' and its subsidiaries:

Note:

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

Other Information

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

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

ITEM 7. FINANCIAL STATEMENTS

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

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

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

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

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

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

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

Management's Discussion and Analysis of Financial Condition and Results of Operation for the 2nd Quarter of 2020

The following discussion is based on the unaudited interim consolidated financial statements as at June 30, 2020 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2019) and for the three-month and six-month period ended June 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:

Six-month period ended June 30, 2020 compared with six-months ended June 30, 2019

Revenues

For the six-month period ended June 30, 2020, total revenues amounted to ₱1,161.3 million, higher by ₱983.9 million or 554.8% as compared with ₱177.4 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 14 vessels of Saprolite Nickel Ore or a total of 762,640 WMT for the first half of the year 2020 which was higher by 9 vessels as compared to 2019 shipments of the same period.

Cost of Sales

Our cost of sales went up to ₱719.2 million or an increase of ₱503.3 million (equivalent to 233.07% increase) as compared to ₱215.9 million last year due to higher volume of Nickel Ore sold during the period.

- **Contracted Services** increased by ₱326.5 million or equivalent to 355.32%.
- **Production Overhead** increased by ₱38.5 million or equivalent to 99.7%.
- **Depletion** increased by ₱37.3 million or equivalent to 676.2%.
- **Excise tax** increased by ₱35.7 million or equivalent to 258.9%.
- **Demurrage costs** increased by ₱28 million. These are penalty charges borne by the Company because of extended loading periods of ore to foreign vessels.

Operating Expenses

Operating expenses increased by 4.64% or ₱8.9 million from ₱193.2 million of the same period of last year to ₱202.2 million this year.

- **Increase in Taxes and Licenses** by ₱7.7 million or equivalent to 40.1% due to higher assessment of local government unit (LGU) business tax on the gross revenue in 2019 as basis for payment of business permits and licenses.
- **Increase in Community Relations Expenses** by ₱2.4 million or 416.0%; Aside from Social Development and Management Program (SDMP), the Company also provides livelihood to the community, public utilities and socio-cultural preservation.
- **Increase in Environmental Expenses** amounting to ₱6.5 million or 17.9%; The Company implemented projects on the Environmental Protection and Enhancement Program (EPEP) including the protection and rehabilitation of the affected mined environment to comply with the directives and regulations issued by the Department of Environment and Natural Resources (DENR).
- **Increase in Social Development Management Program Expenses** by ₱11.9 million or equivalent to 148.20%; The Company is continuously implementing health, livelihood and education programs to comply with the directives and regulations issued by the DENR.

The above cost increases were partly offset by the following:

- **Decrease in Depreciation** by ₱7.3 million or equivalent to 27.1% due to full depreciation of most of the service and mining equipment.
- **Decrease in Outside Services** by ₱4.3 million or equivalent to 51.8% which pertains to lower outsourced manpower and security services.

Statement of Financial Position

June 30, 2020 vs. December 31, 2019

Assets

The consolidated total assets of the Company increased by ₱520.8 million from ₱6,091.4 million as of December 31, 2019 to ₱6,612.2 million as of June 30, 2020. The 8.6% increase was mainly due to the following:

- **Increase in Total Current Assets** from ₱779.3 million as of December 31, 2019 to ₱1,366.0 million as of June 30, 2020. The 75.3 % or ₱586.7 million increase was attributable to the following:
  - Increase in Trade and Other Receivables from ₱204.5 million to ₱743.8 million. The increase of ₱539.3 million or 263.8% was due to the sales of nickel ore.
  - Increase in Other Current Assets by ₱68.02 million or 51.5% which is attributable to payment of advances to contractors for mining operations.
  - The increase, however, was partly offset by the decrease in inventory of ₱37.5 million due to the sale of nickel ore.

- **Decrease in Total Noncurrent Assets** from ₱5,312.1 million as of December 31, 2019 to ₱5,246.2 million as of June 30, 2020, equivalent to 1.2%. The decrease in the amount of ₱65.8 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 Total Consolidated Liabilities of the Company increased by ₱383.3 million or 17.7% from ₱2,167.7 million as of December 31, 2019 to ₱2,551.0 million as of June 30, 2020. This was mainly due to the increase in outstanding trade and other payables incurred during the period amounting to ₱345.2 million and the increase in income tax payable of ₱75.9 million.

Equity

The Stockholders' Equity of the Company increased by ₱137.5 million or 3.5% from ₱3,923.7 million as of December 31, 2019 to ₱4,061.2 million as of June 30, 2020, due to increase in Retained Earnings from the net income for the period.

Statement of Cash Flows

June 30, 2020 vs. December 31, 2019

In 2020, the cash provided by operating activities is ₱70.1 million due to the Company's net operating income and ₱55.6 million in 2019 which is the net results on the increase in payables, advances to related parties and partially offset by the net operating loss for the period.

The Company's net cash used in investing activities of ₱3.5 million in 2020 and ₱22.6 million in 2019 was due to the development of mine and mining properties of ₱4.3 million and ₱37.6 million in 2020 and 2019, respectively and this was partially offset by the decrease in other noncurrent assets amounting to ₱2.2 million in 2020 and ₱15.1 million in 2019.

In 2020, the Company's net cash used in financing activities of ₱45.1 million and ₱29.1

million in 2019 is mainly due to the payment of interest and partial settlement of loan payables.

The net effect of the foregoing operating, investing and financing activities are increases in cash of ₱21.6 million and ₱3.9 million in June 30, 2020 and 2019 respectively. The cash balance at the end of the period are ₱336.0 million and ₱66.4 million as of June 30, 2020 and 2019 respectively.

Horizontal and Vertical Analysis:

	Consolidated		Increase (Decrease)	
	June 30, 2020	**December 2019**	Amount	%
ASSETS				
Current Assets				
Cash	**₱336,023,455**	₱314,440,796	₱21,582,649	6.9%
Trade and other receivables	**743,772,849**	204,463,789	539,309,060	263.8%
Inventories	**39,435,264**	76,934,360	(37,499,096)	(48.7%)
Advances to related parties	**46,640,883**	51,366,755	(4,725,872)	(9.2%)
Other current assets	**200,107,259**	132,085,257	68,022,002	51.5%
Total Current Assets	**1,365,979,699**	779,290,957	586,688,747	75.3%
Noncurrent Assets				
Property and equipment	**250,758,183**	275,879,333	(25,121,150)	(9.1%)
Mining rights on explored resources	**4,465,881,214**	4,504,413,119	(38,531,905)	(0.9%)
Net deferred tax assets	**32,716,374**	32,716,374	–	0.00%
Other noncurrent assets	**496,858,914**	499,050,672	(2,191,758)	(0.4%)
Total Noncurrent Assets	**5,246,214,685**	5,312,059,498	(65,844,813)	(1.2%)
TOTAL ASSETS	**₱6,612,194,384**	₱6,091,350,455	₱534,575,256	8.6%

LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**₱1,114,514,296**	₱769,333,142	₱345,181,154	44.9%
Loans payable	**499,197,430**	510,069,579	(10,872,149)	(2.1%)
Advances from related parties	**98,137,638**	110,846,820	(12,709,182)	(11.5%)
Dividends payable	**4,707,886**	4,707,886	–	0.00%
Income tax payable	**84,307,472**	8,410,118	75,897,354	902.5%
Total Current Liabilities	**1,800,864,722**	1,403,367,545	397,497,177	28.3%

	Consolidated		Increase (Decrease)	
	June 30, 2019	**December 2018**	Amount	%
Noncurrent Liabilities				
Long-term debt - net of current portion	**194,826,933**	208,999,799	(14,172,866)	(6.8%)
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	**465,262,759**	465,262,759	–	0.00%
Total Noncurrent Liabilities	**750,006,742**	764,292,456	(14,172,866)	(1.9%)
Total Liabilities	**2,550,984,312**	2,167,660,001	383,324,310	17.7%
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	**743,146,134**	605,626,516	137,519,618	22.7%
Remeasurement gain on retirement benefit liability - net of deferred tax	**34,043,845**	34,043,845	–	0.00%
Total Equity	**4,061,210,072**	3,923,690,454	137,519,618	3.5%
TOTAL LIABILITIES AND EQUITY	**₱6,612,194,384**	₱6,091,350,455	₱520,843,928	8.6%

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:

	June 30, 2020	June 30, 2019
Net Income (Loss)	**₱137,519,618**	(₱258,537,697)
Quick assets	**1,079,796,298**	301,873,609
Current assets	**1.365.979.699**	582,197,953
Total assets	**6,612,194,384**	5,874,767,869
Current liabilities	**1,800,864,722**	1,382,279,510
Total liabilities	**2,550,984,312**	2,193,219,438
Stockholders' Equity	**4,061,210,072**	3,681,548,431
Number of common shares outstanding	**3,014,820,305**	3,014,820,305

Liquidity ratios:		
Current ratio (1)	**0.76:1**	0.42:1
Quick ratio (2)	**0.60:1**	0.22:1
Solvency Ratios:		
Debt ratio (3)	**0.39:1**	0.37:1
Debt to Equity ratio (4)	**0.63:1**	0.60:1
Profitability ratios:		
Earning (loss) per share (5)	**0.05**	(0.09)
Book value per share (6)	**1.35**	1.22

Note:
1. Current assets / Current liabilities
2. Quick assets / Current liabilities
3. Total liabilities / Total assets
4. Total Liabilities / Shareholders' equity
5. Net income (loss) / Common shares outstanding
6. Stockholders' equity / Common shares outstanding

PART II - OTHER INFORMATION

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

NONE

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a. Current Ratio

   Total Current Assets/ Total Current Liabilities = 0.76:1

b. Quick Ratio
   Quick asset / Total Current Liabilities = 0.60:1

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets = 0.39:1
b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = 0.63:1

Profitability Ratio

a. Return on Equity Ratio
   Net income (loss) / Average shareholder's equity = 0.03:1
b. Return on Assets
   Net income (loss) / Average Total assets = 0.02:1
c. Fixed Assets Turnover Ratio:
   Revenue/Property Plant and Equipment = 0.55:1
d. Asset to Equity Ratio:
   Total Assets / Stockholders' Equity = 1.63:1
e. Asset Turnover
   Revenue /Total Assets =0.02:1

Interest Coverage Ratio
Net Income (loss) / Interest expense = 12.06:1

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

Attention: **RACQUEL S. FRONDOSO**
MARCVENTURES HOLDINGS INC.
4th Floor Citi Center, Paseo de Roxas, Makati City

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

COMPANY NAME

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

Assessment for Impairment of Mining Rights and other Mining Assets
The Company carries significant amounts of mining rights and other mining assets with aggregate carrying amount of ₱4.5 billion and ₱4.4 billion as at December 31, 2019 and 2018, respectively. Under the PFRS, the Company is required to assess the carrying amounts of these assets if there is any indication of impairment. The assessment is significant to our audit because the assessment process requires significant judgment, assumptions and estimates.

We performed the necessary procedures by verifying the historical accuracy of management's estimates along with the latest estimate of recoverable reserves and evaluated whether a reasonably possible change in assumptions could cause the carrying amount to exceed the estimated recoverable amounts.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our Auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this Auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 86981-SEC Group A
Valid until March 23, 2025
BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8116476
Issued January 6, 2020, Makati City

June 26, 2020
Makati City, Metro Manila

MARCVENTURES
HOLDINGS INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

CESAR C. ZALAMEA
Chairman of the Board

ISIDRO C. ALCANTARA JR.
President

ROLANDO S. SANTOS
SVP-Finance

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

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-56 until 12/31/2021
PTR No. 8116015, Jan 2, 2020, Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No. VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street
Legaspi Village, Makati City

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

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

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

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

25 JUN 2020

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

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Page No. 71
Book No. 109
Series of 2020

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

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES	`			
Income (loss) before income tax		**₱125,958,952**	(₱480,662,131)	₱115,493,929
Adjustments for:				
Depreciation and amortization	9	**68,138,439**	67,736,982	74,340,114
Interest expense	14	**61,630,647**	40,763,016	11,856,932
Depletion	10	**61,542,082**	57,456,596	130,120,696
Provision for ECL	6	**20,000,000**	25,808,706	–
Retirement expense		**8,702,664**	(9,736,484)	9,412,728
Interest income	5	**(236,547)**	(149,306)	(215,379)
Loss on disposal of assets	9	**–**	–	19,540,862
Operating income (loss) before working capital changes		**345,736,237**	(298,782,621)	360,549,882
Decrease (increase) in:				
Trade and other receivables		**(20,848,638)**	(6,705,472)	(166,895,618)
Inventories		**68,922,379**	83,590,881	(96,117,988)
Advances to related parties		**1,897,842**	(10,436,220)	82,968,433
Other current assets		**(16,087,056)**	(27,000,181)	(2,010,959)
Increase (decrease) in:				
Trade and other payables		**286,780,681**	189,544,430	179,891,933
Advances from related parties		**(14,975,434)**	115,820,824	(120,860,136)
Net cash generated from operations		**651,426,011**	46,031,641	237,525,547
Income tax paid		**(37,000)**	(42,533,115)	(64,063,613)
Interest received	5	**236,547**	149,306	215,379
Net cash provided by operating activities		**651,625,558**	3,647,832	173,677,313
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	9	**(1,352,188)**	(85,469,959)	(120,359,684)
Mining rights and other mining assets	10	**(168,834,748)**	(532,399,980)	(262,553,454)
Increase in other noncurrent assets		**(67,252,935)**	(19,963,627)	(13,644,910)
Proceeds from disposal of property and equipment		**–**	–	28,000,000
Net cash used in investing activities		**(₱237,439,871)**	(₱637,833,566)	(₱368,558,048)

(Forward)

	Note	2019	2018	2017
		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans		**(₱72,555,662)**	(₱190,421,095)	(₱39,204,861)
Interest		**(54,548,881)**	(38,440,950)	(9,816,144)
Availment of loans		**–**	843,344,896	1,631,200
Proceeds from:				
Deposit for future stock subscription	15	**–**	–	75,000,000
Issuance of shares	15	**–**	–	50,006,000
Dividends paid		**–**	–	(247,468)
Net cash provided by (used in) financing activities		**(127,104,543)**	614,482,851	77,368,727
NET INCREASE (DECREASE) IN CASH		**287,081,144**	(19,702,883)	(117,512,008)
CASH AT BEGINNING OF YEAR		**27,359,652**	47,062,535	164,574,543
CASH AT END OF YEAR		**₱314,440,796**	₱27,359,652	₱47,062,535
NONCASH FINANCIAL INFORMATION				
Issuance of capital stock through conversion of deposit for future stock subscription	15	**₱–**	₱75,000,000	₱–
Completed constructions transferred to mining rights and other mining assets	9	**–**	52,138,951	–
Capitalized depreciation to mine development costs	9	**1,367,440**	2,824,999	10,680,519

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

General Information

Marcventures Holdings, Inc. (the Parent Company), singly and collectively with its subsidiaries, is referred herein as "the Company".

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

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

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

Events After the Reporting Period

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

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

Approval of Financial Statements

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

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

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

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

Information about the Subsidiaries

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

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

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

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

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

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations (see Note 25). Accordingly, MMDC has continued its mining operations in areas covered by the MPSA.

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

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

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

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

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

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

BGRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. The Company submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 25).

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

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

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

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

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

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

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

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

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

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

Further disclosures are included in Note 26, *Financial Risk Management Objectives and Policies and Fair Value Measurement.*

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

- PFRS 16, *Leases*

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

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

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

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

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

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

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

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

New and Amended PFRS Issued But Not Yet Effective

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

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

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

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

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

Deferred effectivity -

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

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 and BGRC, AMPI and BARI as at and for the years ended December 31, 2019 and 2018.

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

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

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

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

Financial Assets and Liabilities

a. Recognition

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

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

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

b. Classification and Subsequent Measurement Policies

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

As at December 31, 2019 and 2018, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2019 and 2018, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties and rehabilitation cash fund (RCF), rental deposit and monitoring trust fund (MTF) (included under "Other noncurrent assets") account are classified under this category (see Notes 5, 6, 21 and 11).

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

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

As at December 31, 2019 and 2018, the Company's trade and other payables (excluding advances from customers and excise tax and other statutory payables), loans payable, advances from related parties, dividends payable and long-term debt are classified under this category (see Notes 12, 14, 21 and 15).

c. Reclassification

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

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

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

d. Impairment Policy on Financial Assets at Amortized Cost

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

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

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

e. Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

f. Offsetting of Financial Assets and Liabilities

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

g. Classification of Financial Instrument between Liability and Equity

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

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

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

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

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

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

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

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

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

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

Property and Equipment

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

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

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

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

	Number of Years
Building and improvements	5-20
Office furniture, fixtures and equipment	2-5
Heavy and transportation equipment	4-10

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

Construction-in-progress is included in property and equipment and stated at cost which includes cost of construction and other direct costs. Construction-in-progress is not depreciated until such time the relevant assets are ready for operational use.

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

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

Mining Rights and Other Mining Assets

Mining Rights. Mining rights include costs incurred in connection with the acquisition of rights over mineral reserves. Rights over mineral reserves, which are measured, indicated or inferred, are capitalized as part of mining rights on explored resources if the reserves are commercially producible and that geological data demonstrate with a specified degree of certainty that recovery in future years is probable.

Mining rights are subject to amortization or depletion from the commencement of production on a unit-of-production method, based on proven and probable reserves. Costs used in the unit of production calculation comprise the net book value of capitalized costs plus the estimated future development costs. Changes in the estimates of mineral reserves or future development costs are accounted for prospectively.

Deferred Exploration Costs. Deferred exploration costs include costs incurred in connection with exploration activities. Deferred exploration cost is carried at cost less accumulated impairment losses.

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of the mineral resource.

Exploration and evaluation activities include:

- Gathering exploration data through geological studies;
- Exploratory drilling and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource. Once the reserves are established and development is sanctioned, deferred exploration costs are tested for impairment and reclassified to mine development costs.

Mine and Mining Properties. Upon start of commercial operations, mine development costs are reclassified as part of mine and mining properties. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves, which is reviewed periodically to ensure that the estimated depletion is consistent with the expected pattern of economic benefits from the mine and mining properties.

Deferred exploration costs and construction-in-progress related to an already operating mine are reclassified to mine and mining properties and stated at cost. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, which are not depleted or amortized until the development has been completed and become available for use.

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

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

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic and 13th month pay, bonuses, employer's share on government contribution and other short-term benefits.

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

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and interest cost in profit or loss. Interest cost is calculated by applying the discount rate to the retirement benefit liability.

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

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

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are directly recognized in equity or in OCI and are not reclassified to profit or loss in subsequent periods.

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

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

Equity

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

Additional Paid-In Capital (APIC). APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's operating results, dividend distributions and effect of change in accounting policy.

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

Deposit for Future Stock Subscription

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

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

- There is BOD and stockholders' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and

- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

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

Revenue Recognition

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

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

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

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

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

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

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

Cost and Expense Recognition

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

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

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

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

Leases

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

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

- The right to direct the use of the identified asset.

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

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

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

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

Income Taxes

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

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

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

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

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

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

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

Value Added Tax (VAT)

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

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

Related Party Transactions and Related Parties

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

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

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

Provisions

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

Provision for Mine Rehabilitation and Decommissioning. The Company recognizes provision when there is partial fulfillment of obligation to restore operating locations at the end of the reporting period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste site and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location.

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

Contingencies

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

Earnings (Loss) Per Share

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

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

Events After the Reporting Date

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

Segment Reporting

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

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3. Significant Judgments, Accounting Estimates and Assumptions

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

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

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

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

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

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

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

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

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.

b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

    - The borrower is experiencing financial difficulty or is insolvent;

    - The borrower is in breach of financial covenants; and

    - It is probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

Rental expense recognized by the Company amounted to ₱0.6 million, ₱3.2 million and ₱8.7 million in 2019, 2018 and 2017, respectively (see Note 22).

Accounting Estimates and Assumptions

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

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

Provision for ECL amounted to ₱20.0 million and ₱25.8 million in 2019 and 2018, respectively. The allowance for ECL amounted to ₱66.6 million and ₱46.6 million as at December 31, 2019 and 2018. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱175.9 million and ₱172.7 million as at December 31, 2019 and 2018, respectively (see Note 6).

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

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

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

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus the ECL on these financial assets in 2019, 2018 and 2017 are not significant and not recognized.

The carrying amounts of the Company's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 26, *Financial Risk Management Objectives and Policies*.

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

No provision for inventory obsolescence was recognized in 2019, 2018 and 2017. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱76.9 million and ₱145.9 million as at December 31, 2019 and 2018 (see Note 7).

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

No provision for impairment loss was recognized in 2019, 2018 and 2017. The carrying amount of input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱306.4 million and ₱303.6 million as at December 31, 2019 and 2018, respectively (see Note 11).

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

There were no changes in estimated useful lives of property and equipment in 2019 and 2018. Property and equipment, net of accumulated depreciation, amounted to ₱275.9 million and ₱344.0 million as at December 31, 2019 and 2018, respectively (see Note 9).

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

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

	Note	**2019**	2018
Mining rights	10	**₱2,582,800,790**	₱2,604,171,944
Mine and mining properties	10	**1,771,077,160**	1,649,356,162

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

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

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of "Mining assets" in the consolidated statements of financial position, amounted to ₱36.2 million and ₱37.0 million as at December 31, 2019 and 2018, respectively (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱52.6 million and ₱52.0 million as at December 31, 2019 and 2018, respectively (see Note 13).

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

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

No impairment loss was recognized in 2019, 2018 and 2017.

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

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

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

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

Retirement benefit liability amounted to ₱37.4 million and ₱22.6 million as at December 31, 2019 and 2018 (see Note 20).

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

The Company's recognized deferred tax assets amounted to ₱33.4 million and ₱107.5 million as at December 31, 2019 and 2018, respectively (see Note 23).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at December 31, 2019 and 2018 because the management assessed that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.

The Company's unrecognized deferred tax assets amounted to ₱72.0 million and ₱48.0 million as at December 31, 2019 and 2018 (see Note 23).

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

4. Acquisition of Group of Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Information about the Absorbed Companies

BHI. BHI was incorporated and registered with the SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BGRC (see Note 1).
APMPC. APMPC was incorporated and registered with the SEC on August 14, 2013 to engage in mining activities. APM owns 100% interests in AMPI and BARI (see Note 1).

5. Cash

This account consists of:

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

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

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

6. **Trade and Other Receivables**

This account consists of:

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

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

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

Movements in allowance for ECL are as follows:

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

7. **Inventories**

This account consists of beneficiated nickel ore amounting to ₱76.9 million and ₱145.9 million which is stated at cost as at December 31, 2019 and 2018. The cost of inventories is lower than its NRV.

Inventories charged to "Cost of sales" account in the consolidated statements of comprehensive income amounted to ₱848.0 million, ₱921.3 million and ₱1,335.9 million in 2019, 2018 and 2017 (see Note 17).

8. Other Current Assets

This account consists of:

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

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

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

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

Prepaid expenses pertain to insurance, excise tax and rent.

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

9. Property and Equipment

The balances and movements of this account are as follows:

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

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

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

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

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

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

Fully depreciated property and equipment with cost of ₱190.7 million and ₱92.9 million as at December 31, 2019 and 2018, respectively, are still being used by the Company and retained in the accounts.

10. **Mining Rights and Other Mining Assets**

The balances and movements of this account are as follows:

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

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

Mining Rights

Mining rights of the Company consist of:

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

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

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

Deferred Exploration Costs

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

Mine and Mining Properties

Mine Development Costs. Mine development costs include the costs incurred on an already operating mine area. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, road developments and developing additional mine yards. Carrying value of mine and mining properties amounted to ₱1,771.1 million and ₱1,649.4 million as at December 31, 2019 and 2018, respectively.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱1.4 million, ₱2.8 million and ₱10.7 million in 2019, 2018 and 2017, respectively (see Note 9).

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

11. Other Noncurrent Assets

This account consists of:

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

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

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

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

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

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

12. Trade and Other Payables

This account consists of:

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

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

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

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

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

13. Provision for Mine Rehabilitation and Decommissioning

Movements of this account are as follows:

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

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

14. **Loans Payable**

This account consists of:

	2019	2018
Short-term loan - MMDC	**₱490,733,751**	₱505,000,000

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

Short-term Loan

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

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

In 2018, MMDC obtained credit facilities limited to ₱400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 150% of the credit facility limit. In 2019, the Parent Company pledged the shares held in BGRC as part of MMDC's loan restructuring.

Outstanding balance of these credit facilities are summarized below:

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

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

Long-term Debt

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

Debt-Issue Costs
Movements of unamortized debt-issue costs are as follows:

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

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

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱35.3 million and ₱63.8 million as at December 31, 2019 and 2018, respectively (see Note 9).

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

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

BGRC
On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortage and bears an annual interest rate of 9.02%.

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

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

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

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

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

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

15. **Equity**

Movements of this account are as follows:

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

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

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

In 2017, the Parent Company received an advance from a stockholder for future stock subscription of ₱75.0 million. In 2018, the advances was applied as payment for the subscription of 45,731,706 shares and resulted to additional paid-in capital of ₱29.3 million.

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Payment Date
				On or after
November 14, 2014	₱0.15	₱273,203,790	December 19, 2014	January 16, 2015
September 19, 2014	0.15	273,203,790	October 1, 2014	October 22, 2014

Dividends payable amounted to ₱4.7 million as at December 31, 2019 and 2018, respectively.

16. Revenue

This account consists of:

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

17. Cost of Sales

This account consists of:

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

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

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

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

Under Section 80 of the Republic Act No. 7942, *The Mining Act of 1995*, government share in an MPSA shall be an excise tax of 2.0% on gross output on mineral products. Beginning January 1, 2018, the excise tax was changed from 2.0% to 4.0% due to the amendments made to the National Internal Revenue Code under the Tax Reform for Accelaration and Inclusion Act.

18. **Operating Expenses**

This account consists of:

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

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

19. **Other Income (Charges)** - Net

This account consists of:

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

20. **Retirement Benefit Liability**

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

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

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

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

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

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

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

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

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

Sensitivity analysis on defined benefit obligation as at December 31, 2019 is as follows:

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

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

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

The cumulative remeasurement gain recognized in OCI as at December 31, 2019 and 2018 follows:

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

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

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

21. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

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

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

Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to ₱80.0 million, ₱127.3 million and ₱157.7 million in 2019, 2018 and 2017, respectively. Retirement benefit expense of key management personnel amounted to ₱2.4 million, ₱3.2 million and ₱5.2 million in 2019, 2018 and 2017, respectively.

22. Commitments

Social and Environmental Responsibilities

Social Development Management Programs (SDMP)

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

The Company's implemented social development programs to host communities amounted to ₱16.3 million, ₱44.0 million and ₱33.1 million in 2019, 2018 and 2017, respectively (see Note 18).

Environmental Protection and Enhancement Program (EPEP)

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

The Company implemented projects amounting to ₱56.0 million, ₱54.4 million and ₱62.2 million in 2019, 2018 and 2017, respectively (see Note 18).

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

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

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

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

23. Income Taxes

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

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

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

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

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

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

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

The presentation of net deferred tax assets are as follows:

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

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

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

Details of NOLCO of the Company are as follows:

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

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

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

24. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows:

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

The Company does not have potentially dilutive common shares.

25. Contingencies

Cancellation of MMDC's MPSA

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

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

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

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

The Technical Committee Report on MMDC shows only a recommendation for fine and suspension. Thus, the management strongly believes that the cancellation of MMDC's MPSA is unwarranted and should be overturned. Thus, on February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum.

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

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

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

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

Show-Cause Orders of BGRC, AMPI and BARI

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

BGRC

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

AMPI and BARI

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

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

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

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

Legal Proceedings

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

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

General

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

Financial Risk Management Objectives and Policies

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

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

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

The following table shows the Company's US dollar-denominated financial assets and their Philippine Peso equivalent as at December 31, 2019 and 2018:

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

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at December 31, 2019 and 2018, the exchange rates applied were ₱50.74 and ₱52.58 per US$1, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2019 and 2018 (due to changes in the fair value of financial assets). There is no other impact on the Company's equity other than those already affecting profit or loss.

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

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

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

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

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

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

The tables below show the credit quality per class of financial assets as at December 31, 2019 and 2018.

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

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

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

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

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

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

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

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

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

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	Total
December 31, 2019						
Trade and other payables*	**₱11,580,920**	**₱57,186,872**	**₱328,322,949**	**₱–**	**₱–**	**₱397,090,741**
Dividends payable	**4,707,886**	**–**	**–**	**–**	**–**	**4,707,886**
Loans payable and long-term debt**	**101,000,000**	**10,226,561**	**191,075,652**	**244,563,541**	**258,605,573**	**805,471,327**
Advances from a related party	**110,846,820**	**–**	**–**	**–**	**–**	**110,846,820**
	₱228,135,626	**₱67,413,433**	**₱519,398,601**	**₱244,563,541**	**₱258,605,573**	**₱1,318,116,774**
December 31, 2018						
Trade and other payables*	₱50,584,971	₱46,919,445	₱322,582,155	₱–	₱–	₱420,086,571
Dividends payable	4,707,886	–	–	–	–	4,707,886
Loans payable and long-term debt**	105,000,000	195,708	208,777,963	265,211,610	336,741,025	915,926,306
Advances from a related party	125,820,824	–	–	–	–	125,820,824
	₱286,113,681	₱47,115,153	₱531,360,118	₱265,211,610	₱336,741,025	₱1,466,541,587

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

***Including interest payable up to maturity amounting to ₱86.4 and ₱124.5 million as at December 31, 2019 and 2018.*

<u>Fair Value of Financial Assets and Financial Liabilities</u>

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

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

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

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

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

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

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

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

27. Capital Management Objectives, Policies and Procedures

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

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

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

28. Notes to Consolidated Statements of Cash Flows

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

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

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

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

Citibank Tower
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Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES
OF FINANCIAL SOUNDNESS INDICATORS

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

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 86981-SEC Group A
Valid until March 23, 2025
BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8116476
Issued January 6, 2020, Makati City

June 26, 2020
Makati City, Metro Manila

Reyes Tacandong & Co. is a member of the RSM network. Each member of the RSM network is an independent accounting and consulting firm, and practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

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

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

BOA/PRC Accreditation No. 4782
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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

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

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

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

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
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MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

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

DECEMBER 31, 2019

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

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

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Schedule A. Financial Assets
December 31, 2019

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

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

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

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

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

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

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

Schedule E. Long - term Debt
December 31, 2019

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

Schedule F. Indebtedness to Related Parties
December 31, 2019

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

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

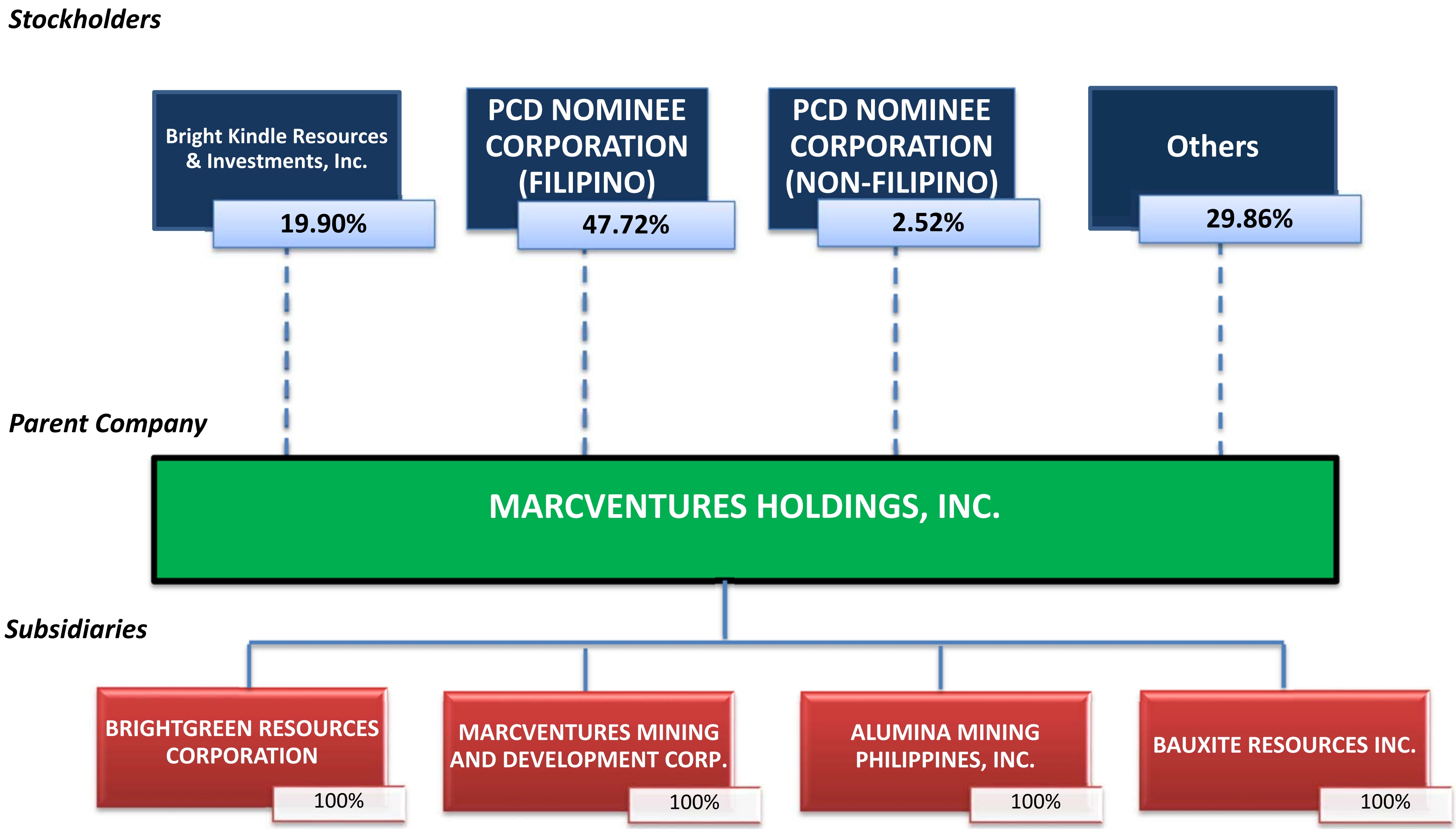
Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

-Not Applicable -

Schedule H. Capital Stock

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

SCHEDULE I. CONGLOMERATE MAP



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SEC Registration Number

MARCVENTURES HOLDINGS INC. AND
SUBSIDIARIES

(Company's Full Name)

UNIT 4-3 CITIBANK CENTER CONDO
8741 PASEO DE ROXAS MAKATI CITY

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

Rolando S. Santos	(02) 8831-4479
(Contact Person)	(Company Telephone Number)

12 31	17-Q	
Month *Day*	(Form Type)	*Month* *Day*
(Calendar Year)		(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

Finance Department	**June 30, 2020**
Dept. Requiring this Doc.	Period Ending Date

Total Amount of Borrowings

2,171		N/A	N/A
Total No. of Stockholders		Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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Document ID

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **June 30, 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

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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

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PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

The unaudited Consolidated Financial Statements of Marcventures Holdings Inc. (the "Company") and its Subsidiaries as at June 30, 2020 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2019) and for the three months and six months period ended June 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 June 30, 2020 and December 31, 2019

	Amounts in ₱'000			
	June 30, 2020	Dec. 31, 2019	Increase (Decrease)	
	Unaudited	Audited	Amount	Percentage
Current assets	**₱1,365,980**	₱779,291	₱586,698	75.28%
Noncurrent assets	**5,246,214**	5,312,059	(65,845)	(1.24%)
Total assets	**₱6,612,194**	₱6,091,350	₱520,844	8.55%
Current Liabilities	**₱1,800,865**	₱1,403,368	₱397,497	28.32%
Noncurrent liabilities	**750,120**	764,292	(14,173)	(1.85%)
Total Stockholders' Equity	**4,061,210**	3,923,690	137,520	3.50%
Total Liabilities and Stockholders' Equity	**₱6,612,194**	₱6,091,350	₱520,844	8.55%

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

	Amounts in ₱'000			
	For the three-month ended June 30		Increase (Decrease)	
	2020	2019	Amount	Percentage
Revenues	**₱1,161,297**	**₱177,359**	₱983,938	554.77%
Cost of Sales	**(719,237)**	**(215,941)**	503,296	233.07%
Gross Profit	**442,060**	**(38,582)**	480,642	1,245.77%
Operating expenses	**(88,904)**	**(77,379)**	11,525	14.89%
Income from operations	**353,157**	**(115,961)**	469.117	404.55%
Other Income (Expenses)	**(7,365)**	**(12,304)**	(4,939)	(40.14%)
Net income (loss) for the period	**345,792**	**(128,266)**	474,058	369.59%
Provision for income tax	**(84,307)**	**–**	84,307	–%
Net income (loss) for the period	**₱261,484**	**(₱128,266)**	₱389,751	303.86%

	Amounts in ₱'000			
	For the six-month ended June 30		Increase (Decrease)	
	2020	2019	Amount	Percentage
Revenues	**₱1,161,297**	**₱177,359**	₱983,938	554.77%
Cost of Sales	**(719,237)**	**(215,941)**	503,296	233.07%
Gross Profit	**442,060**	**(38,582)**	480,642	1,245.77%
Operating expenses	**(202,200)**	**(193,237)**	8,963	4.64%
Income from operations	**239,860**	**(231,820)**	471,680	203.47%
Other Income (Expenses)	**(18,033)**	**(26,718)**	(8,685)	(32.51%)
Net income (loss) for the period	**221,827**	**(258,538)**	480,365	185.80%
Provision for income tax	**(84,307)**	**–**	84,307	%
Net income (loss) for the period	**₱137,520**	**(₱258,538)**	₱396,058	153.19%

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

	For Six-Month Ended June 30	
	2020	2019
	(₱'000)	(₱'000)
Cash provided in operating activities	**₱70,138**	₱55,559
Cash used in investing activities	**(3,453)**	(22,565)
Cash used in financing activities	**(45,102)**	(29,070)
Net decrease in cash and cash equivalent	**21,583**	3,924
Cash - beginning	**314,441**	62,475
Cash - ending	**₱336,023**	₱66,398

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 June 30, 2020 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2019) and for the three-month and six-month period ended June 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:

Six-month period ended June 30, 2020 compared with six-months ended June 30, 2019

Revenues

For the six-month period ended June 30, 2020, total revenues amounted to ₱1,161.3 million, higher by ₱983.9 million or 554.8% as compared with ₱177.4 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 14 vessels of Saprolite Nickel Ore or a total of 762,640 WMT for the first half of the year 2020 which was higher by 9 vessels as compared to 2019 shipments of the same period.

Cost of Sales

Our cost of sales went up to ₱719.2 million or an increase of ₱503.3 million (equivalent to 233.07% increase) as compared to ₱215.9 million last year due to higher volume of Nickel Ore sold during the period.

- **Contracted Services** increased by ₱326.5 million or equivalent to 355.32%.
- **Production Overhead** increased by ₱38.5 million or equivalent to 99.7%.
- **Depletion** increased by ₱37.3 million or equivalent to 676.2%.
- **Excise tax** increased by ₱35.7 million or equivalent to 258.9%.
- **Demurrage costs** increased by ₱28 million. These are penalty charges borne by the Company because of extended loading periods of ore to foreign vessels.

Operating Expenses

Operating expenses increased by 4.64% or ₱8.9 million from ₱193.2 million of the same period of last year to ₱202.2 million this year.

- **Increase in Taxes and Licenses** by ₱7.7 million or equivalent to 40.1% due to higher assessment of local government unit (LGU) business tax on the gross revenue in 2019 as basis for payment of business permits and licenses.
- **Increase in Community Relations Expenses** by ₱2.4 million or 416.0%; Aside from Social Development and Management Program (SDMP), the Company also provides livelihood to the community, public utilities and socio-cultural preservation.
- **Increase in Environmental Expenses** amounting to ₱6.5 million or 17.9%; The Company implemented projects on the Environmental Protection and Enhancement Program (EPEP) including the protection and rehabilitation of the affected mined environment to comply with the directives and regulations issued by the Department of Environment and Natural Resources (DENR).
- **Increase in Social Development Management Program Expenses** by ₱11.9 million or equivalent to 148.20%; The Company is continuously implementing health, livelihood and education programs to comply with the directives and regulations issued by the DENR.

The above cost increases were partly offset by the following:

- **Decrease in Depreciation** by ₱7.3 million or equivalent to 27.1% due to full depreciation of most of the service and mining equipment.
- **Decrease in Outside Services** by ₱4.3 million or equivalent to 51.8% which pertains to lower outsourced manpower and security services.

Statement of Financial Position

June 30, 2020 vs. December 31, 2019

Assets

The consolidated total assets of the Company increased by ₱520.8 million from ₱6,091.4 million as of December 31, 2019 to ₱6,612.2 million as of June 30, 2020. The 8.6% increase was mainly due to the following:

- **Increase in Total Current Assets** from ₱779.3 million as of December 31, 2019 to ₱1,366.0 million as of June 30, 2020. The 75.3 % or ₱586.7 million increase was attributable to the following:
    - Increase in Trade and Other Receivables from ₱204.5 million to ₱743.8 million. The increase of ₱539.3 million or 263.8% was due to the sales of nickel ore.
    - Increase in Other Current Assets by ₱68.02 million or 51.5% which is attributable to payment of advances to contractors for mining operations.
    - The increase, however, was partly offset by the decrease in inventory of ₱37.5 million due to the sale of nickel ore.

- **Decrease in Total Noncurrent Assets** from ₱5,312.1 million as of December 31, 2019 to ₱5,246.2 million as of June 30, 2020, equivalent to 1.2%. The decrease in the amount of ₱65.8 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 Total Consolidated Liabilities of the Company increased by ₱383.3 million or 17.7% from ₱2,167.7 million as of December 31, 2019 to ₱2,551.0 million as of June 30, 2020. This was mainly due to the increase in outstanding trade and other payables incurred during the period amounting to ₱345.2 million and the increase in income tax payable of ₱75.9 million.

Equity

The Stockholders' Equity of the Company increased by ₱137.5 million or 3.5% from ₱3,923.7 million as of December 31, 2019 to ₱4,061.2 million as of June 30, 2020, due to increase in Retained Earnings from the net income for the period.

Statement of Cash Flows

June 30, 2020 vs. December 31, 2019

In 2020, the cash provided by operating activities is ₱70.1 million due to the Company's net operating income and ₱55.6 million in 2019 which is the net results on the increase in payables, advances to related parties and partially offset by the net operating loss for the period.

The Company's net cash used in investing activities of ₱3.5 million in 2020 and ₱22.6 million in 2019 was due to the development of mine and mining properties of ₱4.3

million and ₱37.6 million in 2020 and 2019, respectively and this was partially offset by the decrease in other noncurrent assets amounting to ₱2.2 million in 2020 and ₱15.1 million in 2019.

In 2020, the Company's net cash used in financing activities of ₱45.1 million and ₱29.1 million in 2019 is mainly due to the payment of interest and partial settlement of loan payables.

The net effect of the foregoing operating, investing and financing activities are increases in cash of ₱21.6 million and ₱3.9 million in June 30, 2020 and 2019 respectively. The cash balance at the end of the period are ₱336.0 million and ₱66.4 million as of June 30, 2020 and 2019 respectively.

<u>Horizontal and Vertical Analysis:</u>

	Consolidated		Increase (Decrease)	
	June 30, 2020	**December 2019**	Amount	%
ASSETS				
Current Assets				
Cash	**₱336,023,455**	₱314,440,796	₱21,582,649	6.9%
Trade and other receivables	**743,772,849**	204,463,789	539,309,060	263.8%
Inventories	**39,435,264**	76,934,360	(37,499,096)	(48.7%)
Advances to related parties	**46,640,883**	51,366,755	(4,725,872)	(9.2%)
Other current assets	**200,107,259**	132,085,257	68,022,002	51.5%
Total Current Assets	**1,365,979,699**	779,290,957	586,688,747	75.3%
Noncurrent Assets				
Property and equipment	**250,758,183**	275,879,333	(25,121,150)	(9.1%)
Mining rights on explored resources	**4,465,881,214**	4,504,413,119	(38,531,905)	(0.9%)
Net deferred tax assets	**32,716,374**	32,716,374	–	0.00%
Other noncurrent assets	**496,858,914**	499,050,672	(2,191,758)	(0.4%)
Total Noncurrent Assets	**5,246,214,685**	5,312,059,498	(65,844,813)	(1.2%)
TOTAL ASSETS	**₱6,612,194,384**	₱6,091,350,455	₱534,575,256	8.6%

LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**₱1,114,514,296**	₱769,333,142	₱345,181,154	44.9%
Loans payable	**499,197,430**	510,069,579	(10,872,149)	(2.1%)
Advances from related parties	**98,137,638**	110,846,820	(12,709,182)	(11.5%)
Dividends payable	**4,707,886**	4,707,886	–	0.00%
Income tax payable	**84,307,472**	8,410,118	75,897,354	902.5%
Total Current Liabilities	**1,800,864,722**	1,403,367,545	397,497,177	28.3%

	Consolidated		Increase (Decrease)	
	June 30, 2019	**December 2018**	Amount	%
Noncurrent Liabilities				
Long-term debt - net of current portion	**194,826,933**	208,999,799	(14,172,866)	(6.8%)
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	**465,262,759**	465,262,759	–	0.00%
Total Noncurrent Liabilities	**750,006,742**	764,292,456	(14,172,866)	(1.9%)
Total Liabilities	**2,550,984,312**	2,167,660,001	383,324,310	17.7%
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	**743,146,134**	605,626,516	137,519,618	22.7%
Remeasurement gain on retirement benefit liability - net of deferred tax	**34,043,845**	34,043,845	–	0.00%
Total Equity	**4,061,210,072**	3,923,690,454	137,519,618	3.5%
TOTAL LIABILITIES AND EQUITY	**₱6,612,194,384**	₱6,091,350,455	₱520,843,928	8.6%

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:

	June 30, 2020	June 30, 2019
Net Income (Loss)	**₱137,519,618**	(₱258,537,697)
Quick assets	**1,079,796,298**	301,873,609
Current assets	**1.365.979.699**	582,197,953
Total assets	**6,612,194,384**	5,874,767,869
Current liabilities	**1,800,864,722**	1,382,279,510
Total liabilities	**2,550,984,312**	2,193,219,438
Stockholders' Equity	**4,061,210,072**	3,681,548,431
Number of common shares outstanding	**3,014,820,305**	3,014,820,305

Liquidity ratios:		
Current ratio (1)	**0.76:1**	0.42:1
Quick ratio (2)	**0.60:1**	0.22:1
Solvency Ratios:		
Debt ratio (3)	**0.39:1**	0.37:1
Debt to Equity ratio (4)	**0.63:1**	0.60:1
Profitability ratios:		
Earning (loss) per share (5)	**0.05**	(0.09)
Book value per share (6)	**1.35**	1.22

Note:
1. Current assets / Current liabilities
2. Quick assets / Current liabilities
3. Total liabilities / Total assets
4. Total Liabilities / Shareholders' equity
5. Net income (loss) / Common shares outstanding
6. Stockholders' equity / Common shares outstanding

PART II - OTHER INFORMATION

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

NONE

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a. Current Ratio
   Total Current Assets/ Total Current Liabilities = 0.76:1
b. Quick Ratio
   Quick asset / Total Current Liabilities = 0.60:1

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets = 0.39:1
b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = 0.63:1

Profitability Ratio

a. Return on Equity Ratio
   Net income (loss) / Average shareholder's equity = 0.03:1
b. Return on Assets
   Net income (loss) / Average Total assets = 0.02:1
c. Fixed Assets Turnover Ratio:
   Revenue/Property Plant and Equipment = 0.55:1
d. Asset to Equity Ratio:
   Total Assets / Stockholders' Equity = 1.63:1
e. Asset Turnover
   Revenue /Total Assets =0.02:1

Interest Coverage Ratio
Net Income (loss) / Interest expense = 12.06:1

SIGNATURES

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

Issuer: **MARCVENTURES HOLDINGS, INC.**

Signature and Title: ROLANDO S. SANTOS
SVP-Finance

Date: August 12, 2020

Signature and Title: RENITA S. TY
Accountant

Date: August 12, 2020

Marcventures Holdings, Inc. and Subsidiaries

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

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

COMPANY NAME

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mhicorporate@marcventures.com.ph	(02) 831-4479	09989850229

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,171	December 19	JUNE 30, 2020

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Rolando S. Santos	rolly.santos@marcventures.com.ph	(02) 831-4479	09989850229

CONTACT PERSON'S ADDRESS

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

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

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

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**Unaudited** June 30, 2020	Audited Dec. 31, 2019
ASSETS			
Current Assets			
Cash	5	**₱336,023,455**	₱314,440,796
Trade and other receivables	6	**743,772,849**	204,463,789
Inventories	7	**39,435,264**	76,934,360
Advances to related parties	21	**46,640,883**	51,366,755
Other current assets	8	**200,107,259**	132,085,257
Total Current Assets		**1,365,979,699**	779,290,957
Noncurrent Assets			
Property and equipment	9	**250,758,183**	275,879,333
Mining rights and other mining assets	10	**4,465,881,214**	4,504,413,119
Net deferred tax assets		**32,716,374**	32,716,374
Other noncurrent assets	11	**496,858,914**	499,050,672
Total Noncurrent Assets		**5,246,214,685**	5,312,059,498
		₱6,612,194,384	₱6,091,350,455
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱1,114,514,296**	₱769,333,142
Current portion of loans payable	14	**499,197,430**	510,069,579
Advances from related parties	21	**98,137,638**	110,846,820
Dividends payable	15	**4,707,887**	4,707,886
Income tax payable		**84,307,472**	8,410,118
Total Current Liabilities		**1,800,864,722**	1,403,367,545
Noncurrent Liabilities			
Long-term debt - net of current portion	14	**194,826,933**	208,999,799
Provision for mine rehabilitation and decommissioning	13	**52,634,827**	52,634,827
Retirement benefit liability	19	**37,395,071**	37,395,071
Deferred tax liability	4	**465,262,759**	465,262,759
Total Noncurrent Liabilities		**750,119,590**	764,292,456
Total Liabilities		**2,550,984,312**	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		**743,146,134**	605,626,516
Remeasurement gain on retirement benefit liability - net of deferred tax		**34,043,845**	34,043,845
Total Equity		**4,061,210,072**	3,923,690,454
		₱6,612,194,384	₱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 SIX MONTHS ENDED JUNE 30

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2020**	2019	**2020**	2019
REVENUE	16	**₱1,161,297,338**	**₱177,358,577**	**₱1,161,297,338**	**₱177,358,577**
COST OF SALES	17	**(719,237,265)**	**(215,940,778)**	**(719,237,265)**	**(215,940,778)**
GROSS INCOME (LOSS)		**442,060,073**	**(38,582,201)**	**442,060,073**	**(38,582,201)**
OPERATING EXPENSES	18	**(88,903,527)**	**(77,379,100)**	**(202,200,103)**	**(193,237,388)**
INCOME (LOSS) FROM OPERATIONS		**353,156,546**	**(115,961,301)**	**239,859,970**	**(231,819,589)**
INTEREST EXPENSE		**(9,053,305)**	**(12,451,585)**	**(20,056,675)**	**(26,837,806)**
INTEREST INCOME	5	**5,689**	**21,516**	**22,238**	**26,641**
OTHER INCOME (CHARGES) - Net	19	**1,681,612**	**125,507**	**2,001,557**	**(93,057)**
INCOME (LOSS) BEFORE INCOME TAX		**345,791,542)**	**(128,265,863)**	**221,827,090**	**(258,537,697)**
PROVISION FOR INCOME TAX		**(84,307,472)**	**–**	**(84,307,472)**	**–**
NET INCOME (LOSS)		**₱261,484,070**	**(₱128,265,863)**	**₱137,519,618**	**(₱258,537,697)**
Basic and diluted earnings (loss) per share	23	**₱0.09**	**(₱0.043)**	**₱0.05**	**(₱0.086)**

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Six Months Ended June 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**	₱2,969,088,599
Issuance		**–**	45,731,706
Balance at end 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		**605,626,516**	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)		**137,519,618**	(258,537,697)
Balance at end of year		**743,146,134**	359,186,367
REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - net of deferred tax		**34,0438,45**	38,341,970
		₱4,061,210,072	₱3,681,548,431

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six Months Ended June 30	
		2020	2019
CASH FLOWS FROM OPERATINGACTIVITIES			
Income (loss) before income tax		**₱221,827,090**	(₱258,537,697)
Adjustments for:			
Depreciation	9	**26,425,318**	30,053,822
Depletion	10	**42,872,730**	5,523,414
Interest expense		**20,056,675**	26,837,806
Interest income	5	**(22,238)**	(26,641)
Operating income (loss) before working capital changes		**311,159,575**	(196,149,296)
Decrease (increase) in:			
Trade and other receivables		**(539,309,058)**	(31,571,512)
Inventories		**37,499,096**	-
Advances to related parties		**4,725,872**	38,221,151
Other current assets		**(68,022,002)**	1,140,515
Increase (decrease) in:			
Trade and other payables		**345,181,154**	272,528,480
Advances from related parties		**(12,709,182)**	(28,636,557)
Net cash generated from operations		**78,525,452**	55,532,781
Income tax paid		**(8,410,118)**	–
Interest received	5	**22,238**	26,641
Net cash provided by operating activities		**70,137,572**	55,559,422
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	9	**(1,304,167)**	–
Mining rights and other mining assets	10	**(4,340,825)**	(37,638,450)
Decreased in other noncurrent assets		**2,191,758**	15,073,074
Net cash used in investing activities		**(₱3,453,234)**	(₱22,565,376)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest		**(20,056,675**)	(26.837.806)
Loans		**(25,045,015)**	(2,232,685)
Net cash used in financing activities		**(45,101,690)**	(29.070.491)
NET INCREASE (DECREASE) IN CASH		**21,582,648**	3.923.555
CASH AT BEGINNING OF YEAR		**314,440,796**	62.474.739
CASH AT END OF YEAR		**₱336,023,444**	₱66.398.294

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

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

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-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 bases for cancellation of the MPSA.

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2. Summary of Significant Accounting Policies

<u>Basis of Preparation and Statement of Compliance</u>
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.

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

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

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

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

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

Deferred effectivity -

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

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC, BGRC, AMPI and BARI as at June 30, 2020 and December 31, 2019 and for the quarters ended June 31, 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 June 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 June 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 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 June 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 customers has both of the following:

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

- The right to direct the use of the identified asset.

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

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

Company as Lessee

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

Foreign Currency-Denominated Transactions

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

Income Taxes

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

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

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

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

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

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

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

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

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

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

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

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

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

Provision for Mine Rehabilitation and Decommissioning. The Company recognizes provision when there is partial fulfillment of obligation to restore operating locations at the end of the reporting period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste site and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the production location.

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

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

Earnings (Loss) Per Share

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

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

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

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

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3. **Significant Judgments, Accounting Estimates and Assumptions**

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

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

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

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

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

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

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

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

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.

b. Qualitative Criteria - The borrower meets 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.

Rental expense recognized by the Company amounted to ₱11.4 million in June 2019. (Note 16).

Accounting Estimates and Assumptions

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

Estimating Allowance for ECL on Trade and Other Receivables. The Company uses a provision matrix based on historical default rates for trade and other receivables (excluding advances to officers and

employees). The provision matrix specifies provision rates depending on the number of days that receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

Provision for ECL amounted to nil and ₱20.0 million June 30, 2020 and December 31, 2019, respectively. The allowance for ECL amounted to ₱66.6 million as at June 30 2020 and December 31, 2019. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱804.3 million and ₱232.9 million as at June 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 June 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 ₱39.4 million and ₱76.9 million as at June 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 June 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 ₱307.5 million and ₱306.4 million as at June 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 ₱250.8 million and ₱275.9 million as at June 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	June 30, 2020	Dec. 31, 2019
Mining rights	10	**₱2,572,642,748**	₱2,582,800,790
Mine and mining properties	10	**1,741,189,298**	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 ₱36.2 million as at June 30, 2020 and December 31, 2019, (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱52.6 million as at June 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	June 30, 2020	**Dec. 31, 2019**
Advances to officers and employees	6	**₱-**	₱28,579,937
Other current assets	8	**200,107,259**	132,085,257
Property and equipment	9	**250,758,183**	275,879,333
Mining rights and other mining assets	10	**4,465,881,214**	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 June 30, 2020 and December 31, 2019 (see Note 18).

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

The Company's recognized deferred tax assets amounted to ₱34.0 million as at June 30, 2020 December 31, 2019, respectively.

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at June 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 ₱32.7.0 million as at June 30, 2020 and 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, APMPC and BHI (see Note 1). The merger was accounted by virtue of a tax-free exchange pursuant to Section 40(C)(2) in relation to Section 40(C)(6)(b) of the National Internal Revenue Code of 1997, as amended.

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

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

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

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

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

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

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

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

Estimated Project Costs. Project costs pertain to project-related capital expenditures such as mining equipment fleet, mine support services 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 June 30, 2020	Audited December 31, 2019
Cash on hand	**₱219,090**	₱214,091
Cash in banks	**335,804,354**	314,226,705
	₱336,023,444	₱314,440,796

Cash in banks earn interest at prevailing bank deposit rates. Interest income of ₱22,238 and 149,306 was earned for the period ended June 30, 2020 and for the year ended December 31, 2019, respectively.

6. Trade and Other Receivables

This account consists of:

	Unaudited June 30, 2020	Audited December 31, 2019
Trade receivables	**₱804,276,348**	₱232,879,542
Advances to officers and employees	**–**	28,579,937
Others	**6,128,085**	9,635,896
	810,404,433	271,095,375
Allowance for ECL	**(66,631,586)**	(66,631,586)
	₱743,772,849	₱204,463,789

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

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

Movements in allowance for ECL are as follows:

	Unaudited June 30, 2020	Audited December 31, 2019
Balance at beginning of year	**₱66,631,586**	**₱46,631,586**
Provision	**–**	**20,000,000**
Balance at end of year	**₱66,631,586**	**₱66,631,586**

Aging of Trade Receivables as at June 30, 2020:

Current ₱'000	*1 to 30 days past due ₱'000*	*31 to 60 days past due ₱'000*	*61 to 90 ₱'000*	*120+ past due ₱'000*	*Total ₱'000*
₱	*₱579,676*	*₱–*	*₱70,918*	*₱153,682*	*₱804,276*

7. Inventories

This account consists of beneficiated nickel ore amounting to ₱39,4 million and ₱76.9 million which is stated at cost as at June 30, 2020 and December 31, 2019. The cost of inventories is lower than its NRV.

8. Other Current Assets

This account consists of:

	Unaudited June 30, 2020	Audited December 31, 2019
Prepaid income tax	**₱49,529,465**	₱49,529,464
Advances to contractors and suppliers	**89,152,288**	17,541,605
Mining and office supplies	**19,964,049**	18,201,636
Prepaid expenses	**22,675,043**	32,340,725
Others	**18,786,414**	14,471,827
	₱200,107,259	₱132,085,257

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 June 30, 2020					
	Land	**Building and Improvements**	**Office Furniture, Fixtures and Equipment**	**Heavy and Transportation Equipment**	**Construction in-progress**	**Total**
Cost						
Balances at beginning of year	**₱58,597,484**	**₱169,768,530**	**₱100,108,592**	**₱378,846,725**	**₱45,063,720**	**₱752,385,051**
Additions	**–**	**106,800**	**1,197,367**	**–**	**–**	**1,304,167**
Balances at end of year	**58,597,484**	**169,875,330**	**101,305,959**	**378,846,725**	**45,063,720**	**753,689,218**
Accumulated Depreciation and Amortization						
Balances at beginning of year	**–**	**74,293,407**	**89,799,986**	**312,412,325**	**–**	**476,505,718**
Depreciation and amortization	**–**	**4,817,934**	**3,226,409**	**18,380,974**	**–**	**26,425,318**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**
Balances at end of year	**–**	**79,111,341**	**93,026,395**	**330,793,299**	**–**	**502,931,036**
Net Carrying Amount	**₱58,597,484**	**₱90,763,989**	**₱8,279,564**	**₱48,053,426**	**₱45,063,720**	**₱250,758,183**

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

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 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 at June 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 June 30, 2020					
			Mine and Mining Properties			
	Mining Rights	**Deferred Exploration Costs**	**Mine Development Costs**	**Mine Rehabilitation Asset**	**Total**	**Total**
Cost						
Balances at beginning of year	**₱2,935,579,522**	**₱150,535,169**	**₱2,066,297,519**	**₱44,167,841**	**₱2,110,465,360**	**₱5,196,580,05**
Additions	**2,826,826**	**1,513,999**		**–**	**–**	**4,340,825**
Balances at end of year	**2,938,406,348**	**152,049,168**	**2,066,297,519**	**44,167,841**	**2,110,465,360**	**5,198,147,034**
Accumulated Depletion						
Balances at beginning of year	**352,778,732**	**–**	**331,442,381**	**7,945,819**	**339,388,200**	**692,166,932**
Depletion	**12,984,868**	**–**	**29,887,862**	**–**	**29,887,862**	**42,872,730**
Balances at end of year	**365,763,600**	**–**	**361,330,2431**	**7,945,819**	**369,276,062**	**735,039,662**
Net Carrying Amount	**₱2,572,642,748**	**₱152,049,168**	**₱1,704,967,276**	**₱36,222,022**	**₱1,741,189,298**	**₱4,465,881,214**

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

Mining Rights

Mining rights of the Company consist of:

	Note	June 30, 2020	December 31, 2019
Mining rights on explored resources		**₱929,002,557**	₱941,987,425
Mining rights of BGRC, AMPI and BARI	4	**1,643,640,191**	1,640,813,365
		₱2,572,642,748	₱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 ₱1,741.2 million ₱1,771.1 million as at June 30, 2020 and December 31, 2019 respectively.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱1.4 million 2019. (see Note 9).

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

11. Other Noncurrent Assets

This account consists of:

	Note	**Unaudited** June 30, 2020	Audited December 31, 2019
Input VAT		**₱307,497,425**	₱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
		₱496,858,914	₱499,050,672

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:

	Note	**Unaudited** June 30, 2020	Audited December 31, 2019
Trade payables		**₱486,726,540**	₱328,322,949
Advances from customers		**526,575,045**	343,997,812
Excise tax and other statutory payables		**38,661,664**	28,244,589
Accrued expenses:			
Interest		**277,094**	5,327,094
Others		**55,684,092**	57,186,872
Others		**6,589,863**	6,253,826
		₱1,114,514,296	₱769,333,142

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

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

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

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

13. Provision for Mine Rehabilitation and Decommissioning

Movements of this account are as follows:

	Note	**Unaudited** June 30, 2020	Audited December 31, 2019
Balance at beginning of year		**₱52,634,827**	₱51,980,329
Accretion of interest		**–**	654,498
Balance at end of year		**₱52,634,827**	₱52,634,827

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

14. Loans Payable

This account consists of:

	Unaudited June 30, 2020	Audited December 31, 2019
Short-term loan – MMDC	**₱499,197,430**	₱510,069,579
Notes payable-net of current portion		
AMPI	**₱184,568,724**	₱198,854,439
MMDC	**10,145,361**	9,778,337
BGRC	**112,848**	367,023
	₱194,826,933	₱208,999,799

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.

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱35.3 million as at December 31, 2019 (see Note 9).

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

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

15. Equity

Movements of this account are as follows:

	Six Months Ended June 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
Issuance of shares	**–**	**–**	–	–
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 at June 30, 2020 and December 31, 2019 respectively.

16. **Revenue**

This account consists of:

		For the six months ended June 30,	
	Note	**2020**	2019
Sale of Ore		**₱1,161,297,338**	₱177,358,577
Reservation fee for ore allocation		–	-
		₱1,161,297,338	₱177,358,577

17. **Cost of sales**

This account consists of:

		For the six months ended June 30,	
		2020	2019
Contractual services		**₱418,419,109**	₱91,895,170
Personnel costs		**59,089,970**	56,759,132
Production overhead		**77,046,093**	38,577,420
Depletion	10	**42,872,730**	5,523,414
Demurrage costs		**28,000,000**	–
Excise tax		**49,520,152**	13,796,549
Depreciation	9	**6,790,115**	9,389,093
		681,738,169	215,940,778
Net movement in inventories		**37,499,096**	–
		₱719,237,265	₱215,940,778

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:

	Note	For the six months ended June 30, 2020	2019
Salaries and allowances		**₱41,091,875**	₱41,497,193
Environmental expenses	20	**42,607,822**	**36,143,071**
Depreciation and amortization	9	**19,635,205**	26,931,867
Taxes and licenses		**26,747,245**	19,084,759
Professional fees		**15,467,942**	11,527,896
Social development program	20	**19,930,255**	8,030,000
Royalties		**11,934,623**	–
Community relations		**3,011,090**	583,527
Outside services		**3,992,552**	8,284,557
Communication, light and water		**3,071,784**	3,881,440
Transportation and travel		**1,543,106**	2,554,849
Dues and subscriptions		**1,533,247**	1,569,129
Office supplies		**702,495**	–
Rent expense	20	–	11,371,664
Advertisement		**27,086**	54,322
Others		**6,168,308**	20,664,729
		₱202,200,103	₱193,237,388

Others include insurance, trainings and seminars, security services, among others.

19. **Other Income (Charges)** - Net

This account consists of:

	Note	For the six months ended June 30, 2020	2019
Foreign exchange gain (loss)		**₱884,890**	(₱246,222)
Others		**1,116,667**	339,279
		₱2,001,557	₱93,057

20. **Retirement Benefit Liability**

The Company has an unfunded, noncontributory defined benefit plan covering all its permanent employees. Under this plan, the employees are entitled to retirement benefits ranging from 50% to 200% of the final monthly salary for each year of credited service. This plan is in accordance with Republic Act No. 7641, which mandates a minimum retirement benefit equivalent to one-half month salary per year of service.

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2019.

The components of retirement benefit expense presented under "Operating expenses" account in December 31, 2019 on profit or loss are as follows:

	Audited December 31, 2019
Current service cost	*₱5,354,636*
Net interest cost	*2,064,314*
Past service cost	–
Settlement gain	(2,546,807)
	₱4,872,143

The retirement benefit liability recognized in the consolidated statements of financial position as at 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 of year	₱37,395,071

The principal actuarial assumptions used to determine retirement benefit liability for 2019 are as follows:

	Audited December 31, 2019
Discount rates	4.64%
Salary increase rates	3.00%

The plan exposes the Company to actuarial risks, such as interest rate risk and salary risk.

Sensitivity analysis on defined benefit obligation as at December 31, 2019 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(2,764,351)
	-1%	2,620,805
Salary increase rate	+1%	2,673,940
	-1%	(2,284,148)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

The changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed more responsive.

The cumulative remeasurement gain recognized in OCI as at December 31, 2019:

	Audited December 31, 2019		
	Accumulated Remeasurement Gain	Deferred Tax Liability (see Note 23)	Net Remeasurement Gain
Balance at beginning of year	₱54,774,243	(₱15,176,337)	₱38,341,970
Actuarial loss	(6,140,178)	1,667,981	(4,298,125)
Balance at end of year	₱48,634,065	(₱13,508,356)	₱34,043,845

The average duration of the expected benefit payments at the end of the reporting period is 17 years.

21. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

		Transaction Amounts		Outstanding Balances		
	Note	**Unaudited June 30, 2020**	Audited December 31, 2019	**Unaudited June , 2020**	Audited December 31, 2019	Nature and Terms
Advances to related parties		**(₱4725,872)**	**₱2,627,325**	**₱46,640,883**	**₱51,366,755**	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		**(₱12,709,181)**	**₱8,818,9754**	**₱98,137,637**	**₱110,846,820**	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	14	**₱–**	**₱–**	**₱26,000,000**	**₱26,000,000**	Short-term loan; unsecured; interest-bearing; payable in installments

As at June 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 ₱19.9 million and ₱8.0 million in June 2020 and 2019 respectively (see Note 16).

Environmental Protection and Enhancement Program (EPEP)
EPEP refers to comprehensive and strategic environmental management plan to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment. This program is monitored by the Multipartite Monitoring Team, a group headed by a representative from the Regional MGB and representatives of Local Government Units (LGU), other government agencies, non-government organizations, the church sector and the representatives of the Company.

The Company implemented projects amounting to ₱42.6 million and ₱36.1 in June 2020 and 2019 respectively.

Royalty Agreement
In July 2008, the Company entered into a memorandum of agreement with the Indigenous Cultural Communities/Indigenous People (ICC/IP) and NCIP pursuant to the requirements, the Company pays royalties equivalent to a certain percentage of gross revenue to the ICC/IP.

Lease Commitment
The Company leases an office space for its operations. Rental deposit amounted to ₱0.4 million as at June 30, 2020 and December 31, 2019 (see Note 11).

Rental expense arising from short-term leases amounted to ₱11.4 million as at June 2019 (see Note 16).

23. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows:

	Six Months Ended June 30,	
	2020	2019
Net income (loss) shown in the consolidated statements of comprehensive income (a)	**₱137,519,618**	(₱258,537,697)
Weighted average number of common shares (b)	**3,014,820,305**	3,014,820,305
Basic loss per share (a/b)	**₱0.05**	(₱0.09)

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 Counsels have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining. It has implemented all the necessary measures to ensure that it is environmentally compliant. While its operation is within a proclaimed watershed, Presidential Proclamation No. 1747 recognizes its prior legal right to mine in the area considering that its MPSA was approved in 1993 prior to the issuance of the said proclamation in 2009.

As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to previous inaction of the DENR. The Company submitted the program for the tree planting of three million seedlings as early as February 24, 2015. There were several communications between MMDC and the DENR/MGB regarding this matter. In a letter dated April 22, 2016, MMDC informed MGB that there is a strong objection from the LGU in the host communities of MMDC since they will not benefit from the Program as MGB directed MMDC to plant in different regions. Thereupon, MMDC suggested DENR/MGB to implement the program through its National Greening Project to be funded by MMDC. After several follow-ups, on December 21, 2016, MMDC received a letter from then DENR Secretary Gina Lopez dated December 1, 2016 finally directing MMDC to plant the three million seedlings in its host communities. MMDC immediately coordinated with the Regional Director of DENR. Hence, an inventory of seedlings available in the area was then made. Based on the report of DENR Region XIII, a total of 1,513,928 seedlings are available in the area. To ensure immediate and proper implementation of the tree planting activity, MMDC entered into a Memorandum of Agreement with the mayors of the municipalities in its host communities on February 9, 2017. This action demonstrates MMDC's readiness and willingness to implement the program. Thus, no fault can be attributed to MMDC with regard to the implementation of the three million seedlings.

With regard to alleged violations of environmental laws and regulations, the DENR failed to specify the facts and the provisions of law which MMDC allegedly violated.

The Technical Committee Report on MMDC shows only a recommendation for fine and suspension. Thus, the management strongly believes that the cancellation of MMDC's MPSA is unwarranted and should be overturned. Thus, on February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President (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 Legal Counsels, 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 June 30, 2020		Audited December 31, 2020	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Cash in banks	**₱161,335,155**	**$3,236,412**	₱239,250,801	$4,714,859
Trade receivables	**804,246,348**	**16,133,327**	232,349,372	4,588,711
	₱965,581,503	**$19,369,739**	₱471,600,173	$9,303,570

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at June 30, 2020 and December 31, 2019, the exchange rates applied were ₱ 49.85 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

	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 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 June 30, 2020 and December 31, 2019.

	Unaudited June 30, 2020						
			Past Due				
	High Grade	Standard Grade	1 – 30 Days	31 – 90 Days	More than 90 Days	Total	Allowance for ECL
Lifetime ECL (not credit impaired):							
Trade and other receivables*	**₱–**	**₱6,128,085**	**₱804,276,348**	**₱–**	**₱–**	**₱810,404,433**	**₱66,631,584**
12 - month ECL:							
Cash in banks	**335,804,360**	**–**	**–**	**–**	**–**	**335,804,360**	**–**
Advances to related parties	**–**	**46,640,883**	**–**	**–**	**–**	**46,640,883**	**–**
RCF and MTF	**5,676,896**	**–**	**–**	**–**	**–**	**5,676,896**	**–**
Rental deposit	**–**	**363,250**	**–**	**–**	**–**	**363,250**	**–**
	341,481,256	**47,004,133**	**–**	**–**	**–**	**388,485,389**	**–**
	₱341,481,256	**₱53,132,218**	**₱804,276,348**	**₱–**	**₱–**	**₱1,198,889,822**	**₱66,631,584**

**Excluding advances to officers and employees amounting to ₱28.4 million in 2019.*

	Audited December 31, 2019						
			Past Due				
	High Grade	Standard Grade	1 – 30 Days	31 – 90 Days	More than 90 Days	Total	Allowance for ECL
Lifetime ECL (not credit impaired):							
Trade and other receivables*	₱–	₱9,639,231	₱10,898,025	₱12,762,354	₱209,219,163	₱242,518,773	₱66,631,586
12 - month ECL:							
Cash in banks	314,226,705	–	–	–	–	314,226,705	–
Advances to related parties	–	51,366,755	–	–	–	51,366,755	–
RCF and MTF	5,676,896	–	–	–	–	5,676,896	–
Rental deposit	–	355,250	–	–	–	355,250	–
	319,903,601	51,722,005	–	–	–	371,625,606	–
	₱319,903,601	₱61,361,236	₱10,898,025	₱12,762,354	₱209,219,163	₱614,144,379	₱66,631,586

**Excluding advances to officers and employees amounting to ₱31.2 million in 2018.*

Customer credit risk from trade and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Generally, trade receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For other financial assets consisting of cash in banks, advances to related parties, RCF and MTF and rental deposit, the Company manages credit risk based on the Company's policy and uses judgment in making assumptions for estimating the risk of default and expected loss rates. This is based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The credit quality of the financial assets is managed by the Company using internal credit quality ratings. High grade accounts consist of receivable from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Company to collect are considered substandard grade accounts.

Cash in banks, RCF and MTF are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under standard grade since the counterparties are reputable related parties with low credit risk.

Liquidity Risk. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal and interest payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial liabilities as at June 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 June 30, 2020						
Trade and other payables*	**₱55,684,092**	**₱6,866,957**	**₱486726540**	**₱–**	**₱–**	**₱549,277,589**
Dividends payable	**4,707,886**	**–**	**–**	**–**	**–**	**4,707,886**
Loans payable and long-term debt**	**105,000,000**	**9,687,308**	**232,999,471**	**262,799,788**	**248,604,324**	**859,090,891**
Advances from a related party	**98,137,638**	**–**	**–**	**–**	**–**	**98,137,638**
	₱263,529,617	**₱16,554,265**	**₱719,726,011**	**₱262,799,788**	**₱248,604,324**	**₱1,511,214,004**
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 ₱565.24 million and ₱372.2 million as at June 30, 2020 and December 31, 2019 and 2018, respectively.*

***Including interest payable up to maturity amounting to ₱0.77 million and ₱85.6 as at March 31, 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 June 30, 2020		Audited December 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**₱336,023,455**	**₱336,023,455**	₱314,440,796	₱314,440,796
Trade and other receivables*	**743,772,849**	**743,772,849**	175,887,187	175,887,187
Advances to related parties	**46,640,883**	**46,640,883**	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
	₱1,132,477,323	**₱1,132,477,323**	₱547,726,884	₱547,726,884

**Excluding advances to officers and employees amounting to and ₱28.6 million as at Dec. 31. 2019, respectively.*

	Unaudited June 30, 2020		Audited December 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables*	**₱541,750,248**	**₱541,750,248**	₱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	**98,137,638**	**98,137,638**	110,846,820	110,846,820
	₱1,405,015,653	**₱1,405,015,653**	₱1,231,714,719	₱1,315,254,291

**Excluding excise tax and other statutory payables and advances from customers amounting to ₱565.2 million and ₱372.2 million as at June 30, 2020 December 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 June 30, 2020	Audited December 31, 2019
Total debt	**₱2,564,715,639**	₱2,273,707,552
Total equity (excluding remeasurement gain on retirement benefit liability)	**4,027,166,227**	3,887,364,110
Debt-to-equity ratio	**0.64:1.00**	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 JUNE 30, 2020 AND DECEMBER 31, 2019

Ratio	Formula	Unaudited June 30, 2020	Audited December 31, 2019
Current ratio			
	Total Current Assets	**₱1,365,979,704**	₱779,290,957
	Divided by: Total Current Liabilities	**1,805,795,629**	1,403,367,545
	Current ratio	**0.76:1**	0.56:1
Solvency ratio			
	Net Income (Loss) Before Depreciation and Amortization	**₱291,125,140**	₱255,639,473
	Divide by: Total liabilities	**2,550,984,317**	2,167,660,001
	Solvency ratio	**0.11:1**	0.12:1
Debt-to-equity ratio			
	Total Liabilities	**₱2,550,984,317**	₱2,167,660,001
	Divide by: Total equity	**4,061,210,072**	3,923,690,454
	Debt-to-equity ratio	**0.63:1**	0.55:1
Asset-to-equity ratio			
	Total Assets	**₱6,612,194,389**	₱6,091,350,455
	Divide by: Total equity	**4,061,210,072**	3,923,690,454
	Asset-to-equity ratio	**1.63:1**	1.55:1
Interest rate coverage Ratio			
	Pretax income (loss) before interest	**₱241,883,765**	₱187,589,599
	Divided by: Interest expense	**20,056,675**	61,630,647
	Interest rate coverage ratio	**12.06:1**	3.04:1
Profitability Ratio			
	Net income (loss)	**₱137,519,618**	₱37,842,406
	Divide by: Total equity	**4,061,210,072**	3,923,690,454
	Profitability ratio	**0.03:1**	0.01:1