CR02658-2024

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
   Dec 31, 2023
2. SEC Identification Number
   12942
3. BIR Tax Identification No.
   000-104-320-000
4. Exact name of issuer as specified in its charter
   Marcventures Holdings Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   th Floor BDO Towers Paseo (formerly Citibank Center), 8741 Paseo de Roxas, Makati City
   Postal Code
   1227
8. Issuer's telephone number, including area code
   +632 8831-4479
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

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

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

    (●) Yes ( ) No

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

◉ Yes ○ No

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

Php333,740,608

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

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

◉ Yes ○ No

### DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

-

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

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-



## Marcventures Holdings, Inc.
## MARC

**PSE Disclosure Form 17-1 - Annual Report**

***References: SRC Rule 17 and***
***Section 17.2 and 17.8 of the Revised Disclosure Rules***

| | |
|---|---|
| **For the fiscal year ended** | Dec 31, 2023 |
| **Currency** | PHP |

**Balance Sheet**

| | Year Ending | Previous Year Ending |
|---|---|---|
| | Dec 31, 2023 | Dec 31, 2022 |
| **Current Assets** | 898,183,945 | 917,225,555 |
| **Total Assets** | 6,049,779,002 | 5,940,605,308 |
| **Current Liabilities** | 598,529,310 | 395,222,778 |
| **Total Liabilities** | 1,252,405,412 | 1,068,221,038 |
| **Retained Earnings/(Deficit)** | 1,478,425,453 | 1,547,770,977 |
| **Stockholders' Equity** | 4,797,373,590 | 4,872,384,270 |
| **Stockholders' Equity - Parent** | 3,321,768,525 | 3,373,690,457 |
| **Book Value Per Share** | 1.59 | 1.62 |

**Income Statement**

| | Year Ending | Previous Year Ending |
|---|---|---|
| | Dec 31, 2023 | Dec 31, 2022 |
| **Gross Revenue** | 2,050,416,186 | 3,067,485,008 |
| **Gross Expense** | 1,710,261,520 | 2,736,277,777 |
| **Non-Operating Income** | 16,887,556 | 35,236,986 |
| **Non-Operating Expense** | 15,055,521 | 26,859,047 |
| **Income/(Loss) Before Tax** | 338,458,810 | 339,585,170 |
| **Income Tax Expense** | 106,322,304 | 137,004,390 |
| **Net Income/(Loss) After Tax** | 232,136,506 | 202,580,780 |
| **Net Income/(Loss) Attributable to Parent Equity Holder** | 232,136,506 | 202,580,780 |
| **Earnings/(Loss) Per Share (Basic)** | 0.07 | 0.06 |
| **Earnings/(Loss) Per Share (Diluted)** | 0.07 | 0.06 |

**Financial Ratios**

| | Formula | Fiscal Year Ended | Previous Fiscal Year |
|---|---|---|---|
| | | Dec 31, 2023 | Dec 31, 2022 |
| **Liquidity Analysis Ratios:** | | | |
| **Current Ratio or Working Capital Ratio** | **Current Assets / Current Liabilities** | 1.5 | 2.32 |
| **Quick Ratio** | **(Current Assets - Inventory - Prepayments) / Current Liabilities** | 1.13 | 2.09 |
| **Solvency Ratio** | **Total Assets / Total Liabilities** | 4.83 | 5.56 |
| **Financial Leverage Ratios** | | | |
| **Debt Ratio** | **Total Debt/Total Assets** | 0.21 | 0.18 |
| **Debt-to-Equity Ratio** | **Total Debt/Total Stockholders' Equity** | 0.26 | 0.22 |
| **Interest Coverage** | **Earnings Before Interest and Taxes (EBIT) / Interest Charges** | 22.8 | 13.64 |
| **Asset to Equity Ratio** | **Total Assets / Total Stockholders' Equity** | 1.26 | 1.22 |
| **Profitability Ratios** | | | |
| **Gross Profit Margin** | **Sales - Cost of Goods Sold or Cost of Service / Sales** | 41.32 | 33.38 |
| **Net Profit Margin** | **Net Profit / Sales** | 11.32 | 6.6 |
| **Return on Assets** | **Net Income / Total Assets** | 3.84 | 3.41 |

| | | | |
|---|---|---|---|
| **Return on Equity** | **Net Income / Total Stockholders' Equity** | 4.84 | 4.16 |
| **Price/Earnings Ratio** | **Price Per Share / Earnings Per Common Share** | 14.03 | 17.86 |

**Other Relevant Information**

Please see attached SEC Form 17-A of Marcventures Holdings Inc. for the year ended December 31, 2023.

**Filed on behalf by:**

| | |
|---|---|
| **Name** | Joanna Alecxis Manzano |
| **Designation** | Legal Admin Supervisor |

COVER SHEET

| 1 | 2 | 9 | 4 | 2 |
|---|---|---|---|---|

SEC Registration Number

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

(Company's Full Name)

UNIT 4-3 4TH FLR. BDO TOWERS
PASEO (FORMERLY: CITIBANK CENTER)
8741 PASEO DE ROXAS MAKATI CITY

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

**ROLANDO S. SANTOS**
(Contact Person)91

**8831-4479**
(Company Telephone Number)

| 1 | 2 | | 3 | 1 |
|---|---|---|---|---|

*Month* *Day*
(Calendar Year)

| 1 | 7 | - | A |
|---|---|---|---|

(Form Type)

*Month* *Day*
(Annual Meeting)

**N/A**
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

**N/A**
Amended Articles Number/Section

Total Amount of Borrowings

**2,177**
Total No. of Stockholders

Domestic | Foreign

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To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION**

**SEC Number:** 12942

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

**For the calendar year ended** Industry Classification Code:
**December 31, 2023** (SEC Use Only)

**MARCVENTURES HOLDINGS INC.**
(Company Name)

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

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

**Unit 4-3 4th Floor BDO Towers Paseo 8741 Paseo de Roxas, Makati City**
(Company's Address)

**1227**
(Zip Code)

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

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

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

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

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

The aggregate market value of voting stock held by non-affiliates is ₱333,740,608 computed on the basis of ₱1.00 representing 11.07% shares equivalent to ₱340,439,857 based on the closing price of ₱1.08 at the Philippine Stock Exchange as of December 31, 2023.

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## PART I - BUSINESS AND GENERAL INFORMATION

### ITEM 1. BUSINESS

**Background**

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

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

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

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

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

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

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

On December 29, 2017, the Securities and Exchange Commission approved the merger of MHI with Asia Pilot Mining Philippines Corp. (APMPC) and BrightGreen Resources Holdings Inc. ("BHI") with MHI as the surviving entity. BHI owns 100% interest in BrightGreen Resources Corporation (BRC) and APMPC owns 100% interest in Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI).

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

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

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

The Company is listed in the Philippine Stock Exchange. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC, BRC, AMPI and BARI as at December 31, 2023 and 2022 and for the years ended December 31, 2023 and 2022.

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

On 19 July, 2017, the Board of Directors of Marcventures Holdings, Inc. ("MARC" or the "Company") approved the subscription of Mr. Isidro C. Alcantara, Jr. ("Mr. Alcantara"), President & CEO, to 22,730,000 MARC shares at ₱2.20 per share for a total subscription price of ₱50,006,000.00.

Furthermore, on 15 February 2018, the Board of Directors of the Company also approved the subscription of Mr. Alcantara to 45,731,706 MARC shares at ₱1.64 per share equivalent to ₱74,999,997.84. The subscription price was based on the average 30 day high and low prices from January 3, 2018 to February 9, 2018 as disclosed.

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

During the annual meeting held on December 19, 2018, the Stockholders of MARCVENTURES HOLDINGS, INC. (the 'Corporation') approved the amendment of the Seventh Article of the Articles of Incorporation to increase the Corporation's authorized capital stock from ₱4.0 Billion to an amount of up to ₱7.0 Billion and to create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of ₱10.00 per share or aggregate par value of ₱1,000,000,000, thereby amending the Seventh Article as follows:

> SEVENTH. That the authorized capital stock of the corporation is SEVEN BILLION PESOS (₱7,000,000,000.00) and said capital stock is divided into:
>
> (a) SIX BILLION (6,000,000,000) common shares with a par value of One Peso (₱1.00) each share or an aggregate par value of SIX BILLION PESOS (₱6,000,000,000.00); AND
>
> (b) ONE HUNDRED MILLION (100,000,000) Preferred Shares with a par value of TEN PESOS (₱10.00) each share or an aggregate par value of ONE BILLION PESOS (₱1,000,000,000.00)

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

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

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

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

The foregoing has yet to be implemented.

On February 13, 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 Mr. Alcantara's two private placements.

**<u>2023 Updates and Developments</u>**

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

a. Loan obligations of Alumina Mining Phils. Inc in Philippine Business Bank;

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

| Description | CCT | Area | Location |
|---|---|---|---|
| Unit 4-1 | 006-2018002292 | 178.19 sqm. | 4F, BDO Towers Paseo |
| Unit 4-3 | 006-2014001598 | 313.76 sqm. | 4F, BDO Towers Paseo |
| Unit 4-4 | 006-2014001597 | 469.55 sqm. | 4F, BDO Towers Paseo |
| Parking B351 | 006-2014001599 | 36 sqm. | Basement, BDO Towers Valero |
| Parking B352 | | | |
| Parking B353 | | | |
| Parking LB70 | 006-2018002293 | 12 sqm. | Basement, BDO Towers Valero |

b. Loan obligations of Marcventures Mining and Development Corporation in United Coconut Planters Bank

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

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

c. Loan obligations of Marcventures Mining and Development Corporation in Philippine Veterans Bank.

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

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

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

**Subsidiaries**

Below are the Parent Company ownership interests in its subsidiaries:

| Subsidiaries | 2023 | 2022 |
|---|---|---|
| Marcventures Mining and Development Corporation (MMDC) | 100% | 100% |
| BrightGreen Resources Corporation (BRC) | 100% | 100% |
| Alumina Mining Philippines Inc. (AMPI) | 100% | 100% |
| Bauxite Resources Inc. (BARI) | 100% | 100% |

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

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

The MPSA was originally 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 due to alleged violations of environment-related laws and regulations. The Technical Committee Report on the Company however only showed a recommendation for fine and suspension.

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

As at December 31, 2023 the Company has not received any decision nor any notice from the Office of the President. The Company's Legal Counsel is of a good faith position that the Company may continue its operations because the execution of the Order of the DENR Secretary is deemed automatically stayed as a matter of law on account of the pendency of the Company's appeal, as likewise confirmed by the Office o f the President.

MMDC has continued to implement and adopt measures not only to rectify any shortcomings allegedly found in its operations but more importantly, it has continuously sought to improve operational efficiencies both in the area of its regulatory compliances and in maintaining its commitments to its host and neighboring communities.

The Company has continuously been granted the necessary regulatory permits and licenses to operate, including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits (MOEP). As proof its compliance, the Company has also secured a certification from the MGB as of March 5, 2024, attesting to the validity and existence of its MPSA and that the Company has an approved Declaration of Mining Project Feasibility dated October 15, 2014 covering its entire contract mining area and is being developed and utilized by virtue of an approved Three-Year Development/Utilization Work Program dated 29 November 2022 covering Calendar Years 2023 to 2025. Moreover, MGB also certified that MMDC has complied with the terms and conditions of the MPSA and the pertinent provisions of the R.A.7942 or the Philippine Mining Act of 1995 and its Implementing Rules and Regulations.

Accordingly, the Company has continued its mining operations in areas covered by the MPSA.

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

On July 1, 1993, the DENR approved BRC's application for MPSA No. 015-93-XI (SMR) covering an area of approximately 4,860 hectares located in the municipalities of Carrascal and Cantilan, Surigao del Sur. BRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category. In a letter dated 11 April 2022, the Mines and Geosciences Bureau (MGB) of the DENR approved the company's request for extension of the third renewal of its Exploration Period due to force majeure for a period of two years effective from 2 July 2022 to 1 July 2024 to recover its unused term.

On February 17, 2017, BRC received a Show-Cause Order dated February 13, 2017. In the Show-Cause Order, it was alleged that the contract area covered by the said MPSA is within a watershed, such that if mining operations will be conducted therein, its ecological functions will be impaired.

On February 27, 2017, the Company submitted a reply to the Show-Cause Order to explain why the MPSA should not be cancelled. The Company stated in the reply that it has prior legal right considering that the MPSA of the Company with the Republic of the Philippines was approved on July 1, 1993, while Proclamation No. 1747 on the proclamation of watershed areas was only issued on March 23, 2009. Notably, Proclamation No. 1747 provides that prior rights should be respected. Thus, the Company should be allowed to continue its operations over its contract area. The management and its legal counsel believe that the alleged violation is without basis in fact and in law.

As at December 31, 2023, there are no developments regarding the Show-Cause orders. However, the Management and the Legal Counsel of the Company take the good faith position that the operations of the Company under said MPSA is granted with prior rights and is allowed by law and the alleged impairment and damage in the Company's MPSA area is not supported by any specific acts of impairment because the Company is not yet operating in the area but has only completed exploration and drilling. As a proof of compliance, the company has secured a certification from the MGB as of March 5, 2024, attesting to the validity and existence of its MPSA and that the Company has existing Exploration Period (Third Renewal).

*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.

On February 17, 2017, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR. In the Show-Cause Order, it was alleged that the contract area covered by their respective MPSA is within a watershed, such that if mining operations will be conducted therein, its ecological functions will be impaired. The Show-Cause Order required AMPI and BARI to submit an explanation on the alleged violation that may cause the cancellation of their respective MPSA.

As at December 31, 2023, the DENR has not issued any other Show Cause Orders for AMPI and BARI. Basing on the above letters from FMB and DENR, the Management and Legal Counsel of AMPI and BARI have rendered that Show-Cause Orders became moot and academic.

Furthermore, On May 18, 2020, the Company received a letter-approval from the DENR, through the MGB, granting the requested extension of the Exploration Period (EP) of the Company's MPSA from June 18, 2020 to June 18, 2022.

In a letter dated February 9, 2022, the Company wrote to MGB requesting for additional two (2) years extension or until June 18, 2024 of the 3rd Exploration Period (2nd Extension of the 3rd EP) on the ground that due to force majeure, factors and events that prevented the Company from fully utilizing its respective contract area to complete its activities corresponding to the exploration period were not yet addressed and are still prevailing.

On March 28, 2022, the MGB approved the extension of the Exploration Period (EP) of the Company for another two (2) years effective from June 19, 2022 to June 18, 2024 to recover its unused term. Additionally, it has completed and validated its Mineral Resource Report by Philippine Mineral Reporting Code (PMRC) during the year. The Company plans to achieve and finish its compliance with Environmental Compliance Certificate and the filing of DMPF within the extension of the EP.

On July 04, 2023, the Company requested for temporary suspension of the second (2nd) extension of the third (3rd) renewal of the Exploration Period due to the peace and order problem in the area. This request was granted by the MGB on September 27, 2023, effective July 4, 2023, until the situation becomes safe and favorable.

**Products/Sales/Competition**

The MMDC's main product is nickel ore. All its nickel ore productions were exported to China. The principal market for nickel ore production from the Philippines is currently China. After Indonesia implemented a ban on nickel ore exports, the Philippines has become the main source of Chinese nickel ore – Chinese imports of ores from the Philippines accounted for 90% of total imports in volume and 68% in value. Chinese companies prefer Philippine-sourced nickel ore due to savings in freight costs because of the proximity of the Philippines to China. Nickel ore is sold to Chinese customers based on FOB shipping point and customers handle the charter of vessels. China also relies heavily on imported nickel ore due to insufficient domestic supplies. While the Company does not rely heavily on a single customer, it is affected by the market price of nickel ore depending on domestic and foreign supply and demand.

**Sources and availability of Raw Materials**

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

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

**Mining Claim**

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

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

To date, the Company has done exploration work on 1,659 hectares and has performed mining operations on 282.8 hectares on the above MPSA covered area.

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

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

**Government Regulation and Approvals**

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

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

**Compliance with Environmental Laws**

The Company is strongly committed to its policy of protecting and enhancing the environment. It spent ₱64.55 million on its environmental and enhancement program (EPEP) in 2023.

**Related Party Transactions**

As at December 31, 2023, the total advances to related parties has an outstanding balance of ₱1.92 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, 2023 has an outstanding balance of ₱2.38 million which represents a non-interest bearing unsecured loan payable on demand.

Please refer to Note 14 on page 26 of the 2023 Audited Consolidated Financial Statements (ACFS).

**Employees**

- Parent Company- Marcventures Holdings, Inc. (MHI)
  The Company currently has a total of 14 employees, consisting of 4 executive positions, 1 in Treasury, 1 in Accounting, 2 in Internal Audit, 4 in Legal and 2 messenger personnel. For the ensuing 12 months, the Company anticipates an increase in the number of employees, specifically transfer of Legal and Corporate Communications from MMDC to MHI.

- Marcventures Mining & Development Corporation (MMDC)
  As of December 31, 2023, MMDC engaged a total of 320 workers. Out of the 320 workers, 42 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 | 9 | 17 |
| Supervisors | 12 | 79 | 91 |
| Rank and File | 20 | 139 | 159 |
| **Subtotal** | **51** | **227** | **278** |
| Security Agency | 0 | 42 | 42 |
| **Total** | **51** | **269** | **320** |

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

| | Makati Office | Mine Site | Total |
|---|---|---|---|
| Regular | 48 | 201 | 249 |
| Probationary | 1 | 18 | 19 |
| Service Contract | 0 | 4 | 4 |
| Regular Seasonal | 0 | 1 | 1 |
| Project Based | 2 | 3 | 5 |
| **Subtotal** | **51** | **227** | **278** |
| Security Agency | 0 | 42 | 42 |

| | | | |
|---|---|---|---|
| **Total** | **51** | **269** | **320** |

**Business and Industry Risks**

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

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

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

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

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

**Other risks**
Other risks affecting the Company were discussed in Note 24 on pages 35-38 of the 2023 ACFS.

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

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

Risk Management activities are carried out through a systematic and disciplined process. The process starts with a Board-approved, comprehensive and Risk Management Policy Manual which encompasses the Enterprise Risk Management (ERM) framework for managing risk at enterprise-wide level. ERM framework provides the means to ensure that all risks – operational, financial, compliance, security and safety as well as reputational are identified, assessed, monitored, mitigated and controlled.

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

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

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

The organization is averse to risks relating to:

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

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

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

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

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

**ITEM 2. DESCRIPTION OF PROPERTIES**

**Mineral Properties**

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

**MMDC**

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

**BRC**

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

**AMPI**

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

**BARI**

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

**Mineral Resource and Reserve Estimate as of December 31, 2023 :**

| RESOURCE | MMDC | BRC | AMPI | BARI |
|---|---|---|---|---|
| Tonnage | Measured & Indicated Saprolite:<br>8.7 million WMT at 1.32% Nickel, 12.89% Iron<br><br>Limonite<br>57.8 million WMT at 0.89% Nickel and 43.75% Iron<br><br>Inferred Saprolite:<br>3.8 million WMT at 1.20% Nickel and 12.72% Iron<br><br>Limonite:<br>NA | Measured & Indicated Saprolite:<br>3.055 million WMT at 1.59% Nickel, 14.85% Iron<br><br>Limonite<br>12.972 million WMT at 1.07% Nickel and 39.73% Iron<br><br>Inferred Saprolite:<br>0.329 million WMT at 1.61% Nickel and 14.25% Iron<br><br>Limonite:<br>4.698 million WMT at 0.90% Nickel and 39.61% Iron | Measured & Indicated Bauxite Ore:<br>41.713 million WMT at 40.06% $Al_2O_3$ and 14.50% $SiO_2$<br><br>Inferred Bauxite Ore<br><br>17.275 million WMT at 38.96% $Al_2O_3$ and 16.59% $SiO_2$ | Measured & Indicated Bauxite Ore:<br>31.469 million WMT<br>At 43.78% $Al_2O_3$ and 7.96% $SiO_2$<br><br>Inferred Bauxite Ore<br>28.436 million WMT<br>at 43.75% $Al_2O_3$ and 8.09% $SiO_2$ |

Notes:

1. The Mineral Resource Estimates (MRE) reported is based on the 10 October 2023 resource block model prepared by MMDC Resource Geologist Gisella Jane E. Dida and reviewed by PMRC-Accredited Competent Person Jayvhel T. Guzman, incorporating data from 167 drill holes drilled in Cabangahan and 159 drill holes in Sipangpang in 2023. ACP Guzman 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 an Accredited Competent Person as defined in the PMRC Code. Ms. Dida is a licensed geologist trained and supervised by ACP Guzman in the resource estimation activity.

2. The resource block model was generated using Geovia Surpac™ 2022 and the mineral resource estimation methodology used is the Nearest Neighbor interpolation.

3. The increase in the saprolite and limonite measured and indicated mineral resource tonnages in Cabangahan resulted mainly from the upgrading of inferred mineral resources and blocking of additional mineral resources through development drilling.

4. The MRE followed the terminology and guidelines set forth in the Philippine Mineral Reporting Code (PMRC).

5. The MRE 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.

6. The MRE is valid from the date of signing of the ACP. In the event that any new geological information, exploration results and ore deposit models will arise that may have direct or indirect implication on the mineral resource estimates as disclosed in this statement, the said MRE may be rendered inaccurate and should therefore be treated with caution.

For other discussions of mining properties, please refer to Note 10, pages 23-24 of the 2023 ACFS.

**<u>Property and Equipment</u>**

**Office Space**

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

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

**MMDC Properties**

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

**Land and Improvements owned**

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

**Rented**

| | Lot Area (sqm) | Monthly Rental |
|---|---|---|
| Haulage Roads | 223,644 | 726,639 |
| Stockyards | 128,959 | 203,525 |
| Causeway | 19,555 | 137,773 |
| Others | 94,859 | 203,461 |
| **Total** | **467,017** | **1,271,398** |

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 needed for operations. The cost acquisitions will depend on negotiations with prospective owners and lessors. MMDC plans to finance acquisitions from internally generated funds and through bank loans.

The Company's equipment mostly pertains to transportation equipment. For details of the property and equipment, please refer to Note 8 on page 22 of the 2023 ACFS.

**ITEM 3. LEGAL PROCEEDINGS**

The Company is not a party to any pending material legal proceedings and/or assessment or pending governmental investigation. It is not involved in any pending legal proceedings with respect to any of its properties. It is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

MMDC, one of MHI's subsidiaries, is a party to a number of legal proceedings that commonly arise in the course of running a fully operational business concern.

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

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

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

The Company submitted the following matters to a vote of the security holders during the 2023 Annual Meeting:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of the Minutes of Previous Stockholders' Meeting held on 28 July 2023
4. Approval of the Management Report and Audited Financial Statements for the Year Ended 31 December 2023
5. Ratification of all acts of the Board of Directors and Management
6. Election of Directors
7. Approval of Appointment of the Company's Independent External Auditor
8. Other Matters
9. Adjournment

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### ITEM 5. MARKET PRICE 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 |
| | **2021** | |
| January – March | **1.97** | **1.97** |
| April – June | **1.46** | **1.46** |
| July - September | **1.28** | **1.28** |
| October – December | **1.48** | **1.48** |
| | **2022** | |
| January – March | **2.50** | **1.14** |
| April – June | **1.84** | **1.36** |
| July - September | **1.62** | **1.21** |
| October – December | **1.45** | **1.14** |
| | **2023** | |
| January – March | **1.36** | **1.01** |
| April – June | **1.12** | **0.88** |
| July - September | **0.99** | **0.66** |
| October – December | **1.15** | **0.84** |

**Latest Market Price**

On the trading date of December 29, 2023, the closing market price of the Company's common stock was ₱1.08 per share.

**Stockholders**

The number of shareholders of record as of December 31, 2023 was 2,177. The outstanding shares as of December 31, 2023 were 3,014,820,305 common shares, 2,929,813,200 or 97.18% of which are owned by Filipinos.

**MARCVENTURES HOLDINGS, INC.**
**TOP 20 STOCKHOLDERS**
**AS OF DECEMBER 31, 2023**

| | | | | |
|---|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | FILIPINO | 2,596,018,221 | 86.11% |
| 2 | STINSON PROPERTIES INC. | FILIPINO | 87,834,569 | 2.91% |
| 3 | SUREGUARD PROPERTIES INC. | FILIPINO | 86,514,534 | 2.87% |
| 4 | MYOLNER PROPERTIES INC. | FILIPINO | 86,514,533 | 2.87% |
| 5 | PCD NOMINEE CORP. (NON-FILIPINO) | NON-FILIPINO | 84,920,312 | 2.82% |
| 6 | GLORIOUS DECADE PROPERTIES, INC | FILIPINO | 30,000,000 | 1.00% |
| 7 | ANTHONY M. TE | FILIPINO | 27,000,500 | 0.90% |
| 8 | GLORIOUS DECADE PROPERTIES, INC. | FILIPINO | 13,013,000 | 0.43% |
| 9 | BENJAMIN CONSUNJI SANDOVAL | FILIPINO | 1,000,000 | 0.03% |
| 10 | ATC SECURITIES, INC. | FILIPINO | 808,023 | 0.03% |
| 11 | BENJAMIN S. GELI | FILIPINO | 100,000 | 0.00% |
| 12 | JOHN C. JOVEN | FILIPINO | 100,000 | 0.00% |
| 13 | ANSALDO GODINEZ & CO., INC. | FILIPINO | 92,255 | 0.00% |
| 14 | PACIFICO B. TACUB | FILIPINO | 50,000 | 0.00% |
| 15 | OTILIA D. MOLO OR ELAINE D. MOLO | FILIPINO | 48,419 | 0.00% |
| 16 | ARNOLD JANSSEN T. BANTUGAN OR CHRISTINE ANGELI L. BANTUGAN | FILIPINO | 45,000 | 0.00% |
| 17 | TERESITA N. LIM | FILIPINO | 40,000 | 0.00% |
| 18 | VICENTE GOQUIOLAY & CO., INC. | FILIPINO | 39,599 | 0.00% |
| 19 | ALBERTO MENDOZA&/OR JEANIE MENDOZA | FILIPINO | 30,000 | 0.00% |
| 20 | PERALTA ENRIQUE B. | FILIPINO | 23,000 | 0.00% |
| | **TOTAL TOP 20 SHAREHOLDERS** | | **3,014,191,965** | **99.98%** |

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

**Dividends**

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

**Cash Dividends**

| Year | Date | | | Amount | |
|---|---|---|---|---|---|
| | Declared | Record | Payable | Dividends Per Share | Total Declared (in millions) |
| 2023 | Dec. 7, 2023 | Jan. 12, 2024 | Jan. 26, 2024 | ₱0.10 | ₱301.48 |
| 2022 | No dividends were declared for the year 2022 | | | | |
| 2021 | Nov. 19, 2021 | Dec. 7, 2021 | Jan. 4, 2022 | ₱0.13 | ₱391.9 |
| 2020 | No dividends were declared for the year 2020 | | | | |
| 2019 | No dividends were declared for the year 2019 | | | | |
| 2018 | No dividends were declared for the year 2018 | | | | |
| 2017 | No dividends were declared for the year 2017 | | | | |
| 2016 | No dividends were declared for the year 2016 | | | | |
| 2015 | No dividends were declared for the year 2015 | | | | |
| 2014 | Nov. 14, 2014 | Dec. 19, 2014 | Jan. 16, 2015 | ₱0.15 | ₱273.2 |
| 2014 | Sept. 19, 2014 | Oct. 31, 2014 | Oct. 22, 2014 | 0.15 | 273.2 |

**Stock Dividends**
There were no stock dividends declared for years 2015 to 2023.

**Sales of Securities**
As of December 31, 2023, there are no sales of unregistered or exempt Securities.

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as of December 31, 2023, 2022 and 2021 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2023, 2022 and 2021 and as of December 31, 2023, 2022 and 2021 are discussed below.

### A. Discussion for 2023 and 2022 Financial Results

**Results of Operations**

| | Audited (in million Pesos) | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2023** | 2022 | Amount | % |
| Revenues | **₱2,050.42** | ₱3,067.49 | (₱1,017.07) | (33.2%) |
| Cost of Sales | **1,203.10** | 2,043.61 | (840.51) | (41.1%) |
| Operating and Other Expenses | **508.86** | 684.29 | (175.43) | (25.6%) |
| Income (Loss) Before Income Tax | **338.46** | 339.59 | (1.13) | (0.3%) |
| Income Tax | **106.32** | 137.00 | (30.68) | (22.4%) |
| Net Income (Loss) | **₱232.14** | ₱202.58 | ₱29.56 | 14.6% |

*Revenues*
MMDC sold an aggregate of 1,502,251 wet metric tonnes (WMT) of nickel ore, or equivalent to 28 shipments of which 2 vessels are saprolite and 26 vessels are limonite for the year ended December 31, 2023, as compared to the year 2022 with a total of 1,672,957 wet metric tonnes (WMT) of nickel ore, or equivalent to 31 shipments of which 26 vessels are saprolite and 5 vessels are limonite, hence,

registering a decline of 170,706 WMT. The regression of ore sales were due to the shortfall in number of shipments coupled with the weakening ore market price in 2023.

The company's total revenue in 2023 was ₱2,050.41 million which is notably lower by ₱1,017.07 million or 33.2% as compared to ₱3,067.49 million in 2022. The result of operations was a net income after tax of ₱232.14 million in 2023 resulting to a decrease of ₱29.6 million or 14.6% compared to 2022 with net income of ₱202.58 million.

The regression of profit was due to the shortfall in number of shipments coupled with the weakening ore market in the year 2023.

Shipment details of volume and prices are as follows:

WMT

| | 2023 | 2022 | Increase (decrease) |
|---|---|---|---|
| Limonite | **1,394,001** | 263,397 | 1,130,604 |
| Saprolite | **108,250** | 1,409,560 | (1,301,310) |

Average Price per wmt (in US$)

| | 2023 | 2022 | Increase (decrease) |
|---|---|---|---|
| Limonite | **$22.70** | $26.42 | ($3.72) |
| Saprolite | **$32.24** | $33.52 | ($1.28) |

*Cost of Sales*
Due to decrease in revenue, the Company's cost of sales decreased by ₱840.51 million or 41.1% from ₱2,043.61 million in 2022 to ₱1,203.10 million in 2023. The decline was mainly due to the lessening of contracted services and excise tax payments needed to produce and sell of ores.

*Operating Expenses*
The Company's total operating and other expenses in 2023 was ₱508.86 million, a decrease of ₱175.43 million or 25.6% as compared to ₱684.29 million in 2022. The decrease was due to the following:

- There is no additional Provision for ECL for the year compared to ₱75.52million last year.
- Royalties decreased by ₱10.52 million or 33.3%. These expenses were computed and paid based on the percentage of gross sales.
- Depreciation expense decreased by ₱5.92 million or 41.0% due to most of the property and equipment were already fully depreciated.
- Environmental expenses decreased by ₱48.77 million or 43.0%, total amount of ₱64.55 million is in compliance with the required minimum of 3.0% of the direct mining cost of prior year to be allocated to mitigate environmental issues.
- Representation decreased by ₱41.42 million or 71.4% due to minimal meetings and entertainment activities and contributions incurred during the year.
- Social Development Program decreased by ₱8.09 million or 23.2%, total amount of ₱26.83 million in 2023 is in compliance with implementimg rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of the operating cost of prior year be allocated for the development of host and neighboring mining communities.
- Taxes and licenses decreased by ₱19.34 million or 21.3% due to lower LGU business tax assessment for 2022 gross revenue, the basis of business permit computation.

**Financial Position**

| | Audited (in million Pesos) | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2023** | 2022 | Amount | % |
| Assets | **₱6,049.78** | ₱5,940.61 | ₱109.17 | 1.8% |
| Liabilities | **1,252.41** | 1,068.22 | 184.22 | 17.2% |
| Stockholders' Equity | **4,797.37** | 4,872.38 | (75.01) | (1.5%) |

*Assets*
The consolidated total assets of the Company increased from ₱5,940.61 million as of December 31, 2023 to ₱6,049.78 million as of December 31, 2023. The 1.8% increase was mainly due to the net effect of the following:

- Cash increased by ₱56.98 million or 10.4% from ₱546.89 million in 2022 to ₱603.88 million in 2023.
- Ore inventories increased by ₱18.01 million or 11.9% from ₱151.11 million in 2022 to ₱169.12 million in 2023.
- Other current assets increased by ₱8.75 million or 9.5% from ₱91.74 million in 2022 to ₱100.49 million in 2023, these are mostly pertains to advances to suppliers and contractors.
- Other noncurrent assets increased by ₱152.72 million or 31.5% from ₱484.48 million in 2022 to ₱637.2 million in 2023 due to additional input vat incurred for the year.
- Trade and other receivables decreased by ₱78.89 million or 78% from ₱101.2 million in 2022 to ₱22.31 million in 2023 due to write-off of long outstanding receivable.

*Liabilities*
As of December 31, 2023, the total liabilities of the Company increased by ₱184.22 million or 17.2% from ₱1,068.22 million in December 2022 to ₱1,252.41 million in 2023. The increase was due to the net effect of the following:

- Dividends declaration in December 7, 2023 amounting to ₱301.48 million payable in January 26, 2024.
- Income tax payable increased by ₱12.20 million or 66.9% from ₱18.25 million in 2022 to ₱30.44 million in 2023 due to higher taxable income for the current year.
- Additional ₱2.73 million for provision for mine rehabilitation and decommissioning.
- Retirement benefit liability increased by ₱3.75 million or 9.3% from ₱40.48 million in 2022 to ₱44.23 million in 2023.
- Loans payable decreased by ₱52.54 million or 65.4% from ₱80.35 million in 2022 to ₱27.8 million in 2023 due to the settlement of the loan principal.

*Stockholders' Equity*
The stockholders' equity decreased by ₱75.01 million from ₱4,872.38 million in 2022 to ₱4,797.37 million in 2023. The decrease pertains to the dividends declaration for the year.

**Consolidated Cash Flow**

| | Audited (in million Pesos) | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2023** | 2022 | Amount | % |
| Cash provided by operating activities | **₱338.63** | ₱714.98 | (₱376.35) | (52.6%) |
| Cash provided by (used) in investing activities | **(191.15)** | (334.31) | (143.16) | (42.8%) |
| Cash provided by (used in) financing activities | **(90.41)** | (634.01) | (543.60) | (85.7%) |

The cash provided by operating activities decreased by 52.60% from ₱714.98 million in 2022 to ₱338.63 million in 2023 due to the significant decline of revenue and collection.

In 2023, the decreased in net cash used in investing activities are primarily due to the additions in mine and mining properties amounting to ₱58.10 million as these were utilized in various stockyards in the form of matting and repair and maintenance of haulage road and causeway. Also, with an increased in other noncurrent asset amounting to ₱127.98 million coming from the input VAT subject for refund.

In 2023, the company's net cash provided in financing activities are mainly due to the settlement of principal loans payable during the year.

## B. Discussion for 2022 and 2021 Financial Results

**Results of Operations**

| | Audited (in million Pesos) | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2022** | 2021 | Amount | % |
| Revenues | **₱3,067.49** | ₱3,891.59 | (824.11) | (21.18%) |
| Cost of Sales | **2,043.61** | 2,104.62 | (123.05) | (5.68%) |
| Operating and Other Expenses | **684.29** | 774.93 | (28.60) | (4.01%) |
| Income (Loss) Before Income Tax | **339.59** | 1,012.04 | (672.46) | (66.45%) |
| Income Tax | **137.00** | 255.60 | (118.59) | (46.40%) |
| Net Income (Loss) | **₱202.58** | ₱756.44 | (553.86) | (73.22%) |

*Revenues*

MMDC sold an aggregate of 1,672,957 wet metric tonnes (WMT) of nickel ore, or equivalent to 31 shipments of which 26 vessels are saprolite and 5 vessels are limonite for the year ended December 31, 2022, as compared to the year 2021 with a total of 2,085,746 WMT of nickel ore, or equivalent to 38 shipments of which all 25 vessels are saprolite and 13 vessels are limonite hence, registering a decline of 412,789 WMT. The regression of ore sales were due to the shortfall in number of shipments coupled with the weakening ore market and aggravation of fuel prices in the second half of 2022.

The company's total revenue in 2022 was ₱3,067.49 million which is notably lower by ₱824.11 million or 21.18% as compared to ₱3,891.59 million in 2021. The result of operations was a net income after tax of ₱202.58 million in 2022 resulting to a decrease of ₱553.86 million or 73.22% compared to 2021 with net income of ₱756.44 million.

The regression of profit was due to the shortfall in number of shipments coupled with the weakening ore market and aggravation of fuel prices in the second half of 2022.

Shipment details of volume and prices are as follows:

WMT

| | 2022 | 2021 | Increase (decrease) |
|---|---|---|---|
| Limonite | **263,397** | 696,484 | (433,087) |
| Saprolite | **1,409,560** | 1,389,262 | 20,298 |

Average Price per wmt (in US$)

| | 2022 | 2021 | Increase (decrease) |
|---|---|---|---|
| Limonite | **$26.42** | $25.39 | $1.03 |
| Saprolite | **$33.52** | $43.10 | ($9.58) |

*Cost of Sales*
Due to decrease in revenue, the Company's cost of sales decreased by ₱123.05 million or 5.68% from ₱2,166.66 million in 2021 to ₱2,043.61 million in 2022. The decline was mainly due to the lessening of contracted services and excise tax payments needed to produce and sell of ores.

*Operating Expenses*
The Company's total operating and other expenses in 2022 was ₱684.29 million, a decrease of ₱28.60 million or 4.01% as compared to ₱712.89 million in 2021. The decrease was due to the following:

- Interest expense decreased by ₱21.87 million or 43.28% due to the partial settlements of bank loans during the year.
- Provision for ECL decreased by ₱83.89 million or 52.63% due to the lower long overdue uncollected receivables from prior year sales subject for provision this year.
- Royalties decreased by ₱9.27 million or 22.69%. These expenses were computed and paid based on the percentage of gross sales.
- Depreciation expense decreased by ₱26.60 million or 64.85% due to most of the property and equipment were already fully depreciated.

**The above decreases were partly offset by the following:**

- Environmental expenses increased by ₱21.73 million or 23.73%, total amount of ₱113.32 million is in compliance with the required minimum of 3.0% of the direct mining cost of prior year to be allocated to mitigate environmental issues.
- Social Development Program increased by ₱10.77 million or 44.63%, total amount of ₱34.92 million in 2022 is in compliance with implementimg rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of the operating cost of prior year be allocated for the development of host and neighboring mining communities
- Taxes and licenses increased by ₱10.56 million or 13.18% due to higher assessment of LGU business tax for 2021 gross revenue which is the basis in computing the business permit.
- Professional Fee increased by ₱10.97 million or 21.32% due to more consultancy and professional engagements.
- Representation increased by ₱52.67 million or 536.99% due to notable meetings/ dialogue with the stakeholders and clients.
- Outside services increased by ₱7.22 million or equivalent to 52.32% due to higher agency fee for the manpower requirements needed for the operations.

**Financial Position**

| | Audited (in million Pesos) | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2022** | 2021 | Amount | % |
| Assets | **₱5,940.61** | ₱6,509.50 | (₱569.03) | (8.74%) |
| Liabilities | **1,068.22** | 1,844.52 | (776.29) | (42.09%) |
| Stockholders' Equity | **4,872.38** | 4,665.12 | 207.27 | 4.44% |

*Assets*
The consolidated total assets of the Company decreased from ₱6,509.50 million as of December 31, 2021 to ₱5,940.61 million as of December 31, 2022. The 8.74% decrease was mainly due to the net effect of the following:

- Cash decreased by ₱254.16 million or 31.73% due lower number of shipments resulting to a decline of ore sales proceeds.
- Trade and other receivables decreased by ₱250.43 million or 71.22%, mainly due to the collection from sales and additional provision for uncollectible accounts.
- Ore inventory decreased by ₱46.19 million or 23.41% from ₱197.31 million in 2021 to ₱151.11 million in 2022. The decrease was mainly due to lower production towards the last quarter of the year.
- Net deferred tax assets decreased by ₱20.17 million or 38.66% due to the offsetting from the tax liabilities on the reconcliation ensuing to lower the tax dues for the year.
- Other noncurrent assets increased by ₱80.99 million or 20.07% mainly due to the increase of input vat from the direct mining cost.

*Liabilities*
As of December 31, 2022, the total liabilities of the Company decreased by ₱776.29 million or 42.09% from ₱1,844.52 million in December 2021 to ₱1,068.22 million in 2022. The decrease was due to the net effect of the following:

- Trade and other payables decreased by ₱171.91 million or 37.94%, primarily due to the insignificant advances from customers made from the last quarter of this year as compared of previous year.
- Loan payable decreased by ₱150.91 million due to the settlement of the loan principal.
- Dividends payable decreased by ₱371.46 million or 97.25% due to the ddividends payment to the shareholders.
- Long-term debts decreased by ₱78.71 million primarily due to the payments of loans that matures within the maturity date.

*Stockholders' Equity*
The stockholders' equity increased by ₱207.27 million from ₱4,665.12 million in 2021 to ₱4,872.38 million in 2022. The increase pertains to the consolidated net income for the year.

**Consolidated Cash Flow**

| | Audited (in million Pesos) | | Increase (Decrease) | |
|---|---|---|---|---|
| | **2022** | 2021 | Amount | % |
| Cash provided by operating activities | **₱714.98** | ₱1,060.72 | (₱345.74) | (32.60%) |
| Cash provided by (used) in investing activities | **(333.33)** | (145.63) | (187.70) | 128.88% |
| Cash provided by (used in) financing activities | **(635.81)** | (355.99) | (221.54) | (164.79%) |

The cash provided by operating activities decreased by 32.60% from ₱1.060.72 million in 2021 to ₱714.98 million in 2022 due to the significant decline of income.

In 2022, the increased in net cash used in investing activities are primarily due to the additions in mine and mining properties amounting to ₱53.47 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 ₱76.31 million coming from the input VAT od direct mining cost.

In 2022, the company's net cash provided in financing activities are mainly due to the payment of dividends payable during the year.

**Financial Indicators**

**Key Performance Indicators (KPI's)**

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2023 and December 31, 2022:

| | **2023** | 2022 |
|---|---|---|
| Net Income | **₱232,136,506** | ₱202,580,780 |
| Current assets | **898,183,945** | 917,225,555 |
| Total assets | **6,049,779,002** | 5,940,605,308 |
| Current liabilities | **598,529,310** | 395,222,778 |
| Total liabilities | **1,252,405,412** | 1,068,221,038 |
| Stockholders' Equity | **4,797,373,590** | 4,872,384,270 |
| No. of common shares outstanding | **3,014,820,305** | 3,014,820,305 |

| | **2023** | 2022 |
|---|---|---|
| Current ratio [1] | **1.50** | 2.32 |
| Book value per share [2] | **1.59** | 1.62 |
| Debt to equity ratio [3] | **0.26** | 0.22 |
| Earnings per share [4] | **0.08** | 0.07 |
| Return on assets [5] | **0.04** | 0.03 |

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 | |
|---|---|---|
| | **2023** | 2022 |
| Audit Fees | **₱2,060,000** | ₱1,855,000 |
| Audit-Related Fees | **206,000** | 185,500 |
| **Total** | **₱2,266,000** | ₱2,040,500 |

**Audit Fees.** Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2023 and 2022.

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

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

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

**Changes in and disagreements with Accountants on Accounting and financial Disclosure**

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

## PART III – CONTROL AND COMPENSATION INFORMATION

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

**<u>Board of Directors and Executive Officers</u>**

**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 | 94 | Filipino | Chairman |
| Augusto C. Serafica, Jr. | 62 | Filipino | Director |
| Marianne Regina T. Dy | 46 | Filipino | Director |
| Carlos Alfonso T. Ocampo | 58 | Filipino | Independent Director |
| Kwok Yam Ian Chan | 36 | Filipino | Independent Director |
| Ruby K. Sy | 71 | Filipino | Director |
| Michael L. Escaler | 73 | Filipino | Director |
| Anthony M. Te | 53 | Filipino | Director |
| Andrew Julian K. Romualdez | 23 | Filipino | Director |
| Rolando S. Santos | 73 | Filipino | Chief Operating Officer and Executive Vice-President |
| Dale A. Tongco | 59 | Filipino | Treasurer |
| Roberto V. San Jose | 82 | Filipino | Corporate Secretary |
| Ana Maria A. Katigbak | 55 | Filipino | Asst. Corporate Secretary/Compliance Officer/Corporate Information Officer/ Data Privacy Officer |
| Rommel T. Casipe *(appointed effective July 25, 2023)* | 36 | Filipino | Co-Assistant Corporate Secretary/ Co-Compliance Officer/ Co-Corporate Information Officer |

| | | | |
|---|---|---|---|
| Deborra C. Ilagan | 60 | Filipino | Vice-President for Human Resources / Administration |
| Ma. Theresa A. Defensor<br>*(promoted effective September 1, 2023)* | 56 | Filipino | Vice President – Corporate Communications |
| Kenneth Peter D. Molave<br>*(appointed on March 2, 2023 and resigned effective July 8, 2023)* | 34 | Filipino | MHI Co-Data Privacy Officer and Co-Assistant Corporate Secretary and MMDC Corporate Secretary |
| Reuben F. Alcantara<br>*(retired effective March 12, 2023)* | 40 | Filipino | Senior Vice-President for Marketing/ Business Development and Strategic Planning |
| Maila G. De Castro<br>*(resigned effective February 10, 2023)* | 48 | Filipino | Co-Asst. Corporate Secretary/Co-Compliance Officer/ Corporate Information Officer/ Data Privacy Officer and Vice President and Head for Legal |

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

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

**Mr. Augusto Antonio C. Serafica Jr.** was elected as Director in June 2013. Mr. Serafica is currently the President and CEO of Bright Kindle Resources & Investments Corp and Armstrong Capital Holdings, Inc. He was formerly the President of Premiere Horizon Alliance Corporation and the Managing Director of Asian Alliance Investment Corporation and Asian Alliance Holdings & Development Corporation. He is currently the Treasurer of Ardent Property Development Corporation and First Ardent Development Corporation.

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. 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., and is a former Treasurer of the Federation of

AIM Alumni Associations, Inc. and Chairman and Director of the Alumni Association of AIM – Philippines, Inc. He was also a former National Chairman of the Board of Trustees as well as a former National Treasurer of the Brotherhood of Christian Businessmen and Professionals (BCBP).

**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.

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

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

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

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

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

**Mr. Anthony M. Te** was elected Director in October 2017 and has been a director of Marcventures Mining & Development Corp since August 2013. He is currently Chairman of the Board of Asian Appraisal Company, Inc., Amalgamated Project Management Services, Inc., Asian Asset Insurance Brokerage Corp. and AE Proteina 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. Andrew Julian K. Romualdez** was elected as Director on 28 July 2022. He is also a Director of the Company's subsidiaries, namely: Marcventures Mining and Development Corporation, Alumina Mining Phils., Inc. Bauxite Resources, Inc. and Brightgreen Resources Corporation. He is currently a director of *listed companies,* Benguet Corp. (BC) and Bright Kindle Resources & Investments, Inc. (BKR). He is also a director of the BC's subsidiaries, namely: Benguetcorp Resources Management Corporation (BRMC), Arrow Freight and Construction Corporation (AFCC), Benguetcorp Laboratories, Inc. (BCLI) and Benguet Management Corporation (BMC), and BKR's subsidiary, Brightstar Holdings and Development Inc. He is currently a director of Armstrong Securities, Inc. and Armstrong Capital Holdings, Inc. Mr. Romualdez graduated from Cornell University in 2022 with a Bachelor's Degree in International Agriculture and Rural Development.

**Mr. Rolando S. Santos** was elected Chief Operating Officer and Executive Vice-President in 29 September 2022. He was previously the Treasurer of the Company. He also serves as Treasurer for MMDC, Prime Media Holdings Inc., Southern Alluvial Minerals and Alumina Resources Inc., BrightGreen Resources Holdings Inc. and BrightGreen Resources Corp. and SVP Treasurer of Bright Kindle Resources and Investments, Inc. He previously served as Treasurer for AG Finance Inc., and was the Branch head/Cluster head of Branches for Banco De Oro from 2001 to 2013, Bank of Commerce from 1984 to 2001, Producers Bank of the Philippines from 1981 to 1984, and Far East Bank from 1972 and 1981. He obtained his degree in BS Business Administration from the University of the East.

**Mr. Dale A. Tongco** was appointed Treasurer in 29 September 2022. He was previously the Vice-President for Controllership of the Company. He is also the Risk Management Officer of Prime Media Holdings Inc. and the VP Risk Management and and Chief Risk Officer of Bright Kindle Resources & Investments Inc. He is a Certified Public Accountant with extensive experience in Public Accounting Firms as External Auditor and with Corporations as an Internal Auditor and Risk Management Officer specifically in the areas of Fraud Management; ISO 9001 and 14001 Audit and Management; Process and Control Review; Policies and Procedures Documentation; Corporate Governance; and Finance and Treasury. His professional experience over 13 years includes stints in KPMG, Deloitte, Phil-Am-AIA, CP de Guzman & Co.-CPAs and Benguet Corporation.

**Atty. 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 Assistant Corporate Secretary, Compliance Officer and Corporate Information Officer 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.

**Atty. Rommel T. Casipe** was appointed Co-Assistant Corporate Secretary, Co-Compliance Officer and Co-Corporate Information Officer in July 2023. He is also the Co-Assistant Corporate Secretary of a listed company, Bright Kindle Resources & Investments, Inc. Atty. Casipe has been a member of the Integrated Bar of the Philippines since 2019. Before joining the Company, he served as the Compliance Officer of D.M. Wenceslao & Associates, Inc., a real estate company. He also worked as an associate lawyer in OPCN Law Offices specializing in Labor Law and Trademark Law. He obtained his bachelor's degree in Sport Science from the University of the Philippines and Law degree from the Far Eastern University.

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

**Ms. Ma. Theresa A. Defensor** was promoted to Vice President – Corporate Communications of Marcventures Holdings, Inc. on September 1, 2023. She was formerly Assistant Vice President for Corporate Communications and has been with the Company for over five years. Ms. Defensor is a Communications practitioner backed up with decades of experience in public relations, content creation, and media management. Prior to Marcventures Holdings Inc., she held key positions in top agencies Fleishman Hillard, Fuentes Manila, and Agatep and Associates. As a journalist, she wrote for Business World, Philippine Tatler and The Manila Chronicle. A certified Global Crisis Counselor, she majored in Journalism at the University of the Philippines and completed her graduate studies at the University of Santo Tomas and the Asian Institute of Management.

**Atty. Kenneth Peter D. Molave** was appointed Co-Data Privacy Officer and Co-Assistant Corporate Secretary in March 2023 and resigned on July 8, 2023. Atty. Molave is a practicing lawyer with experience in civil and criminal litigation, corporate law, corporate secretarial services, and business taxation. He was previously a Senior Legal Counsel of Marcventures Holdings Inc. (MHI). He was also the Co-Assistant Corporate Secretary of Bright Kindle Resources & Investments, Inc. He worked as an underbar associate assigned to the Business Tax Services division at the accounting firm, Sycip Gorres Velayo & Co. starting January 2017. Upon obtaining his license to practice law, he worked with the Legal Services Group of the Department of Finance. In 2018, he transferred to Libra Law Firm as a Junior Associate assigned to the litigation department. Atty. Molave holds a Legal Management degree from the Ateneo de Naga University and obtained his Juris Doctor from the University of the Philippines.

**Mr. Reuben F. Alcantara** is the Senior Vice President for Marketing and Business Development. He joined the Company in September 2013 and as Vice President for Marketing of Marcventures Mining and Development Corporation and retired on March 12, 2023. He previously served as the Vice President of Marketing for Bright Kindle Resources and Investments, Inc. and AG finance, Inc., as Relationship and Credit Officer for Security Bank and has had stints in Corporate Banking in Bank of

Commerce and Maybank Philippines. Mr. Alcantara obtained his Executive Master's in Business Administration Degree from the Asian Institute of Management in the year 2016**.**

**Atty. Maila G. De Castro** was appointed Vice President and Head of Legal and Appointed as MHI Co-Asst. Corp. Secretary/ Co-Compliance Officer/Co- Corporate Information Officer /Data Privacy Officer; Corp. Secretary for all MHI subsidiaries in August 2019 and resigned on February 10, 2023. She has earned her master's degree in Business Administration from the Asian Institute of Management (AIM) in 2006 and her Juris Doctor from the Ateneo de Manila School of Law in 2000 and was admitted to the Integrated Bar of the Philippine in year 2001. She completed her Bachelor of Arts in Mass Communications from the University of the Philippines in 1996.

**Service Period of Directors and Executive Officers**

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

**Terms of Office for Directors**

The nine (9) directors shall be stockholders and shall be elected annually by the stockholders owning majority of the outstanding capital stock for a term of one (1) year and shall serve until the election and qualification of their successors.

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

**Significant Employees**

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

**Family Relationships**

None.

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

None.

**ITEM 10. EXECUTIVE COMPENSATION**

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

**SUMMARY OF COMPENSATION TABLE**

| **Positions** | **2023** | 2022 | 2021 |
|---|---|---|---|
| Chairman, President, Corporate Secretary, Assistant Corporate Secretary and All Executive Officers | **₱48,605,701** | **₱46,075,722** | ₱48,707,059 |

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

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

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

**ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Security ownership of certain record ("r") and beneficial ("b") owners of five percent (5%) or more of the outstanding capital stock of the Registrant as of December 31, 2023:

| Title of Class | Name, address of record owner and relationship with Issuer | Name of Beneficial Owner & Relationship with Record Owner | Citizenship | No. of Shares Held | Percent (Based on new no. of Outstanding Shares |
|---|---|---|---|---|---|
| Common | Ruby Sy | - | Filipino | 168,615,000 | 5.59% |
| Common | PCD Nominee Corporation (registered owner in the books of the stock transfer agent) | Bright Kindle Resources & Investments Inc. | Filipino | 600,000,000 | 19.9% |
| | | Rodolfo Yu | Filipino | 172,635,000 | 5.73% |
| | | RYM Business Management Corp. | Filipino | 309,999,946 | 10.28% |
| | | Dy Family | Filipino | 348,500,000 | 11.56% |
| | | | | | |
| | | 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.<br><br>PCD authorizes its trading participants to vote the shares registered in their name. | Filipino | 1,081,188,587 | 35.86% |
| | | | **TOTAL** | **2,680,938,533** | **88.93%** |

As of December 31, 2023, the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 85,007,105 shares or equivalent to 2.82%

**Security Ownership of Management** – Record "r" and Beneficial "b" (direct/indirect) owners as of December 31, 2023:

| 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<br>Chairman | 1,000 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| Common | Marianne Regina T. Dy<br>Director | 1 "r" (direct)<br>5,999,999 "b" (indirect) | Filipino | 0.00%<br>0.20% |
| Common | Carlos T. Ocampo<br>Independent Director | 1,000 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| Common | Augusto C. Serafica, Jr.<br>Director | 10,000 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| Common | Ruby Sy<br>Director | 168,615,000 "r" (direct)<br>0 "b" (indirect) | Filipino | 5.59% |
| Common | Anthony M. Te<br>Director | 27,000,500 "r" (direct)<br>55,629,100 "b" (indirect) | Filipino | 0.90%<br>1.85% |
| Common | Kwok Yam Ian Chan | 1,000 "r" (direct)<br>0 "b" (indirect) | British | 0.00% |
| Common | Michael L. Escaler<br>Director | 1 "r" (direct)<br>"b" (indirect) | Filipino | 0.00% |
| Common | Andrew Julian K. Romualdez<br>Director | 1,000 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| Common | Rolando S. Santos<br>Chief Operating Officer and Executive Vice-President | 1 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| | Roberto V. San Jose<br>Corporate Secretary | 0 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| Common | Ana Katigbak<br>Asst. Corporate Secretary | 0 "r" (direct)<br>150,000 "b" (indirect) | Filipino | 0.00% |
| | Rommel T. Casipe<br>Co-Asst. Corporate Secretary | 0 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| | Dale A. Tongco<br>Treasurer | 0 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| | Deborra C. Ilagan<br>VP HR/ Admin | 0 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| | Ma. Theresa A. Defensor<br>VP Corporate Communications | 0 "r" (direct)<br>0 "b" (indirect) | Filipino | 0.00% |
| | | 195,629,503 -"r"<br>61,779,099 – "b" | | |

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of December 31, 2023, advances to and from related party transactions have an outstanding balance of ₱2.38 million and ₱5.0 million, respectively, which represents a non-interest-bearing unsecured loan payable on demand. Please refer to Note 14 on page 26 of the 2022 ACFS.

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

The Company is involved in nickel mining operations in Surigao del Sur, through Marcventures Mining & Development Corporation. The mine is covered by ECC NO. 0807-022-1093 issued by the Department of the Environment and Natural Resources. Please refer to Note 1 of the 2023 ACFS.

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

## ITEM 13. CORPORATE GOVERNANCE

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

# PART IV - EXHIBITS AND SCHEDULES

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

Exhibits

Please see attached Audited Financial Statements of the Company for the years ended December 31, 2023, 2022 and 2021, and its 2023 Sustainability Report.

(b) Reports on SEC Form 17-C

Items reported under SEC Form 17-C during the last six months covered by this report:

| Date of Report | Event Reported |
|---|---|
| July 4, 2023 | Notice of Annual Stockholders' Meeting |
| July 25, 2023 | • Results of the Annual Stockholders' Meeting held on July 25, 2023<br>• Results of the Organizational Meeting of the Board of Directors held on July 25, 2023 |
| September 22, 2023 | Promotion of Ms. Ma. Theresa A. Defensor |
| December 7, 2023 | Cash Dividend Declaration |

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 1 8 2024, 2024

By:

**CESAR C. ZALAMEA**
Chairman

**ROLANDO S. SANTOS**
Chief Operating Officer and Exec. Vice-President

**DALE A. TONGCO**
Treasurer

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 | Competence Evidence of Identity | Place Issued/Valid Until |
|---|---|---|
| Cesar C. Zalamea | TIN 137-712-551 | Makati City |
| Rolando S. Santos | TIN 127-551-084 | Makati City |
| Dale A. Tongco | TIN 125-401-967 | Makati City |

known to me and to me known as the same persons who executed the foregoing 2023 SEC Form 17-A Annual Report, and they acknowledge to me that the same is their free and voluntary act and deed as well as of the corporations they respectively represent.

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

Doc. No. 154
Page No. 32
Book No. III
Series of 2024.

**KENNETH PETER D. MOLAVE**
Notary Public for Makati City
Appt. No. M-572 valid until 31 Dec. 2024
Roll of Atty. No. 70029
MCLE Compliance No. VII-0018668; 04/12/2022
IBP Membership No. 414799; 01/10/2024
PTR No. PC 8457506; 01/03/2024
4F BDO Towers, 8741 Paseo de Roxas, Makati City

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

# Fw: Your BIR AFS eSubmission uploads were received

**renita ty** <renitasty2000@yahoo.com> Tue, Apr 16, 2024 at 8:51 AM
To: Jommel Ramos <jommel.ramos@marcventures.com.ph>

Regards,

Renita S. Ty
Quezon City

----- Forwarded Message -----
**From:** "eafs@bir.gov.ph" <eafs@bir.gov.ph>
**To:** "renitasty2000@gmail.com" <renitasty2000@gmail.com>
**Cc:** "renitasty2000@yahoo.com" <renitasty2000@yahoo.com>
**Sent:** Monday, April 15, 2024 at 07:52:16 PM GMT+8
**Subject:** Your BIR AFS eSubmission uploads were received

Hi MARCVENTURES HOLINGS INC,

**Valid files**

- EAFS000104320RPTTY122023.pdf
- EAFS000104320ITRTY122023.pdf
- EAFS000104320AFSTY122023.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-89EGHBL80B9LJ9E89NSXNNXRX06L96EG9E**
Submission Date/Time: **Apr 15, 2024 07:52 PM**
Company TIN: **000-104-320**

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

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

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

# COVER SHEET
## for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| | | | | |
|---|---|---|---|---|
| 1 | 2 | 9 | 4 | 2 |

**COMPANY NAME**

MARCVENTURES HOLDINGS, INC.

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

4th Floor, BDO Towers Paseo, 8741 Paseo de Roxas Makati City 1226

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AASFS | CRMD | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| rommel.casipe@marcventures.com.ph | (02) 8831-4479 | 0917-187-5742 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 2,177 | last Friday of July of each year | 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) 8831-4479 | 0998-985-0229 |

**CONTACT PERSON'S ADDRESS**

4th Floor BDO Towers Paseo, 8741 Paseo de Roxas, Makati City 1226

***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.*

MARCVENTURES
HOLDINGS INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Marcventures Holdings, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ______________________
CESAR C. ZALAMEA
Chairman of the Board

Signature: ______________________
ROLANDO S. SANTOS
Chief Operating Officer and Executive Vice-President

Signature: ______________________
DALE A. TONGCO
Treasurer

Signed this 14th day of March, 2024

**SUBSCRIBED AND SWORN TO BEFORE ME** this APR 1 2 2024 day of ____________ in the City of Makati, affiant(s) exhibiting to their evidence of identity, as follows:

| Names | Competent Evidence of Identity | Date of Issue | Place of Issue |
| --- | --- | --- | --- |
| Cesar C. Zalamea | 137-712-551 | | |
| Rolando S. Santos | 127-551-054 | | |
| Dale A. Tongco | 125-401-967 | | |

Doc. No. 133 ;
Page No. 28 ;
Book No. III ;
Series of 2024.

KENNETH PETER D. MOLAVE
Notary Public for Makati City
Appt. No. M-572 valid until 31 Dec. 2024
Roll of Atty. No. 70029
MCLE Compliance No. VII-0013866; 04/12/2022
IBP Membership No. 414799; 01/10/2024
PTR No. PC 8457506, 01/03/2024
4F BDO Towers, 8741 Paseo de Roxas, Makati City

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

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

**INDEPENDENT AUDITORS' REPORT**

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

**Report on the Audit of the Separate Financial Statements**

*Opinion*

We have audited the separate financial statements of Marcventures Holdings, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to the separate financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

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

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

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

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

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

*Auditors' Responsibilities for the Audit of the Separate Financial Statements*

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

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

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

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

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

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

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

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

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

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

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

**REYES TACANDONG & CO.**

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

March 14, 2024
Makati City, Metro Manila

## MARCVENTURES HOLDINGS, INC.

## SEPARATE STATEMENTS OF FINANCIAL POSITION

| | | December 31 | |
|---|---|---|---|
| | Note | **2023** | 2022 |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | **₱336,871,510** | ₱36,032,895 |
| Dividends and other receivables | 5 | **162,636,493** | 530,350,549 |
| Advances to related parties | 11 | **283,131,703** | 278,813,377 |
| Other current assets | 6 | **58,712,716** | 57,837,623 |
| Total Current Assets | | **841,352,422** | 903,034,444 |
| **Noncurrent Assets** | | | |
| Investments in subsidiaries | 7 | **2,746,546,182** | 2,746,546,182 |
| Property and equipment | 8 | **51,531,054** | 75,270,660 |
| Investment property | 9 | **17,395,833** | – |
| Other noncurrent assets | | **–** | 512,174 |
| Total Noncurrent Assets | | **2,815,473,069** | 2,822,329,016 |
| | | **₱3,656,825,491** | ₱3,725,363,460 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Dividends and other current liabilities | 10 | **₱328,445,244** | ₱32,222,859 |
| Advances from a related party | 11 | **–** | 317,422,318 |
| Total Current Liabilities | | **328,445,244** | 349,645,177 |
| **Noncurrent Liabilities** | | | |
| Retirement benefit liability | 12 | **6,622,613** | 1,705,885 |
| Deferred tax liability | 16 | **–** | 321,942 |
| Total Noncurrent Liabilities | | **6,622,613** | 2,027,827 |
| Total Liabilities | | **335,067,857** | 351,673,004 |
| **Equity** | | | |
| Capital stock | 13 | **3,014,820,305** | 3,014,820,305 |
| Additional paid-in capital | | **269,199,788** | 269,199,788 |
| Retained earnings | | **37,781,100** | 88,704,537 |
| Remeasurement gain (loss) on retirement benefit liability | 12 | **(43,559)** | 965,826 |
| Total Equity | | **3,321,757,634** | 3,373,690,456 |
| | | **₱3,656,825,491** | ₱3,725,363,460 |

*See accompanying Notes to Separate Financial Statements.*

## MARCVENTURES HOLDINGS, INC.

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **DIVIDEND INCOME** | 7 | **₱301,482,029** | ₱– | ₱– |
| **RENTAL INCOME** | 15 | **1,380,000** | 300,000 | – |
| **INTEREST INCOME** | 4 | **686,029** | 39,981 | 7,823 |
| **OPERATING EXPENSES** | 14 | **(52,968,765)** | (59,213,662) | (48,708,552) |
| **INCOME (LOSS) BEFORE INCOME TAX** | | **250,579,293** | (58,873,681) | (48,700,729) |
| **INCOME TAX EXPENSE** | 16 | **20,700** | 3,000 | – |
| **NET INCOME (LOSS)** | | **250,558,593** | (58,876,681) | (48,700,729) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | | |
| *Not to be reclassified to profit or loss -* | 12 | | | |
| Remeasurement gain (loss) on retirement benefit liability - net of deferred tax | | **(1,009,385)** | 316,899 | 44,217 |
| Effect of change in tax rate | | **–** | – | 40,314 |
| | | **(1,009,385)** | 316,899 | 84,531 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **₱249,549,208** | (₱58,559,782) | (₱48,616,198) |

*See accompanying Notes to Separate Financial Statements.*

## MARCVENTURES HOLDINGS, INC.

## SEPARATE STATEMENTS OF CHANGES IN EQUITY

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **CAPITAL STOCK** - ₱1 par value | | | | |
| Authorized - 4,000,000,000 shares | | | | |
| Issued, subscribed and outstanding | 13 | **₱3,014,820,305** | ₱3,014,820,305 | ₱3,014,820,305 |
| **ADDITIONAL PAID-IN CAPITAL** | | **269,199,788** | 269,199,788 | 269,199,788 |
| **RETAINED EARNINGS** | | | | |
| Balance at beginning of year | | **88,704,537** | 147,581,218 | 588,208,587 |
| Net Income (loss) | | **250,558,593** | (58,876,681) | (48,700,729) |
| Dividend declared | 13 | **(301,482,030)** | – | (391,926,640) |
| Balance at end of year | | **37,781,100** | 88,704,537 | 147,581,218 |
| **REMEASUREMENT GAINS (LOSSES) ON RETIREMENT LIABILITY - NET OF DEFERRED TAX** | | | | |
| Balance at beginning of year | 12 | **965,826** | 648,927 | 564,396 |
| Remeasurement gain (loss) | | **(1,009,385)** | 316,899 | 44,217 |
| Effect of change in tax rate | | **–** | – | 40,314 |
| Balance at end of year | | **(43,559)** | 965,826 | 648,927 |
| | | **₱3,321,757,634** | ₱3,373,690,456 | ₱3,432,250,238 |

*See accompanying Notes to Separate Financial Statements.*

## MARCVENTURES HOLDINGS, INC.

## SEPARATE STATEMENTS OF CASH FLOWS

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income (loss) before income tax | | **₱250,579,293** | (₱58,873,681) | (₱48,700,729) |
| Adjustments for: | | | | |
| Dividends income | 7 | **301,482,029** | – | – |
| Depreciation | 14 | **6,411,835** | 6,058,385 | 6,190,340 |
| Retirement benefit expense | 12 | **6,085,401** | 373,986 | 442,728 |
| Interest income | 4 | **(686,029)** | (39,981) | (7,823) |
| Operating income (loss) before working capital changes | | **563,872,529** | (52,481,291) | (42,075,484) |
| Decrease (increase) in: | | | | |
| Dividends and other receivables | | **367,714,056** | 12,832 | 20,250 |
| Other current assets | | **(875,093)** | (888,557) | (345,248) |
| Deferred input VAT | | **–** | – | 636,522 |
| Decrease in other current liabilities | | **(5,259,645)** | (6,379,265) | (199,136) |
| Net cash generated from (used for) operations | | **925,451,847** | (59,736,281) | (41,963,096) |
| Contributions to plan asset | 12 | **(2,500,000)** | – | – |
| Interest received | | **686,029** | 39,981 | 7,823 |
| Income tax paid | | **(20,700)** | (3,000) | – |
| Net cash generated from (used in) operating activities | | **923,617,176** | (59,699,300) | (41,955,273) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additional advances to related parties | 11 | **(4,318,326)** | (6,342,615) | (39,104,922) |
| Acquisition of property and equipment | 8 | **(68,062)** | (994,931) | – |
| Dividends received | 7 | **(301,482,029)** | – | 215,739,789 |
| Decrease in other noncurrent asset | | **512,174** | – | – |
| Net cash provided by (used in) investing activities | | **(305,356,243)** | (7,337,546) | 176,634,867 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Receipt of advances from related parties | | **(317,422,318)** | 49,000,165 | 268,422,153 |
| Dividends paid | | **–** | (371,460,509) | – |
| Net cash provided by (used in) financing activities | | **(317,422,318)** | (322,460,344) | 268,422,153 |
| **NET INCREASE (DECREASE) IN CASH** | | **300,838,615** | (389,497,190) | 403,101,747 |
| **CASH AT BEGINNING OF YEAR** | | **36,032,895** | 425,530,085 | 22,428,338 |
| **CASH AT END OF YEAR** | | **₱336,871,510** | ₱36,032,895 | ₱425,530,085 |
| **NONCASH FINANCIAL INFORMATION** | | | | |
| Dividend declaration | 13 | **₱301,482,030** | ₱– | ₱391,926,640 |

*See accompanying Notes to Separate Financial Statements.*

# MARCVENTURES HOLDINGS, INC.

## NOTES TO SEPARATE FINANCIAL STATEMENTS

**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**

## 1. Corporate Information

**General Information**

Marcventures Holdings, lnc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957 with a primary purpose to acquire by purchase, exchange, assignment, gift or otherwise, and to hold, own and use for investment or otherwise, and to transfer any and all properties of every kind and description and wherever situated to the extent permitted by law provided it shall not engage in the business of an open-end or close-end investment company as defined in the Republic Act (R.A.) No. 2629, *Investment Company Act*, or act as a securities broker or dealer.

The Company's shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2023 and 2022, the 3,014,820,305 shares of the Company's shares of stock, are listed in the PSE.

The following are the subsidiaries of the Company which are wholly-owned and accounted for under the cost method:

| | Principal Place of Business | Status of Operations |
|---|---|---|
| Marcventures Mining and Development Corp. (MMDC) | Cantilan, Surigao del Sur | Operational |
| BrightGreen Resources Corporation (BGRC) | Carrascal, Surigao del Sur | Exploration Phase |
| Alumina Mining Philippines Inc. (AMPI) | Samar Island Natural Park (SINP) | Exploration Phase |
| Bauxite Resources Inc. (BARI) | Samar Island Natural Park (SINP) | Exploration Phase |

All of the subsidiaries are incorporated in the Philippines and are engaged in mining operations.

**Registered Address**

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

**Approval of Separate Financial Statements**

The Company's separate financial statements as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issue by the Board of Directors on March 14, 2024.

## 2. Summary of Material Accounting Policy Information

**Basis of Preparation and Statement of Compliance**

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

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

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

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

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

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

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

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

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

**Amended PFRS Issued But Not Yet Effective or Adopted**

Relevant amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

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

**Financial Assets and Liabilities**

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

Financial asset or liability is 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).

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL), if any. Financial assets are derecognized when the right to receive cash flows from the asset has expired.

As at December 31, 2023 and 2022, the Company's cash and cash equivalents, dividends receivable, other receivables (excluding advances to officers and employees) and advances to related parties is considered as financial assets 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.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

As at December 31, 2023 and 2022, the Company's advances from a related party, dividends payable and other current liabilities (excluding statutory payables) are classified financial liabilities at amortized cost.

**Property and Equipment**

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

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

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

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

| | Number of Years |
|---|---|
| Building and improvements | 5-20 |
| Office furniture, fixtures and equipment | 2-5 |
| Computer equipment | 5 |

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.

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.

**Investment Properties**

Investment properties are stated at cost less accumulated depreciation and amortization and any impairment in value

Depreciation is calculated on a straight-line basis over 20 years as the estimated useful lives of the investment properties.

Transfers are made to investment properties when there are changes in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when there are changes in use, evidenced by commencement of owner-occupation, ending of operating lease or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying value of the property transferred and they do not change the cost of that property for measurement or disclosure purposes on the date of reclassification.

**Investments in Subsidiaries**

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

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

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

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

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

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

**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.

**Equity**

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

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

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

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

**Revenue Recognition**

*Dividend Income*. Dividend income is recognized at declaration date of the Company's subsidiary.

*Rental Income*. Rental income is recognized on a straight-line basis over the lease term.

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

**Employee Benefits**

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

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

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

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

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

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

Net interest on the net retirement liability or asset is the change during the period in the net retirement liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability or asset.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company nor can they be paid directly to the Company. Fair value of plan assets is based on market price information.

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

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

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

**Income Taxes**

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused MCIT and unused NOLCO can be utilized.

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

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

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

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

**Related 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.

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3. **Significant Judgment, Accounting Estimates and Assumptions**

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

**Judgment**

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

*Classification of a Property.* The Company determines whether a property is classified as investment property or property and equipment as follows:

- Property and equipment comprise properties that are held for use in the ordinary course of business.

- Investment property is property not occupied and not used in the operations, nor for sale in the ordinary course of business, but are held primarily for earning rental income.

The carrying amounts of property, plant and equipment and investment property as at December 31, 2023 and 2022 are disclosed in Notes 8 and 9.

*Evaluation of Lease Commitments - Company as Lessor.* The Company has entered into operating lease agreements with a third party for the lease of office space. Considering that there will be no transfer of ownership of the leased properties to the lessees, the Company has determined that it retains all the significant risks and benefits of ownership of these properties. Accordingly, the leases are accounted for as operating leases.

Rental income are disclosed in Note 14.

**Accounting Estimates and Assumptions**

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

*Estimating the Useful Lives of Property and Equipment and Investment Property.* 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 2023 and 2022. The carrying amount of property and equipment are disclosed in Note 8.

*Assessing the Impairment of Other Nonfinancial Assets.* The Company assesses impairment on other 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.

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

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

Based on management assessment, there are no impairment indicators on the Company's nonfinancial assets. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021.

The carrying amounts of the Company's advances to officers and employees, other current assets (excluding financial assets), investment in subsidiaries, property and equipment and investment property are disclosed in Notes 6, 7, 8 and 9.

*Estimating the Useful Lives of a 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 2023, 2022, and 2021. The carrying amount of property and equipment are disclosed in Note 8.

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

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

Retirement benefit expense and liability are disclosed in Note 11.

*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.

*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 and unrecognized deferred tax assets are disclosed in Note 16.

## 4. Cash and cash equivalents

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Cash on hand | **₱9,708** | ₱25,000 |
| Cash in banks | **4,196,502** | 36,007,895 |
| Cash equivalents | **332,665,300** | – |
| | **₱336,871,510** | ₱36,032,895 |

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term investment rates.

Interest income earned from cash in bank and cash equivalents amounted to ₱686,029, ₱39,981, and ₱7,823 in 2023, 2022 and 2021, respectively.

## 5. Dividends and Other Receivables

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Dividends receivable | 7 | **₱162,334,441** | ₱525,792,400 |
| Advances to officers and employees | | **100,452** | – |
| Others | | **201,600** | 4,558,149 |
| | | **₱162,636,493** | ₱530,350,549 |

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

Others include reimbursable expenses from third party and claims from regulatory agencies.

## 6. Other Current Assets

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| Prepaid income tax | **₱49,440,233** | ₱49,400,933 |
| Input VAT | **8,864,134** | 8,231,509 |
| Prepayments | **–** | 205,181 |
| Others | **408,349** | – |
| | **₱58,712,716** | ₱57,837,623 |

## 7. Investments in Subsidiaries

This account consists of:

| | 2023 | 2022 |
|---|---|---|
| MMDC | **₱1,683,750,000** | ₱1,683,750,000 |
| Acquired through merger: | | |
| AMPI and BARI | **612,027,480** | 612,027,480 |
| BGRC | **450,768,702** | 450,768,702 |
| | **₱2,746,546,182** | ₱2,746,546,182 |

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

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

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

On November 20, 2023, MMDC declared cash dividends amounting to ₱301.5 million which was paid on December 1, 2023. Dividends receivable amounted to ₱162.3 million and ₱525.8 million as at December 31, 2023 and 2022 (see Note 5).

The credit facilities of MMDC are secured by a real estate mortgage on the condominium units of the Company, recorded under "Buildings and improvements".

MMDC has been receiving annual certifications from MGB that the Company is compliant with the terms and conditions of the MPSA and pertinent provisions of the R.A. no. 7942 or the Philippine Mining Act of 1995 and its implementing Rules and Regulations. MMDC has continued mining operations in areas covered in the MPSA.

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

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

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

On April 11, 2022, MGB granted the extension of the 3rd Renewal of the Exploration Period (EP) of BRC for another period of two years effective from July 02, 2022 to July 01, 2024 to recover its unused term due to force majeure.

On July 13, 2023, BGRC have received from the MGB office a reply letter for intention to renew its MPSA agreement for another 25 years. The Company is now in the process and anticipative of obtaining the following permits, licenses, and approvals from the regulatory bodies:

- Free, Prior and Informed Consent and Certification Precondition from the National Commission on indigenous Peoples;
- Approval of the Declaration of Mining Project Feasibility from the MGB, including the required work programs: Environmental Protection and Enhancement Program, Social Development and Management Program, Safety and Health Program, Three (3)-Year Development/Utilization Work Program, Care and Maintenance Program and Project Feasibility Study; and
- Environmental Compliance Certificate from the Environmental Management Bureau.

***AMPI***

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

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

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

On July 04, 2023, AMPI requested for temporary suspension of the second extension of the third renewal of the Exploration Period due to the peace and order problem in the area. This request was granted by the MGB on September 27, 2023, effective July 4, 2023, until the situation becomes safe and favorable.

***BARI***

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

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

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 in Eastern Visayas (Region VIII) , valid for 25 years and renewable for another 25 years.

On July 04, 2023, BARI requested for temporary suspension of the second extension of the third renewal of the Exploration Period due to the peace and order problem in the area. This request was granted by the MGB on September 27, 2023, effective July 4, 2023, until the situation becomes safe and favorable.

The summarized financial information of the subsidiaries are as follows:

| | 2023 | | | |
|---|---|---|---|---|
| | **MMDC** | **BGRC** | **AMPI** | **BARI** |
| Current assets | **₱646,051,891** | **₱4,007,185** | **₱3,680,922** | **₱565,075** |
| Noncurrent assets | **2,520,610,757** | **78,810,485** | **130,600,994** | **58,535,239** |
| Current liabilities | **424,518,257** | **153,713,605** | **107,175** | **1,289,070** |
| Noncurrent liabilities | **205,253,867** | **–** | **217,282,850** | **61,460,378** |
| Equity (capital deficiency) | **2,536,890,524** | **(70,895,935)** | **(83,108,109)** | **(3,649,134)** |
| Revenue | **2,005,237,006** | **–** | **–** | **–** |
| Net income (loss) | **300,524,272** | **(4,971,527)** | **(3,020,805)** | **(542,834)** |
| Total comprehensive income (loss) | **295,868,501** | **(4,971,527)** | **(3,020,805)** | **(542,834)** |

| | 2022 | | | |
|---|---|---|---|---|
| | MMDC | BGRC | AMPI | BARI |
| Current assets | ₱1,273,035,372 | ₱3,695,192 | ₱4,076,707 | ₱766,420 |
| Noncurrent assets | 2,374,711,009 | 77,490,832 | 131,178,398 | 58,605,924 |
| Current liabilities | 875,949,574 | 147,110,430 | 759,568 | 2,149,057 |
| Noncurrent liabilities | 229,292,754 | – | 214,582,841 | 60,329,587 |
| Equity (capital deficiency) | 2,542,504,053 | (65,924,408) | (80,087,304) | (3,106,300) |
| Revenue | 3,067,485,008 | – | – | – |
| Net income (loss) | 366,350,918 | (19,015,114) | (3,863,375) | (1,088,462) |
| Total comprehensive income (loss) | 370,719,989 | (19,015,114) | (3,863,375) | (1,088,462) |

## 8. Property and Equipment

The balances and movements in this account are as follows:

| | | 2023 | | | |
|---|---|---|---|---|---|
| | Note | **Building and Improvements** | **Office Furniture, Fixtures and Equipment** | **Computer Equipment** | **Total** |
| **Cost** | | | | | |
| Balances at beginning of year | | **₱125,665,001** | **₱5,997,751** | **₱985,040** | **₱132,647,792** |
| Acquisitions | | **–** | **–** | **68,062** | **68,062** |
| Reclassification | 9 | **(25,000,000)** | **–** | **–** | **(25,000,000)** |
| Balances at end of the year | | **100,665,001** | **5,997,751** | **1,053,102** | **107,715,854** |
| **Accumulated Depreciation** | | | | | |
| Balances at beginning of year | | **51,549,187** | **5,827,945** | **–** | **57,377,132** |
| Depreciation and amortization | 14 | **4,799,073** | **163,485** | **199,277** | **5,161,835** |
| Reclassification | 9 | **(6,354,167)** | **–** | **–** | **(6,354,167)** |
| Balances at end of year | | **49,994,093** | **5,991,430** | **199,277** | **56,184,800** |
| **Carrying Amount** | | **₱50,670,908** | **₱6,321** | **₱853,825** | **₱51,531,054** |

| | Note | 2022 | | | |
|---|---|---|---|---|---|
| | | Building and Improvements | Office Furniture, Fixtures and Equipment | Computer Equipment | Total |
| Cost | | | | | |
| Balances at beginning of year | | ₱125,665,001 | ₱5,987,860 | ₱– | ₱131,652,861 |
| Acquisitions | | – | 9,891 | 985,040 | 994,931 |
| Balances at end of the year | | 125,665,001 | 5,997,751 | 985,040 | 132,647,792 |
| Accumulated Depreciation | | | | | |
| Balances at beginning of year | | 45,500,114 | 5,818,633 | – | 51,318,747 |
| Depreciation and amortization | 14 | 6,049,073 | 9,312 | – | 6,058,385 |
| Balances at end of year | | 51,549,187 | 5,827,945 | – | 57,377,132 |
| Carrying Amount | | ₱74,115,814 | ₱169,806 | ₱985,040 | ₱75,270,660 |

Fully depreciated property and equipment with cost of ₱10.3 million as at December 31, 2023 and 2022 are still being used by the Company and retained in the accounts.

A real estate mortgage was executed on the condominium units of the Company to secure the credit facilities of MMDC, recorded under “Buildings and improvements” (see Note 19).

Depreciation and amortization of property and equipment is as follows:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Property and equipment | | **₱5,161,835** | ₱6,058,385 | ₱6,190,340 |
| Investment property | 9 | **1,250,000** | – | – |
| | | **₱6,411,835** | ₱6,058,385 | ₱6,190,340 |

## 9. Investment Property

The Company’s investment property pertains to the portion of its office space which is under lease with a third party. The movements in the account follows:

| | Note | 2023 |
|---|---|---|
| **Cost** | | |
| Balances at beginning of year | | ₱– |
| Reclassification | 8 | 25,000,000 |
| Balances at end of year | | 25,000,000 |
| **Accumulated Depreciation** | | |
| Balances at beginning of year | | – |
| Reclassification | 8 | 6,354,167 |
| Depreciation | 8 | 1,250,000 |
| Balances at end of year | | 7,604,167 |
| **Net Carrying Amount** | | ₱17,395,833 |

Rental income earned from investment property amounted to in ₱1,380,000 and ₱300,000 in 2023 and 2022, respectively (see Note 15).

The Company assessed that the fair value of its investment property approximates its original cost. The estimate is based on level 3 in the fair value hierarchy.

## 10. Dividends and Other Current Liabilities

This account consists of:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Dividend payables | 11 | **₱311,966,875** | ₱10,484,846 |
| Statutory payables | | **11,373,017** | 11,811,703 |
| Accrued expenses | | **3,609,505** | 8,471,366 |
| Others | | **1,495,846** | 1,454,944 |
| | | **₱328,445,243** | ₱32,222,859 |

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

Accrued expenses primarily pertain to utilities which are normally settled within 30 days after the end of the reporting period.

Others include advances from a former related party.

## 11. Related Party Transactions

Transactions with related parties are summarized below:

| | Transactions during the Year | | Outstanding Balances | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | Nature |
| **Dividends receivable** | | | | | |
| *Subsidiary* | **₱301,482,029** | ₱– | **₱162,334,441** | ₱525,792,400 | Dividends |
| **Advances to related parties** | | | | | |
| *Subsidiaries* | **₱4,318,326** | ₱6,342,615 | **₱198,131,703** | ₱193,813,377 | Working fund |
| | **–** | – | **85,000,000** | 85,000,000 | Management fee |
| | | | **₱283,131,703** | ₱278,813,377 | |
| **Dividends payable*** | | | | | |
| *Stockholders* | **₱301,482,029** | ₱371,460,509 | **₱311,966,875** | ₱10,484,846 | Dividends |
| **Advances from a related party** | | | | | |
| *Subsidiary* | **₱–** | ₱49,000,165 | **₱–** | ₱317,422,318 | Working fund |

**Balance is net of final withholding tax*

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

**<u>Compensation of Key Management Personnel</u>**

Compensation of key management personnel which consists of salaries and other benefits, amounted to ₱15.8 million, ₱6.9 million and ₱7.0 million in 2023, 2022 and 2021, respectively. Retirement benefit expense of key management personnel amounted to nil, ₱0.1 million, and ₱0.3 million and in 2023, 2022 and 2021, respectively.

## 12. **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 R.A. 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, 2023.

The components of retirement benefit expense presented under "Operating expenses" account in profit or loss are as follows (see Note 14):

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Transferred DB obligation | **₱5,642,113** | ₱– | ₱– |
| Current service cost | **445,150** | 288,019 | ₱394,481 |
| Net interest cost | **(1,862)** | 85,967 | 48,247 |
| | **₱6,085,401** | ₱373,986 | ₱442,728 |

Transferred defined benefit obligation pertains to transferred employees from MMDC to MHI.

The components of net retirement benefit liability presented in the separate statements of financial position are as follows:

| | **2023** | 2022 |
|---|---|---|
| Retirement benefit liability | **₱9,254,293** | ₱1,705,885 |
| Fair value of plan asset | **2,631,680** | – |
| | **₱6,622,613** | ₱1,705,885 |

Movements in the present value of retirement benefit liability are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balance at beginning of year | **₱1,705,885** | ₱1,754,431 |
| Retirement benefit expense recognized in profit or loss: | | |
| Transferred defined benefits obligation | **5,642,113** | – |
| Current service cost | **445,150** | 288,019 |
| Interest cost | **129,818** | 85,967 |
| Remeasurement losses (gains) recognized in OCI: | | |
| Changes in financial assumptions | **617,927** | (586,177) |
| Deviations of experience from assumptions | **713,400** | 163,645 |
| Balance at end of year | **₱9,254,293** | ₱1,705,885 |

Movements in the fair value of plan assets in 2023 are as follows:

| | |
|---|---|
| Balance at beginning of year | ₱– |
| Employer contribution | 2,500,000 |
| Gain on plan assets | 131,680 |
| Balance at end of year | ₱2,631,680 |

The components of the Company's plan assets as at December 31, 2023 are as follows:

| | |
|---|---|
| Cash | 1.46% |
| Investments in debt securities | 93.15% |
| Investments in unit investment trust fund | 5.39% |
| | 100.00% |

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

| | **2023** | 2022 |
|---|---|---|
| Discount rate | **6.25%** | 7.61% |
| Salary increase rate | **4.00%** | 4.00% |

The plan exposes the Company to actuarial risks, such as interest rate risk and salary rate risk. Sensitivity analysis on retirement benefit liability as at December 31, 2023 is as follows:

| | Change in basis points | Effect on defined benefit obligation |
|---|---|---|
| Discount rate | +1% | (₱254,761) |
| | -1% | 348,964 |
| Salary increase rate | +1% | 351,762 |
| | -1% | (278,328) |

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

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

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

| | **2023** | | |
|---|---|---|---|
| | **Cumulative Remeasurement Gain (Loss)** | **Deferred Tax Liability (Asset)** | **Net Remeasurement Gain (Loss)** |
| Balance at beginning of year | **₱1,287,768** | **₱321,942** | **₱965,826** |
| Actuarial loss | **(1,331,327)** | **(321,942)** | **(1,009,385)** |
| Balance at end of year | **(₱43,559)** | **₱–** | **(₱43,559)** |

| | 2022 | | |
|---|---|---|---|
| | Cumulative Remeasurement Gain | Deferred Tax Liability | Net Remeasurement Gain |
| Balance at beginning of year | ₱865,236 | ₱216,309 | ₱648,927 |
| Actuarial gain | 422,532 | 105,633 | 316,899 |
| Balance at end of year | ₱1,287,768 | ₱321,942 | ₱965,826 |

The maturity analysis of the undiscounted benefit payments as at December 31, 2023 follow:

| | |
|---|---|
| Less than one (1) year | ₱73,743 |
| One (1) year to less than five (5) years | 667,940 |
| Five (5) years to less than 10 years | 2,403,726 |
| 10 years and above | 16,314,537 |
| | ₱19,459,946 |

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

13. **Equity**

**Capital Stock**

As at December 31, 2023, 2022 and 2021, the authorized capital stock with ₱1 par value remained at 4,000,000,000 shares while issued, subscribed and outstanding capital stock at 3,014,820,305 shares.

**Retained Earnings**

Cash dividends declared by the Company are as follows:

| Date Approved | Per Share | Total Amount | Stockholders of Record Date | Payment Date |
|---|---|---|---|---|
| **December 7, 2023** | **₱0.10** | **₱301,482,030** | **January 12, 2024** | **January 26, 2024** |
| November 19, 2021 | 0.13 | 391,926,640 | December 07, 2021 | January 04, 2022 |
| 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 ₱312.0 million and ₱10.5 million as at December 31, 2023 and 2022, respectively (see Note 10).

14. **Operating Expenses**

This account consists of:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Professional fees | | **₱17,772,883** | ₱22,661,462 | ₱15,970,833 |
| Salaries and allowances | | **15,882,273** | 19,712,637 | 17,159,973 |
| Depreciation and amortization | 8 | **6,411,835** | 6,058,385 | 6,190,340 |
| Retirement benefit expense | 12 | **6,085,401** | 373,986 | 442,728 |
| Insurance expense | | **2,227,071** | 2,318,438 | 1,222,162 |
| Outside services | | **1,868,538** | 2,436,981 | 1,811,663 |
| Dues and subscriptions | | **1,031,581** | 3,023,017 | 3,000,082 |
| Taxes and licenses | | **277,251** | 50,100 | 77,580 |
| Others | | **1,411,932** | 2,578,656 | 2,833,191 |
| | | **₱52,968,765** | ₱59,213,662 | ₱48,708,552 |

The depreciation expense is composed of property and equipment and investment property amounting to ₱5.2 million and ₱1.3 million, respectively, for 2023.

## 15. Lease Commitments

**Operating Lease Agreements - Company as a Lessor**

In 2022, the Company has entered into an operating lease agreement with a third party for the lease of office space. The lease agreement has a term of 10 years with a scheduled escalation over the ten-year period. Considering that there will be no transfer of ownership of the leased property to the lessee, the Company has determined that it retains all the significant risks and benefits of ownership of the property. Accordingly, the lease is accounted for as an operating lease.

Rental income amounted to ₱1.4 million and ₱0.3 million in 2023 and 2022, respectively.

Future minimum lease receivables under the non-cancellable operating lease are as follows:

| | 2023 |
|---|---|
| Within one year | ₱1,440,000 |
| After one year but not more than five years | 7,941,839 |
| Five years and above | 5,914,528 |
| | ₱15,296,367 |

## 16. Income Taxes

The Company's current income tax expense amounting to ₱20,700 and ₱3,000 in 2023 and 2022, respectively, pertains to minimum corporate income tax (MCIT).

Details of unrecognized deferred tax assets are as follows:

| | **2023** | 2022 |
|---|---|---|
| NOLCO | **₱54,838,614** | ₱42,837,773 |
| Retirement benefit liability | **1,644,764** | 748,413 |
| MCIT | **23,700** | 3,000 |
| | **₱56,507,078** | ₱43,589,186 |

Management assessed that it may not be probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Details of NOLCO are as follows:

| Year Incurred | Expiry Date | Amount | Incurred | Expired | Balance |
|---|---|---|---|---|---|
| 2023 | 2026 | ₱– | ₱48,003,364 | ₱– | ₱48,003,364 |
| 2022 | 2025 | 58,309,537 | – | – | 58,309,537 |
| 2021 | 2026 | 47,971,353 | – | – | 47,971,353 |
| 2020 | 2025 | 65,070,203 | – | – | 65,070,203 |
| | | ₱171,351,093 | ₱48,003,364 | ₱– | ₱219,354,457 |

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

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

| Year Incurred | Expiry Date | Amount | Applied | Expired | Balance |
|---|---|---|---|---|---|
| 2023 | 2026 | ₱20,700 | ₱– | ₱– | ₱20,700 |
| 2022 | 2025 | 3,000 | – | – | 3,000 |
| | | ₱23,700 | ₱– | ₱– | ₱23,700 |

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

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Income tax at statutory rate | **₱62,644,823** | (₱14,718,420) | (₱12,175,182) |
| Change in unrecognized deferred tax assets | **12,917,892** | (3,545,554) | (17,787,444) |
| Effect of change in tax rate | **–** | – | 10,820,364 |
| Add (deduct) income tax effects of: | | | |
| Dividend income not subject to tax | **(75,370,508)** | – | – |
| Interest income subjected to final tax | **(171,507)** | (9,995) | (1,957) |
| Nondeductible expense | **–** | 57,535 | 73,618 |
| Expired NOLCO | **–** | 18,219,434 | 19,070,601 |
| | **₱20,700** | ₱3,000 | ₱– |

## 17. Financial Risk Management Objectives and Policies

**General**

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

**Financial Risk Management Objectives and Policies**

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

*Credit Risk.* Credit risk arising from the inability of counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company. The Company established controls and procedures on its credit policy to determine and monitor the credit worthiness of counterparties.

As at December 31, 2023 and 2022, the Company's exposure to credit risk relates to its cash in banks and cash equivalents, dividends and other receivables, and advances to related parties.

Cash in banks and cash equivalents are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While dividends receivable and advances to related parties is classified under high grade because these are from counterparties who pay their accounts and who have the financial capacity to pay. Standard grade receivables are other receivables for which settlement will be from the government agency or other third party.

*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.

As at December 31, 2023 and 2022, the Company's financial liabilities relates to dividends and other current liabilities (excluding statutory payables).

**Fair Value of Financial Assets and Liabilities**

Due to the short-term nature of cash and cash equivalents, dividends and other receivables (excluding advances to officers and employees), advances to related parties, dividends and other current liabilities (excluding statutory payable) and advances from related party, their carrying values approximate fair values at year-end.

## 18. Capital Management Objectives, Policies and Procedures

The Company considers its capital stock and APIC aggregating ₱3,284.02 million as at December 31, 2023 and 2022, as its core capital. The Company maintains its current capital structure and makes adjustments to it, if necessary, to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

There were no changes in the Company's objectives, policies or processes in 2023 and 2022.

## 19. Commitments

In 2021, MMDC entered into a six (6)-year ₱208.0 million term loan facility agreement with a local bank secured partly by a real estate mortgage on the Company's property and equipment. The loan is subject to an interest floor rate of 6% or prevailing interest rate at loan drawdown, whichever is higher. A real estate mortgage was executed on the condominium units of the Company to secure the credit facilities of its subsidiary (see Note 8).

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

The information required for 2023 by the above regulation is presented below.

**Output VAT**
Output VAT declared by the Company and the gross amount of income for the year ended December 31, 2023 amounted to ₱144,000 and ₱1,200,000, respectively.

**Input VAT**
Movements in input VAT for the year ended December 31, 2023 are shown below.

| | |
|---|---|
| Balance at beginning of year | ₱8,231,509 |
| Input tax deferred on capital goods from previous period | 107,692 |
| Add: | |
| Domestic purchases of services | 652,106 |
| Domestic purchase of goods other than capital goods | 16,826 |
| Less: | |
| Applied to output VAT | 144,000 |
| Balance at end of year | ₱8,864,133 |

**All Other Local and National Taxes**
All other local and national taxes paid and accrued for the year ended December 31, 2023 consist of the following:

| | |
|---|---|
| Documentary stamp tax | ₱233,850 |
| Business tax | 22,603 |
| SEC filing fees | 1,040 |
| Others | 19,758 |
| | ₱277,251 |

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

**Withholding Taxes**
Withholding taxes paid and accrued (and/or withheld) for the year ended December 31, 2023 consist of:

| | Paid | Accrued |
|---|---|---|
| Withholding tax on compensation | ₱1,437,624 | ₱164,698 |
| Expanded withholding tax | 1,480,261 | 307,625 |
| | ₱2,917,885 | ₱472,323 |

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

**Tax Assessments and Cases**
The Company has no outstanding tax assessments and tax cases as at December 31, 2023.

# 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, BDO Towers Paseo, 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 |
|---|---|---|
| rommel.casipe@marcventures.com.ph | (02) 8831-4479 | 0917-187-5742 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 2,177 | last Friday of July of each year | 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) 8831-4479 | 0998-985-0229 |

**CONTACT PERSON'S ADDRESS**

4th Floor, BDO Towers Paseo, 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.*

MARCVENTURES
HOLDINGS INC.

## STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR FINANCIAL STATEMENTS

The management of Marcventures Holdings, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, 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 for overseeing the Group'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.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: ______________________
CESAR C. ZALAMEA
Chairman of the Board

Signature: ______________________
ROLANDO S. SANTOS
Chief Operating Officer and Executive Vice-President

Signature: ______________________
DALE A. TONGCO
Treasurer

Signed this 14th day of March, 2024

**SUBSCRIBED AND SWORN TO BEFORE ME** this APR 1 2 2024 day of ________________ in the City of Makati, affiant(s) exhibiting to their evidence of identity, as follows:

| Names | Competent Evidence of Identity | Date of Issue | Place of Issue |
|---|---|---|---|
| Cesar C. Zalamea | 137-712-551 | | |
| Rolando S. Santos | 127-551-054 | | |
| Dale A. Tongco | 125-401-967 | | |

Doc. No. 137 ;
Page No. 29 ;
Book No. III ;
Series of 2024.

KENNETH PETER D. MOLAVE
Notary Public for Makati City
Appt. No. M-572 valid until 31 Dec. 2024
Roll of Atty. No. 70029
MCLE Compliance No. VII-0018666; 04/12/2022
IBP Membership No. 414799; 01/10/2024
PTR No. PC 8457506; 01/03/2024
4F BDO Towers, 8741 Paseo de Roxas, Makati City

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

BDO Towers Valero
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, BDO Towers Paseo
8741 Paseo de Roxas, Makati City

*Opinion*

We have audited the consolidated financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, 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, 2023, 2022 and 2021, and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2023, 2022 and 2021 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 Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

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

<u>Recoverability of Mining Rights and Deferred Exploration Costs</u>
The Group's mining rights and deferred exploration costs pertaining to mining areas that are still under exploration phase amounted to ₱1.6 billion and ₱0.2 billion as at December 31, 2023, respectively. The ability of the Group to recover its mining rights and deferred exploration costs would depend on the discovery of commercially viable quantities of mineral resources and of extracting the resulting ore reserves. This is a key audit matter because of the significance of the combined carrying amount of the mining rights and deferred exploration cost as it represents 30% of the total assets of the Group and the significant management judgment required in assessing whether there is any indication of impairment on these accounts.

We obtained management's assessment on whether there are any indications that the mining rights and deferred exploration costs may be impaired. We reviewed the Group's Mineral Production Sharing Agreement, including permits and licenses for each exploration project, to determine that the period to which the Group has rights to explore in the specific area has not expired and the Group has the right to renew the agreement and permits after expiration. We reviewed the Group's budget for exploration and development costs. We also assessed the adequacy of the disclosures in the consolidated financial statements.

*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, 2023, 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, 2023 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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 April 13, 2024
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

March 14, 2024
Makati City, Metro Manila

## MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | December 31 | |
|---|---|---|---|
| | Note | **2023** | 2022 |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | **₱603,877,818** | ₱546,893,643 |
| Trade and other receivables | 5 | **22,310,475** | 101,197,320 |
| Advances to related parties | 14 | **2,383,253** | 26,280,675 |
| Inventories | 6 | **169,124,694** | 151,114,261 |
| Other current assets | 7 | **100,487,705** | 91,739,656 |
| Total Current Assets | | **898,183,945** | 917,225,555 |
| **Noncurrent Assets** | | | |
| Property and equipment | 8 | **140,927,905** | 179,647,033 |
| Investment property | 9 | **17,395,833** | – |
| Mining rights and other mining assets | 10 | **4,339,841,259** | 4,327,257,856 |
| Net deferred tax assets | 21 | **16,266,227** | 31,990,307 |
| Other noncurrent assets | 11 | **637,163,833** | 484,484,557 |
| Total Noncurrent Assets | | **5,151,595,057** | 5,023,379,753 |
| | | **₱6,049,779,002** | ₱5,940,605,308 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | **₱223,313,444** | ₱281,209,564 |
| Current portion of loans payable | 13 | **27,804,328** | 80,345,623 |
| Advances from related parties | 14 | **5,000,000** | 4,936,715 |
| Dividends payable | 17 | **311,966,875** | 10,484,846 |
| Income tax payable | | **30,444,663** | 18,246,030 |
| Total Current Liabilities | | **598,529,310** | 395,222,778 |
| **Noncurrent Liabilities** | | | |
| Loans payable - net of current portion | 13 | **104,800,529** | 130,401,077 |
| Provision for mine rehabilitation and decommissioning | 15 | **62,847,468** | 60,122,100 |
| Retirement benefit liability | 16 | **44,228,484** | 40,475,462 |
| Deferred tax liability | 21 | **441,999,621** | 441,999,621 |
| Total Noncurrent Liabilities | | **653,876,102** | 672,998,260 |
| Total Liabilities | | **1,252,405,412** | 1,068,221,038 |
| **Equity** | | | |
| Capital stock | 17 | **3,014,820,305** | 3,014,820,305 |
| Additional paid-in capital | 17 | **269,199,788** | 269,199,788 |
| Retained earnings | | **1,478,425,453** | 1,547,770,977 |
| Cumulative remeasurement gains on retirement benefit liability - net of deferred tax | 16 | **34,928,044** | 40,593,200 |
| Total Equity | | **4,797,373,590** | 4,872,384,270 |
| | | **₱6,049,779,002** | ₱5,940,605,308 |

*See accompanying Notes to Consolidated Financial Statements.*

## MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **NET SALES** | | **₱2,050,416,186** | ₱3,067,485,008 | ₱3,891,592,774 |
| **COST OF SALES** | 18 | **1,203,096,120** | 2,043,607,876 | 2,166,660,973 |
| **GROSS INCOME** | | **847,320,066** | 1,023,877,132 | 1,724,931,801 |
| **OPERATING EXPENSES** | 19 | **507,165,400** | 692,669,901 | 689,934,226 |
| **INTEREST EXPENSE** | 13 | **(15,055,521)** | (26,859,047) | (50,525,191) |
| **INTEREST INCOME** | 4 | **10,303,511** | 799,726 | 601,633 |
| **OTHER INCOME -** Net | 20 | **3,056,154** | 34,437,260 | 26,966,806 |
| **INCOME BEFORE INCOME TAX** | | **338,458,810** | 339,585,170 | 1,012,040,823 |
| **INCOME TAX EXPENSE** | 21 | **106,322,304** | 137,004,390 | 255,597,967 |
| **NET INCOME** | | **232,136,506** | 202,580,780 | 756,442,856 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | 16 | | | |
| *Not to be reclassified to profit or loss -* | | | | |
| Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax | | **(5,665,156)** | 4,685,970 | 4,022,392 |
| **TOTAL COMPREHENSIVE INCOME** | | **₱226,471,350** | ₱207,266,750 | ₱760,465,248 |
| **Basic and diluted earnings per share** | 23 | **₱0.077** | ₱0.067 | ₱0.251 |

*See accompanying Notes to Consolidated Financial Statements.*

## MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **CAPITAL STOCK** - ₱1 par value | 17 | | | |
| Authorized - 4,000,000,000 shares | | | | |
| Issued and outstanding | | **₱3,014,820,305** | ₱3,014,820,305 | ₱3,014,820,305 |
| **ADDITIONAL PAID-IN CAPITAL** | 17 | **269,199,788** | 269,199,788 | 269,199,788 |
| **RETAINED EARNINGS** | | | | |
| Balance at beginning of year | | **1,547,770,977** | 1,345,190,197 | 980,673,981 |
| Dividends | 17 | **(301,482,030)** | – | (391,926,640) |
| Net income | | **232,136,506** | 202,580,780 | 756,442,856 |
| Balance at end of year | | **1,478,425,453** | 1,547,770,977 | 1,345,190,197 |
| **CUMULATIVE REMEASUREMENT GAINS ON RETIREMENT BENEFIT LIABILITY - NET OF DEFERRED TAX** | 16 | | | |
| Balance at beginning of year | | **40,593,200** | 35,907,230 | 31,884,838 |
| Remeasurement gain (loss) | | **(5,665,156)** | 4,685,970 | 4,022,392 |
| Balance at end of year | | **34,928,044** | 40,593,200 | 35,907,230 |
| | | **₱4,797,373,590** | ₱4,872,384,270 | ₱4,665,117,520 |

*See accompanying Notes to Consolidated Financial Statements.*

## MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | Note | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income before income tax | | **₱338,458,810** | ₱339,585,170 | ₱1,012,040,823 |
| Adjustments for: | | | | |
| Depletion | 10 | **45,522,156** | 273,600,030 | 197,202,195 |
| Depreciation and amortization | 8 | **25,548,962** | 26,704,408 | 47,225,847 |
| Interest expense | 13 | **15,055,521** | 26,859,047 | 50,525,191 |
| Interest income | 4 | **(10,303,511)** | (799,726) | (601,633) |
| Retirement expense | 16 | **8,214,000** | 8,474,663 | 8,322,247 |
| Provision for mining supplies obsolescence | 7 | **532,856** | – | 15,558,092 |
| Unrealized foreign exchange loss (gain) | | **84,244** | (10,355,208) | (2,852,800) |
| Provision for expected credit loss | 5 | **–** | 75,516,127 | 159,402,782 |
| Operating income before working capital changes | | **423,113,038** | 739,584,511 | 1,486,822,744 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | **78,886,845** | 185,990,572 | 32,510,155 |
| Inventories | | **(18,010,433)** | 46,194,875 | (70,091,352) |
| Other current assets | | **(9,280,905)** | 32,089,480 | (6,575,154) |
| Increase (decrease) in trade and other payables | | **(57,896,120)** | (169,622,743) | 26,023,135 |
| Net cash generated from operations | | **416,812,425** | 834,236,695 | 1,468,689,528 |
| Income tax paid | | **(76,525,726)** | (119,243,889) | (410,145,997) |
| Retirement benefits paid | 16 | **(12,000,000)** | (907,210) | – |
| Interest received | | **10,303,511** | 799,726 | 601,633 |
| Net cash provided by operating activities | | **338,590,210** | 714,885,322 | 1,059,145,164 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Additions to: | | | | |
| Mining rights and other mining assets | 10 | **(58,105,559)** | (208,220,899) | (154,749,413) |
| Property and equipment | 8 | **(4,225,667)** | (29,588,863) | (14,619,094) |
| Decrease (increase) in: | | | | |
| Other noncurrent assets | | **(152,679,276)** | (80,986,815) | (4,676,612) |
| Advances to related parties | | **23,897,422** | (15,513,634) | 28,412,516 |
| Net cash used in investing activities | | **(₱191,113,080)** | (₱334,310,211) | (₱145,632,603) |

(Forward)

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| | | | Years Ended December 31 | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Payments of: | | | | |
| Loans | 13 | **(₱79,682,643)** | (₱239,281,882) | (₱362,778,837) |
| Interest | 26 | **(12,330,153)** | (26,543,903) | (43,982,710) |
| Dividends | | **–** | (371,460,509) | – |
| Proceeds from availment of loans | 13 | **1,540,800** | 9,660,396 | 179,728,730 |
| Increase (decrease) in advances from related parties | | **63,285** | (6,381,887) | (128,954,072) |
| Net cash used in financing activities | | **(90,408,711)** | (634,007,785) | (355,986,889) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **57,068,419** | (253,432,674) | 557,525,672 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(84,244)** | (725,527) | 1,575,098 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | | **546,893,643** | 801,051,844 | 241,951,074 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **₱603,877,818** | ₱546,893,643 | ₱801,051,844 |
| **NONCASH FINANCIAL INFORMATION** | | | | |
| Dividend declaration | 17 | **₱301,482,030** | ₱– | ₱391,926,640 |

*See accompanying Notes to Consolidated Financial Statements.*

# MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**AS AT DECEMBER 31, 2023 and 2022**

**AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**

1. **Corporate Information**

**General Information**

Marcventures Holdings, lnc. (the Parent Company), singly and collectively with its subsidiaries, is referred herein as “the Group”. 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 (R.A.) No. 2629), or act as a securities broker or dealer.

The Parent Company’s shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2023 and 2022, 3,014,820,305 shares of the Parent Company’s shares of stock are listed in The Philippine Stock Exchange, Inc. (PSE).

**Registered Address**

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

**Approval of Financial Statements**

The consolidated financial statements as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issue by the Board of Directors (BOD) on March 14, 2024, as reviewed and recommended for approval by the Audit Committee on the same date.

**Information about the Subsidiaries**

All of the subsidiaries of the Parent Company are wholly-owned and are domiciled in the Philippines.

**Marcventures Mining and Development Corp. (MMDC)**

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

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

Originally, the MPSA was granted to Ventura Timber Corporation (VTC). In January 1995, VTC executed a deed of assignment (the Deed) to transfer to the Group all its rights and interest in MPSA No. 016-93-XI. On March 11, 2008, the DENR issued an Order approving the Deed of MPSA No. 016-93-XI from VTC to MMDC.

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 first 25-year term or from July 1, 2018 to June 30, 2027.

On March 17, 2022, Mine and Geosciences Bureau (MGB) issued a certification to MMDC attesting to the validity and existence of its MPSA and that MMDC has an approved Declaration of Mining Project Feasibility (DMPF) dated October 15, 2014 covering its entire contract mining area.

MMDC has been receiving annual certifications from MGB that it is compliant with the terms and conditions of the MPSA and pertinent provisions of the R.A. no. 7942 or the Philippine Mining Act of 1995 and its implementing Rules and Regulations. MMDC has continued mining operations in areas covered in the MPSA.

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

On July 1, 1993, the DENR approved BGRC's application for MPSA No. 015-93-XI (SMR) covering an area of approximately 4,860 hectares located in the municipalities of Carrascal and Cantilan, Surigao del Sur. On February 7, 2019, the MGB approved the extension of the MPSA for a period of six years starting from the expiration of its 25-year term until June 30, 2024.

On April 11, 2022, the MGB granted the extension of the 3rd Renewal of the exploration period of BGRC for another period of two years effective from July 2, 2022 to July 1, 2024 to recover its unused term due to force majeure.

On July 13, 2023, BGRC have received from the MGB office a reply letter for intention to renew its MPSA agreement for another 25 years. The Group is now in the process and anticipative of obtaining the following permits, licenses, and approvals from the regulatory bodies:

- Free, Prior and Informed Consent and Certification Precondition from the National Commission on indigenous Peoples;

- Approval of the Declaration of Mining Project Feasibility from the MGB, including the required work programs: Environmental Protection and Enhancement Program, Social Development and Management Program, Safety and Health Program, Three (3)-Year Development/Utilization Work Program, Care and Maintenance Program and Project Feasibility Study; and

- Environmental Compliance Certificate from the Environmental Management Bureau.

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

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

On July 04, 2023, AMPI requested for temporary suspension of the second extension of the third renewal of the Exploration Period due to the peace and order problem in the area. This request was granted by the MGB on September 27, 2023, effective July 4, 2023, until the situation becomes safe and favorable.

**Bauxite Resources, Inc. (BARI)**
BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business. The Parent Company acquired BARI from its merger with APMPC in 2017.

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

On July 4, 2023, BARI requested for temporary suspension of the second extension of the third renewal of the Exploration Period due to the peace and order problem in the area. This request was granted by the MGB on September 27, 2023, effective July 4, 2023, until the situation becomes safe and favorable.

## 2. Summary of Material Accounting Policy Information

**Basis of Preparation and Statement of Compliance**
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee issued by the Philippine Financial and Sustainability 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 Group's functional currency. All values are in absolute amounts, unless otherwise indicated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for retirement benefit liability which is measured at the present value of the defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group 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 Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

**Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods.

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The adoption of the amended PFRS did not materially affect the consolidated financial statements of the Group, except for the Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies*. Additional disclosures were included in the consolidated financial statements, as applicable.

**<u>Amended PFRS Issued But Not Yet Effective or Adopted</u>**

Relevant amended PFRS, which are not yet effective as at December 31, 2023 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

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

- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Group shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.

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

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiaries as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021.

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 Group 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 Group 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 Group: (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 Group's share of components previously recognized in other comprehensive income (OCI) to profit or loss.

**Financial Assets and Liabilities**
The Group 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).

Financial assets are measured at amortized cost if 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.

As at December 31, 2023 and 2022, the Group's cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), advances to related parties, and final mine rehabilitation fund (FMRF), rehabilitation cash fund (RCF), rental deposit and monitoring trust fund (MTF) (included under "Other noncurrent assets") accounts are classified under this category (see Notes 4, 5, 11 and 14). Cash and cash equivalents in the consolidated statements of financial position comprise cash on hand and in banks and cash equivalents, excluding any restricted cash. Restricted cash, which includes FMRF, RCF and MTF, is not available for use by the Group and therefore is not considered highly liquid.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL), if any. Financial assets are derecognized when the right to receive cash flows from the asset has expired.

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group's 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.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

As at December 31, 2023 and 2022, the Group's trade and other payables (excluding advances from customers and excise tax and other statutory payables), loans payable, advances from related parties and dividends payable are classified under this category (see Notes 12, 13, 14 and 17).

**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, mining and office supplies, advances to contractors and suppliers and prepaid expenses.

*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 operations. The advances are reclassified to proper asset account in the consolidated statements of financial position or charged to expense in profit or loss upon actual receipt of goods or services, which is normally within 12 months or within the normal operating cycle. Otherwise, these are classified as noncurrent assets.

*Mining and Office Supplies.* Mining and office supplies are stated at lower of cost or NRV. The NRV of mining and office supplies represents their current replacement cost. In determining NRV, the Group considers any adjustments necessary for obsolescence. The costs of mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method. These are charged to expense in profit or loss upon use.

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

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. 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.

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.

**Investment Properties**

Investment properties are stated at cost less accumulated depreciation and amortization and any impairment in value

Depreciation is calculated on a straight-line basis over 20 years as the estimated useful lives of the investment properties.

Transfers are made to investment properties when there are changes in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when there are changes in use, evidenced by commencement of owner-occupation, ending of operating lease or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying value of the property transferred and they do not change the cost of that property for measurement or disclosure purposes on the date of reclassification.

**Other Noncurrent Assets**

Other noncurrent assets include input value-added tax (VAT), deferred input VAT and other financial assets (FMRF, RCF, rental deposit and MTF).

*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 input VAT recoverable from the taxation authority is presented as “Input VAT”. Input VAT claimed for refund are presented separately as “Input VAT for refund”.

*Deferred Input VAT*. Represents amount of input VAT on trade payables arising from purchase of services.

**Impairment of Nonfinancial Assets**

The Group 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 Group 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 Group 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 Group 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 Group 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 Group's operating results, dividend distributions and effect of change in accounting policy. Cash dividends are deducted from retained earnings and recognized as liability when these are approved by the BOD.

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

**Revenue Recognition**

*Sale of Ore*. Sale of ore is recognized at a point in time upon delivery of goods to and acceptance by the customers, net of any sales adjustments based on the contracts with the customers.

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

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

*Rental Income*. Rental income is recognized on a straight-line basis over the lease term.

*Other Income.* Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

**Cost and Expense Recognition**

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

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

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

**Leases**
A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group 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 Group 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 Group also assesses whether a contract contains a lease for each potential separate lease component.

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

**Group as Lessor**
A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Leases where the Group retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease income is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income.

**Foreign Currency-Denominated Transactions**
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date.

Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in the profit or loss in the period these arise.

**Income Taxes**

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused excess MCIT over RCIT and unused NOLCO can be utilized.

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.

**<u>Related Party Transactions and Related Parties</u>**
Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties. Related party transactions are considered material and/or significant if i) these transactions amount to 10% or higher of the Group's total assets, or ii) there are several transactions or a series of transactions over a 12-month period with the same related party amounting to 10% or higher of the Group's total assets. Details of transactions entered into by the Group with related parties are reviewed in accordance with the Group's related party transactions policy.

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 Group; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual; and (d) members of the key management personnel of the Group.

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

**<u>Provisions</u>**
Provisions are recognized when the Group 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 Group 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 Group 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 Group 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 Per Share**
*Basic.* Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Group 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 Group'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 Group has one operating segment which consists of mining exploration, development and production. The Group's asset producing revenues are located in the Philippines.

## 3. Significant Judgments, Accounting Estimates and Assumptions

PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect the amounts reported in the consolidated financial statements. The judgments and accounting estimates used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date. While the Group 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 Group'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.

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

*Defining Default and Credit-Impaired Financial Assets.* The Group defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when contractual payments are 90 days past due. The Group also considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The criteria above have been applied to all financial instruments held by the Group 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.

*Classification of a Property.* The Group determines whether a property is classified as investment property or property and equipment as follows:

- Property and equipment comprise properties that are held for use in the ordinary course of business.

- Investment property is property not occupied and not used in the operations, nor for sale in the ordinary course of business, but are held primarily for earning rental income.

The carrying amounts of property, plant and equipment and investment property are disclosed in Notes 8 and 9 to the financial statements.

*Accounting for Operating Lease - Group as Lessee.* The Group's lease agreement for its office space qualifies as a short-term lease with a lease term of less than 12 months. The Group has elected to apply the recognition exemption on its short term leases.

Rental expense recognized by the Group is disclosed in Note 22.

*Evaluation of Lease Commitments - Group as Lessor.* The Group has entered into operating lease agreements with a third party for the lease of office space. Considering that there will be no transfer of ownership of the leased properties to the lessees, the Group has determined that it retains all the significant risks and benefits of ownership of these properties. Accordingly, the leases are accounted for as operating leases.

Rental income is disclosed in 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 the Allowance for ECL on Trade and Other Receivables.* The Group 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 Group then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

Information on the provision and allowance for ECL and the carrying amounts of trade and other receivables (excluding advances to officers and employees) are disclosed in Note 5.

*Estimating the Allowance for ECL on Other Financial Assets at Amortized Cost*. The Group 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 Group 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, cash equivalents and advances to related parties, the Group 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 2023, 2022 and 2021 are not significant and not recognized.

The carrying amounts of the Group's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 24.

*Estimating the NRV of Inventories.* The Group 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 2023, 2022 and 2021. The carrying amount of inventories, which is measured at the lower of cost and NRV, are disclosed in Note 6.

*Estimating the Realizability of Input VAT.* The Group 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 2023, 2022 and 2021. The carrying amount of noncurrent input VAT is disclosed in Note 11 to the consolidated financial statements.

*Estimating the Useful Lives of a Property and Equipment.* The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The Group 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 2023, 2022, and 2021. The carrying amount of property and equipment are disclosed in Note 8.

*Estimating the 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 Group'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 disclosed in Note 10.

*Estimating the Provision for Mine Rehabilitation and Decommissioning.* The Group 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 Group 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 Group 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 Group'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 are disclosed in Note 10.

Provision for mine site rehabilitation and decommissioning are disclosed in Note 15.

*Assessing the Impairment of Mining Rights and Deferred Exploration Costs.* The Group assesses mining rights and deferred exploration costs for impairment only when there are indicators that impairment exists. Indicators of impairment include, but are not limited to:

- Rights to explore in an area have expired or will expire in the near future without renewal;
- No further exploration or evaluation is planned or budgeted;
- A decision to discontinue exploration and evaluation in an area because of the absence of commercial reserves; and
- Sufficient data exists to indicate that the carrying value will not be fully recovered from future development and production.

Based on management assessment, there are no impairment indicators on the Group's mining rights and deferred exploration costs. Management has determined that (a) the Group's rights to explore in the mining area are not expired and the Group was granted extension of its exploration permits until 2024, (b) the Group continuous to conduct exploration and evaluation activities based on its approved Exploration Work Programs and Environmental Work Programs, and (c) based on the Mineral Resource Validation Report by the MGB, the Group has measured and indicated resource of nickel laterite and alumina bauxite resources. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021.

The carrying amounts of mining rights and deferred exploration costs are disclosed in Note 10.

*Assessing the Impairment of Other Nonfinancial Assets.* The Group assesses impairment on other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group 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.

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

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

Based on management assessment, there are no impairment indicators on the Group's nonfinancial assets. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021.

The carrying amounts of the Group's advances to officers and employees, other current assets, property and equipment, investment property, mine and mining properties, other noncurrent assets (excluding financial assets) are disclosed in Notes 5, 7, 8, 9, 10 and 11.

*Estimating the Retirement Benefit Liability.* The determination of the Group'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 Group'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 is disclosed in Note 16.

*Recognizing Deferred Tax Assets.* The Group 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 Group's recognized and unrecognized deferred tax assets are disclosed in Note 21.

## 4. **Cash and Cash Equivalents**

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Cash equivalents | **₱332,665,301** | ₱202,410,015 |
| Cash in banks | **271,074,483** | 344,274,235 |
| Cash on hand | **138,034** | 209,393 |
| | **₱603,877,818** | ₱546,893,643 |

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits with terms of varying periods of up to three (3) months depending on the immediate cash requirements of the Group. Cash equivalents earn interest at the prevailing special savings and time deposit rates.

Interest income pertains to the following sources:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Cash in banks and cash equivalents | | **₱10,098,015** | ₱777,012 | ₱541,901 |
| Other noncurrent assets | 11 | **205,496** | 22,714 | 59,732 |
| | | **₱10,303,511** | ₱799,726 | ₱601,633 |

## 5. **Trade and Other Receivables**

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Trade receivables | **₱–** | ₱113,024,369 |
| Advances to officers and employees | **18,673,150** | 58,409,425 |
| Others | **3,637,325** | 5,279,653 |
| | **22,310,475** | 176,713,447 |
| Allowance for ECL | **–** | (75,516,127) |
| | **₱22,310,475** | ₱101,197,320 |

Trade receivables pertain to MMDC's receivables arising from shipments of nickel and iron concentrates to its customers which are covered by yearly sales agreements, these are initially paid based on 90% of their provisional value after shipment date. The 10% final balance does not bear any interest until final settlement based on ore grade upon receipt of the customer which usually take three (3) months from shipment date.

Advances to officers and employees are unsecured and noninterest-bearing cash advances for business-related expenditures subject to liquidation within the following year.

Movements in allowance for ECL are as follows:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **₱75,516,127** | ₱152,226,571 |
| Provision | 19 | **–** | 75,516,127 |
| Write-off | | **(75,516,127)** | (152,226,571) |
| Balance at end of year | | **₱–** | ₱75,516,127 |

6. **Inventories**

This account consists of beneficiated nickel ore amounting to ₱169.1 million and ₱151.1 million as at December 31, 2023 and 2022, respectively, which is stated at cost. The cost of inventories is lower than its NRV.

Cost of inventories charged to “Cost of sales” account in the consolidated statements of comprehensive income amounted to ₱1,203.1 million, ₱2,043.6 million and ₱2,166.7 million in 2023, 2022 and 2021, respectively (see Note 18).

7. **Other Current Assets**

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Prepaid income tax | **₱49,529,033** | ₱49,489,733 |
| Advances to contractors and suppliers | **33,048,108** | 18,574,393 |
| Mining and office supplies - net of allowance for obsolescence | **6,505,007** | 11,659,227 |
| Prepaid expenses | **3,071,476** | 3,296,771 |
| Others | **8,334,081** | 8,719,532 |
| | **₱100,487,705** | ₱91,739,656 |

Prepaid income tax represents creditable withholding tax and other tax credits.

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 Group’s mining operations. The movements of the allowance for obsolescence follows:

| | **2023** | 2022 |
|---|---|---|
| Balance at beginning of year | **₱15,558,092** | ₱15,558,092 |
| Provision | **532,856** | – |
| Balance at end of year | **₱16,090,948** | ₱15,558,092 |

The provision for obsolescence is presented as part of “Others” in the “Operating expenses” account in the consolidated statements of comprehensive income (see Note 19).

Prepaid expenses pertain to insurance, excise tax and rent. Others include advances made to NCIP.

## 8. Property and Equipment

The balances and movements of this account are as follows:

| | | 2023 | | | | |
|---|---|---|---|---|---|---|
| | **Note** | **Land** | **Building and Improvements** | **Office Furniture, Fixtures and Equipment** | **Heavy and Transportation Equipment** | **Total** |
| **Cost** | | | | | | |
| Balances at beginning of year | | **₱58,597,484** | **₱174,313,770** | **₱137,672,753** | **₱392,794,543** | **₱763,378,550** |
| Additions | | **–** | **–** | **2,704,457** | **1,521,210** | **4,225,667** |
| Reclassification | 9 | **–** | **(25,000,000)** | **–** | **–** | **(25,000,000)** |
| Balances at end of year | | **58,597,484** | **149,313,770** | **140,377,210** | **394,315,753** | **742,604,217** |
| **Accumulated Depreciation and Amortization** | | | | | | |
| Balances at beginning of year | | **–** | **98,265,189** | **113,851,585** | **371,614,743** | **583,731,517** |
| Depreciation and amortization | | **–** | **5,749,862** | **10,821,595** | **7,727,505** | **24,298,962** |
| Reclassification | 9 | **–** | **(6,354,167)** | **–** | **–** | **(6,354,167)** |
| Balances at end of year | | **–** | **97,660,884** | **124,673,180** | **379,342,248** | **601,676,312** |
| **Carrying Amount** | | **₱58,597,484** | **₱51,652,886** | **₱15,704,030** | **₱14,973,505** | **₱140,927,905** |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Land | Building and Improvements | Office Furniture, Fixtures and Equipment | Heavy and Transportation Equipment | Total |
| Cost | | | | | |
| Balances at beginning of year | ₱58,597,484 | ₱174,240,051 | ₱120,661,852 | ₱395,860,956 | ₱749,360,343 |
| Additions | – | 73,719 | 17,010,901 | 12,504,243 | 29,588,863 |
| Disposal | – | – | – | (15,570,656) | (15,570,656) |
| Balances at end of year | 58,597,484 | 174,313,770 | 137,672,753 | 392,794,543 | 763,378,550 |
| Accumulated Depreciation and Amortization | | | | | |
| Balances at beginning of year | – | 91,112,661 | 106,814,687 | 374,670,417 | 572,597,765 |
| Depreciation and amortization | – | 7,152,528 | 7,036,898 | 12,514,982 | 26,704,408 |
| Disposal | – | – | – | (15,570,656) | (15,570,656) |
| Balances at end of year | – | 98,265,189 | 113,851,585 | 371,614,743 | 583,731,517 |
| Carrying Amount | ₱58,597,484 | ₱76,048,581 | ₱23,821,168 | ₱21,179,800 | ₱179,647,033 |

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

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Charged to: | | | | |
| Cost of sales | 18 | **₱17,047,551** | ₱12,285,185 | ₱6,208,768 |
| Operating expenses | 19 | **8,501,411** | 14,419,223 | 41,017,079 |
| | | **₱25,548,962** | ₱26,704,408 | ₱47,225,847 |

Depreciation and amortization of property and equipment is as follows:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Property and equipment | | **₱24,298,962** | ₱26,704,408 | ₱47,225,847 |
| Investment property | 9 | **1,250,000** | – | – |
| | | **₱25,548,962** | ₱26,704,408 | ₱47,225,847 |

The portion of the Group's property and equipment with carrying amounts of ₱36.5 million and ₱40.0 million as at December 31, 2023 and 2022, respectively, is pledged as security under a real estate mortgage on its loans payable (see Note 13).

Fully depreciated property and equipment with cost of ₱523.0 million and ₱522.0 million as at December 31, 2023 and 2022, respectively, are still being used by the Group.

## 9. Investment Property

The Group's investment property pertains to the portion of its office space which is under lease with a third party. The movements in the account follows:

| | Note | 2023 |
|---|---|---|
| **Cost** | | |
| Balance at beginning of year | | ₱– |
| Reclassification | 8 | 25,000,000 |
| Balances at end of year | | 25,000,000 |
| **Accumulated Depreciation** | | |
| Balances at beginning of year | | – |
| Reclassification | 8 | 6,354,167 |
| Depreciation | | 1,250,000 |
| Balances at end of year | | 7,604,167 |
| **Net Carrying Amount** | | ₱17,395,833 |

The Group's investment property is pledged as security under a real estate mortgage on its loans payable (see Note 13). Rental income earned from investment property amounted to ₱1.4 million and ₱0.3 million in 2023 and 2022, respectively (see Note 20).

The Group assessed that the fair value of its investment property approximates its original cost. The estimate is based on level 3 in the fair value hierarchy.

## 10. Mining Rights and Other Mining Assets

The balances and movements of this account are as follows:

| | | 2023 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Mine and Mining Properties | | | |
| | Note | Mining Rights | Deferred Exploration Costs | Mine Development Costs | Mine Rehabilitation Asset | Total Mine and Mining Properties | Total |
| **Cost** | | | | | | | |
| Balances at beginning of year | | ₱2,935,579,522 | ₱174,541,506 | ₱2,510,070,307 | ₱44,167,841 | ₱2,554,238,148 | ₱5,664,359,176 |
| Additions | | – | 1,687,023 | 56,418,536 | – | 56,418,536 | 58,105,559 |
| Balances at end of year | | 2,935,579,522 | 176,228,529 | 2,566,488,843 | 44,167,841 | 2,610,656,684 | 5,722,464,735 |
| **Accumulated Depletion** | | | | | | | |
| Balances at beginning of year | | 551,787,446 | – | 767,811,340 | 17,502,534 | 785,313,874 | 1,337,101,320 |
| Depletion | 18 | 13,168,909 | – | 31,966,692 | 386,555 | 32,353,247 | 45,522,156 |
| Balances at end of year | | 564,956,355 | – | 799,778,032 | 17,889,089 | 817,667,121 | 1,382,623,476 |
| **Net Carrying Amount** | | ₱2,370,623,167 | ₱176,228,529 | ₱1,766,710,811 | ₱26,278,752 | ₱1,792,989,563 | ₱4,339,841,259 |

| | | 2022 | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Mine and Mining Properties | | | |
| | Note | Mining Rights | Deferred Exploration Costs | Mine Development Costs | Mine Rehabilitation Asset | Total Mine and Mining Properties | Total |
| Cost | | | | | | | |
| Balances at beginning of year | | ₱2,935,579,522 | ₱169,416,318 | ₱2,306,974,596 | ₱44,167,841 | ₱2,351,142,437 | ₱5,456,138,277 |
| Additions | | – | 5,125,188 | 203,095,711 | – | 203,095,711 | 208,220,899 |
| Balances at end of year | | 2,935,579,522 | 174,541,506 | 2,510,070,307 | 44,167,841 | 2,554,238,148 | 5,664,359,176 |
| Accumulated Depletion | | | | | | | |
| Balances at beginning of year | | 470,860,671 | – | 579,694,372 | 12,946,247 | 592,640,619 | 1,063,501,290 |
| Depletion | 18 | 80,926,775 | – | 188,116,968 | 4,556,287 | 192,673,255 | 273,600,030 |
| Balances at end of year | | 551,787,446 | – | 767,811,340 | 17,502,534 | 785,313,874 | 1,337,101,320 |
| Net Carrying Amount | | ₱2,383,792,076 | ₱174,541,506 | ₱1,742,258,967 | ₱26,665,307 | ₱1,768,924,274 | ₱4,327,257,856 |

**Mining Rights**

Mining rights of the Group consist of:

| | **2023** | 2022 |
|---|---|---|
| Mining rights on explored resources of MMDC | **₱729,809,802** | ₱742,978,711 |
| Mining rights of BGRC, AMPI and BARI | **1,640,813,365** | 1,640,813,365 |
| | **₱2,370,623,167** | ₱2,383,792,076 |

*Mining Rights on Explored Resources of MMDC.* This represents the excess of the fair value of the 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.

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

**Deferred Exploration Costs**

Deferred exploration costs 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.

*Mine Rehabilitation Asset.* Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of its ore extraction activities, as required in its MPSA (see Note 15).

11. **Other Noncurrent Assets**

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Input VAT | | **₱374,373,978** | ₱336,157,326 |
| Input VAT for refund | | **163,015,056** | 35,037,687 |
| Final mine rehabilitation fund (FMRF) | | **87,262,429** | 87,029,694 |
| Rehabilitation cash fund (RCF) | 22 | **5,632,371** | 5,590,616 |
| Deferred input VAT | | **5,579,514** | 19,540,694 |
| Rental deposit | 22 | **1,133,050** | 961,850 |
| Monitoring trust fund (MTF) | | **167,435** | 166,690 |
| | | **₱637,163,833** | ₱484,484,557 |

Input VAT for refund pertains to input VAT incurred on the purchase of goods or services and subsequently reported to the Bureau of Internal Revenue (BIR) for refund. This will be collected through cash or tax credit, with the final amount to be determined upon review and inspection of the BIR.

Final mine rehabilitation fund pertains to deposits to a Government depository bank in compliance with the requirements of regulatory agencies.

RCF is reserved as part of the Group's compliance with the approved rehabilitation activities and schedules for specific mining project phase, including research programs as defined in the Environmental Protection and Enhancement Program (see Note 22).

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

Interest income earned from FMRF, RCF and MTF is disclosed in Note 4.

12. **Trade and Other Payables**

This account consists of:

| | Note | 2023 | 2022 |
|---|---|---|---|
| Trade payables | | **₱139,250,478** | ₱140,497,177 |
| Advances from customers | | **–** | 68,780,592 |
| Accrued expenses: | | | |
| Compliance | | **17,348,898** | 16,321,086 |
| Interest | 13 | **972,009** | 972,009 |
| Salaries and rent | | **561,609** | 28,896,117 |
| Excise tax and other statutory payables | | **56,264,353** | 16,780,128 |
| Others | | **8,916,097** | 8,962,455 |
| | | **₱223,313,444** | ₱281,209,564 |

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.

Accruals for compliance pertain to accrual of expenditures for Social Development Management Program, Community Development Program and other regulatory fees as required by the MGB, among others.

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

## 13. Loans Payable

This account consists of:

| | **2023** | 2022 |
|---|---|---|
| Long-term loans | **132,604,857** | 210,746,700 |
| Less: Current portion | **27,804,328** | 80,345,623 |
| Noncurrent portion | **₱104,800,529** | ₱130,401,077 |

In 2021, the Group entered into a six (6)-year ₱208.0 million term loan facility agreement with a local bank secured partly by a real estate mortgage on items of its property and equipment with carrying amounts of ₱36.5 million and ₱40.0 million as at December 31, 2023 and 2022, respectively (see Note 8), and its investment property with carrying amounts of ₱17.4 million and ₱18.6 million as at December 31, 2023 and 2022, respectively (see Note 9). The loan is subject to an interest floor rate of 6% or prevailing interest rate at loan drawdown, whichever is higher.

Movements in the loans payable follows:

| | **2023** | 2022 |
|---|---|---|
| Balance at beginning of year | **₱210,746,700** | ₱440,368,186 |
| Payments | **(79,682,643)** | (239,281,882) |
| Availments | **1,540,800** | 9,660,396 |
| Balance at end of year | **₱132,604,857** | ₱210,746,700 |

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

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Loans payable | | **₱12,330,153** | ₱24,251,864 | ₱47,772,840 |
| Provision for mine rehabilitation and decommissioning | 15 | **2,725,368** | 2,607,183 | 1,839,625 |
| Debt issue cost | | **–** | – | 912,726 |
| | | **₱15,055,521** | ₱26,859,047 | ₱50,525,191 |

Accrued interest payable amounted to ₱1.0 million as at December 31, 2023 and 2022 (see Note 12).

The maturity of the long-term loans are as follows:

| | **2023** | 2022 |
|---|---|---|
| Not later than one (1) year | **₱27,804,328** | ₱80,345,623 |
| Later than one year but not more than five (5) years | **104,800,529** | 130,401,077 |
| | **₱132,604,857** | ₱210,746,700 |

## 14. **Related Party Transactions**

Significant transactions with related parties include the following:

### Related Parties under Common Management

| | Transaction Amounts | | Outstanding Balances | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 | Nature and Terms |
| Advances to related parties | **₱–** | ₱15,513,634 | **₱2,383,253** | ₱26,280,675 | Working fund; unsecured; noninterest-bearing; Collectible on demand |
| Advances from related parties | **₱–** | ₱– | **₱5,000,000** | ₱4,936,715 | Working fund; unsecured; noninterest-bearing; payable on demand |

As at December 31, 2023 and 2022, the Group 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 ₱48.6 million, ₱46 million and ₱48.7 million in 2023, 2022 and 2021, respectively. Retirement benefit expense of key management personnel amounted to ₱2.9 million, ₱1.5 million and ₱2.6 million in 2023, 2022, and 2021, respectively.

## 15. **Provision for Mine Rehabilitation and Decommissioning**

Movements in this account are as follows:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Balance at beginning of year | | **₱60,122,100** | ₱57,514,917 |
| Accretion of interest | 13 | **2,725,368** | 2,607,183 |
| Balance at end of year | | **₱62,847,468** | ₱60,122,100 |

A provision is recognized for the estimated rehabilitation costs of the Group’s mine site upon termination of the Group’s ore extraction activities, which is about 13 years. There has been no change in material estimates, operations and requirements to warrant a change in previously estimated provision for mine rehabilitation and decommissioning.

The provision is calculated by the Group’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.

## 16. **Retirement Benefit Liability**

The Group 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 R.A. 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, 2023.

The principal actuarial assumptions used to determine retirement benefit liability for 2023 and 2022 are as follows:

| | **2023** | 2022 |
|---|---|---|
| Discount rates | **6.25% - 6.26%** | 7.61% - 7.66% |
| Salary increase rates | **4.00% - 5.00%** | 4.00% |

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

The components of retirement benefit expense presented under "Operating expenses" account in profit or loss are as follows (see Note 19):

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Current service cost | **₱ 5,591,927** | ₱6,518,619 | ₱7,116,859 |
| Net interest cost | **2,622,073** | 1,956,044 | 1,205,388 |
| | **₱8,214,000** | ₱8,474,663 | ₱8,322,247 |

The components of net retirement benefit liability presented in the statements of financial position is as follows:

| | **2023** | 2022 |
|---|---|---|
| Retirement benefit liability | **₱51,901,439** | ₱40,475,462 |
| Fair value of plan asset | **7,672,955** | – |
| | **₱44,228,484** | ₱40,475,462 |

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2023 and 2022 and changes in the present value of defined benefit obligation are as follows:

| | **2023** | 2022 |
|---|---|---|
| Balance at beginning of year | **₱40,475,462** | ₱39,155,969 |
| Retirement benefits expense recognized in profit or loss: | | |
| Current service cost | **5,591,927** | 6,518,619 |
| Interest cost | **3,099,568** | 1,956,044 |
| Remeasurement losses (gains) recognized in OCI: | | |
| Changes in financial assumptions | **9,200,973** | (10,780,686) |
| Deviations of experience from assumptions | **(1,661,951)** | 4,532,726 |
| Benefits paid | **(4,804,540)** | (907,210) |
| Balance at end of year | **₱51,901,439** | ₱40,475,462 |

Movements in the fair value of plan assets are as follows:

| | **2023** |
|---|---|
| Balance at beginning of year | **₱–** |
| Employer contribution | **12,000,000** |
| Benefits paid | **(4,804,540)** |
| Gain on plan assets | **477,495** |
| Balance at end of year | **₱7,672,955** |

Sensitivity analysis on defined benefit obligation as at December 31, 2023 is as follows:

| | Change in basis points | Effect on defined benefit obligation **2023** | 2022 |
|---|---|---|---|
| Discount rate | +1% | **(₱3,130,815)** | (₱3,043,419) |
| | -1% | **3,689,476** | 3,530,735 |
| Salary increase rate | +1% | **₱3,842,586** | ₱3,687,247 |
| | -1% | **(3,377,812)** | (3,275,698) |

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 gains recognized in OCI are as follows:

| | | **2023** | |
|---|---|---|---|
| | **Cumulative Remeasurement Gains** | **Deferred Tax Liability (see Note 21)** | **Net Remeasurement Gain** |
| Balance at beginning of year | **₱54,124,267** | **(₱13,531,067)** | **₱40,593,200** |
| Actuarial loss | **(7,539,022)** | **1,873,866** | **(5,665,156)** |
| Balance at end of year | **₱46,585,245** | **(₱11,657,201)** | **₱34,928,044** |

| | | 2022 | |
|---|---|---|---|
| | Cumulative Remeasurement Gains | Deferred Tax Liability (see Note 21) | Net Remeasurement Gain |
| Balance at beginning of year | ₱47,876,307 | (₱11,969,077) | ₱35,907,230 |
| Actuarial gain | 6,247,960 | (1,561,990) | 4,685,970 |
| Balance at end of year | ₱54,124,267 | (₱13,531,067) | ₱40,593,200 |

The average duration of the expected benefit payments at the end of the reporting period is 15 years.

## 17. Equity

Details of the Group's capital stock with ₱1 par value as at and for the years ended December 31, 2023, 2022 and 2021 follows:

| | Shares | Amount |
|---|---|---|
| **Authorized** | 4,000,000,000 | ₱4,000,000,000 |
| **Issued and Outstanding** | | |
| Balance at beginning and end of year | 3,014,820,305 | ₱3,014,820,305 |
| | | |
| **Additional Paid-in Capital** | | |
| Balance at beginning and end of year | | ₱269,199,788 |

**Cash Dividends**

| Date of Declaration | Date of Record | Date of Payment | Dividend per Share | Total Cash Dividends |
|---|---|---|---|---|
| December 7, 2023 | January 12, 2024 | January 26, 2024 | ₱0.10 | ₱301,482,030 |
| November 19, 2021 | December 7, 2021 | January 4, 2022 | ₱0.13 | ₱391,926,640 |

Dividends payable amounted to ₱312.0 million and ₱10.5 million as at December 31, 2023 and 2022.

## 18. Cost of Sales

This account consists of:

| | Note | **2023** | 2022 | 2021 |
|---|---|---|---|---|
| Contractual services | | **₱683,239,017** | ₱1,073,358,838 | ₱1,363,580,313 |
| Production overhead | | **252,582,330** | 344,035,909 | 349,036,990 |
| Salaries and allowances | | **142,405,268** | 173,838,071 | 165,120,325 |
| Excise tax | | **80,310,231** | 120,294,968 | 155,603,734 |
| Depletion | 10 | **45,522,156** | 273,600,030 | 197,202,195 |
| Depreciation | 8 | **17,047,551** | 12,285,185 | 6,208,768 |
| | | **1,221,106,553** | 1,997,413,001 | 2,236,752,325 |
| Net movements in inventories | | **(18,010,433)** | 46,194,875 | (70,091,352) |
| | | **₱1,203,096,120** | ₱2,043,607,876 | ₱2,166,660,973 |

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.

Excise tax pertains to the Government's share in an MPSA which is equivalent to 4.0% of gross output on mineral products.

## 19. Operating Expenses

This account consists of:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Salaries and allowances | | **₱76,214,379** | ₱83,358,913 | ₱79,609,228 |
| Taxes and licenses | | **71,320,235** | 90,717,164 | 80,105,584 |
| Environmental expenses | 22 | **64,549,954** | 113,317,128 | 94,305,139 |
| Professional fees | | **57,686,868** | 62,428,090 | 51,456,531 |
| Repairs and maintenance | | **41,179,908** | 8,503,444 | – |
| Social development programs | 22 | **26,831,606** | 34,919,120 | 24,144,382 |
| Representation | | **22,890,225** | 62,475,322 | 9,807,890 |
| Royalties | 22 | **21,054,988** | 31,577,429 | 40,845,980 |
| Outside services | | **20,837,443** | 21,026,776 | 13,804,099 |
| Community relations | | **16,466,498** | 19,602,502 | 19,192,957 |
| Fines and penalties | | **14,819,074** | 28,864,772 | 26,636,780 |
| Depreciation and amortization | 8 | **8,501,411** | 14,419,223 | 41,017,079 |
| Retirement benefit expense | 16 | **8,214,000** | 8,474,663 | 8,322,247 |
| Rent expense | 22 | **7,048,675** | 4,728,914 | 2,142,641 |
| Communication, light and water | | **3,840,888** | 3,528,353 | 4,104,100 |
| Transportation and travel | | **1,669,864** | 1,875,284 | 1,234,043 |
| Provision for ECL | 5 | **–** | 75,516,127 | 159,402,782 |
| Others | | **44,039,384** | 27,336,677 | 33,802,764 |
| | | **₱507,165,400** | ₱692,669,901 | ₱689,934,226 |

Others include dues and subscriptions, regulatory fees, and office supplies expense.

The Group's salaries and employee benefits consists of:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Included in "Cost of sales" - | | | | |
| Salaries and allowances | 18 | **₱142,405,268** | ₱173,838,071 | ₱165,120,325 |
| Included in "Operating expenses": | | | | |
| Salaries and allowances | | **76,214,379** | 83,358,913 | 79,609,228 |
| Retirement expense | 16 | **8,345,680** | 8,474,663 | 8,322,247 |
| | | **₱226,965,327** | ₱265,671,647 | ₱253,051,800 |

## 20. Other Income

This account consists of:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Rent income | 22 | **₱1,380,000** | ₱300,000 | ₱– |
| Unrealized foreign exchange gain | | **1,117,682** | 10,355,208 | 2,852,800 |
| Others | | **558,472** | 23,782,052 | 24,114,006 |
| | | **₱3,056,154** | ₱34,437,260 | ₱26,966,806 |

Other income includes penalties charged to contractors for certain delays and suppliers' discount.

21. **Income Taxes**

The components of income tax expense (benefit) are shown below:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Current | **₱88,724,359** | ₱118,401,340 | ₱314,908,863 |
| Deferred | **17,597,945** | 18,603,050 | (14,266,280) |
| Effect of change in tax rate | **–** | – | (45,044,616) |
| | **₱106,322,304** | ₱137,004,390 | ₱255,597,967 |

The Group's net deferred tax assets arising from temporary differences are summarized as follows:

| | **2023** | 2022 |
|---|---|---|
| Deferred tax assets: | | |
| Retirement benefit liability | **₱9,401,467** | ₱9,370,452 |
| Provision for mine rehabilitation | **4,762,334** | 4,080,992 |
| Allowance for obsolescence on mining supplies | **4,022,737** | 3,889,523 |
| Allowance for ECL on receivables | **–** | 17,238,142 |
| | **18,186,538** | 34,579,109 |
| Deferred tax liability - | | |
| Unrealized foreign exchange gain | **(1,920,311)** | (2,588,802) |
| | **₱16,266,227** | ₱31,990,307 |

The presentation of net deferred tax assets are as follows:

| | Note | **2023** | 2022 |
|---|---|---|---|
| Through profit or loss | | **₱27,923,428** | ₱45,521,374 |
| Through other comprehensive income | 16 | **(11,657,201)** | (13,531,067) |
| | | **₱16,266,227** | ₱31,990,307 |

The Group's deferred tax liability amounting to ₱442.0 million as at December 31, 2023 and 2022, is attributable to the mining rights of BGRC, AMPI and BARI, as a result of business combination.

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

| | **2023** | 2022 |
|---|---|---|
| NOLCO | **₱69,012,562** | ₱55,762,149 |
| Retirement benefit liability | **2,302,684** | 748,413 |
| Excess MCIT over RCIT | **26,171** | 5,471 |
| | **₱71,341,417** | ₱56,516,033 |

Details of NOLCO of the Group are as follows:

| Year Incurred | Expiry Date | Amount | Applied | Expired | Balance |
|---|---|---|---|---|---|
| 2023 | 2026 | ₱53,001,652 | ₱– | ₱– | ₱53,001,652 |
| 2022 | 2025 | 64,605,091 | – | – | 64,605,091 |
| 2021 | 2026 | 69,189,004 | – | – | 69,189,004 |
| 2020 | 2025 | 89,254,499 | – | – | 89,254,499 |
| | | ₱276,050,246 | ₱– | ₱– | ₱276,050,246 |

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

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

| Year Incurred | Expiry Date | Amount | Applied | Expired | Balance |
|---|---|---|---|---|---|
| 2023 | 2026 | ₱20,700 | ₱– | ₱– | ₱20,700 |
| 2022 | 2025 | 3,000 | – | – | 3,000 |
| 2021 | 2024 | 2,471 | – | – | 2,471 |
| | | ₱26,171 | ₱– | ₱– | ₱26,171 |

The reconciliation of income before tax computed at the statutory income tax rate to the income tax expense are as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Income tax at statutory rate | **₱84,614,702** | ₱84,896,293 | ₱253,010,206 |
| Changes in unrecognized deferred tax assets | **14,825,384** | (8,497,143) | (21,978,012) |
| Effect of change in tax rate | **–** | – | (22,241,822) |
| Add (deduct) income tax effects of: | | | |
| Nondeductible expenses | **9,491,016** | 36,060,259 | 22,062,655 |
| Interest income subjected to final tax | **(2,608,798)** | (199,931) | (150,372) |
| Expired NOLCO | **–** | 24,730,112 | 24,877,552 |
| Expired MCIT | **–** | 14,800 | 17,760 |
| | **₱106,322,304** | ₱137,004,390 | ₱255,597,967 |

22. **Commitments and Contingencies**

**Social and Environmental Responsibilities**

**Social Development and Management Programs (SDMP)**
SDMP are five (5)-year projects identified and approved for implementation in the communities covered by the MPSA. The Group 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 Group's implemented social development programs to host communities amounted to ₱26.8 million, ₱34.9 million and ₱24.1 million in 2023, 2022 and 2021, respectively (see Note 19).

**Environmental Protection and Enhancement Program (EPEP)**
EPEP refers to the comprehensive and strategic environmental management plan to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment within the Group's mining areas. 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 Group.

The Group is required to set up a fund to ensure compliance with the program. The balance of the fund, presented as RCF under "Other noncurrent assets" account, amounted to ₱5.6 million for December 31, 2023 and 2022 (see Note 11).

The Group implemented projects amounting to ₱64.5 million, ₱113.3 million and ₱94.3 million in 2023, 2022 and 2021, respectively (see Note 19).

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

Royalty expense amounted to ₱21.1 million, ₱31.6 million, ₱40.8 million in 2023, 2022 and 2021, respectively (see Note 19).

**Operating Lease Agreements – Group as a Lessee**
The Group leases an office space for its operations. Rental deposit amounted to ₱1.1 million and ₱1 million as at December 31, 2023 and 2022 (see Note 11).

Rental expense arising from short-term leases amounted to ₱7.0 million, ₱4.7 million and ₱2.1 million in 2023, 2022 and 2021, respectively (see Note 19).

**Operating Lease Agreements – Group as a Lessor**
In 2022, the Group has entered into operating lease agreements with a third party for the lease of its office space. Considering that there will be no transfer of ownership of the leased property to the lessee, the Group has determined that it retains all the significant risks and benefits of ownership of these properties. Accordingly, the leases are accounted for as operating leases.

Rental income amounted to ₱1.4 million and ₱0.3 million in 2023 and 2022, respectively (see Note 20).

**Other Claims**
The Group is either a defendant or plaintiff in other claims and disputes which are normal to its business. The management believes that the ultimate liability, if any, with respect to such claims, and disputes will not materially affect the financial position of the Group.

## 23. Earnings Per Share

Earnings per share are computed as follows:

| | **2023** | 2022 | 2021 |
|---|---|---|---|
| Net income shown in the consolidated statements of comprehensive income (a) | **₱232,136,506** | ₱202,580,780 | ₱756,442,856 |
| Weighted average number of common shares (b) | **3,014,820,305** | 3,014,820,305 | 3,014,820,305 |
| Basic earnings per share (a/b) | **₱0.077** | ₱0.067 | ₱0.251 |

The Group does not have potentially dilutive common shares.

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

**General**

The Group has risk management policies that systematically view the risks that could prevent the Group from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Group's objectives are achieved. The Group'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 Group's established business objectives.

**Financial Risk Management Objectives and Policies**

The Group's principal financial instruments consist of cash and cash equivalents, and loans payable. The primary purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as trade and other receivables (excluding advances to officers and employees), FMRF, RCF, rental deposit, MTF, 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, 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 Group'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 Group's transactional currency exposures arise from its cash in banks and trade receivables which are denominated in US dollar. The Group periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk.

The following table shows the Group's US dollar-denominated financial assets and their Philippine Peso equivalent as at December 31, 2023 and 2022:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Philippine Peso** | **US Dollar** | Philippine Peso | US Dollar |
| Cash in banks | **₱24,899,961** | **$448,107** | ₱50,250,716 | $901,196 |
| Trade receivables | **–** | **–** | 113,044,392 | 2,027,338 |
| | **₱24,899,961** | **$448,107** | ₱163,295,108 | $2,928,534 |

For purposes of restating the outstanding balances of the Group's US dollar-denominated financial assets as at December 31, 2023 and 2022, the exchange rates applied were ₱55.57 per US$1 and ₱55.76 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 Group's income before tax for the years ended December 31, 2023, 2022 and 2021 (due to changes in the fair value of financial assets). There is no other impact on the Group's equity other than those already affecting profit or loss.

| | Increase/Decrease in Exchange Rate | Effect on Income before Tax |
|---|---|---|
| **December 31, 2023** | **+1.23%** | **₱307,391** |
| | **-1.23%** | **(307,391)** |
| December 31, 2022 | 2.61 | ₱4,262,002 |
| | -2.61 | (4,262,002) |
| December 31, 2021 | +2.15 | ₱5,676,378 |
| | -2.15 | (5,676,378) |

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

| | **2023** | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **Past Due but not Impaired** | | | | |
| | **High Grade** | **Standard Grade** | **1 – 30 Days** | **31 – 90 Days** | **More than 90 Days** | **Impaired** | **Total** |
| Lifetime ECL - Trade and other receivables* | **₱–** | **₱–** | **₱–** | **₱3,637,325** | **₱–** | **₱–** | **₱3,637,325** |
| 12-month ECL: | | | | | | | |
| Cash in banks and cash equivalents | **603,739,784** | **–** | **–** | **–** | **–** | **–** | **603,739,784** |
| Advances to related parties | **–** | **2,383,253** | **–** | **–** | **–** | **–** | **2,383,253** |
| RCF and MTF | **5,799,806** | **–** | **–** | **–** | **–** | **–** | **5,799,806** |
| Rental deposit | **–** | **1,133,050** | **–** | **–** | **–** | **–** | **1,133,050** |
| | **609,539,590** | **3,516,303** | **–** | **–** | **–** | **–** | **613,055,893** |
| | **₱609,539,590** | **₱3,516,303** | **₱–** | **₱3,637,325** | **₱–** | **₱–** | **₱616,693,218** |

**Excluding advances to officers and employees amounting to ₱18.7 million as at December 31, 2023*

| | 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Past Due but not Impaired | | | | |
| | High Grade | Standard Grade | 1 – 30 Days | 31 – 90 Days | More than 90 Days | Impaired | Total |
| Lifetime ECL - Trade and other receivables* | ₱– | ₱– | ₱– | ₱5,556,449 | ₱37,231,446 | ₱75,516,127 | ₱118,304,022 |
| 12-month ECL: | | | | | | | |
| Cash in banks and cash equivalents | 546,684,250 | – | – | – | – | – | 546,684,250 |
| Advances to related parties | – | 26,280,675 | – | – | – | – | 26,280,675 |
| RCF and MTF | 5,757,306 | – | – | – | – | – | 5,757,306 |
| Rental deposit | – | 961,850 | – | – | – | – | 961,850 |
| | 552,441,556 | 27,242,525 | – | – | – | – | 579,684,081 |
| | ₱552,441,556 | ₱27,242,525 | ₱– | ₱5,556,449 | ₱37,231,446 | ₱75,516,127 | ₱697,988,103 |

**Excluding advances to officers and employees amounting to ₱58.4 million as at December 31, 2022*

Customer credit risk from trade and other receivables is managed by the Group'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 Group has actually ascertained that these are worthless and uncollectible as of the end of the year.

The Group trades only with recognized, creditworthy third parties. It is the Group'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, MTF and rental deposit, the Group established controls and procedures on its credit policy to determine and monitor the credit worthiness of counterparties.

The credit quality of the financial assets is managed by the Group 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. Past due but not impaired accounts are still collectible but require persistent effort from the Group to collect.

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 Group 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 Group'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 Group's financial liabilities as at December 31, 2023 and 2022, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **On Demand** | **Less than three months** | **Three to six months** | **More than six months to one year** | **More than one year** | **Total** |
| Trade and other payables* | **₱26,826,604** | **₱972,009** | **₱139,250,478** | **₱–** | **₱–** | **₱167,049,091** |
| Dividends payable | **311,966,875** | **–** | **–** | **–** | **–** | **311,966,875** |
| Loans payable** | **–** | **8,829,932** | **8,699,350** | **16,789,554** | **116,841,340** | **151,160,176** |
| Advances from related parties | **5,000,000** | **–** | **–** | **–** | **–** | **5,000,000** |
| | **₱343,793,479** | **₱9,801,941** | **₱147,949,828** | **₱16,789,554** | **₱116,841,340** | **₱635,176,142** |

**Excluding excise tax and other statutory payables and advances from customers aggregating to ₱56.3 million as at December 31, 2023.*
***Including interest payable up to maturity amounting to ₱18.6 million as at December 31, 2023.*

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | On Demand | Less than three months | Three to six months | More than six months to one year | More than one year | Total |
| Trade and other payables* | ₱54,179,658 | ₱972,009 | ₱140,497,177 | ₱– | ₱– | ₱195,648,844 |
| Dividends payable | 10,484,846 | – | – | – | – | 10,484,846 |
| Loans payable** | – | 56,039,809 | 19,416,843 | 17,524,238 | 149,490,179 | 242,471,069 |
| Advances from related parties | 4,936,715 | – | – | – | – | 4,936,715 |
| | ₱69,601,219 | ₱57,011,818 | ₱159,914,020 | ₱17,524,238 | ₱149,490,179 | ₱453,541,474 |

**Excluding excise tax and other statutory payables and advances from customers aggregating to ₱85.6 million as at December 31, 2022.*
***Including interest payable up to maturity amounting to ₱31.7 million as at December 31, 2022.*

**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 Group's financial instruments that are carried in the consolidated financial statements:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| **Financial Assets** | | | | |
| Cash | **₱603,877,818** | **₱603,877,818** | ₱546,893,643 | ₱546,893,643 |
| RCF and MTF | **5,799,806** | **5,799,806** | 5,757,306 | 5,757,306 |
| Trade and other receivables* | **3,637,325** | **3,637,325** | 42,787,895 | 42,787,895 |
| Advances to related parties | **2,383,253** | **2,383,253** | 26,280,675 | 26,280,675 |
| Rental deposit | **1,133,050** | **1,133,050** | 961,850 | 961,850 |
| | **₱616,831,252** | **₱616,831,252** | ₱622,681,369 | ₱622,681,369 |
| **Financial Liabilities** | | | | |
| Dividends payable | **₱311,966,875** | **₱311,966,875** | ₱10,484,846 | ₱10,484,846 |
| Trade and other payables** | **167,049,091** | **167,049,091** | 195,648,844 | 195,648,844 |
| Loans payable | **132,604,857** | **132,262,442** | 210,746,700 | 213,102,230 |
| Advances from related parties | **5,000,000** | **5,000,000** | 4,936,715 | 4,936,715 |
| | **₱616,620,823** | **₱616,278,408** | ₱421,817,105 | ₱424,172,635 |

**Excluding advances to officers and employees amounting to ₱18.7 million and ₱58.4 million as at December 31, 2023 and 2022, respectively.*
***Excluding excise tax and other statutory payables and advances from customers amounting to ₱56.3 million and ₱85.6 million as at December 31, 2023 and 2022, respectively.*

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

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

*Loans Payable.* Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDST-R2 rates ranging from 1.79% to 4.37% that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

## 25. Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure the Group'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 Group manages its capital structure and makes adjustments to it, whenever there are changes in economic conditions. The Group monitors its capital using debt to equity ratio. To maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or by conversion of related party advances to an equity component item.

## 26. Notes to Consolidated Statements of Cash Flows

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

| | **2023** | | |
|---|---|---|---|
| | **Loans Payable (see Note 13)** | **Accrued (Prepaid) Interest (see Note 12)** | **Total** |
| Balance at beginning of year | **₱210,746,700** | **₱972,009** | **₱211,718,709** |
| Cash flows from financing activities: | | | |
| Availments | **1,540,800** | **–** | **1,540,800** |
| Payments of: | | | |
| Loans payable | **(79,682,643)** | **–** | **(79,682,643)** |
| Interest | **–** | **(12,330,153)** | **(12,330,153)** |
| Noncash changes: | | | |
| Interest expense | **–** | **12,330,153** | **12,330,153** |
| Balance at end of year | **₱132,604,857** | **₱972,009** | **₱133,576,866** |

| | 2022 | | |
|---|---|---|---|
| | Loans Payable (see Note 13) | Accrued (Prepaid) Interest (see Note 12) | Total |
| Balance at beginning of year | ₱440,368,186 | ₱3,264,048 | ₱443,632,234 |
| Cash flows from financing activities: | | | |
| Availments | 9,660,396 | – | 9,660,396 |
| Payments of: | | | |
| Loans payable | (239,281,882) | – | (239,281,882) |
| Interest | – | (26,543,903) | (26,543,903) |
| Noncash changes: | | | |
| Interest expense | – | 24,251,864 | 24,251,864 |
| Balance at end of year | ₱210,746,700 | ₱972,009 | ₱211,718,709 |

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

BDO Towers Valero
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Phone : +632 8 982 9100
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Website : www.reyestacandong.com

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

The Stockholders and the Board of Directors
Marcventures Holdings, Inc. and Subsidiaries
4th Floor, BDO Towers Paseo
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 Group) as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022, and 2021, and have issued our report thereon dated March 14, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group'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 Group's consolidated financial statements as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022, and 2021 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 April 13, 2024
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

March 14, 2024
Makati City, Metro Manila

## MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

### FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

| Ratio | Formula | 2023 | 2022 |
|---|---|---|---|
| Current ratio | Total Current Assets | **₱898,183,945** | ₱917,225,555 |
| | Divided by: Total Current Liabilities | **598,565,310** | 395,222,778 |
| | Current ratio | **1.50:1** | 2.32:1 |
| Acid test ratio | Total Current Assets less Inventory | **₱729,059,251** | ₱766,111,294 |
| | Divided by: Total Current Liabilities | **598,565,310** | 395,222,778 |
| | Current ratio | **1.22:1** | 1.94:1 |
| Solvency ratio | Net Income Before Depreciation and Amortization, and Depletion | **₱303,207,624** | ₱502,885,218 |
| | Divide by: Total liabilities | **1,252,441,412** | 1,068,221,038 |
| | Solvency ratio | **0.24:1** | 0.47:1 |
| Debt-to-equity ratio | Total Liabilities | **₱1,252,441,412** | ₱1,068,221,038 |
| | Divide by: Total equity | **4,797,373,590** | 4,872,384,270 |
| | Debt-to-equity ratio | **0.26:1** | 0.22:1 |
| Asset-to-equity ratio | Total Assets | **₱6,049,815,002** | ₱5,940,605,308 |
| | Divide by: Total equity | **4,797,373,590** | 4,872,384,270 |
| | Asset-to-equity ratio | **1.26:1** | 1.22:1 |
| Interest rate coverage ratio | Pretax income before interest | **₱353,514,331** | ₱366,444,217 |
| | Divided by: Interest expense | **15,055,521** | 26,859,047 |
| | Interest rate coverage ratio | **23.48:1** | 13.64:1 |
| Return on asset | Net income | **₱232,136,506** | ₱202,580,780 |
| | Divide by: Total average assets | **5,995,192,155** | 6,225,119,202 |
| | Return on asset ratio | **0.04:1** | 0.03:1 |
| Return on equity | Net income | **₱232,136,506** | ₱202,580,780 |
| | Divide by: Total average equity | **4,834,878,930** | 4,768,750,895 |
| | Return on equity ratio | **0.05:1** | 0.04:1 |
| Net profit margin ratio | Net income | **₱232,136,506** | ₱202,580,780 |
| | Divide by: Total revenue | **2,050,416,186** | 3,067,485,008 |
| | Net profit margin ratio | **0.11:1** | 0.07:1 |

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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, BDO Towers Paseo
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 Group) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 included in this Form 17-A and have issued our report thereon dated March 14, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Schedule of Parent Company's Retained Earnings Available for Dividend Declaration for the year ended December 31, 2023
- Schedules Required under Annex 68-J of the Revised Securities Regulation Code (SRC) Rule 68 as at December 31, 2023
- Conglomerate Map as at December 31, 2023

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

**REYES TACANDONG & CO.**

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

March 14, 2024
Makati City, Metro Manila

## PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2023**

## MARCVENTURES HOLDINGS, INC.

4th Floor, BDO Towers Paseo, 8741 Paseo de Roxas, Makati City

| | Amount |
|---|---|
| **Unappropriated retained earnings, beginning of reporting period available for dividend declaration** | **₱88,704,537** |
| **Less: Items that are directly debited to unappropriated retained earnings** | |
| Dividend declaration during the period | (301,482,030) |
| **Unappropriated retained earnings, as adjusted** | **(212,777,493)** |
| **Add: Net income for the current year** | **250,558,593** |
| **Adjusted net income** | **250,558,593** |
| **Total retained earnings, end of the reporting period available for dividend declaration** | **₱37,781,100** |

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**
**SCHEDULES REQUIRED UNDER ANNEX 68-J OF THE REVISED SECURITIES REGULATION CODE RULE 68**
**DECEMBER 31, 2023**

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*Schedule C*. Amounts Receivable from Related Parties Eliminated during the Consolidation of Financial Statements
December 31, 2023

| 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 Corp. | ₱316,867,849 | ₱– | ₱316,867,849 | ₱– | ₱– | ₱– | ₱– |
| BrightGreen Resources Corporation | 5,628,288 | – | – | – | 5,628,288 | – | 5,628,288 |
| Alumina Mining Philippines Inc. | 213,996,628 | 3,286,222 | – | – | 217,282,850 | – | 217,282,850 |
| Bauxite Resources Inc. | 59,090,772 | 1,129,793 | – | – | 60,220,565 | – | 60,220,565 |
| | ₱595,583,537 | ₱4,416,015 | ₱316,867,849 | ₱– | ₱283,131,703 | ₱– | ₱283,131,703 |

*Schedule D*. Long - term Debt
December 31, 2023

| Title of issue and type of obligation | Amount shown under caption "Current portion of Loans payable" | Amount shown under caption "Loans payable - net of current" |
|---|---|---|
| *Notes Payable* | | |
| China Banking Corporation | 24,000,000 | 103,728,730 |
| Orix Metro Leasing and Finance Corp. | 3,804,328 | 1,071,799 |
| | ₱27,804,328 | ₱104,800,529 |

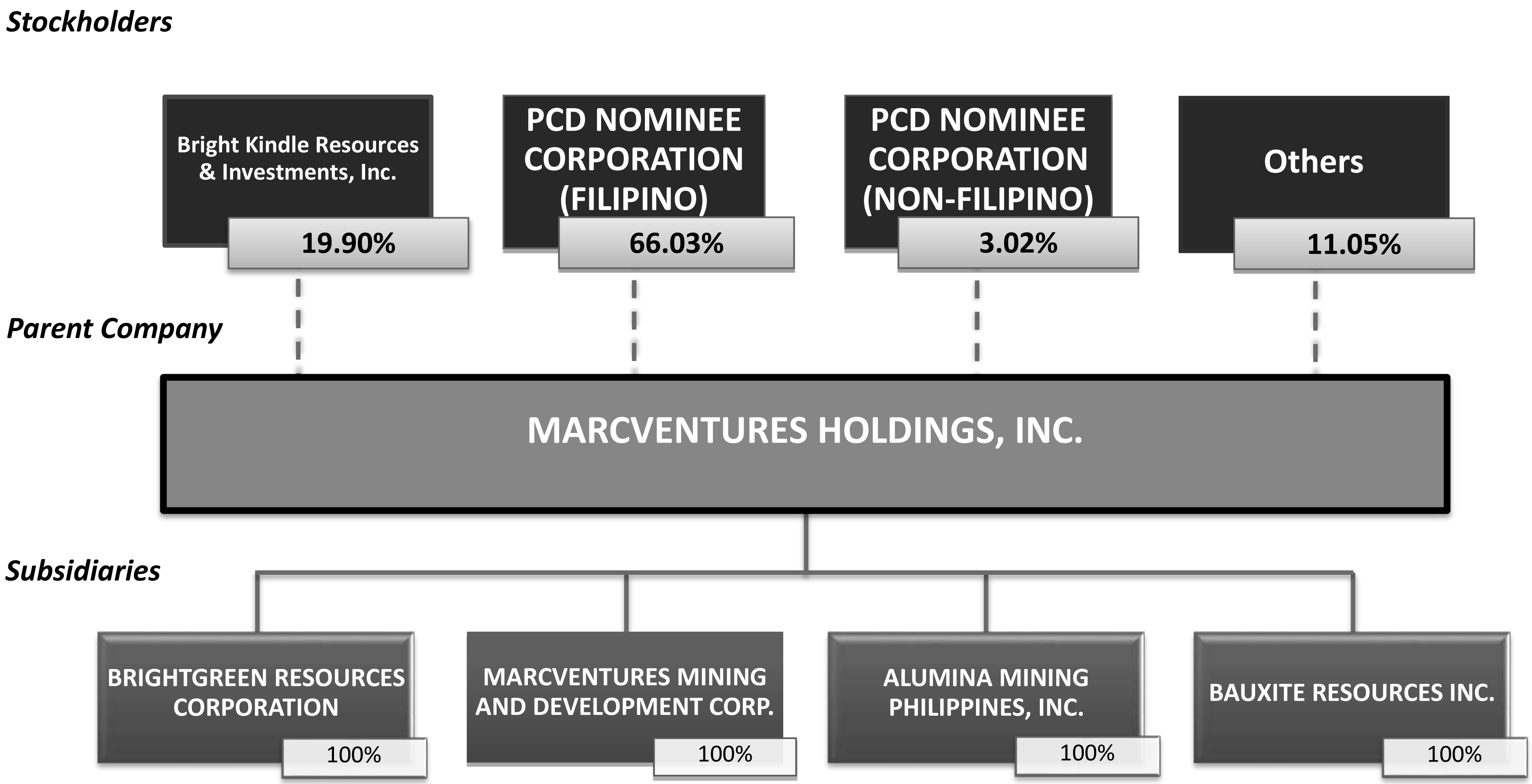
*Schedule G*. Capital Stock

| Title of issue | Number of shares authorized | Number of shares issued and outstanding shown under related balance sheet caption | Number of shares reserved for options, warrants, conversion and other rights | No. of shares held by related parties | Directors officers and employees | Others |
|---|---|---|---|---|---|---|
| Common Stock | 4,000,000,000 | 3,014,820,305 | – | – | 195,630,020 | 2,819,190,285 |

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**

**CONGLOMERATE MAP**

**DECEMBER 31, 2023**



# Driving Sustainable Solutions

2023 Sustainability Report

## CONTENTS



## BOARD STATEMENT

# DELIVERING LONG TERM VALUE

We, at MHI, believe in building a business model that delivers long-term values to our stakeholders and promotes sustainable considerations in our mining practices. We believe that sustainability will become even more integral to the Group as we move forward and therefore:

- We honor our stewardship of the environment as we continue to work on implementing responsible mining methods, providing a sustainable solution to mine rehabilitation, and instituting long-term livelihood opportunities for future generations. Our rehabilitation programs are a testament to this stewardship mindset.

- We also put utmost emphasis on the health, security, and safety of our employees as well as partnering with our host communities to facilitate economic and social growth and development.

- Lastly, but equally as important, MHI remains committed to complying with national and local government laws and regulations bearing in mind that good governance is at the heart of our future as an organization.

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

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

With the foregoing considerations in mind, the Board of MARCVENTURES HOLDINGS, INC. ("MHI" or the "Group" or the "Company") proudly presents its third Sustainability Report under the Securities and Exchange Commission (SEC) Memorandum Circular (MC) No. 4, Series of 20192 for the period 1 January to 31 December 2022. This Report is prepared for all stakeholders with an interest in the mining industry and/or sustainability performance of the Company and is recommended to be read in conjunction with its Annual Report.

# OUR SUSTAINABLE PATHWAY

We continue to evolve as we persevere in our commitment to supply mine products, rudimentary to environmental preservation, and community support. With the world economy influencing the commodity process and inflation, our sustainability pathway remains stable with active social programs for our communities in Carrascal, Cantillan, and Madrid.

Our initiatives under the SDMP are guided by the United Nations Sustainable Development Goals (UNSDG), an urgent call for action by all countries. The global partnership recognizes strategies that improve health and education, reduce inequality, and increase economic growth while tackling climate change and preserving natural resources.

Our programs in MHI support quality education, good health and well-being, economic growth, preservation of biodiversity, and climate action. We continued our initiatives to nurture communities, empower development, and minimize environmental impact.

We are proud to support the education of students from low-income families and members of Indigenous communities through our Social Development Management Program (SDMP) and our Corporate Responsibility Projects. We also empower communities by providing resources to help organizations start their own enterprise.

Our sustainability journey is a commitment, embedded in our values and strategy. And we believe in giving back to the communities that helped us grow.

We thank God almighty for blessing us with a productive year.

**ROLANDO SANTOS**
Director & Treasurer
Marcventures Mining and Development Corporation
Executive Vice President
Marcventures Holdings, Inc.


# OUR GROUP STRUCTURE AND BUSINESS CONTEXT

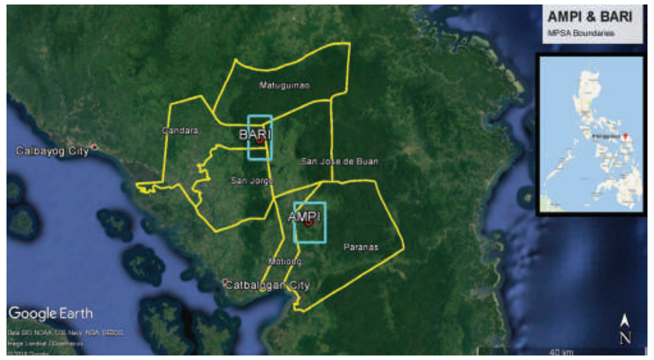
Marcventures Holdings, Inc ("MHI") formerly AJO.net Holdings, Inc. was incorporated on August 7, 1957 and became a publicly-listed company in 1958. On March 30, 2010, the Securities and Exchange Commission (SEC) approved the change to the present one and further approved the change in its primary purpose to include land ownership. On December 29, 2017, the Securities and Exchange Commission approved MHI's merger with Asia Pilot Mining Philippines Corp. (APMPC) and BrightGreen Resources Holdings, Inc. (BRC) with MHI as the surviving entity. The merger resulted in MHI's acquisition of APMPC's subsidiaries, namely Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI), the only two (2) bauxite mines in the Philippines, as well as MHI's subsidiary, Bright Green Resources Corporation (BRC). Through its subsidiaries, MHI conducts business by investing in mining and associated activities. Currently, it has investments in four (4) wholly-owned subsidiaries: Marcventures Mining and Development Corporation (MMDC), BrightGreen Resources Holdings, Inc. (BHI), Alumina Mining Philippines, Inc. (AMPI), and Bauxite Resources, Inc. (BARI).

### MARCVENTURES MINING AND DEVELOPMENT CORPORATION

**Location:** Surigao Del Sur (Cantilan, Carrascal, and Madrid)
**Ownership:** 100% MHI
**MPSA No.:** 016-93- XIII (approved on July 01, 1993)
**Area:** 4,799 hectares
**Mining Method:** Contour Mining
**Ore Type:** Nickel (Saprolite and Limonite)
**Market/ Buyers:** Direct shipment to China (primarily); Japan and Asia (prospective)
**Mineral Resource Report as of December 31, 2023:**

- Total Measured and Indicated Saprolite Mineral Resource: 8.66 Million Wet Metric Tonnes (WMT) with an average grade of 1.32% Ni and 12.89% Fe
- Total Measured and Indicated Limonite Mineral Resource: 57.76 Million Wet Metric Tonnes (WMT) with an average grade of 0.89% Ni and 43.75% Fe

# SUBSIDIARIES





**Bright Green Resources Corporation**

**Location:** Surigao del Sur (Carrascal, Cantilan, and Madrid)
**Ownership:** 100% MHI
**MPSA No.:** 015-93-XIII was approved on July 01, 1993, with MPSA extension valid up to June 30, 2024
**Area:** 4,860 hectares
**Mining Method:** Contour Mining
**Ore Type:** Nickel (Saprolite and Limonite)
**Mineral Resource Report signed by a Competent Person in March 2016:**

- Total Measured and Indicated Mineral Resources are 16.03M WMT with an average grade of 1.17% Ni and 34.98% Fe.
- This is further broken down to 3.06M WMT saprolite with an average grade of 1.59% Ni and 14.85% Fe, and 12.97M WMT limonite with an average grade of 1.07% Ni and 39.73% Fe.

Mineral Resources have been validated by the MGB and is deemed acceptable and compliant with the Philippine Mineral Reporting Code (PMRC) 2007 guidelines which set out minimum standards and guidelines for public reporting of exploration results, mineral resources, ore reserves and metallurgical assessments, and DENR DAO No. 2010-09 which provides for the classification and reporting standards of exploration results, mineral resources, and ore reserves.

BRC has secured the extension of the 3rd renewal of its Exploration Period for another two (2) years effective July 02, 2022, to July 01, 2024. It was also included in the list of priority projects by the Mines and Geosciences Bureau (MGB). Preparation for all mandatory reports for the Declaration of Mining Project Feasibility application is ongoing. The team has completed public and technical scoping (a requirement for Environmental Compliance Certificate application), baseline gathering, IEC consultation for SDMP and EPEP, and FPIC MOA with NCIP and other concerned indigenous groups.

**Bauxite Resources Inc.**

**Location:** Samar (Matuguinao, Gandara, San Jose de Buan, San Jorge)
**MPSA No.:** 180-2002 VIII (SBMR) was issued on December 5, 2002.
**Area:** 5,519.01 hectares.
**Ownership of AMPI & BARI:** 100% MHI through a merger and acquisition deal with Asia Pilot Mining Philippines Corporation (APMPC)
**Ore Type:** Bauxite, the raw material of Aluminum
Mineral Resource Report signed by a Competent Person in March 2016 reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person (CP) for Geology in June 2017: 73.18 Million Wet Metric Tonnes (WMT) with an average grade of 41.66% Al2O3

**Alumina Mining Philippines, Inc.**

**Location:** Samar (Paranas, Motiong)
MPSA No.: 179-2002 VIII (SBMR) (issued on December 5, 2002)
**Area:** 6,694 hectares
Both AMPI and BARI are in the process of securing an Environmental Compliance Certificate (ECC) for the planned development and mine operation of the Samar Bauxite Project. Notwithstanding the imposed country-wide lockdown due to the COVID-19 pandemic, AMPI and BARI were able to complete the public scoping and technical scoping stages of the Environmental Impact Assessment (EIA) process in January 2021.

# MATERIALITY PROCESS

The 2023 MHI Sustainability Report is an account of MHI's economic, environmental, and social contributions as guided by the United Nations Sustainable Development Goals. The material topics were based on Global Reporting Initiative (GRI) Standards. These indicators reflect the company's impact that could substantially influence the assessments and decisions of stakeholders. The material topics were identified during the Sustainability Reporting workshop in 2019. The topics are reviewed every year and regularly assessed and evaluated by the members of the technical working group.

## Sustainability Context

MHI is committed to contributing to the socio-economic development of the communities surrounding its mining tenements. As it pursues its corporate goals, the Company aims to be a catalyst for the upliftment of the lives of its host communities and aspires to be a responsible steward of mineral resources.

Sustainability is one of the main drivers of MHI's businesses. As a responsible miner, process efficiency is geared towards protecting the environment while generating value for stakeholders. The day-to-day operations, community concerns, and stakeholders' relationships were instrumental in directing the Company's efforts in identifying and evaluating material topics for this year's report.

## Group-wide Reporting Process

In preparing the very first MHI Sustainability Report in 2019, key officers and staff attended a Sustainability Reporting workshop, facilitated by Atty. Teodoro Y. Kalaw IV, is a certified sustainability trainer by the Global Reporting Initiative and a sustainability report assurer by the Institute of Certified Sustainable Practitioners. Atty. Kalaw led the extensive sustainability orientation and materiality assessment process, which the Technical Working Group adapts every year, in preparing the report.

## Defining Materiality

The report covers significant material topics consisting of current issues as well as topics and business aspects deemed important to its stakeholders. These were identified during the Sustainability Reporting workshop and analyzed based on the current business model and strategic plans. The process consists of the assessment, topic identification and categorization, focus prioritization, validation, and reporting.

## Topics Deemed Non-Material

Upon review and appropriate deliberation, there were some topics deemed non-material for the report. Discussions on Customer Management, Product Health and Safety, and Product Marketing and Labeling were not material to the business model from a sustainability perspective.

The Company's current main product is nickel ore, which is commonly used for nickel-based alloys for high-quality stainless steel and batteries and is exported in raw form. While relationships with customers are vital to any organization, Customer Management and Marketing were deemed not material topics from a sustainability perspective. The increasing demand for nickel products worldwide outweighs supply availability. Prices are based primarily on market rates. Moreover, nickel products are extracted and shipped in raw form with pre-agreed characteristics subject to independent third-party testing.

## Strengthening Our Process

As with this year's material topic assessment, the Company aims to institute a regular review to strengthen the materiality matrix and encourage participation and collaborative validation from its stakeholders. This comes with a vision to improve the process behind the preparation of the Sustainability Report as stakeholders track its development in the coming years.

# HIGHLIGHTS OF 2023 MATERIAL TOPICS

As a publicly-listed company, MHI ensures continuous adherence to corporate governance rules, regulations, and requirements imposed by the Philippine Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

## GOOD CORPORATE GOVERNANCE

**Good Corporate Governance**
The Board of Directors exercises its oversight functions through the Executive Committee which meets regularly. It provides an independent check on management corollary to setting the policies for the accomplishment of the corporate objectives.

**Economic Performance**
By achieving its financial goals, MHI can create and generate value for its employees, suppliers, stockholders, community, and government.

**Climate-related Risks and Opportunities**
Disruption in the supply chain is largely affected by changes in rainfall rate and extreme weather events which are the top climate-related risk that causes delays, suspension of operations, prevention of shipments, or loading process.

**Environmental Impact Management**
MHI continues to review its historical data to determine steps to reduce its operations' environmental impact. Regular inspections and monitoring of the Company's tenement areas are conducted to identify existing and potential environmental hazards for early detection and remediation.

**Procurement Procedure**
MHI, through MMDC, supports local suppliers and directly contributes to the growth of the local economy. It follows a systematic procurement process through competitive bidding to promote fair, economic, efficient, and effective competition and determine the market price of materials and services.

## RESPONSIBLE MINING

**Resource Management**
The environmental team has established a system for managing energy, water, and material consumption. We recognize the critical importance of water as a shared resource with our local stakeholders and view water management as one of our most material sustainable issues.

**Ecosystem and Biodiversity**
MMDC continues to lead in the propagation of bamboo as a sustainable and rewarding livelihood project for mined-out areas. We also consider the overall ecofootprint of our projects when we design and evaluate their viability. Mine planning considers optimal land use and mitigation measures to the impact on land, flora, and fauna.

**Environmental Impact**
Emissions, wastes, and effluents are regularly monitored and regulated to manage environmental threats, risks, and hazards and to ensure that environmental impacts are within prescribed standards.

**Environmental Compliance**
The Company has a Legal and Compliance team that monitors relevant laws, rules, and regulations enforced by the Mines and Geosciences Bureau (MGB) and the Department of Environment and Natural Resources (DENR) to ensure the Company's compliance with environmental laws and the protection of the country's natural resources.

## COMMUNITY ENGAGEMENT

**Employee Management**
MHI firmly believes that its people are its primary asset in attaining its business objectives. As partners in providing value to its stakeholders, MHI ensures that their well-being is well cared for; and that in the conduct of its business, its employees are respected, rewarded, and secured. This viewpoint extends to members of Indigenous Peoples (IP) and members of host communities whom the Company also employs. The Company understands that recruiting and hiring from the communities where it operates is foundational to local economic and social development.

**Workplace Conditions, Labor Standards, and Human Rights**
MMDC is committed to the safety, health, security, and welfare of all the people involved in the mining operation. Apart from ensuring compliance with government-mandated benefits, MHI also offers extra compensation that fulfills its employees' medical, livelihood, and educational needs. These extend to their family members in the form of food subsidies, educational assistance, and health insurance.

**Supply Chain Management**
The Company has a Supplier Accreditation Policy which evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment (DOLE).

**Data Privacy and Security**
The entire organization complies with Republic Act No. 10173 or the "Data Privacy Act of 2012." This is a vital material topic as the Company continues to search for other investment opportunities to diversify its sources of revenue and add to shareholder value. All assets are secure and kept confidential, with data security measures properly enforced.

# RESPONSIBLE MINING

**The Company prioritizes sustainability procedures in laying the groundwork for its operational plan. Global sustainability focuses on addressing current needs without compromising the needs of future generations. In mining, it is crucial to safeguard both the environment and the long-term livelihood prospects of host communities. The overall goal is to reduce the negative impact.**


# CONTRIBUTION TO SUSTAINABLE GOALS

The United Nations (UN) Sustainable Development Goals (SDG) stand, alongside the Company's corporate goals, ensuring the welfare of host communities and protecting the environment. Several initiatives are in place to build, nurture, and empower communities, promote social development and management, improve health and safety practices, and minimize environmental impact.


## CONSERVING LIFE ON LAND

Life on Land is one of the 17 Sustainable Development Goals (SDGs) established by the United Nations in 2015. It aims to protect, restore, and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt land degradation, and halt biodiversity loss by 2030.

In mining, it is important to leave a sustainable livelihood for the community even after operations have stopped. Progressive mine rehabilitation is an important factor in sustainability as it restores and enhances mined-out areas to its natural state. This served as the guiding principle of Marcventures when it embarked on its Bamboo Plantation Development program in 2017. The goal was to provide an enterprise for communities after mining operations.

With the addition of new environmental policies stipulated under DAO 2018-19 or the Guidance for Additional Environmental Measures for Operating Surface Metallic Mine, the establishment and maintenance of temporary revegetation was implemented.

For 2023, the revegetation area measuring 38.02 hectares was planted with assorted grass, creeping vines, and crops such as upland rice, mung beans, and corn. The temporary revegetation area serves as a soil erosion control measure and supports the nitrogen fixation process of the topsoil. The latter is used for the engineered slopes for the mine rehabilitation in Cabangahan and Sipangpang. Under the Mining Forest Program (MFP) the mined-out area measuring 36.79 hectares was covered with 39,955 seedlings of Agoho, Narra, Bani, Magkono, Auri, and Mangium. To stabilize river embankments, and in line with erosion control bamboo seedlings were planted along the Carac-an River and Alamio River. For 2023, about 4.95 hectares were planted with bamboo while the existing 9.25 hectares planted area continues to be maintained through ring weeding, and fertilizer application. As of December 2023, MMDC maintains 201,609 seedlings of various species in its Sipangpang and Banban nurseries.

## ENSURING HEALTHY LIVES AND WELL-BEING

The commitment to the safety, health, and well-being of all people involved in its business remains at the forefront of its operations. The Company focuses on maintaining safe and healthy working conditions by promoting safety training and following standard operating procedures. Environmental protection measures that are economically feasible are also applied to safeguard the health of employees and community members.

Promoting healthy lives and well-being is essential to sustainable development. The Company continues to strictly follow health and safety measures side by side with health-related projects under its Social Development Management Program (SDMP).

# CONTRIBUTION TO SUSTAINABLE GOALS

For the year 2023, the Company provided health and emergency assistance to emergency patients in Cabangahan, Bon-ot, Bacolod, and Cabas-an, supported the medical missions in Cabangahan, Bayugo, and Panikian, purchased health equipment for Panikian and Babuyan, and ambulance for Gamutan and Parang.

4 QUALITY EDUCATION

### QUALITY EDUCATION FOR ALL

Quality education is fundamental to a stable and prosperous future. Education gives people the knowledge and skills needed to stay healthy, get jobs, and foster mental strength for coping with challenges.

Financial assistance was given to college students in barangays Cabangahan, Babuyan, Bayugo, Gamutan, Bon-ot, Babuyan, Cabas-an, including students from the non-mining communities of Taganito, Calayag, and Doyos. A total of 198 students were given financial assistance throughout the school year.

The Company also supported the college education of 18 students under the Company's Development of Mining and Geoscience Technology program. The students are taking up Mining and other courses related to the environment. The program also covered the support for the Mining Technology and Geosciences Library in Caraga and ongoing research on viable livelihood for host and neighboring communities.

Most public schools do not have the means to provide additional educators for the growing number of students every year. The volunteers help the teachers with their day-to-day work to ensure quality education for all. MMDC also subsidized the monthly fees of 20 volunteer teachers in Cabangahan, Bon-ot, Babuyan, Bacolod, Cabas-an, and Parang.

The Company also provided resources for the renovation of Cabangahan Integrated School and Day Care Center, Panikian High School classroom, Panikian Day Care Center, the school stage for Antonio Yu Carcel Primary School in Bon-ot, Banban-Panikian school bus, graduation assistance for the students of Babuyan, and school supplies for the child development center is Maslog, Banban, and Malcan.


8 DECENT WORK AND ECONOMIC GROWTH

### SUSTAINABLE ECONOMIC GROWTH

Inclusive economic growth is required for sustainable development to improve community livelihood. Through its Social Development and Management Program (SDMP) Enterprise Development and Networking Program, the Company supported the rice trading enterprise of NAGMAKA (Nagkahlusang Maguuma Alang sa Klambuan) an association of 77 farmers in Panikian. The project cost was one hundred thousand pesos (Php 100,000). Aside from sustainable livelihood, the program aims to instill teamwork, unity, and community spirit.

17 PARTNERSHIPS FOR THE GOALS

### PARTNERSHIP TO FACILITATE SUSTAINABLE DEVELOPMENT

The journey towards sustainable development requires strong partnerships between the government, the private sector, and civil society. Since the beginning of company operations, Marcventures has been fully committed to working hand in hand with local government units and regulatory bodies for seamless operations and the proper implementation of its livelihood programs. Sustainable goals can only be achieved with strong commitment and cooperation by all parties.

The expenditures for suppliers and other operating costs in 2023 amounted to Php 1.14 billion. Based on the results for the year in review, the Company paid interest to loan providers totaling Php 15.06 million. Profitability from enhanced business models in 2023 translated to over Php 533.55 million in government payments in the form of royalties and taxes. This includes excise and withholding taxes, quarterly income taxes, as well as permits and licenses. The generated profit allowed optimal returns for shareholders with enough resources for future investments. The Company's expenditure on host and neighboring communities in 2023 totaled Php 48.33 million.


### DIRECT ECONOMIC VALUE GENERATED

MHI's consolidated income for 2023 increased by 12% from Php 202.58 million in 2022 to Php 227.33 million in 2023. MMDC's revenues decreased by 33% from Php 3.07 billion in 2022 to Php 2.05 billion in 2023. MMDC completed 28 shipments in 2023 with a total of 410 shipments year-to-date. Operationally, MMDC had a positive year generating a direct economic value of Php 300.52 million in 2023 despite the unstable weather conditions, weakening ore market, and the rise in fuel cost. Operating Costs and Expenses were at Php 1.62 billion in 2023. The decrease was primarily due to the shortfall of ore produced and sold. The Company also spent over Php 201.71 million on employee wages and benefits in 2023.

### CLIMATE-RELATED RISKS

Mining companies operate amid unfriendly conditions and the frequent warnings of excessive heat, drought, and heavy rains increase the physical challenges at the site.

Large diesel trucks and loaders used during operations emit carbon dioxide, the main contributor to anthropogenic climate change. To reduce emissions, trucks, and loaders must be always kept in perfect running condition.

Operations also involve cutting down trees which reduces carbon dioxide absorption. The Company is obligated to replant trees in line with its mine rehabilitation program.

The biggest climate-related risk is rainfall. The amount and frequency remain unknown and the risk impacts production and shipment operations. When rainfall frequency is low, mining and shipment operations can be efficient. However, high precipitation impacts the working conditions on the ground. This causes a delay in operations and makes it unsafe for haul trucks to freely traverse the mining area.

The additional water also increases ore moisture which affects shipment specification. Rainfall increases mining and production costs. The work schedule gets distorted and deviates from the strategic plan for the year causing the additional cost of maintenance for the mine, roads, and stockyards.

Prolonged dry weather with less precipitation is ideal for efficient operations. This reduces moisture content thereby befitting ore sales revenue. The Company's unconsolidated deposit can add resilience to operations during lower temperatures, however, precipitation and foggy conditions would still impact road conditions. It remains unsafe for haul trucks, considering the terrain and gradient of the haulage road from the pit down to the stockyard.

To identify and assess climate-related risks, MMDC uses historical rainfall data. This is gathered daily from strategic locations of the site operations. The combination of statistical projections and long-term weather forecasts allows the Company to identify and project rainy days for operational use.

The process of managing climate-related risks is integrated into the organization's overall risk management. Forecasting and projecting operational working days for strategic planning results in the probability of attaining production and shipment targets for the budgeted year. To assess and manage risks, the number of working days,

# CONTRIBUTION TO SUSTAINABLE GOALS

the intensity and the frequency of rainfall in a week are used as metrics for operations. The metrics of monthly working days determine the tonnage that can be produced per budget. An actual comparison of the metric and the rainfall intensity necessitates adjustment for forecasting and determining revised production and shipment tonnages.

The Company can manage the risk with weekly stewardship of the intensity and frequency of precipitation. The task is very challenging because of the localized rainfall, and this includes implementing a drainage plan in the mine area, the haul roads, mine yards, and the stockyards.

Climactic conditions also impact infrastructure stability and environmental protection practices. Warm temperatures will increase water scarcity, and this inhibits water-dependent operations and mine rehabilitation, and can even result in problems with communities for water resources.

The Company also strives to reduce mining disturbance, energy and water consumption, and waste generation. More importantly, it continues to plant more trees, revegetate, and rehabilitate mined-out areas to reduce the Company's carbon footprint. Other initiatives that help manage climate-related risk are pre-deployment inspections of mining equipment to confirm that it is in good running condition, reduction of energy consumption in offices and campsites, reduction of water consumption, and reusing and recycling of materials to reduce solid wastes.

## CONSERVING WATER RESOURCES

Water is a vital resource for mining operations. It is used in every process, from power generation and dust management to sanitation of facilities and daily health intake.

In 2023, the Company's total water consumption was 93,701.58 cubic meters. Water conservation and has been in place since the company began its operations.

Soil movement during mining operations and road construction can cause the siltation of nearby water systems.

When vegetation is removed in a certain area, the soil can erode easily causing particles to fall straight into the natural water system. The siltation particles increase in volume during heavy rains. Likewise, soil run-off from hauling roads also causes the siltation of nearby canals.

To mitigate potential water discoloration brought by runoff waters coming from the mine site, settling ponds were constructed to allow the settling of sediments before discharge and ensure effluents are compliant with DENR standards.

For the year 2023, a total of 13 new settling ponds were constructed–2 in the Cabangahan mine area and 11 in the Sipangpang mine area. A total of 114,358.63 silt materials were desilted as part of the maintenance and improvement of settling ponds. Silt curtains were installed in the port area to maintain good water quality while shipment is ongoing. Also, a total of 127,501 cu.m of silt materials were desilted as part of the maintenance and improvement of settling ponds.

## ADDRESSING EFFLUENTS

The water quality of MMDC's causeway bay, creeks, and rivers including the discharge points of settling ponds are being monitored regularly. In-house water sampling for these locations is done monthly using HORIBA U-50 water monitoring device and HACH colorimeter. MMDC also tapped Ostrea Minerals Laboratory Incorporated-CDO to conduct a quarterly 3rd party analysis of the water samples. Test parameters cover temperature, pH, DO, BOD, TSS, and heavy metals such as arsenic, cadmium, lead, manganese, and nickel.

For TSS, the water samples are analyzed by MMDC's assay laboratory chemists. Bacteriological analysis of domestic water sources at the facility is done at the Department of Health (DOH) regional office in Caraga.

The total volume of water withdrawals, abstractions taken from ground surface water sources, is 93,701.58 cubic meters. According to the DENR classification, the Company's usage is under Class C for industrial water supply.

The quality is measured according to TSS or Total Suspended Solids (TSS). These are solid materials in water that are captured when filtered. The acceptable TSS for Class C is below 80 milligrams (mg) per liter (L).

For 2023 the average TSS for effluent or wastewater is 5.31 mg/L and the average TSS for ambient or open water is 15.91 mg/L. The analysis by both the in-house team and third-party Ostrea Mineral Laboratories shows that ambient, effluent, and process-related water quality in all stations were within the DENR Standard under DAO 2016-08 for freshwater/marine water bodies and General Effluent Standards. Potable Water Analysis also shows that all required parameters are within the Philippine National Standards for Drinking Water (PNSDW 2017).

Mine operation impact three water catchment systems: Carrac-an, Alamio, and Panikian catchments. To control possible water contamination and sedimentation, catch drainages and road canals are to be constructed and maintained whole year round. Catch drainages and road canals direct runoff waters to ponds.

## PROACTIVE WATERSHED PROTECTION

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

- Panikian, Alamio, and Carac-an. Declared "critical forest reserves" subject to prior existing rights (such as MMDC's MPSA) by Presidential Proclamation No. 1747 dated March 29, 2009.
- Bacolod-Tibabakod Panikian (Carrascal). Adjacent to MMDC's haulage road with a minor overlap at the northeastern section.
- Bon-ot-Gamuton (Carrascal). Located north of Bacolod-Tibabakod Panikian and west of MMDC haulage road. The site also covers sensitive areas like the community water sources of barangay Bon-ot, Gamuton, and Panikian (Carrascal) situated west of the MMDC haulage road. All water sources are enclosed in concrete.
- Community water of Sitio Pili, in Barangay Panikian (Carrascal)
- Community water wells of barangay Cabangahan (Cantillan). Mining area downslope to Panikian, Alamio, and Carac-an Rivers.
- Cabas-an Community Irrigation System (CIS) with Alamio River as a water source and servicing an agricultural area measuring 150 ha. Cantillan Irrigation System with Carac-an River as a water source.
- Habitation sites of barangay Bon-ot, Gamuton, and Panikian in Carrascal, and barangay Cabangahan in Cantilan.
- Within Lanuza bay, where the Carac-an River discharges about 18.7 downslope of Area 2 mine, are the San Pedro Marine Protected Area in Cantillan and the Lanuza Marine Park and Sanctuary in Lanuza.

## POSITIVE FOR TERRESTRIAL WILDLIFE VERTIBRATES

Our Environmental Performance Report and Management Plan (EPRMP) cited the 2011 assessment of the terrestrial wildlife vertebrates within the MPSA area. It recorded a total of eighty-two (82) wildlife species representing five (5) species of amphibians, six (6) species of reptiles, sixty (60) species of birds, and eleven (11) species of mammals.

According to the assessment, based on the composition of the species, the area was considered relatively good for terrestrial wildlife. This indicates that the area has ample forest cover and the species are not disturbed by the operations.

MHI, through MMDC, practices due diligence and regular monitoring to ensure minimal environmental impact. It has an active mine rehabilitation plan that transforms mined-out areas into arable lands that can provide a livelihood for the communities.

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

## ENERGY CONSERVATION

The Environmental Team follows a process to ensure that energy data is reviewed regularly. This is supplemented by an energy conservation campaign that would motivate employees. Informational materials on energy-saving tips are posted in strategic locations around the office to encourage everyone to help the Company achieve its energy management goals.

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

In 2023, MMDC consumed a total of 5,102,000 liters of diesel fuel, a significant drop of 4,517,329 liters from last year's 9,619, 329.00 liters. The decrease is due to inactivity of the site's Cabangahan area.

The Company continues to explore other conservation and energy efficiency measures to cut operating and product costs. Apart from the major improvement in revenue for customers and shareholders, it will be a significant contribution to the environment and for the generations to come.

For now, the Company is not using energy from renewable sources, but it continues to study the possibility of shifting to a more earth-friendly energy source to reduce potential GHG emissions.

### WASTE AND POLLUTION: RESPONSIBLE CONSUMPTION AND PRODUCTION

The Company's operational efficiency is supported by sustainable consumption and production. It values doing more and doing better with the least possible impairment to resources.

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


### MANAGING EMISSIONS AND ADAPTING CLIMATE IMPACT

Mining activities like exploration and production activities cause air emissions like GHG emissions and hazardous air pollutants as those activities can send laterite particles up in the air. The dust material is so fine that it stays in the air during hot weather, and turns into mud during the rainy season. Dust generation is a primary concern in every operation, especially during dry weather conditions.

Mitigation and control of dust must be given utmost consideration. The main haulage road is well-maintained to minimize excessive dust during ore transport from the mine pit to the port. Prior to operations, the team makes sure that roads are paved and in good condition. Regular road watering is done during the dry season. The company deploys water trucks to control the dust from haulage roads.

### DUST SUPPRESSION

Dust is a prevalent problem in nickel mining. Aside from air pollution, it can affect the health of the people in the communities. To minimize dust, roads are paved and in good condition all year round. The main haulage road is maintained regularly to control the dust during the hauling of ore from the mine pit to the port. Street sweepers were also deployed to clean community roads and highways.

Vehicle speed is managed and disturbed areas are minimized to lessen the spread of dust. Revegetation initiatives are immediately done in disturbed areas to minimize the generation of windblown dust. Trees were also planted along the roadside and mine access road to act as dust bio-filters.

Suspended particulates are suppressed by spraying water on the main haulage roads and at mining areas such as mine pits, mine yards, ports, and stockyards. The water ensures the concentration of pollutants in the project area is within the limits set by the DENR stipulated in the National Ambient Air Quality Standards (NAAQS).

Dust and other suspended particulate matter cause air quality degradation during mining operations. To suppress fugitive dust the operations team strives to:

- limit the area of disturbance;
- perform re-vegetation immediately to limit wind-blown dust;
- control vehicle speed; and
- regularly spray water on unpaved roads and other affected areas like the mine pit, mine yard, port, and stockyard.

### AIR QUALITY MONITORING

Air quality sampling is done monthly by the in-house technical personnel, while the quarterly analysis is carried out by a DENR-accredited laboratory. Suspended particles are measured with the gravimetric method using high-volumetric samplers. The monitoring parameters are defined by Total Suspended Particulates (TSP). PM10 are particulate matters that are less than 10 micrometers while PM 2.5 are particulate matters that are less than 2.5 micrometers.

The Total Suspended Particulates (TSP) are the solid matter in the atmosphere and the primary contributors to air pollution, smog formation, and environmental contamination. PM10 refers to particulate matter that is 10 micrometers and below. PM10 can reach the upper regions of the lungs. PM2.5 measures 2.5 micrometers and below. It can cause lung problems because it reaches the deeper parts of the lungs. The standard for TSP is below 300 micrograms (ug) / Nanocentimeter (Ncm). In 2023, the maximum TSP reached 76 ug/Ncm, which is within the specified National Ambient Air Quality Standards (NAAQS) for Source-Specific Air Pollutants from Industrial Sources/ Operations.

These monitoring results are submitted to the Environmental Management Bureau (EMB) through the Self-Monitoring Report (SMR) and Compliance Monitoring Report (CMR).

### RESPONSIBLE SOLID AND HAZARDOUS WASTE DISPOSAL

Improper handling of solid and hazardous wastes brings harmful consequences. Environmental management begins with proper disposal and the Company has a waste management system to protect its employees and the communities.

Solid wastes are separated at the source before recycling. Regular collection and proper segregation are always observed. Food scraps and other biodegradable wastes are brought to the onsite vermicomposting facility while materials for recycling like metals, plastics, and glass are sorted and stored at an onsite materials recovery facility. The Company has also been utilizing recycled materials for landscaping purposes.

Residuals are disposed of at the Carrascal Eco Park, an LGU-designated waste disposal area. For everyone's safety, the wastes collected from the mine site are not reused or incinerated. It is disposed of by a DENR-accredited waste collector and treatment plant.

A total of 15,236 kilograms of segregated waste was collected and disposed of in 2023. Total recyclable waste sent to the Materials Recovery Facility (MRF) was 5,604 kg, Biodegradable waste disposed at the compost pit was 2,924 kg and the residual waste sent to Carrascal Eco Park was 6,708 kg.

Hazardous waste is transported by Genetron International Marketing from Bulacan, a DENR Accredited Transporter and Treater for the disposal, transportation, and treatment of hazardous waste. A total of 11.45 tons of waste material was disposed of in 2023.

# CONTRIBUTION TO SUSTAINABLE GOALS


## REINFORCING MATERIALS MANAGEMENT CAPABILITIES

Nickel production involves the use of heavy equipment, process chemicals, fuel, and utility vehicles. The Company's operating model requires the efficiency of large-scale infrastructure. Apart from its in-house team, the Company works closely with general contractors for extraction, hustling, and hauling services.

MHI, through MMDC, actively engages its contractors by holding regular planning sessions to effectively plan the mine operations and efficiently use existing resources. Now, the percentage of recycled input materials used for its mining operations is zero, but it recognizes its responsibility to reduce the environmental impact for future generations. The Company takes into account the condition of materials, the expiration date of process chemicals the proper maintenance of equipment, and the condition of vehicles to minimize environmental impact.

The utilization of recycled and renewable materials to maximize resource efficiency has been suggested on several occasions. The Company is looking into the possibility of utilizing renewable materials and their benefits in the current operational setup.

## ENHANCING STRICT ENVIRONMENTAL COMPLIANCE

After a successful audit conducted by NQA Philippines Inc., MMDC successfully received certification for ISO 9002:2015 (Quality Management System); ISO 14001: 2015 (Environmental Management System) & ISO 45001:2018, (Occupational Health & Safety). The Company passed the surveillance audit in 2023 and received the certification in January 2024.

NQA Philippines is a leading assessment, verification, and certification body that works and evaluates an organization's performance in quality, environment, and health and safety management. MMDC was certified for ISO 9002:2015, also known as the Quality Management System. The standard signifies improved performance, the ability to address customer expectations, and commitment to quality. It calls for the establishment, implementation, maintenance, and continuous improvement of a quality management system (QMS).

Another certification was earned for ISO 14001:2015 or the Environmental Management System. The standard defines the organization's improved environmental performance through efficient use of resources and reduction of waste, gaining a competitive advantage and the trust of stakeholders. It also calls for the management of environmental aspects and ensures conformity to compliance obligations while addressing risks associated with threats and opportunities.

Lastly the ISO 14001:2015 certification or the Occupational Health & Safety Management System. This is mandated to all mining contractors as per Department of Environment and Natural Resources (DENR) Administrative Order No. 2015-07 and is also known as Mandating Mining Contractors to Secure ISO 14001 Certification. MMDC was initially certified in 2017 and was subsequently recommended for recertification in 2020 and 2023.

# ENERGIZING COMMUNITY ENGAGEMENT

## ENERGIZING COMMUNITY ENGAGEMENT

Operational efficiency proactively reduces wasted resources, time, and money.

It also enhances the Company's commitment to the development of its host and neighboring communities.

The Company's expenditure on host and neighboring communities in 2023 totaled Php 48.33 million. These include educational assistance to members of indigenous communities, health programs, livelihood development, and other initiatives to help meet the needs of mining communities.

These initiatives aim to optimize empowerment, provide opportunities for sustainable livelihood, and protect socio-cultural values and local customs while improving economic conditions and human advancement.

## EDUCATIONAL ASSISTANCE

As discussed in the section on UNSDG #4 Quality Education for All, the Company continues to extend assistance to deserving students from various communities including members of indigenous groups.

A total of 383 students were given financial assistance throughout the 2021-2022 school year. The Company also supports the college education of 22 students under the Company's Development of Mining and Geoscience Technology program. MMDC also supported the 55 scholars from IP (Indigenous Peoples) communities while Bright Green Resources Inc. (BRC) another subsidiary of MHI, supported the education of 5 scholars from IP communities.

## STAKEHOLDER ENGAGEMENT

The society is represented by stakeholders who play a key role in setting the course and defining the actions of the business. During a stakeholder engagement exercise, companies can address expectations and create benefits within the communities they operate. This becomes a crucial component of a company's sustainability approach.

## HOST COMMUNITY PROCUREMENT PRACTICES

The Company's procurement practices significantly benefit the businesses in the region. MHI believes in shared sustainable prosperity. From construction, automotive, and electrical supplies, a big percentage of the materials used for mining operations are purchased from local entrepreneurs in Surigao del Sur.
Living quarters for male and female employees are maintained on-site, relying heavily on local produce and other suppliers for its board and lodging requirements. Given the remote location of its mining operations and its significant role in economic growth, the Company continues to support local entrepreneurs.

In 2023, the Company procured approximately Php 320 Million worth of goods and services from local suppliers in Caraga, Cebu, Davao, and Davao de Oro. Local businesses employ workers from different communities which helps boost the local economy. The growth in the business sector opens more opportunities for employment and local enterprise.

## ENHANCING EMPLOYMENT MANAGEMENT

Management needs to work hand-in-hand with employees to achieve their corporate goals. It entails finding and hiring the right candidates to fill positions so that operations run smoothly. Once onboard, employee performance is measured and evaluated regularly. Regular interaction is also encouraged to effectively communicate expectations, job culture, and feedback.

In 2023, MHI, through MMDC, had a total of two hundred seventy (274) regular employees: 78 female and 196 male employees all with SSS, PhilHealth, Pag-IBIG, and HMO benefits. During the mining season (March-November 2022), the Company hired an additional 746 project-based employees. Most of them are assigned to work at the stockyard, barge, and cargo areas.

When assessing the capability of current and prospective employees, the Company takes into account not just their technical skills and knowledge acquired through experience, equal value is given to their mental and social skills, commitment, and drive to succeed.

MHI aligns workforce aspirations with the organization's mission and vision. Workforce planning and overall management is measured by the attrition rate. The average rate for workers in the mining and quarrying industry, according to Philippine Statistics Authority (PSA) is 10.6%.

For 2023, MMDC's attrition rate is 10% which is close to the average rate. This is attributed to several organizational changes that were implemented to improve operational efficiency.

# ENERGIZING COMMUNITY ENGAGEMENT

### EMPLOYEE DEVELOPMENT

For 2023, the Company's Legal Department organized its yearly Corporate Governance Seminar for the Company's Board of Directors (BOD) and key officers in compliance with SEC MC Nos. 20-2013 and 2-2015.

The workshop covered discussions on Risk Assessment, Risk Management, BOD's Duties, Responsibilities, and Liabilities, and Safeguard Against Fraud. The training was conducted by the Center for Training and Development, Inc., an accredited training provider on Corporate Governance.

This year's Annual Safety and Health program covered first aid, water search and rescue, mine rescue, and firefighting. The Construction Occupational Safety and Health program (COSH) included analysis of hazards and risks, accident investigation and corresponding action plans, and safety audits. The HR Department also organized the behavior based safety training, designed to influence employees towards safety outcomes and the yearly seminar on nutrition, sanitation, and food handling.

All in all, for the year 2023, a total total of 1,958 hours were spent on training and development, with an average of 53 hours for every employee.

### NURTURING LABOR-MANAGEMENT RELATIONS

The Company continues to nurture good relations with its senior officers, employees, organized labor groups, and the host communities within its Mineral Production Sharing Agreement (MPSA) area.

MHI, through MMDC, maintains a cooperative and healthy relationship with the Associated Professional Supervisory Office and Technical Employee Union (APSOTEU) and the Samahan ng Responsableng Manggagawa ng Marcventures Mining and Development Corporation-Associated Labor Unions-Trade Union Congress of the Philippines (SRMMMDC-ALU-TUCP). The latter is the exclusive bargaining agent of MMDC's rank-and-file employees.

For 2023, a total of 124 employees are members of SRMMMDCALU-TUCP, and 32 employees are members of APSOTEU. MMDC's existing rate of employees covered by the Collective Bargaining Agreement is 67%.

In 2023, the HR team successfully finalized the terms of the Collective Bargaining Agreement (CBA) for rank and file union in May. The CBA for Supervisory Union followed in July of the same year.

### PROMOTING DIVERSITY AND EQUAL OPPORTUNITY

MHI provides equal opportunity in recruitment and career development regardless of gender.

In 2023, female workers represented about twenty-four percent (24%) of the workforce. This is very significant considering that mining is still a male-dominated industry, and across the globe, women make up only 5% to 15% of workers.

The Company upholds its legal obligation to prioritize the talents in the community. Before the start of operations, the Free, Prior, and Informed Consent (FPIC) Memorandum of Agreement was signed together with the members of IP communities. One of the conditions is priority hiring for IP members.

MHI works closely with its host and neighboring communities, including Indigenous Cultural Communities (ICC) / Indigenous Peoples (IP). A total of eighty-four (82) employees from indigenous communities are currently working in MMDC. There are 46 (forty-six) employees from the IP community of Cabangahan, 22 (twenty-two) from Panikian, 9 (nine) from Lubo, and 1 (one) from Agusan, Babuyan, Banban, Bayogo, and Madrid.

The terms and conditions of the Company's Mineral Product Sharing Agreement (MPSA) are duly respected. This includes guarding against gender discrimination and recognizing the rights of women workers to participate in policy and decision-making processes affecting their rights and benefits.

The Company's business strategy reinforces safe and responsible operations. The Central Safety Meeting is conducted every month and conducted by the Resident Mine Manager together with the Mine Safety and Health Manager. A vital component of regulatory compliance, it also encourages interaction between contractors and the company's operations team. Issues and concerns are addressed during the meeting which contributes to the improvement of the company's safety performance.

The Safety and Health plan covers training on Basic Occupational Safety and Health, Fire Fighting, Defensive Driving, Basic First Aid and Life Support, Food Handling and Sanitation, and Safety Orientation for employees and visitors. Under the Annual Safety and Health Program, the Company conducts annual training sessions on Occupational Safety and Health, First Aid and Basic Life Support, and Fire Safety. Earthquake drills on a quarterly basis, while the annual Fire Brigade training focuses on mine rescue and firefighting.

### SAFE MAN HOURS

As of 2023, the Company achieved a total of 2,059,500.42 safe hours with zero lost time accidents. The Company remains unwavering in its commitment to achieving the vision of zero harm.

# GOOD CORPORATE GOVERNANCE

MHI's commitment to Good Corporate Governance is aligned with its vision to pursue its corporate goals while ensuring the welfare of its host communities and protecting the environment. The commitment supports the principles of transparency, honesty, integrity, fairness, and accountability.

The Company acknowledges that to enhance shareholder value, operations must abide by corporate governance principles and practices as well as regulatory reporting to provide investors with an accurate and balanced overview of the Group's performance.

In the course of business operations and in dealing with local government, local suppliers, and partners, the Company is exposed to various risks including corruption. Policies and internal processes are in place to manage such risks. The Company maintains standards of procurement that undergo rigorous scrutiny and a zero-tolerance policy for all forms of unethical practices.

As part of the Whistle Blowing Policy, employees are encouraged to report unethical behaviors to Management without fear of repercussions. Management does not hesitate to pursue disciplinary actions which may even result in the replacement of key executives for actions detrimental to and in contravention of the Company's corporate governance practices.

### TRANSPARENCY IN SUPPLY CHAIN MANAGEMENT

MHI's subsidiary, MMDC, has a Supplier Accreditation Policy which lists documentary requirements from both contractors and suppliers who wish to do business with the Company. It evaluates an organization's business integrity and compliance with labor laws, particularly Department Order No. 174 Series of 2017 of the Department of Labor and Employment.

Contractors and suppliers are required to submit to an accreditation process and MMDC retains the right to audit and verify practices. An accredited credit investigation agency will also check for derogatory records such as collection cases against the Company, its major stockholders, and key officers.

The accreditation is renewed every year and suppliers are expected to submit updated records upon renewal.

MHI values its relationships with contractors and suppliers who adhere to the policy. As the Company optimizes the approach to responsible procurement, it is also looking into expanding our contractual remedies to include environmental performance, social commitments, and even the investments of contractors and suppliers.

### ANTI-CORRUPTION MEASURE

The Company also practices a zero-tolerance policy on misappropriation of assets and properties, fraudulent acts and reporting, corruption, and bribery in any form, and unethical practices. It supports the emphasis on integrity, transparency, and accountability in the conduct of its operations by providing a mechanism for individuals to raise concerns that they perceive as wrong, irregular, and illegal within the organization.

The Company has a policy that encourages and allows any individual to promptly report any observed risk, danger, malpractice, wrong-doing, or any questionable business practice that may affect others, the Company, or the public without fear of discrimination, harassment, and or retaliation, provided it is made in good faith and without malice.

### DATA PRIVACY AND SECURITY PROTECTION

The Company strictly complies with the national data privacy law. A data privacy officer is assigned to strictly implement confidentiality measures at all levels. The Company along with its external stakeholders abides by the rules and regulations of the Data Privacy Act of 2012 which "protects the fundamental human right of privacy, of communication while ensuring free flow of information to promote innovation and growth." Risks related to the collection, retention, and use of information are managed by the Company's policy on the Protection of Confidential Information (MC-002-19). Upon hiring, employees are asked to sign a Deal of Undertaking to certify that all information is solely for performing functions. No information will be disclosed to anyone outside the Company unless cleared by the data privacy officer and the Company's legal team.

### DATA INTEGRITY AND REPORTING TRANSPARENCY

Hand in hand with securing data privacy is the need to increase the comprehensiveness and accuracy of our data-gathering processes to improve our capability to effectively monitor our progress and timely reporting. The Company is committed to improving systems and procedures to better address operational needs.

# INDEX OF MATERIAL TOPICS

Pursuant to Annexes A (Reporting Template) and B (Topic Guide) of the SEC Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for publicly-listed Companies), the following are the topics MHI has identified as material for the reporting period and which were addressed in this Report:

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| Anti-Corruption | 21 | 19 |
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| Data Privacy and Security Protection | 41 | 19 |
| Diversity and Equal Opportunity | 35 | 18 |
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## Corporate Information

**Name of Organization:**
Marcventures Holdings, Inc. (MHI)

**Principal Office:**
4th Floor BDO Towers Paseo (formerly Citibank Center)
8741 Paseo de Roxas, Makati City

### Report Boundary:

**Subsidiaries:**
a. Marcventures Mining and Development Corporation
b. BrightGreen Resources Corporation
c. Alumina Mining Philippines, Inc.
d. Bauxite Resources, Inc.

**Business Model:**
Holding company listed in the Philippine Stock Exchange (PSE) and whose shares are actively traded on the PSE under the stock symbol "MARC" Mineral Production Service Agreements (MPSA) with the Government for mining and export of mineral products.

**Activities:**
Primary: To engage in the purchase, exchange, assignment, and hold investments and all properties.
Secondary: To embark in the discovery, exploration, and development of mineral oils, petroleum in its natural state, rock or carbon oils, natural gas, other volatile mineral substances and salt, as well as other minerals of whatever nature; to mine, dig, refine, prepare for market, buy, sell, and transport the same, their products compounds, and derivatives.

### Reporting Period:

January 1 to December 31, 2023