



Sustaining Our Growth

2020 Annual Report

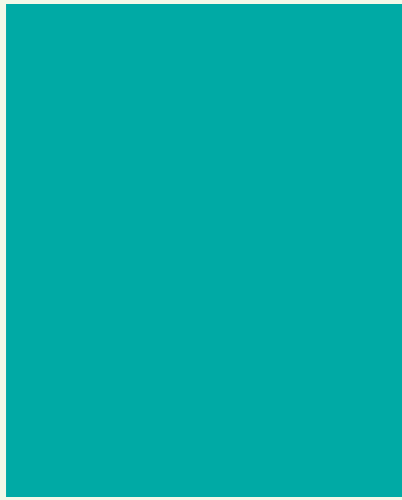


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Our Vision



MHI strives to be a responsible steward of Mineral Resources - a gift from the Divine Providence - in the pursuit of our corporate goals, while ensuring the welfare of our Host Communities and protecting and conserving their environment.

Our Mission

We employ best mining practices at all times through Clean, Sustainable, and *Responsible Mining: the Marcventures Way* - in the pursuit of a healthy balance between our mission to maintain a habitable environment and become a catalyst for uplifting the quality of life of our Host Communities while we attain long term Profitability and Sustainability.

Core Values

These principles and values accelerate our progress:

- Stewardship** - Protect, maintain, and restore our mining areas - to the greatest extent possible and to state that God has given it to us.
- Sustainability** - Integrate our mining activities, plans, and programs that encourage the Sustainable Development of our Host Communities.
- Accountability** - Achieve profitability, guided by the principles of accountability based on transparency and best operating practices to achieve overall efficiencies.
- Equity** - Fulfill our financial and corporate social responsibilities while providing a reasonable return for our Shareholders.

Through it all, our Faith in God and His infinite goodness, shall be our inspiration.

Corporate Profile

Marcventures Holdings, (MHI) is a Public Company acquired in 2009, that currently has four (4) wholly- owned Mining Subsidiaries; Two (2) Nickel and Two (2) Bauxite Resources (Ore for Aluminum). It was transformed in 2013 into an Investment and Holding Company. On December 29, 2017, the Securities and Exchange Commission approved the merger of MHI with **Asia Pilot Mining Philippines Corp. (APMPC)** and **Bright Green Resources Holdings Inc. ("BHI")** with MHI as the surviving entity. This resulted in the acquisition by MHI of APMPC Subsidiaries, namely, **Alumina Mining Philippines Inc. ("AMPI")** and **Bauxite Resources Inc. ("BARI")** as well as BHI's subsidiary, **BrightGreen Resources Corp. ("BRC")**.

As of December 2020 Capital amount, MHI Capital Accounts show Authorized Capital Stock of 4,000,000 Common Shares at a Par Value of P1.00 per Share and Total Issued and Outstanding Shares of 3,014,820,305 Common Shares.

At present, MMDC had a Measured and Indicated Resources of **11.8 Million Wet Metric Tons (WMT) Saprolite** at **1.34% Ni** and **12.59% Fe** and **62.8 Million Wet Metric Tons (WMT) Limonite** at **0.87% Ni** and **44.17% Fe** and Inferred Resources of **5.1 Million Wet Metric Tons (WMT) Saprolite** at **1.30% Ni** and **12.77% Fe**.

BRC had a Measured and Indicated Resources of **3.1 Million Wet Metric Tons (WMT) Saprolite** at **1.59% Ni** and **14.85% Fe** and **13.0 Million Wet Metric Tons (WMT) Limonite** at **1.07% Ni** and **39.73% Fe** and Inferred Resources of **0.3 Million Wet Metric Tons (WMT) Saprolite** at **1.61% Ni** and **14.25% Fe** and **4.7 Million Wet Metric Tons (WMT) Limonite** at **0.90% Ni** and **39.61% Fe**.

These brought the Total Resources of Nickel under MHI to Measured and Indicated Resources of **14.9 Million Wet Metric Tons (WMT) Saprolite** at **1.39% Ni** and **13.06% Fe** and **75.8 Million Wet Metric Tons (WMT) Limonite** at **0.90% Ni** and **43.41% Fe** and Inferred Resources of **5.4 Million Wet Metric Tons (WMT) of Saprolite** at **1.32% Ni** and **12.85% Fe** and **4.70 Million Wet Metric Tons (WMT) of Limonite** at **0.90% Ni** and **39.61% Fe**.

From the acquisition of the Bauxite Mines, MHI gained **73.2 Million WMT Measured and Indicated Resources** containing **41.66% Al₂O₃** and **11.69% SiO₂**. An Internal Ore Reserve Computation was derived showing a Direct Shippable Ore (DSO) estimated at **33.0 Million Wet Metric Tons (WMT)** containing **45.55% Al₂O₃** and **3.74% SiO₂**.

MHI's Principal Offices are located at the 4th Floor of Citibank Center, 8741 Paseo de Roxas Avenue, Makati City, Philippines.

Subsidiaries

Marcventures Mining and Development Corporation (**MMDC**), is a wholly owned subsidiary of MHI. It operates a Nickel Mine in the Municipalities of Cantilan, Carrascal and Madrid in the Province of Surigao del Sur.

Under Mineral Production Sharing Agreement No. 016- 93-XIII covering an area of 4,799 hectares approved on July 01, 1993. It started commercial operations in 2011. In 2015, MMDC obtained an Amended Environmental Compliance Certificate to extract **5 Million Wet Metric Tons (WMT)** of Nickel Laterite Ore on a yearly basis. Based on its Mineral Resource Report as of December 31, 2020, MMDC's total Measured and Indicated Saprolite and Limonite Mineral Resource is at **11.8 Million Wet Metric Tons (WMT)** and **62.8 Million Wet Metric Tons (WMT)** respectively, with an average grade of **1.34% Ni** and **12.59% Fe** for **Saprolite** and **0.87% Ni** and **44.17% Fe** for **Limonite**.

BrightGreen Resources Corp. (BRC) is a Mining Tenement adjacent to the mining property of MMDC. It 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. Based on a mineral resource report signed by a Competent Person on March 2016, BRC's total Measured and Indicated Mineral Resource is **16.1 Million Wet Metric Tons (WMT)** with average grade of **1.17% Ni** and **34.94% Fe**. This is further broken down to **3.1 Million Wet Metric Tons (WMT) Saprolite** with an average grade of **1.59% Ni** and **14.85% Fe**, and **13.0 Million Wet Metric Tons (WMT) Limonite** with an average grade of **1.07% Ni** and **39.73% Fe**.

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

Bauxite Resources Inc. (BARI) holds MPSA No. 180-2002 VIII (SBMR) with an area of 5,519.01 hectares located in the Province of Samar, issued on December 5, 2002.

Both AMPI and BARI are Bauxite Ore Properties. Bauxite is the main raw material of Aluminum.

The Bauxite Properties' combined Measured and Indicated Mineral Resource is around **73.2 Million Wet Metric Tons (WMT)**. The Mineral Resources have been fully explored under JORC and Philippine Mineral Reporting Code (PMRC) Standards and show Mineable Ore of **67.3 Million Wet Metric Tons (WMT)** and **Shippable Ore** of around **60.13 Million Wet Metric Tons (WMT)** over an 18-year mine life.

Flourishing Despite the Pandemic

Message from MHI Management



CESAR C. ZALAMEA
Chairman

ROLANDO S. SANTOS
SVP Finance, OIC

THE YEAR 2020 was a time of extreme challenges. The pandemic disrupted the global economy in all levels.

But as resilient as the metals we extract, the mining industry managed to operate and function effectively guided by the government's health and safety protocols.

The financial performance of Marcventures Holdings, Inc (MHI) soared in 2020, sustaining its successful recovery in the previous year. The profit of **Three Hundred Seventy-Five Million (P375 Million)** was a major leap from a Consolidated Net Income of **Thirty Seven Million Eight Hundred Forty Thousand (P37 Million)** in 2019.

Its subsidiary Marcventures Mining and Development Corporation posted an Income of **Five Hundred Thirty Million (P530 Million)** in 2020 versus the **One Hundred Sixty Five Million (P165 Million)** income in 2019.

The encouraging increase was brought about by operational efficiencies. There were changes in operational management, continuous rehabilitation of mine facilities, stricter cost control and monitoring measures, improved mine planning, aggressive marketing and the involvement of the Board through the active participation of the Executive Committee.

Equally significant was the increase in tonnage from **1.4 Million Wet Metric Tons (WMT)** in 2019 to **1.7 WMT** in 2020, and the rising price of nickel in the world market.



NEW PROJECTS

We completed the public and technical scoping stages of the Environmental Impact Assessment (EIA) process of our new projects- Alumina Mining Philippines (AMPI) and Bauxite Resources Incorporated (BARI) both in Samar and Brightgreen Resources Corporation, another nickel project in Surigao del Sur.

MHI owns the only two Bauxite mines in the country and we are in the process of securing Environmental Compliance Certificate (ECC) for the operations in Samar. The Information, Education and Communication campaign continues in these areas, signifying our adherence to responsible mining and environmental stewardship.

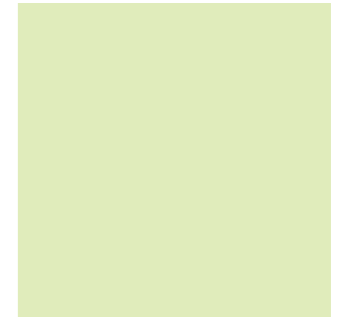
CORPORATE SOCIAL RESPONSIBILITIES

Our commitment to sustainable and responsible mining operations is anchored on our partnership with our host communities. Our operations cover 42 communities throughout the municipalities of Carrascal, Cantillan and Madrid in Surigao del Sur and our initiatives provide education, livelihood and health assistance to residents.

The implementation of the Social Development and Management Program was a challenge in 2020 mainly because of the COVID-19 pandemic. Amid the trying times, Marcventures spent **Thirty-three Million (P33 Million)** for SDMP and **Three Point Eight Million (P3.8M)** for Corporate Social Responsibility (CSR) projects.

Message

From MHI Management



The mining operation covers 42 communities throughout the municipalities of Carrascal, Cantilan and Madrid in Surigao del Sur. MMDC works closely with communities to optimize empowerment and provide opportunities, assistance and sustainable livelihood.

We continue to support deserving students through our Scholarship Program. We currently extend assistance to 247 students, majority come from indigenous communities and are enrolled in the different universities in Visayas and Mindanao. We also have college students on full scholarship under the Development of Mining and Geoscience Technology (DMTG) programs.

We work hand-in-hand with the local government agencies to ensure the health and safety of all communities during this pandemic. Aside from regularly giving out food packs, we supported the municipality's program that encourage residents to grow their own vegetables and aid food security.

We also helped build houses for families in Carrascal.

We uphold our vision to do our share in conserving the environment by transforming mined out areas into productive agricultural lands. Bamboo and other species cover the mined out areas of Pili, Sipangpang and Cabangahan.

Marcventures pioneered the planting of bamboo and DENR now requires all mining properties to devote 20% of their rehabilitated areas to bamboo. To date the company's Environment team has planted a total of 30, 875 bamboo seedlings in over 60.37 hectares.

We look forward to a better performance in the coming year strengthened by our commitment to our stakeholders and our mission to employ clean, sustainable and responsible mining practices.

Our deep appreciation to our stakeholders - the communities in Cantilan, Carrascal and Madrid, Surigao del Sur, the Local Government Units, our friends at DENR, MGB and other agencies, our buyers and contractors, and you Shareholders for all your support.

We are thankful to the Divine Providence for the guidance and for blessing us with a productive year ahead.

Sincerely,

A handwritten signature in black ink.

CESAR C. ZALAMEA

Chairman

A handwritten signature in black ink.

ROLANDO S. SANTOS

Senior Vice President - Finance
Officer-In-Charge

Our Numbers Look Good

Financial Review

RESULTS OF OPERATION

Amounts in Million Pesos

	Audited		Increase (Decrease)	
	2020	2019	Amount	%
Revenue	2,876.68	1,432.53	1,444.14	100.81%
Direct cost	1,647.83	847.98	799.85	94.32%
Overhead cost	599.37	458.60	140.77	30.70%
Income before tax	629.48	125.95	503.52	399.75%
Income tax	254.43	88.12	166.32	188.75%
Net income	375.05	37.84	337.21	891.08%

The Operating and Financial Performance of MHI in 2020 took a major leap, with the positive operating results of the wholly-owned subsidiary - Marcventures Mining Development Corporation (MMDC). From a Consolidated Net Income of **Pesos Thirty Seven Million Eight Hundred Forty Thousand (P37.84 Million)** in 2019, MHI had a remarkable increase in Profits of **Pesos Three Hundred Seventy-Five Million Fifty Thousand (P375.05 Million)** with the Subsidiary posting an Income of **Pesos Five Hundred Thirty Million Five Hundred Forty Thousand (P530.54 Million)** in 2020 vs. the Income of **Pesos One Hundred Sixty Five Million Four Hundred Forty Thousand (P165.44 Million)** in 2019. The positive performance of the previous year was due to operating efficiencies, an increase in tonnage from **1.4 Million Wet Metric Tons (WMT)** in 2019 to **1.7 Million WMT** in 2020, and the increasing nickel prices in the market.

We continue to honor our responsibilities and obligations to our Host Communities and the Environment. A total of **Pesos One Hundred Forty-Six Million Nine Hundred Thousand (P146.9 Million)** was spent for the Environment Enhancement and Protection Program (EPEP) and with a total cost of **Pesos Thirty-Nine Million Seven Hundred Thousand (P39.7 Million)** expenditures for Social Development Management Programs (SDMP). Of this amount, **Pesos Thirty Million Five Hundred Thousand (P30.5 Million)** was used for the Program Project Activities (PPAs) focused on health, education, livelihood, public utilities, and socio-cultural areas of the communities in Cantilan, Carrascal and Madrid. In support of the largest group of scholars in CARAGA, MHI spent over **Pesos Four Million (P4 Million)** for scholarships and educational assistance.

FINANCIAL POSITION

Amounts in Million Pesos

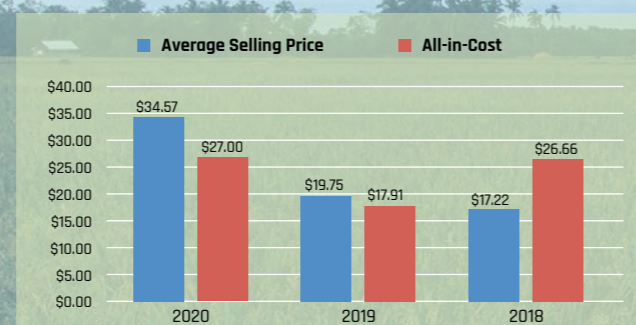
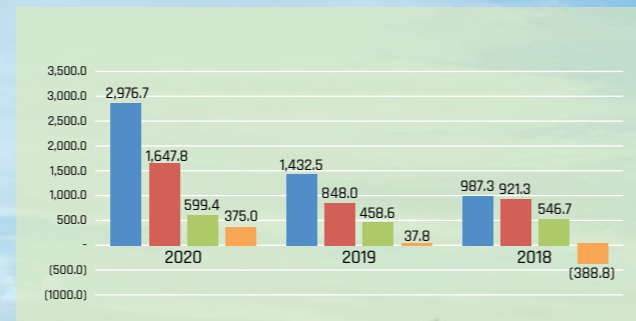
	Audited		Increase (Decrease)	
	2020	2019	Amount	%
Assets	6,163.70	6,091.35	72.35	1.19%
Liabilities	1,867.12	2,167.66	(300.54)	-13.86%
Stockholder's Equity	4,296.58	3,923.69	372.89	9.50%

MHI Consolidated Total Assets of **Pesos Six Billion One Hundred Sixty-Three Million Seven Hundred Thousand (P6,163.70 Million)** posted a 1.19% increase from the **Pesos Six Billion Ninety-One Million Three Hundred Fifty Thousand (P6,091.35 Million)** in 2019. The improvement is attributed to the increase in trade and receivables for the uncollected proceeds of sales and ore inventory towards the last quarter of the year.

Total Liabilities dropped by **Pesos Three Hundred Million Five Hundred Forty Thousand (P300.54 Million)** due to payments to suppliers and contractors, and partial settlement of the loan principal.

Stockholders' Equity increased by **Pesos Three Hundred Seventy-Two Million Eight Hundred Ninety Thousand (P372.89 Million)** as a result of the consolidated net income in 2020.

FINANCIAL PERFORMANCE



We are On Top of our Game

Our Businesses

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The Bauxite Properties' combined Measured and Indicated Mineral Resource is around **73.0 Million Wet Metric Tons (WMT)**. The Ore Resources have been fully explored under JORC and Philippine Mineral Reporting Code (PMRC) Standards and show **Mineable Ore of 67.3 Million Wet Metric Tons (WMT)** and Shippable Ore of around **60.13 Million Wet Metric Tons (WMT)** over an 18-year mine life.

BAUXITE PROPERTIES: Samar, Eastern Visayas



Area:
12,129 Ha [6,694 Ha. (AMPI) and 5,435 Ha. (BARI)]

Potential:
Measured and Indicated Resource
73.2 million wmt [PMRC]
Measured and Indicated Resource
117.6 million wmt [JORC]

Unhampered by the Challenging Landscape

Mine & Exploration Report



Development drilling was conducted at the Cabangahan Area in 2020 to upgrade the mineral resource category from Indicated and Inferred to Measured and Indicated, respectively.

Drilling operations began in August and was completed mid-November before the onset of the wet season.

A total of 92 drill holes were drilled with an aggregate depth of 877.15 meters and an average depth of 9.53 meters per drill hole.

Mineral resources were classified according to drilling density and spacing. The measured saprolite resource used a 25-meter drilling interval, 50-meter interval for indicated and 100-meter interval for inferred.

For limonite, 50-meter drilling interval was used for the measured category, 100-meter for indicated and 200-meter interval for inferred.

The development of the Bauxite Mines and BrightGreen Resources can extend mining operations for another 20 years.

NEW PROJECTS

SAMAR BAUXITE PROJECT (AMPI | BARI)

Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI) are the only two Bauxite Mines in the Philippines. These properties were acquired by Marcventures Holdings, Inc. (MHI) in 2017 covering a total area of 12,129 hectares located in the Province of Samar, Region VIII, Philippines.

The Mineral Resources of the Bauxite Properties have been reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person. It has a combined Measured and Indicated Resource of 73.2 Million Metric Tons; Mineable Ore of 67.3 Million Metric Tons; and, Shippable Ore of 60.1 Million Metric Tons.

AMPI and BARI are currently in the process of securing ECC and DMPF. Commercial operations is expected to commence at the end of 2021

BRIGHTGREEN RESOURCES CORPORATION (BRC)

The merger of MHI with BrightGreen Resources Holdings Inc. (BHI), the owner of a nickel tenement adjacent to MMDC further increases MHI's combined nickel resources with an additional 16.03 Million WMT of Measured and Indicated resource averaging 1.17% Ni and 34.98% Fe.

Resource estimation had a cut-off grade of 1.0% Ni for saprolite. For limonite, the cut-off grades are set at 0.5% Ni and 45% Fe for high Iron Limonite and 0.7% Ni and 20% Fe for low Iron Limonite.

From the estimated 73.2 Million WMT Measured and Indicated Saprolite and Limonite Resource as of Dec. 31, 2019, the mineral resource as of Dec. 31, 2020 is estimated to be at 74.6 Million WMT Measured and Indicated Saprolite and Limonite resource.

Total measured and indicated saprolite mineral resource is estimated at 11.8 Million WMT at 1.34% Ni and 12.59% Fe while measured and indicated limonite mineral resource is estimated at 62.8 Million WMT at 0.87% Ni and 44.17% Fe.

The increase in the mineral resource tonnage is primarily attributed to the additional resources blocked and upgraded from the development drilling conducted in Cabangahan.

MINERAL RESOURCE - MMDC	Tonnage Million WMT	% Ni	% Fe
Measured and Indicated			
Limonite	62.80	0.87	44.17
Saprolite	11.83	1.34	12.59
Total Measured and Indicated	74.63	0.95	39.09
Inferred			
Limonite			
Saprolite	5.10	1.30	12.77
Total Inferred	5.10	1.30	12.77

MINERAL RESOURCE	Tonnage (Million WMT)	%Ni	%Fe
Measured and Indicated			
Limonite	12.97	1.07	39.73
Saprolite	3.06	1.59	14.85
Total Measured and Indicated	16.03	1.17	34.98
Inferred			
Limonite	4.70	0.90	39.61
Saprolite	0.33	1.61	14.25
Total Inferred	5.03	0.95	37.95



74.63M
WMT

MMDC - Measured and Indicated Mineral Resource



73.2M
WMT

AMPI BARI – Combined Measured and Indicated Resource

The development of the Bauxite Mines and BrightGreen can extend mining operations for another 20 years. Additionally, MHI is now looking at new Tenement Applications in other areas and minerals.

Support and Assistance In Times of Uncertainty

Committed to transform mined-out areas into productive agricultural lands, Bamboo and other indigenous tree species cover the mined-out areas of Pili, Sipangpang and Cabangahan.



ENVIRONMENTAL PROTECTION

Mining activities are integrated with programs that promote environmental protection and sustainable development of host communities.

Committed to transform mined-out areas into productive agricultural lands, Bamboo and other indigenous tree species cover the mined-out areas of Pili, Sipangpang and Cabangahan. Promoted by the Department of Environment and Natural Resources (DENR) at the initiative of Secretary Roy A. Cimatu for rehabilitation, MHI pioneered the planting of Bamboo in mined-out areas. Also known as the *Grass of Hope*, Bamboo reportedly emits **35.0%** more oxygen and sequesters up to **12.0 Metric Tons** of Carbon Dioxide.

A **\$60.0 Billion** global industry, Bamboo has a genetic life of 100 years and can provide sustainable livelihood for our host communities for generations to come. MHI's Bamboo program started in 2017 and covers three phases. It began with the establishment of a demonstration plantation, followed by business development and, market research initiatives. With a goal of establishing a stable livelihood for host and neighboring communities long after the mining operations have stopped, the holistic approach covers all areas of enterprise. Aside from teaching communities how to grow healthy Bamboo nurseries, they will be trained on how to run their own business.

As an initial step, a training on the propagation of Bamboo propagules was conducted for MHI personnel who will assist in program implementation.

Bamboo

Recognized for having the largest bamboo plantation area, MHI is proud to report that the Bamboo plants in Pili have shown satisfactory growth. At present, there are **30,875** Bamboo Plants growing within the Pili, Sipangpang and Cabangahan mined-out areas as well as roadside berms and riparian zones within the tenement.

Average height is at four (4) meters, but there are vigorously growing plants that are already five (5) meters high. The slope stabilization activities in 2020 includes the **32,470** *Lambayong* cuttings at the Pili mined-out area and the **798 bamboo culms** at Sipangpang and Cabangahan mined-out areas.

MMDC grows **Kawayang Tinik** (*Bambusa Blumeana*) and **Giant Bamboo** (*Dendrocalamus Giganteus*) - two commercially viable species at the MPSA's testing grounds. *Kawayang Tinik* is a premium species for edible shoot production. It can be woven into soft fabrics such as breathable material for cloth diapers and face

masks. Giant Bamboo is used as construction material, scaffoldings, furniture and medicinal products.

To date company has planted **30,875 Bamboo Seedlings** covering over 60.37 hectares of Pili, Sipangpang, Cabangahan, roadside berms and riparian zones with the mining tenement. An additional 20,000 Bamboo seedlings are planted outside the tenement which brings the total number of growing bamboo seedlings to **50,875**.

Revegetation

The maintenance of Temporary Revegetation is in compliance with DENR Administrative Order (DAO) 2018-19. The temporary inactive area which measures **16.08 hectares** was planted with *Wedelia* (*Sphagneticola trilobata*), *Napier* (*Pennisetum purpureum*), *Calopo* (*Calopogonium muconoides*), *Lambayong* (*Ipomea pes-caprae*), *Madre de cacao* (*Gliciridia sepium*), *Flemingia* (*Flemingia macrophylla*) and *Tigbaw* (*Saccharum spontaneum*).

Maintenance work was also done on another revegetated area measuring **60.88** hectares. *Wedelia*, *Napier*, *Calopogonium*, and *Tigbaw* were planted on the hills and the deficient soil was ameliorated with fertilizer to aid plant growth.



30,875
Bamboo
Seedlings
COVERING OVER
60.37 HECTARES

Mining Forest Program (MFP)

In pursuant to DENR Administrative Order No. 22 series of 1989, MFP was originally the Adopt-A-Tree Adopt-A-Mining Forest Program initiated in 1989 which required the establishment of a forest in mined-out areas, waste dumps, denuded and sparsely vegetated lands adopted by the mining companies.

MMDC's Mining Forest Program focuses on the progressive rehabilitation of the mined-out

National Greening Program

The National Greening Program (NGP) promotes reforestation and was established in 2011 under Presidential Executive Order (EO No. 26). It seeks to regain 1.50 million hectares of forestlands by planting 1.50 billion trees within six years (until 2017). The Expanded NGP under Executive Order No. 193 was signed on November 12, 2015, stating that all the remaining unproductive, denuded and

Slope Stabilization

To prevent erosion and landslide, trees and grass seedlings were planted for stability. Creeping grass like mani-mani and lambayong, and bamboo species were utilized to control land movement.

A total of 798 bamboo species were planted at the bottom of the slopes in Cabangahan and Sipangpang mined-out area. A total of 32,470

are Narra, Bani, Agoho, Magkono, Malatambis and other species. A total of **8,061** Bamboo cuttings like Kawayan Tinik, Kajawan and other locally available bamboo species are growing at the nursery in Banban.

Mangrove Production

The Bon-ot nursery is home to **21,553** mangrove seedlings. Composed of Rhizophora, Pagatpat and Saging-saging, these will be used as



8,048
Trees
Planted

BANI AND NARRA
SEEDLINGS

areas. Cabangahan and Sipangpang which measure **7.36 hectares**, were contoured and shaped as part of the progressive rehabilitation process and has been transformed into a healthy planting ground. A total of 6,025 Bani seedlings were planted in Cabangahan, which covers an area measuring 6.08 hectares.

The Company's Mining Forest Program (MFP) covers a portion of Sipangpang and Pili. A total of **8,048** Bani and Narra seedlings cover the mined out area measuring on **7.36 hectares**.

The maintenance of the MFP plantation includes periodic cultivation and fertilization. Enrichment planting is also done to increase the density of the tree species. A total of **5,221** Bani, Narra and Malatambis seedlings were planted for increased density. Additional **1,045** Narra seedlings were also grown to replace snags and other species in Sipangpang.

A total of **10,954.34 cubic meters** of water keep the area cool and fully hydrated. The MFP extends outside the tenement towards the Bonot area which measures **1.48 hectares** and planted with **8,700 Rhizophora** mangrove species.

degraded forestlands estimated at **7.1 million hectares**, must undergo rehabilitation from 2016 to 2028.

MMDC's NGP plantation measures **10.87 hectares** and covers Sitio Nangka, Sitio Pili and some areas along haulage roads. The maintenance activities include regular fertilization and weed control for healthy growth.

Silt Control

In line with mitigating measures for siltation, **15** new settling ponds were constructed in Cabangahan. These ponds control the silt - sediments carried by running water.

Civil works to mitigate siltation were continuously performed. Settling ponds were desilted and repaired for increased capacity. Silt curtains were installed in the causeway area to control debris during hauling that causes water discoloration. Silt fences were constructed at Cabangahan and at Bon-ot stockyard areas.

For the year 2020, a total of **162,343.80 cubic meters** of silt was extracted as part of the maintenance of the **15** sedimentation ponds.

lambayong cuttings line the slopes in Pili to prevent land fall.

Nursery Maintenance

MMDC maintains four (4) nurseries. The Pili nursery houses various species and occupies 0.45 hectares of the mined-out area. It can hold a maximum of 110,000 seedlings. The Banban nursery holds the bamboo propagation project and has a seedling capacity of 80,000 while the Sipangpang nursery can accommodate as much as 110,000 seedlings. MMDC also maintains the mangrove nursery adjacent to the Port and Stockyard facility in Bon-ot.

Forest Trees

Under DAO 2018-19, mining tenements must have an inward 20-meter buffer zone near rivers and streams, that is free from extraction activities. A total of **82,001** seedlings of Bamboo and other tree species were planted to define the tenement's buffer zone. Composed of Kawayan Tinik, Kajawan and Kajali, **8,061** Bamboo seedlings are growing at the nurseries in Banban, Pili and Sipangpang.

MMDC Envi team planted a total of **52,387** trees in 2020. Currently growing in four (4) nurseries

replacement plants and for the wetland projects in nearby municipalities.

Fertilizer

The nursery operations in Pili includes vermicomposting where earthworms convert organic waste to vermicast. Rich in phosphorus, magnesium, calcium, and potassium, vermicast is used for soil enhancement

In 2020, a total of **125,000 kilograms** of organic fertilizer was purchased and 325 kilograms was utilized for planting and maintenance activities.

Vegetable Garden

MMDC's vegetable garden grows fruits and vegetables like beans, root crops, pepper, tomatoes, corn, and pineapple. Located within the Pili mined-out area, the degraded area is now a healthy farm land.

Green Barriers

To minimize dust, trees and grass were planted on haulage roads to serve as biofilters. MMDC established tree-lined berms measuring 493 linear meters within the tenement and another berm measuring 1,299.14 linear meters outside the tenement in 2020. The line kilometer slope

side of the berm was covered with grass. Fertilization and cultivation continues for other trees growing in the area.

Kalipayan ornamental plants continue to grow on the berm which separates the road from Banban to Panikian Cemetery. The separation berm was constructed to deter ordinary vehicles from using the unpaved road which is being used by the trucks. The plants also act as biofilters to help lessen the dust in the area. The

for the Social Development and Management Program (SDMP) and **Three Million Eight Hundred Thousand Pesos (P3.8M)** for the company's Corporate Social Responsibility (CSR) projects.

Health

Health projects amounting to **Six Million One Hundred Thousand Pesos (P 6.1M)** were implemented to assist host and neighboring communities.

Farm products

Farmers were given rice seeds, organic fertilizers and carabaos to help plow the farm lands and yield more crops for higher income.

The company also financed the purchase of small boats (*baroto*) for the fisherfolks of Barangay Bon-ot. Aside from fishing, the boats can be used to transport goods or for island hopping activities of tourists.

MMDC spent **Ten Million Sixty-Two Thousand One Hundred Forty-Four (P10M)** for its infrastructure projects to support livelihood programs.

The farm to market road with spillway in Barangay Parang was completed. The road construction started in 2019. The access road is utilized to transport farm products.

For 2020, the Company financed the construction of 24 houses in Carrascal. The houses were given



paved road is constantly utilized by motorists and commuters going to Panikian Cemetery. An additional 450 ornamental trees also lined the barangay road of Bacolod.

Water trucks continue to spray water on haulage roads to further suppress dust emission. The environmental impact of the mining operations are closely monitored. The Envi team regularly monitors air, water and noise levels under the guidance of FAST (First Analytical Services and Technical Cooperative) a DENR accredited laboratory.

COMMUNITY DEVELOPMENT

MMDC continues to support the development of host and neighboring communities through the company's Social Development and Management Program (SDMP). For 2020 equally valuable were initiatives that ensure the health and safety of the communities in Surigao del Sur, particularly in the host municipalities of Carrascal, Cantilan, and Madrid.

The SDMP implementation was a challenge in 2020 mainly because of the COVID-19 pandemic. Amid the trying times, MMDC spent **Thirty-three Million Two Hundred Ninety Thousand Nine Hundred Forty-Four Pesos (P33,290,944.00)**

MMDC provided medical emergency assistance to 900 indigent patients. The company supported the local government's program by providing milk for children in need of proper nutrition and vitamins for senior citizens and persons with disabilities (PWDs). Food packs, hygiene kits and vitamins were also given to frontliners and community members.

The company's immediate response to the Enhanced Community Quarantine (EQC) was cited among the business cases featured in **Employers Confederation of the Philippines (ECOP) "Series on Good Business Practices"**. MMDC was part of "Business Cares: A Series on Good Business Practices" the initiative promotes models of corporate programs during the crisis with a goal of emulating policies while looking after employee welfare.

Livelihood

MMDC implemented several livelihood programs to assist every community's journey to sustainability. The Company spent **One Million Pesos (P1M)** for projects that provide opportunities for local residents to create, build and earn.

Small Business

Seed capital was given to the Farmers Association of Barangay Parang to help them start their own business and hopefully address the challenges of the pandemic. The Company also provided seed capital to the Cabangahan Women's Association, to finance small ventures like pedicab services and table and chair rentals.

In Barangay Cabangahan, three hundred (300) women's residents were given seed capital for their enterprise. The company also supported the income generating projects of various farmers, women's, senior citizen's and PWD organizations.

Under the SDMP, the Company's total expenditure for host and neighboring communities was **Fifteen Million Pesos (P15M)** in 2020. This includes educational support, health and services, enterprise and infrastructure development for the communities in Cantilan, Carrascal and Madrid.

MMDC spent **Eight Million Nine Hundred Thousand Pesos (P8.9M)** for its infrastructure projects in support of existing livelihood programs.

to families living in barangays Bon-ot, Panikian, Banban and Gamuton. A joint project with the local government the program is in line with MMDC's thrust for livelihood development. Safe and decent family shelters bring new hope and opportunities for the different communities. The Company also helped build facilities for potable water in Cabangahan and Bayogo.

To help mothers look after their small children, daycare and school feeding centers were built in Panikian, Parang and Babuyan. MMDC also helped boost local entrepreneurship by opening community enterprise livelihood centers for the small businesses in Cabangahan and Bayogo.

Scholars

MMDC continues to support deserving students through its Scholarship Program. For the 2020-2021 academic year, financial assistance continued for **192 students** enrolled in different colleges and universities in the Visayas and Mindanao regions. Majority of these students belong to indigenous communities. The company believes that if a family can have even just one college graduate, their lives will definitely be better.



Over
192
ENROLLED IN DIFFERENT
COLLEGES AND
UNIVERSITIES

MMDC's scholarship program has produced hundreds of college graduates who are now enjoying gainful employment in their respective fields.

Volunteer Teachers

The company's education program also includes providing the salary for additional teaching staff. Most barangays do not have enough teachers to handle the growing number of students. To ensure quality education additional teachers

Three Million Eight Hundred Thousand Pesos (P3.8 Million) was utilized for Corporate Social Responsibility projects. A total of **33 students** from IP communities are full CSR scholarship. The project also deployed five (5) volunteer teachers in different schools. The teachers receive a P10,000 monthly subsidy.

In 2020, **Five Hundred Fifty-Seven Thousand Two Hundred Sixty (P557,260.00)** was spent on cultural preservation programs.

SAFETY AND HEALTH

MHI continues to promote its commitment to safety and health by prioritizing the welfare of everyone involved in the mining operations.

The goal is to achieve and maintain zero (0) lost time accident, zero (0) property damage, and complete regulatory compliance for a safe and healthy working environment.

As a result of its quick and efficient response, MMDC is the only mining company in Surigao that was able to ship out during the month of March.

At the mine site, MMDC follows the minimum health standard which includes wearing face mask at all times, frequent washing or disinfection of hands and observing one (1) meter physical distancing/distance in public places. The Safety and Health Department also conducts weekly disinfection of offices and staff houses.



Over **33**

STUDENTS FROM IP COMMUNITIES ARE FULL CSR SCHOLARSHIP.

were hired and were assigned to different barangays.

The company hired **19** teachers to assist the schools in Cabangahan, Panikian, Bon-ot, Gamuton, Babuyan, Bacolod, Parang and Cabas-an.

A total of **Five Million Pesos (P5Million)** was spent for the educational program.

MMDC also supports **55** college students on full scholarship under its **Corporate Social Responsibility (CSR)** and **Development of Mining and Geoscience Technology (DMTG)** programs.

Five Hundred Eighty-Four Thousand Pesos (P584,000.00) was utilized by the DMTG program. The fund was used to support the scholarship of twenty-two (22) students enrolled in Environment, Mining, Community and Accounting related courses. Aside from the tuition fee, the scholars received a monthly allowance of P5,000. Under the DMTG program the company also initiated research projects, rehabilitation programs and strategic planning activities.

The company sponsored the annual fiestas of the different barangays, donated funds for church renovation and supported various community activities.

Despite the pandemic the Community Relations team had several Information, Education and Communication (IEC) initiatives in 2020. To build further awareness about the company's community project, the team hosts a radio program every second and third Thursday of the month on DXVP FM Carrascal. The hosts discuss the company's environmental initiatives, updates on safety and health, job opportunities, scholarship applications and other community-related activities. The company spent a total of **Five Million Seven Hundred Ninety Thousand Two Hundred Seventy-Nine Pesos (5.7Million)** for its IEC activities.

Home Garden

At the height of the pandemic MMDC supported the municipality's food sufficiency strategy by donating vegetable seeds to "**Gulayan sa Panimalay.**" The program encouraged residents in Carrascal to start their own vegetable garden to address difficulties in food supply.

The Health and Safety Team consistently implements safety trainings and institutionalizes standard operating procedures on Basic Occupational Safety and Health and Basic First Aid and Life Support. The department regularly conducts toolbox meetings and installs safety promotion and safety road signages to prevent accidents.

In 2020, the mine site organized a Central Safety and Health Committee that meets every first Friday of the month to discuss safety concerns, events and statistics of the preceding month. The safety inspectors and supervisors also conduct regular toolbox meetings at the job site before the start of the shift.

The year 2020 posed a major challenge for the Safety Team because of the pandemic. MMDC closely coordinated with the Local Government Unit of Carrascal through its Rural Health Unit in implementing the Department of Health (DOH) guidelines on COVID-19.

Safety measures were immediately included in the MMDC's Manual of Operations. The site adopted embarkation and disembarkation protocols, quarantine provisions for on-board personnel and the use of face mask, face shield and personal protective equipment.

MMDC achieved another milestone for attaining the **Five Million Man-hours worked without lost time accident.** As part of safety promotion, the company provided a T-shirt with a slogan "safety starts with me" and distributed to all MMDC employees and contractors.

Basic Occupational Safety and Health and Basic First Aid and Life Support training programs are conducted yearly as a constant reminder of the risk of unsafe work habits. Emergency fire and earthquake drills are also conducted on a quarterly basis.

The mine site safety trainings on Sanitation, Food Handling, and Preparation were conducted by the members of Carrascal Rural Health Unit. The Behavioral Base Safety Webinar and Job Hazard Analysis were conducted by Safety Inc. a third party training organization.

Performing Excellent Stewardship

Our Board Committees

EXECUTIVE COMMITTEE

Chairman
ANTHONY M. TE
Members:
KWOK YAM IAN CHAN
CHARLOS ALFONSO T. OCAMPO
Alternate Members:
AUGUSTO C. SERAFICA JR.
MARIANNE REGINA T. DY
RUBY K. SY
ISIDRO C. ALCANTARA JR.

The Executive Committee shall have and exercise such powers relative to the management of the business and affairs of the Corporation subject to the provisions of the Company's By-laws, and the limitations of the law and other applicable regulations. It shall serve as the governing body in all matters related to corporate governance, approval of all major policies and oversees all major risk-taking activities, financial reporting and approval of material credit transactions and exposures.

AUDIT, GOVERNANCE, OVERSIGHT AND RELATED PARTY TRANSACTION COMMITTEE

Chairman
CARLOS ALFONSO T. OCAMPO
Members:
AUGUSTO C. SERAFICA JR.
KWOK YAM IAN CHAN

The Audit, Risk, Oversight and Related Parties Transactions Committee is made up of two members of the Board one of which is an independent director. The members have Accounting, Financial, Legal and Risk Management experience. The Committee provides recommendations and advice to the Board of Directors with the goals of supporting decisions on internal control and risk management, system review of all material related party transactions of the company and ensuring application and approval of financial reporting.

NOMINATION AND COMPENSATION COMMITTEE

Chairman
CESAR C. ZALAMEA
Members:
AUGUSTO C. SERAFICA JR.
MICHAEL L. ESCALER

The Nominations and Compensation Committee processes, vets, and oversees the nomination and elections to the Board and appointment of senior management or corporate officers, including evaluating fairness and appropriateness of remunerations. Part of its mandate is to ensure that relevant knowledge, competencies and expertise that complement the existing skills of the Board and management are adopted as standards and criteria for nomination and election and handles screening qualified individuals in order to ensure that all nominations are fair and transparent and in accordance with applicable laws, regulations, listing rules and the Company's policies.

INVESTMENT COMMITTEE

Chairman
AUGUSTO C. SERAFICA JR.
Members:
CARLOS ALFONSO T. OCAMPO
ANTHONY M. TE

The Investment Committee assists the Company's Board of Directors in overseeing the Company's investment management, transactions, policies and guidelines. It formulates and establishes investment policies and guidelines and reviews and/or recommends short and long-term investment strategies, objectives and policies. This mandate extends to reviewing and monitoring the performance of the Company's investment strategy, overall investment portfolio and the evaluation and/or recommendation of major capital expenditures, investment opportunities or divestment.

RETIREMENT COMMITTEE

Chairman
AUGUSTO C. SERAFICA JR.
Members:
CARLOS ALFONSO T. OCAMPO
ISIDRO C. ALCANTARA JR.

The Retirement Committee formulates policies on retirement benefits designed to assist the Company in the recruitment and retention of employees and other workforce management goals. It performs the functions of an Investment Fiduciary responsible for the prudent management of the investment portfolios provided to assist employees in preparing for retirement and compensate individuals for their years in service.

INTERNAL AUDIT TEAM

Good governance is an essential part of the priorities of Marcventures, which is why the work of our Internal Audit (IA) is critical and important to the organization. The Internal Audit group is a separate and independent unit, which directly reports to the Audit Committee, a Committee of the Board.

The IA ensures that internal controls, risk management, and governance processes are in place and working effectively to add value and improve operations.

It has a charter approved by the Audit Committee that complies with the International Standard for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA), in the discharge of its scope of work and responsibilities. Our Auditors are members of The Institute of Internal Auditors (IIA), Philippines. This ensures that the department has the required audit competencies and is ready to adapt to change in technology, business acumen and soft skills. Their training, experience, and expertise make them serious partners at the table, and encourage them to be more assessment, communication, and consulting-oriented.

MINING COMPLIANCE OFFICER

To ensure best practices and compliance, MMDC designated a Mining Compliance Officer (MCO), who reports directly to the President to monitor the Company's compliance with relevant laws, rules and regulations enforced and promulgated by the Mines and Geosciences Bureau (MGB) and Department of Environment and Natural Resources (DENR).

In addition, the MCO assists management in mitigating risks at the mine site by reporting violations and non-compliance through the adoption of measures to prevent the repetition of such non-compliance and violations.

The reports and reviews conducted by the MCO provide reasonable assurance that the Company, its officers, and employees, comply with relevant mining laws, regulations, rules and standards to promote safe and sound mining operations.

Upholding Excellent Leadership

Our Board of Directors

Marcventures Holdings Incorporated
Marcventures Mining & Development Corporation



CESAR C. ZALAMEA
Chairman - Marcventures Holdings, Inc.
Marcventures Mining and Development Corporation



ISIDRO C. ALCANTARA, JR.
Director - Marcventures Holdings, Inc.
Marcventures Mining and Development Corporation



ANTHONY M. TE
Director - Marcventures Holdings, Inc.
Marcventures Mining and Development Corporation



RUBY K. SY
Director - Marcventures Holdings, Inc.



ATTY. CARLOS ALFONSO T. OCAMPO
Independent Director - Marcventures Holdings, Inc.



KWOK YAM IAN CHAN
Independent Director - Marcventures Holdings, Inc.



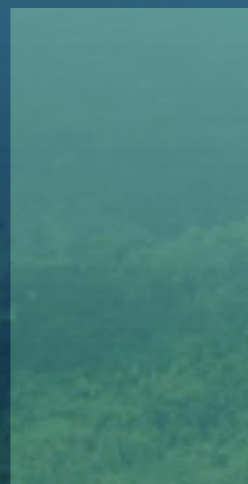
AUGUSTO C. SERAFICA JR.
Director - Marcventures Holdings, Inc.



MICHAEL L. ESCALER
Director - Marcventures Holdings, Inc.



MARIANNE REGINA T. DY
Director - Marcventures Holdings, Inc.



ROLANDO S. SANTOS
Officer-in-Charge/ SVP
Director - Marcventures Mining and
Development Corporation



ATTY. ARTURO L. TIU
Director - Marcventures Mining and
Development Corporation



DANIEL OLIVER T. DY
Director - Marcventures Mining and
Development Corporation

The Board of Directors

Marcventures Holdings, Inc. Marcventures Mining and Development Corp.

CESAR C. ZALAMEA

Chairman

Marcventures Holdings, Inc.
Marcventures Mining Development Corporation

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 also 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.

ISIDRO C. ALCANTARA, JR.

Director - Marcventures Holdings, Inc.

Mr. Isidro C. Alcantara, Jr. is a Director of Marcventures Holdings, Inc. and was the President from September 2014-October 31, 2020. He was elected Director in August 2013 and had served as the Company's Executive Vice President. He currently sits as Director of Marcventures Mining and Development Corporation, the Company's wholly owned subsidiary; as Director and President of Bright Kindle Resources and Investment Inc. and Financial Risk Resolutions Advisory, Inc.

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

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

ANTHONY M. TE

Director - Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

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

AUGUSTO ANTONIO C. SERAFICA JR.

Director - Marcventures Holdings, Inc.

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

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

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

MICHAEL ESCALER

Director - Marcventures Holdings, Inc.

Mr. Michael 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. and All Asian Oils and Fats Corporation; 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.

The Board of Directors

Marcventures Holdings, Inc. Marcventures Mining and Development Corp.

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 companies. 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 Masters 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, and Productive Internships in Dynamic Enterprise (PRIDE).

MARIANNE REGINA T. DY
Director – Marcventures Holdings, Inc.

Ms. Marianne Regina T. Dy was elected Director in September 2014. She is the 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.

RUBY SY
Director – Marcventures Holdings, Inc.

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

ATTY. CARLOS ALFONSO T. OCAMPO
Director – Marcventures Holdings, Inc.

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

KWOK YAM IAN CHAN
Independent Director – Marcventures Holdings, Inc.

Mr. Kwok Yam Ian Chan joined Marcventures as Independent Director in September 2020. He is also a Director in Benguet Corp., DK Ventures Inc., King Dragon Realty Corp., Megalifters Cargo Handling Corp., Isky Empire Realty Inc., Seaborne Shipping Inc. and Zenith System and Heavy Equipment. He was the Managing Director of Dunfeng Philippines International Inc. from 2010 to 2017 and the President from 2013 to 2017 and Director of Mannage Resource and Trading Corp. from 2015 to 2017. He finished Bachelor of Science in Business Administration – Major in Export Management in De La Salle College of St. Benilde and obtained his Master's Degree in Economics majoring in Finance at California Polytechnic University.

ROLANDO S. SANTOS
Officer-in-Charge/ SVP
Director – Marcventures Mining and Development Corp.

Mr. Rolando Santos serves as Director and Treasurer for MMDC, the wholly owned subsidiary of Marcventures Holdings, Inc. where he also sat as Director and Senior Vice President for Finance and Administration. Mr. Santos is a director of Bright Kindle Resources and Investments, Inc., He was previously the Branch head/Cluster head of Branches for Banco De Oro from 2001 to 2013, Bank of Commerce from 1984 to 2001, Producers Bank of the Philippines from 1981 to 1984, and Far East Bank from 1972 and 1981. He obtained his degree in BS Business Administration from the University of the East.

ATTY. ARTURO L. TIU
Director – Marcventures Mining and Development Corp.

Atty. Arturo L. Tiu was the elected Director in May 2016. He is currently a senior partner at Reyno, Tiu, Domingo, and Santos & Associates Law Firm. He served as the former Secretary of the Commission on Appointments. He is a law graduate from the University of the Philippines Diliman, Quezon City. He took the bar examinations in 1969 and landed in the top 15 among the bar passers. In 1983, he was admitted to the practice of law in New York, USA and Federal Practice, USA jurisdiction.

Atty. Tiu was the former General Manager and concurrent Vice Chairman of the Board of Directors of the Philippine Charity Sweepstakes in 1992. Prior to that, he served as its Corporate Secretary for two years.

He is a member of the Integrated Bar of the Philippines (IBP) and chair of the IBP Committee on Environment since July 1999. He was also a member of the Board of Governors, IBP from 1987-1989; chairman, Committee on Inter-Professional and Business Relations, IBP (1987-1989); and member, IBP Committee on Justice, which was tasked in 1989 to choose the five most outstanding RTC, MTC Judges and Prosecutors nationwide. Likewise, Atty. Tiu served as the IBP President for Agusan del Norte from 1987-1989, then later, as chairman of the Committee on Legal Education and Bar Admission in 1989-1991. He also served as Vice Chairman of the Committee on Professional Responsibility, Discipline and Disbarment in 1991-1993 for the same IBP chapter.

DANIEL OLIVER T. DY
Director – Marcventures Mining and Development Corp.

Mr. Daniel Dy was elected Director in May 2015. He is a graduate of De La Salle University – College of St. Benilde with a Bachelor of Science degree in Business Administration Major in Computer Applications. He was President of the Rotary Club of Makati Poblacion from 2014-2015. He is a Paul Harris Fellow and a Major Donor of the Rotary Foundation. Currently, he is a Director of the Meat Importers and Traders Association and the Vice President and Chief Sales Officer of So-Nice International Corporation.

Upholding Excellent Leadership

Executive Officers

Marcventures Holdings Incorporated
Marcventures Mining & Development Corporation



ATTY. ROBERTO V. SAN JOSE
Corporate Secretary
Marcventures Holdings, Inc.



ATTY. ANA MARIA A. KATIGBAK
*Asst. Corporate Secretary/
Compliance Officer*
Marcventures Holdings, Inc.



REUBEN F. ALCANTARA
*Senior Vice President and Head of Marketing,
Business Development & Strategic Planning*
Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.



DEBORRA C. ILAGAN
*Vice President for Human Resources and
Administration*
Marcventures Mining and Development Corp.



MA. THERESA A. DEFENSOR
*Assistant Vice President for
Corporate Communications*
Marcventures Mining and Development Corp.



ELMER O. PURISIMA
Assistant Vice President for Accounting
Marcventures Mining and Development Corp.



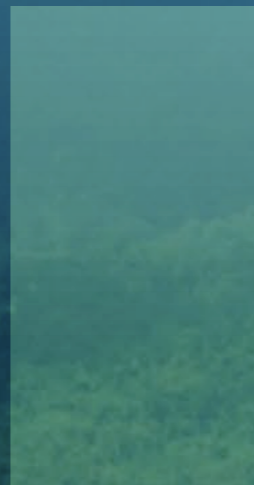
ROLANDO S. SANTOS
Director/Treasurer
Marcventures Mining and Development Corp.



ATTY. MAILA LOURDES G. DE CASTRO
Corporate Secretary
Marcventures Holdings, Inc.
Vice President and Head of Legal
Marcventures Mining and Development Corp.



DALE A. TONGCO
Vice President for Controllershship
Marcventures Mining and Development Corp.



GEOL. JAYVEL T. GUZMAN
AVP and Head of Geology Division
Marcventures Mining and Development Corp.



ENGR. DIANNE R. RODRIGUEZ
AVP for Engineering and Project Management
Marcventures Mining and Development Corp.



RIC FELICES MACABIDANG
Head for Budget and Cost Control
Marcventures Mining and Development Corp.

Upholding Excellent Leadership

Executive Officers



EMERSON P. PAULINO
Assistant Vice President for Internal Audit
Marcventures Mining and Development Corp.



LESTER C. YEE
Assistant Vice President for Corporate Planning and
Investor Relations Head
Marcventures Mining and Development Corp.



BERNARD P. BALUDA
Assistant Vice President for Compliance Acquisition
& Tenement Management

Executive Officers

Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.

ATTY. ROBERTO V. SAN JOSE
Corporate Secretary
Marcventures Holdings, Inc.

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 and 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
Asst. Corporate Secretary/Compliance Officer
Marcventures Holdings, Inc.

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

REUBEN F. ALCANTARA
Senior Vice President and Head of Marketing, Business Development & Strategic Planning
Marcventures Holdings, Inc. Marcventures Mining and Development Corp.

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

ROLANDO S. SANTOS
Director/Treasurer, Marcventures Mining and Development Corp.

Mr. Rolando Santos also serves as Director and Senior Vice President for Finance and Administration of Marcventures Holdings, Inc. and director of Bright Kindle Resources and Investments, Inc. Before Marcventures he was the Cluster Head for Banco De Oro branches, while serving as its Branch Head from 2001 to 2013. He also worked for Bank of Commerce from 1984 to 2001, Producers Bank of the Philippines from 1981 to 1984, and Far East Bank from 1972 and 1981. He obtained his degree in BS Business Administration from the University of the East.

ATTY. MAILA LOURDES G. DE CASTRO
Corporate Secretary
Marcventures Holdings, Inc. Vice President and Head of Legal, Marcventures Mining and Development Corp.

Maila G. De Castro, J.D., MBA was also appointed MHI Co-Assistant Corporate Secretary, Corporate Secretary for subsidiaries, Co-Compliance Officer, Co-Corporate Information Officer and Data Privacy Officer. She earned her MBA from AIM, her JD from the Ateneo de Manila School of Law and completed her BA, Major in Film and Audio-Visual Communications from the University of the Philippines. Previously, she was a Legal Counsel at BGEPA Offices, with secondment to GMA Network and served as VP-Legal/Corporate Planning of UNITEL Productions. She is an independent consultant and Chairperson of the Rules Change Committee of the Philippine Electricity Market Corporation.

Executive Officers

Marcventures Holdings, Inc.
Marcventures Mining and Development Corp.

DALE A. TONGCO

Vice President for Controllership, Marcventures Mining and Development Corp.

Mr. Dale Tongco is a Certified Public Accountant with extensive experience in internal and external audit, controllership, risk and fraud management, corporate governance, process and control improvement and ISO. His professional experience of over 30 years covers industries such as auditing, insurance, banking, and mining in roles dealing with Accounting, Tax Advisory, Finance and Treasury, Investigation, Business Development, and Cost and Budget Management. Before Marcventures, he worked with China Bank, RCBC, Deloitte, KPMG, SGV, Philam Life-AIA, Habitat for Humanity Philippines, CP de Guzman & Co.-CPAs and with Benguet Corporation as Head of Audit and Risk Management.

DEBORRA C. ILAGAN

Vice President for Human Resources and Administration, Marcventures Mining and Development Corp.

Ms. Deborra C. Ilagan has been a Human Resources practitioner for over 20 years with a solid background in various HR roles and office administration functions, as well as Finance. Her longest stint (1991-2014) was with Metro Drug, Inc. and prior to joining Marcventures she was Associate Director, Human Resources Operations at Pacific Cross Insurance, Inc., where she led overall HR operations. She obtained her Bachelor of Science in Commerce Major in Accounting from Canossa College and later got her Diploma in Human Resource Management, a flagship educational program of Personnel Management Association of the Philippines (PMAP).

MA. THERESA A. DEFENSOR

Assistant Vice President for Corporate Communications, Marcventures Mining and Development Corp.

Ms. Theresa Defensor is a Communications practitioner backed up with decades of experience in public relations, content creation and media. Prior to Marcventures she held key positions in Fleishman Hillard Manila, Fuentes Manila PR, St. Luke's Medical Center Global City, Euro- Agatap PR, Business World and The Manila Chronicle. A certified Global Crisis Counselor, she has active online platform and actively writes for leading publications. She studied Journalism at the University of the Philippines, Master's Degree in Literature (cum laude) and Phd in Literature units from the University of Santo Tomas and completed the management program at AIM.

ELMER O. PURISIMA

Assistant Vice President for Accounting, Marcventures Mining and Development Corp.

Mr. Elmer Purisima has over a decade of combined professional experience in financial planning, forecasting and budgeting, cost accounting, financial reporting, audit and taxation across all industries. Prior to joining MMDC, he held key positions in Techiron Resources, Inc., Ludwig Pfeiffer Hoch-und Tiefbau GmbH & Co. KG - Philippine Branch, Alfa1 Technologies, Otis E&M Company Philippines and SGV& Co. A Certified Public Accountant and a Certified Financial Consultant, he obtained his Bachelors Degree in Accountancy from the Philippine School of Business Administration-Manila, and his Master's in Business Administration - Top Executive Program from the Pamantasan Lungsod ng Maynila.

GEOL. JAYVHEL T. GUZMAN

AVP and Head of Geology Division, Marcventures Mining and Development Corp.

Ms. Jayvhel T. Guzman is a licensed Geologist and Philippine Mineral Reporting Code (PMRC)-accredited Competent Person. She completed her Bachelor of Science in Geology from the University of the Philippines in 2006 and is currently taking up her Master of Business Administration at Polytechnic University of the Philippines - Manila. Prior to joining Marcventures, she was a Consultant Geologist at Brass Technologies, Inc., Century Peak Corporation, Bundok Mineral Resources Corporation, and Tekton Geometrix, Inc. She also worked as Geologist at various companies such as Asian Arc Mining Resources, Inc., Century Peak Corporation, JCP Geo- Ex Services, Inc., and Philex Mining Corporation.

ENGR. DIANNE R. RODRIGUEZ

AVP for Engineering and Project Management, Marcventures Mining and Development Corp.

Engr. Dianne R. Rodriguez is a licensed Mining Engineer equipped with more than a decade of experience in mine planning, feasibility studies and project valuations. She obtained her Bachelor of Science in Mining Engineering from the University of the Philippines and the Online Engineering Project Management Specialization Course from Rice University. Currently she is taking her MBA at Colegio de San Juan de Letran. She joined the company in 2014 as Executive Technical Assistant and Senior Mining Engineer. Prior to MMDC, she was the Senior Mining Engineer at Benguet Corporation's Engineering Research and Project Development Group.

RIC MACABIDANG

Head for Budget and Cost Control, Marcventures Mining and Development Corp.

Mr. Ric Macabidang is a Certified Public Accountant with 20 years extensive experience in Financial Analytics, Reporting, Accounting, Rates Review, Budget Development, and Management with Smart Communications, Inc. He started out as a Financial Analyst and worked his way up to Brand Financial Analytics Junior Manager from July 2011 to December 2013, Brand Financial Analytics and Carrier Business Management Manager from January 2014 to June 2017, and at the time of his early retirement, as Brand Financial Analytics, Carrier, Marketing, Sales Management Senior Manager from July 2017 to December 2019.

EMERSON PAULINO

Assistant Vice President for Internal Audit, Marcventures Mining and Development Corp.

Mr. Emerson Paulino is a Certified Public Accountant with over 15 years internal audit experience. He performed functions of Audit for Philip Morris Fortune Tobacco Corp. Senior Accounting Analyst for Carrier International Corp., Senior Controls and IT Controls Analyst of PMFTC, Inc., Associate Manager for Compliance for Johnson & Johnson Philippines, Senior Accounts Payable Analyst for Standard Chartered Bank, Store Accountant of Bistro Group, Internal Audit Head and subsequently ERP Project Manager for SBS Philippines Corporation, and more recently its Chief Risk Officer. He completed his Bachelor of Science in Accountancy from University of Perpetual Help Rizal, Las Piñas.

LESTER C. YEE

Assistant Vice President for Corporate Planning and Investor Relations Head, Marcventures Mining and Development Corp.

Mr. Lester C. Yee is currently Assistant Vice President for Corporate Planning and Investor Relations Head. Prior to joining Marcventures, he was a Licensed Fixed Income Salesman and Assistant Vice President for the Investment Banking Group of Philippine Commercial Capital Inc. (PCCI).

He was on the Board of Directors of Benguet Corporation from September 2020 to March 2021. He is currently on the Board of FILCON Ventures and VNF and Sons, Inc. He took his Undergraduate and Graduate Studies in Applied Mathematics from the Ateneo de Manila University.

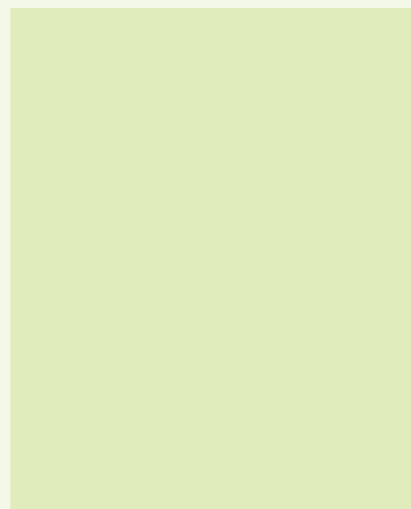
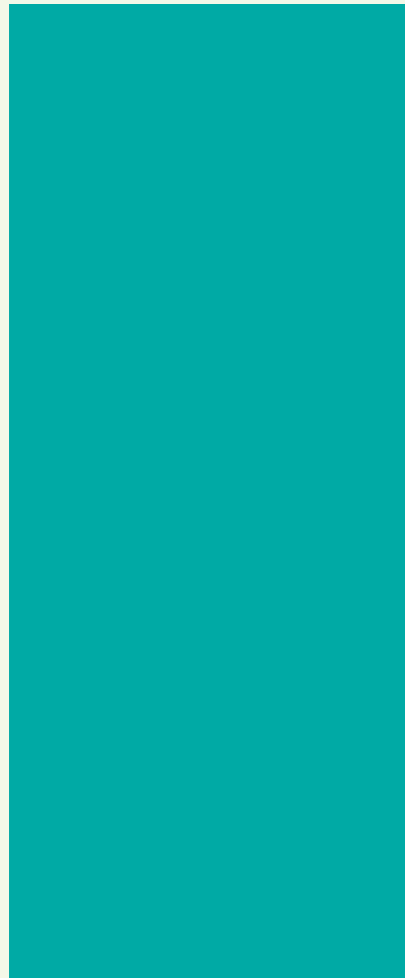
BERNARD P. BALUDA

Vice President for Compliance Acquisitions & Tenement Management

Bernard P. Baluda, is a licensed Mining Engineer. He started his career as Engineer II at the Mines and Geosciences Bureau of the Department of Environment and Natural Resources (DENR-MGB) Before Marcventures, he worked at St. Lukes Medical Center and Energy Development Corporation. He was also the Supply Chain Head, Technical Manager, Project Engineer of Philex Mining Corporation. He graduated from the University of the Philippines with the degree of BS Mining Engineering in 2002. He also took his Masters in Business Administration at Ateneo Graduate School of Business earned units in Master in Environmental Engineering at University of Philippines.

Consistent Financial Performance

Consolidated Financial Statements
December 31, 2020 and 2021



Audit Committee Report

The Board of Directors

July 9, 2021

In compliance with applicable corporate governance laws and rules, we confirm for 2020 that:

- During the year, the Audit Committee is composed of three members, two of whom are independent directors.
- The committee had 2 meetings during the year.
- We have reviewed and approved all audit and non-audit services provided by Reyes Tacondong & Co. to the MHI Group and the related fees for such services, and concluded that the non-audit fees are not significant to impair their independence.
- In the performance of our oversight responsibilities, we have reviewed and discussed the results of the evaluation of the MHI Group's financial statements for 2018 which was done by Reyes Tacondong & Co. which focus on changes in accounting policies and practices, major judgmental areas, significant adjustments, compliance with accounting standards, tax, legal and stock exchange requirements.
- Based on the reviews and discussion referred to above, in reliance on MHI Group's management and Reyes Tacondong & Co., we hereby recommend that the Board of Directors approve the audited financial statements as of and for the year ended December 31, 2018 and its conclusion in the Annual Report to the Stockholders and to the Philippine Securities and Exchange Commission on Form 17-A; and
- Based on a review of Reyes Tacondong & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of Reyes Tacondong & Co. as MHI Group's independent auditor.

Respectfully submitted,

ATTY. CARLOS T. OCAMPO

Chairman

MR. AUGUSTO C. SERAFICA JR.

Member

JUSTICE VICENTE V. MENDOZA

Member

Statement of Management's Responsibility For Financial Statements



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

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

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

CESAR C. ZALAMEA
Chairman of the Board

ROLANDO S. SANTOS
Officer-in-charge

DALE A. TONGCO
Vice President – Controller

Independent Auditor's Report



BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

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

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

Opinion

We have audited the accompanying consolidated financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and consolidated notes to financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Assessment for Impairment of Mining Rights and other Mining Assets

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

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

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

Independent Auditor's Report



BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
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Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

SEC Accreditation No. 86981-SEC Group A

Valid until March 23, 2025

BIR Accreditation No. 08-005144-007-2019

Valid until October 16, 2022

PTR No. 8116476

Issued January 5, 2021, Makati City

May 10, 2021

Makati City, Metro Manila

Consolidated Statements of Financial Position

	Note	December 31	
		2020	2019
ASSETS			
Current Assets			
Cash	4	P241,951,074	P314,440,796
Trade and other receivables	5	542,258,519	204,463,789
Advances to related parties	19	39,179,557	51,366,755
Inventories	6	127,217,784	76,934,360
Other current assets	7	133,615,250	132,085,257
Total Current Assets		1,084,222,184	779,290,957
Noncurrent Assets			
Property and equipment	8	209,369,331	275,879,333
Mining rights and other mining assets	9	4,435,089,769	4,504,413,119
Net deferred tax assets	21	36,193,214	32,716,374
Other noncurrent assets	10	398,821,130	499,050,672
Total Noncurrent Assets		5,079,473,444	5,312,059,498
		P6,163,695,628	P6,091,350,455
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	P409,425,087	769,333,142
Current portion of loans payable	13	335,975,945	510,069,579
Advances from related parties	19	140,272,674	110,846,820
Dividends payable	14	4,707,886	4,707,886
Income tax payable		136,107,191	8,410,118
Total Current Liabilities		1,026,488,783	1,403,367,545
Noncurrent Liabilities			
Loans payable - net of current portion	13	286,529,622	208,999,799
Provision for mine rehabilitation and decommissioning	12	55,675,292	52,634,827
Retirement benefit liability	18	33,160,260	37,395,071
Deferred tax liability	21	465,262,759	465,262,759
Total Noncurrent Liabilities		840,627,933	764,292,456
Total Liabilities		1,867,116,716	P2,167,660,001
Equity			
Capital stock	14	3,014,820,305	3,014,820,305
Additional paid-in capital	14	269,199,788	269,199,788
Retained earnings		980,673,981	605,626,516
Cumulative Remeasurement gain on retirement benefit liability - net of deferred tax	18	31,884,838	34,043,845
Total Equity		4,296,578,912	3,923,690,454
		P6,163,695,628	P6,091,350,455

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes In Equity

	Note	Years Ended December 31		
		2020	2019	2018
CAPITAL STOCK - P1 par value	14			
Authorized - 4,000,000,000 shares				
Issued and outstanding:				
Balance at beginning of year		P3,014,820,305	P3,014,820,305	P2,969,088,599
Issuance		–	–	45,731,706
Balance at end of year		3,014,820,305	3,014,820,305	3,014,820,305
ADDITIONAL PAID-IN CAPITAL	14			
Balance at beginning of year		269,199,788	269,199,788	239,931,494
Proceeds in excess of par value		–	–	29,268,294
Balance at end of year		269,199,788	269,199,788	269,199,788
RETAINED EARNINGS				
Balance at beginning of year		605,626,516	567,784,110	956,591,229
Net income (loss)		375,047,465	37,842,406	(388,807,119)
Balance at end of year		980,673,981	605,626,516	567,784,110
CUMULATIVE REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - Net of deferred tax	18			
Balance at beginning of year		34,043,845	38,341,970	35,463,374
Remeasurement gain (loss)		(2,159,007)	(4,298,125)	2,878,596
Balance at end of year		31,884,838	34,043,845	38,341,970
		P4,296,578,912	P3,923,690,454	P3,890,146,173

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Note	Years Ended December 31		
		2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		P629,481,509	P125,958,952	(P480,662,131)
Adjustments for:				
Depletion	9	174,132,163	61,542,082	57,456,596
Interest expense	13	64,492,696	61,630,647	40,763,016
Depreciation and amortization	8	48,866,200	68,138,439	67,736,982
Provision for expected credit loss	5	20,000,000	20,000,000	25,808,706
Retirement expense	19	8,592,588	8,702,664	4,872,143
Interest income	4	(766,044)	(236,547)	(149,306)
Operating income (loss) before working capital changes		944,799,112	345,736,237	(284,173,994)
Decrease (increase) in:				
Trade and other receivables		(357,794,730)	(20,848,638)	(6,705,472)
Inventories		(50,283,424)	68,922,379	83,590,881
Other assets		(726,818)	(16,087,056)	(27,000,181)
Increase (decrease) in trade and other payables		(354,858,055)	286,780,681	189,544,430
Net cash generated from (used for) operations		181,136,085	664,503,603	(44,744,336)
Income tax paid		(129,288,522)	(37,000)	(42,533,115)
Retirement benefits paid	18	(15,911,695)	–	(14,608,627)
Interest received		766,044	236,547	149,306
Net cash provided by (used in) operating activities		36,701,912	664,703,150	(101,736,772)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Mining rights and other mining assets	9	(64,146,344)	(168,834,748)	(532,399,980)
Property and equipment	8	(23,018,667)	(1,352,188)	(85,469,959)
Decrease (increase) in:				
Other noncurrent assets		100,229,542	(67,252,935)	(19,963,627)
Advances to related parties		12,187,198	1,897,842	(10,436,220)
Net cash provided by (used in) investing activities		25,251,729	(235,542,029)	(648,269,786)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans	26	(96,796,646)	(72,555,662)	(190,421,095)
Interest	26	(67,072,571)	(54,548,881)	(38,440,950)
Availment of loans	13	–	–	843,344,896
Increase (decrease) in advances from related parties		29,425,854	(14,975,434)	115,820,824
Net cash provided by (used in) financing activities		(134,443,363)	(142,079,977)	730,303,675
NET INCREASE (DECREASE) IN CASH		(72,489,722)	287,081,144	(19,702,883)
CASH AT BEGINNING OF YEAR		314,440,796	27,359,652	47,062,535
CASH AT END OF YEAR		P241,951,074	P314,440,796	P27,359,652
NONCASH FINANCIAL INFORMATION				
Completed constructions transferred to mining rights and other mining assets	8	P40,662,469	P–	P52,138,951
Accretion of interest on provision for mine rehabilitation and decommissioning	12	3,040,465	654,498	2,088,831
Amortization of debt-issue cost on loans payable	13	232,835	216,157	141,582
Capitalized depreciation to mine development costs	8	–	1,367,440	2,824,999
Issuance of capital stock through conversion of deposit for future stock subscription	14	–	–	75,000,000

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. CORPORATE INFORMATION

General Information

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

The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957. Its primary purpose is to deal with properties of every kind and description to the extent permitted by law without engaging in the business of an investment company as defined in the Investment Company Act (Republic Act 2629), or act as a securities broker or dealer. On August 7, 2007, the SEC approved the extension of the Parent Company’s corporate life for another 50 years. However, as prescribed by the Revised Corporation Code of the Philippines, effective February 23, 2019, the Company shall have perpetual existence.

The Parent Company’s shares of stocks were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2020 and 2019, 3,014,820,305 shares of the Parent Company’s shares of stocks are listed in The Philippine Stock Exchange, Inc. (PSE). The registered address of the Parent Company is 4th Floor, BDO Towers Paseo (formerly Citi Center), 8741 Paseo de Roxas, Makati City.

Approval of Financial Statements

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

Information about the Subsidiaries

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

Marcventures Mining and Development Corp. (MMDC)

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

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

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

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

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the MMDC’s operations (see Notes 3 and 23). Accordingly, MMDC has continued its mining operations in the area covered by its MPSA.

BrightGreen Resources Corporation (BGRC)

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

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

Alumina Mining Philippines, Inc. (AMPI)

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

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

Bauxite Resources, Inc. (BARI)

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

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

BGRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. The companies submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 23). Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

The consolidated financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

Adoption of Amended PFRS

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

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

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

Amended PFRS Issued But Not Yet Effective

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

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

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

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

- Amendments to PFRS 3, *References to the Conceptual Framework* – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendment to PFRS 9, *Financial Instruments* – The amendment clarifies which fees an entity includes when it applies the “10% test” in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.
 - Amendment to PFRS 16, *Lease Incentives* – The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* – The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract* – The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labor and direct materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Deferred effectivity -

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

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

Basis of Consolidation

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

Subsidiaries

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

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

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

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

Financial Assets and Liabilities

a. Recognition

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

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

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

b. Classification and Subsequent Measurement Policies

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

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

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

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

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

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

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

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

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

c. Reclassification

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

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

d. Impairment Policy on Financial Assets at Amortized Cost

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

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

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

e. Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

f. Offsetting of Financial Assets and Liabilities

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

g. Classification of Financial Instrument between Liability and Equity

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

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

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

Inventories

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

Other Current Assets

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

Construction-in-progress is included in property and equipment and stated at cost which includes cost of construction and other direct costs.

Construction-in-progress is not depreciated until such time the relevant assets are ready for operational use. Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation are credited or charged to current operations.

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

Mining Rights and Other Mining Assets

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

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

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

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

Exploration and evaluation activities include:

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

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

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

Impairment of Nonfinancial Assets

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

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

Employee Benefits

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

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

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

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

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

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

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

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

Equity

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

Additional Paid-In Capital (APIC). APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock. *Retained Earnings.* Retained earnings represent the cumulative balance of the Company's operating results, dividend distributions and effect of change in accounting policy.

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

Revenue Recognition

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

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

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

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

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

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

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

Cost and Expense Recognition

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

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

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

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

Leases

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

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

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

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

Company as Lessee

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

Foreign Currency-Denominated Transactions

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

Income Taxes

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

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

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

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

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

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

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

Value Added Tax (VAT)

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

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

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

Related Party Transactions and Related Parties

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

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

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

Provisions

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

Provision for Mine Rehabilitation and Decommissioning. The Company recognizes provision when there is partial fulfillment of obligation to restore operating locations at the end of the reporting period. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste site and restoration, reclamation and revegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location.

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

Contingencies

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

Earnings (Loss) Per Share

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

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

Events After the Reporting Date

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

Segment Reporting

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

3. SIGNIFICANT JUDGMENTS, ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Judgments

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

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

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

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

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

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

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

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

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

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

Accounting Estimates and Assumptions

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

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

Provision for ECL amounted to ₱20.0 million in 2020, 20.0 million in 2019 and ₱25.8 million in 2018. The allowance for ECL amounted to ₱86.6 million and ₱66.6 million as at December 31, 2020 and 2019, respectively. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱507.9 million and ₱175.9 million as at December 31, 2020 and 2019, respectively (see Note 5).

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

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

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

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

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

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

No provision for inventory obsolescence was recognized in 2020, 2019 and 2018. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱127.2 million and ₱76.9 million as at December 31, 2020 and 2019, respectively (see Note 6).

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

No provision for impairment loss was recognized in 2020, 2019 and 2018. The carrying amount of noncurrent input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱307.7 million and ₱304.7 million as at December 31, 2020 and 2019, respectively (see Note 10).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Note	2020	2019
Mining rights and other mining assets	9	P4,435,089,769	P4,504,413,119
Property and equipment	8	209,369,331	275,879,333
Other current assets	7	133,615,250	132,085,257
Other noncurrent assets (excluding financial assets and input VAT)	10	85,011,606	186,580,281
Advances to officers and employees	5	34,346,965	28,579,937

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

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

Retirement benefit liability amounted to P33.2 million and P37.4 million as at December 31, 2020 and 2019, respectively (see Note 18).

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

The Company's recognized deferred tax assets amounted to P36.9 million and P33.4 million as at December 31, 2020 and 2019, respectively (see Note 21).

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

The Company's unrecognized deferred tax assets amounted to P89.7 million and P72.0 million as at December 31, 2020 and 2019, respectively (see Note 21).

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

4. CASH

This account consists of:

	2020	2019
Cash on hand	P247,195	P214,091
Cash in banks	241,703,879	314,226,705
	P241,951,074	P314,440,796

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

	Note	2020	2019	2018
Cash in banks		P731,382	P179,319	P105,815
RCF and MTF (shown under other noncurrent assets account)	10	34,662	57,228	43,491
		P766,044	P236,547	P149,306

5. TRADE AND OTHER RECEIVABLES

This account consists of:

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

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

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

Movements in allowance for ECL are as follows:

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

6. INVENTORIES

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

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

7. OTHER CURRENT ASSETS

This account consists of:

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

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

Prepaid expenses pertain to insurance, excise tax and rent.

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

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

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

8. PROPERTY AND EQUIPMENT

The balances and movements of this account are as follows:

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

	2019					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balances at beginning of year	P58,597,484	P169,727,730	P98,672,406	P382,296,725	P45,188,518	P754,482,863
Additions	–	–	1,436,186	–	(83,998)	1,352,188
Disposal	–	–	–	(3,450,000)	–	(3,450,000)
Reclassification	–	40,800	–	–	(40,800)	–
Balances at end of year	58,597,484	169,768,530	100,108,592	378,846,725	45,063,720	752,385,051
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	62,962,064	80,555,340	266,932,435	–	410,449,839
Depreciation and amortization	–	11,331,343	9,244,646	48,929,890	–	69,505,879
Disposal	–	–	–	(3,450,000)	–	(3,450,000)
Balances at end of year	–	74,293,407	89,799,986	312,412,325	–	476,505,718
Net Carrying Amount	P58,597,484	P95,475,123	P10,308,606	P66,434,400	P45,063,720	P275,879,333

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

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

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

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

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

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

9. MINING RIGHTS AND OTHER MINING ASSETS

The balances and movements of this account are as follows:

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

	2019					
	Mining Rights	Deferred Exploration Costs	Mine Development Costs	Mine Rehabilitation Asset	Total Mine and Mining Properties	Total
Cost						
Balances at beginning of year	P2,935,579,522	P142,224,907	P1,904,405,593	P44,167,841	P1,948,573,434	P5,026,377,863
Additions	–	8,310,262	161,891,926	–	161,891,926	170,202,188
Balances at end of year	2,935,579,522	150,535,169	2,066,297,519	44,167,841	2,110,465,360	5,196,580,051
Accumulated Depletion						
Balances at beginning of year	331,407,578	–	292,093,028	7,124,244	299,217,272	630,624,850
Depletion	21,371,154	–	39,349,353	821,575	40,170,928	61,542,082
Balances at end of year	352,778,732	–	331,442,381	7,945,819	339,388,200	692,166,932
Net Carrying Amount	P2,582,800,790	P150,535,169	P1,734,855,138	P36,222,022	P1,771,077,160	P4,504,413,119

Mining Rights

Mining rights of the Company consist of:

	2020	2019
Mining rights on explored resources of MMDC	P886,820,390	P941,987,425
Mining rights of BGRC, AMPI and BARI	1,640,813,365	1,640,813,365
	P2,527,633,755	P2,582,800,790

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

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

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

Deferred Exploration Costs

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

Mine and Mining Properties

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

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to nil, P1.4 million and P2.8 million in 2020, 2019 and 2018, respectively (see Note 8).

In 2020, the Company reclassified the cost of completed road trails and bridges amounting to P40.7 million from property and equipment to mine development costs (see Note 8).

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

Carrying value of mine and mining properties amounted to P1,744.7 million and P1,771.1 million as at December 31, 2020 and 2019, respectively.

10. OTHER NONCURRENT ASSETS

This account consists of:

	Note	2020	2019
Input VAT		P307,734,715	P306,438,245
Rehabilitation cash fund (RCF)		5,545,217	5,511,116
Rental deposit	20	363,250	355,250
Monitoring trust fund (MTF)		166,342	165,780
Advances to a contractor		–	101,139,441
Others		85,011,606	85,440,840
		P398,821,130	P499,050,672

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

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

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

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

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

11. TRADE AND OTHER PAYABLES

This account consists of:

	Note	2020	2019
Trade payables		P149,953,857	P328,322,949
Advances from customers		206,249,090	343,997,812
Excise tax and other statutory payables		22,269,466	28,244,589
Accrued expenses:			
Interest	13	277,094	5,327,094
Others		24,435,258	57,186,872
Others		6,240,322	6,253,826
		P409,425,087	P769,333,142

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

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

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

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

12. PROVISION FOR MINE REHABILITATION AND DECOMMISSIONING

Movements in this account are as follows:

	Note	2020	2019
Balance at beginning of year		P52,634,827	P51,980,329
Accretion of interest	13	3,040,465	654,498
Balance at end of year		P55,675,292	P52,634,827

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

13. LOANS PAYABLE

This account consists of:

	2020	2019
Short-term loans - MMDC	P256,000,000	P490,733,751
Long-term loans:		
AMPI	156,230,131	198,854,439
MMDC	210,275,436	29,114,165
BGRC	–	367,023
	366,505,567	228,335,627
Less current portion	79,975,945	19,335,828
	P286,529,622	P208,999,799

Short-term Loans

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

On January 12, 2015, MMDC obtained a credit facility amounting to P200.0 million and a domestic bills purchase line amounting to P5.0 million from a local bank. The credit facilities are secured by the interests and rights of the Parent Company over 647,692 shares of stocks of MMDC.

In 2018, MMDC obtained credit facilities limited to P400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 150% of the credit facility limit. In 2019, the Parent Company pledged the shares held in BGRC as part of MMDC's loan restructuring. In 2020, part of the P400.0 million loan facility was restructured into a long-term loan.

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

Classification	2020	2019
P200.0 million credit facility	P60,000,000	P75,000,000
P400.0 million credit facilities	170,000,000	390,288,125
	P230,000,000	P465,288,125

In 2018, MMDC obtained a short-term loan from a related party amounting to P26.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 19). No principal payments were made in 2020 and 2019, and the loan was renewed for another term.

Long-term Loans

AMPI

On September 21, 2018, AMPI obtained a five-year promissory note of P200.0 million which will be used to finance AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.5%. The principal is due on maturity. In 2019, the loan was restructured to include the Parent Company to act as a surety or guarantor to jointly and severally pay the loan.

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

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

Movements of unamortized debt-issue costs are as follows:

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

MMDC

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

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

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

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

On February 18, 2020, MMDC's short-term loans amounting to ₱200.0 million was restructured into a three (3)-year term loan. The loan bears an annual interest rate of 8.97% payable quarterly and the interest rate is subject to repricing. Principal payments are payable quarterly starting May 18, 2021 until maturity.

BGRC

On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortgage and bears an annual interest rate of 9.02%. This was fully settled in 2020.

The carrying amount of transportation equipment held as collateral amounted to ₱0.3 million and ₱0.8 million as at December 31, 2020 and 2019, respectively (see Note 8).

Movements in the loans payable follows:

	2020	2019
Balance at beginning of year	₱719,069,378	₱791,408,883
Payments	(96,796,646)	(72,555,662)
Amortization of debt-issue cost	232,835	216,157
Balance at end of year	₱622,505,567	₱719,069,378

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

	Note	2020	2019	2018
Loans payable		₱61,452,231	₱60,976,149	₱38,579,497
Provision for mine rehabilitation and decommissioning	12	3,040,465	654,498	2,183,519
		₱64,492,696	₱61,630,647	₱40,763,016

Accrued interest payable amounted to ₱0.3 million and ₱5.3 million as at December 31, 2020 and 2019, respectively (see Note 11).

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

	Amounts
Not later than one (1) year	₱79,975,945
Later than one year but not more than five (5) years	286,529,622
	₱366,505,567

14. EQUITY

Movements in this account are as follows:

	2020		2019		2018	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized at 1 par value	4,000,000,000	₱4,000,000,000	4,000,000,000	₱4,000,000,000	4,000,000,000	₱4,000,000,000
Issued and Outstanding						
Balance at beginning of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305	2,969,088,599	₱2,969,088,599
Issuance of shares	-	-	-	-	45,731,706	45,731,706
Balance at end of year	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305	3,014,820,305	₱3,014,820,305
Additional Paid-in Capital						
Balance at beginning of year		269,199,788		269,199,788		239,931,494
Proceeds in excess of par value		-		-		29,268,294
Balance at end of year		₱269,199,788		₱269,199,788		₱269,199,788

In 2017, the Parent Company received an advance from a stockholder for future stock subscription of ₱75.0 million. In 2018, the advances was applied as payment for the subscription of 45,731,706 shares and resulted to additional paid-in capital of ₱29.3 million.

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

15. COST OF SALES

This account consists of:

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

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

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

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

Under Section 80 of the Republic Act No. 7942, *The Mining Act of 1995*, Government share in an MPSA shall be an excise tax of 2.0% on gross output on mineral products. Beginning January 1, 2018, the excise tax was changed from 2.0% to 4.0% due to the amendments made to the National Internal Revenue Code under the Tax Reform for Acceleration and Inclusion Act.

16. OPERATING EXPENSES

This account consists of:

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

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

17. OTHER INCOME

This account consists of:

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

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

18. RETIREMENT BENEFIT LIABILITY

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

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

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

	2020	2019	2018
Current service cost	₱5,416,152	₱4,735,379	₱5,354,636
Net interest cost	1,820,256	1,660,320	2,064,314
Past service cost	1,356,180	2,306,965	—
Settlement loss	—	—	(2,546,807)
	₱8,592,588	₱8,702,664	₱4,872,143

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

	2020	2019
Balance at beginning of year	₱37,395,071	₱22,552,229
Retirement benefits expense recognized in profit or loss:		
Current service cost	5,416,152	4,735,379
Net interest cost	1,820,256	1,660,320
Past service cost	1,356,180	2,306,965
Remeasurement losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	4,115,333	634,254
Deviations of experience from assumptions	(1,031,037)	5,505,924
Benefits paid	(15,911,695)	—
Balance at end of year	₱33,160,260	₱37,395,071

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

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

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

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

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

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

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

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

	2020		
	Cumulative Remeasurement Gain	Deferred Tax Liability (see Note 21)	Net Remeasurement Gain
Balance at beginning of year	₱48,634,065	(₱14,590,220)	₱34,043,845
Actuarial loss	(3,084,296)	925,289	(2,159,007)
Balance at end of year	₱45,549,769	(₱13,664,931)	₱31,884,838
	2019		
	Cumulative Remeasurement Gain	Deferred Tax Liability (see Note 21)	Net Remeasurement Gain
Balance at beginning of year	₱54,774,243	(₱16,432,273)	₱38,341,970
Actuarial gain	(6,140,178)	1,842,053	(4,298,125)
Balance at end of year	₱48,634,065	(₱14,590,220)	₱34,043,845

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

19. RELATED PARTY TRANSACTIONS

Significant transactions with related parties include the following:

Related Parties under Common Management

	Note	Transaction Amounts		Outstanding Balances		Nature and Terms
		2020	2019	2020	2019	
Advances to related parties		P12,187,198	P2,627,325	39,179,557	P51,366,755	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		P29,423,853	P8,818,974	140,272,674	P110,846,820	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	13	P-	P-	26,000,000	P26,000,000	Short-term loan; unsecured; interest-bearing; payable on demand

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

Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to P84.3 million, P80.0 million and P127.3 million in 2020, 2019 and 2018, respectively. Retirement benefit expense of key management personnel amounted to P2.8 million, P2.4 million and P3.2 million in 2020, 2019 and 2018, respectively.

20. COMMITMENTS

Social and Environmental Responsibilities

Social Development and Management Programs (SDMP)

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

The Company's implemented social development programs to host communities amounted to P39.7 million, P16.3 million and P44.0 million in 2020, 2019 and 2018, respectively (see Note 16).

Environmental Protection and Enhancement Program (EPEP)

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

The Company is required to set up a fund to ensure compliance with the program. The balance of the fund, presented as RCF under "Other noncurrent assets" account, amounted to P5.5 million as at December 31, 2020 and 2019.

The Company implemented projects amounting to P146.9 million, P56.0 million and P54.4 million in 2020, 2019 and 2018, respectively (see Note 16).

Royalty Agreement

In July 2008, the Company entered into a memorandum of agreement with the Indigenous Cultural Communities/Indigenous People (ICC/IP) and NCIP pursuant to the requirements, the Company pays royalties equivalent to a certain percentage of gross revenue to the ICC/IP. Royalty expense amounted to P30.2 million, P14.9 million and P10.4 million in 2020, 2019 and 2018, respectively (see Note 16).

Lease Commitment

The Company leases an office space for its operations. Rental deposit amounted to P0.4 million as at December 31, 2020 and 2019 (see Note 10).

Rental expense arising from short-term leases amounted to P0.3 million, P0.6 million and P3.2 million in 2020, 2019 and 2018, respectively (see Note 16).

21. INCOME TAXES

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

	2020	2019	2018
Current	P261,173,036	P12,337,430	P1,787,769
Deferred	(6,738,992)	75,779,116	(93,642,781)
	P254,434,044	P88,116,546	(P91,855,012)

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

	2020	2019	2018
Income tax at statutory rate	P188,844,453	P37,787,686	(P144,198,639)
Changes in unrecognized deferred tax assets	17,208,380	23,990,659	18,977,388
Add (deduct) income tax effects of:			
Nondeductible expenses	38,851,805	20,477,569	22,620,740
Expired NOLCO	8,041,460	4,122,716	9,089,291
Expired MCIT	1,717,760	1,808,880	1,701,000
Interest income subjected to final tax	(229,814)	(70,964)	(44,792)
	P254,434,044	P88,116,546	(P91,855,012)

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

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

The presentation of net deferred tax assets are as follows:

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

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

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

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

Details of NOLCO of the Company are as follows:

Year incurred	Expiry date	Amount	Expired/ Application	Balance
2020	2025	₱89,256,645	₱-	₱89,256,645
2019	2022	98,920,446	-	98,920,446
2018	2021	99,510,205	-	99,510,205
2017	2020	26,804,863	(26,804,863)	-
		₱314,492,159	(₱26,804,863)	₱287,687,296

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

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

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

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

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

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

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

22. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share are computed as follows:

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

The Company does not have potentially dilutive common shares.

23. CONTINGENCIES

Cancellation of MMDC's MPSA

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

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

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

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

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

Show-Cause Orders of BGRC, AMPI and BARI

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

BGRC

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

AMPI and BARI

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

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

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

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

Legal Proceedings

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

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FAIR VALUE MEASUREMENT

General

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

Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2020	+2.28	₱16,624,560
	-2.28	(16,624,560)
December 31, 2019	+1.27	5,989,322
	-1.27	(5,989,322)

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

The Company's loans payable are exposed to changes in market interest rates since the loans are subject to variable interest rates.

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

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

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

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

	2020						Total
	High Grade	Standard Grade	Past Due but not Impaired			Impaired	
1 - 30 Days			31 - 90 Days	More than 90 Days			
Lifetime ECL (not credit impaired):							
Trade and other receivables*	₱-	₱8,208,439	₱77,580,211	₱84,203,374	₱337,919,530	₱86,631,586	₱594,543,140
12 - month ECL:							
Cash in banks	241,703,879	-	-	-	-	-	241,703,879
Advances to related parties	-	39,179,557	-	-	-	-	39,179,557
RCF and MTF	5,711,559	-	-	-	-	-	5,711,559
Rental deposit	-	363,250	-	-	-	-	363,250
	247,415,438	39,542,807	-	-	-	-	286,958,245
	₱247,415,438	₱47,751,246	₱77,580,211	₱84,203,374	₱337,919,530	₱86,631,586	₱881,501,385

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

	2019						Total
	High Grade	Standard Grade	Past Due but not Impaired			Impaired	
1 - 30 Days			31 - 90 Days	More than 90 Days			
Lifetime ECL (not credit impaired):							
Trade and other receivables*	₱-	₱9,635,896	₱10,898,025	₱12,762,354	₱142,587,577	₱66,631,586	₱242,515,438
12 - month ECL:							
Cash in banks	314,226,705	-	-	-	-	-	314,226,705
Advances to related parties	-	51,366,755	-	-	-	-	51,366,755
RCF and MTF	5,676,896	-	-	-	-	-	5,676,896
Rental deposit	-	355,250	-	-	-	-	355,250
	319,903,601	51,722,005	-	-	-	-	371,625,606
	₱319,903,601	₱61,357,901	₱10,898,025	₱12,762,354	₱142,587,577	₱66,631,586	₱614,141,044

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

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

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

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

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

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

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

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

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

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

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

	2019					Total
	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	
Trade and other payables*	P11,580,920	P57,186,872	P328,322,949	P-	P-	P397,090,741
Dividends payable	4,707,886	-	-	-	-	4,707,886
Loans payable**	101,000,000	10,226,561	191,075,652	244,563,541	258,605,573	805,471,327
Advances from a related party	110,846,820	-	-	-	-	110,846,820
	P228,135,626	P67,413,433	P519,398,601	P244,563,541	P258,605,573	P1,318,116,774

*Excluding excise tax and other statutory payables and advances from customers amounting to P372.2 million as at December 31, 2019.

**Including interest payable up to maturity amounting to P86.4 million as at December 31, 2019.

Fair Value of Financial Assets and Financial Liabilities

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

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	P241,951,074	P241,951,074	P314,440,796	P314,440,796
Trade and other receivables*	507,911,554	507,911,554	175,883,852	175,883,852
Advances to related parties	39,179,557	39,179,557	51,366,755	51,366,755
RCF and MTF	5,711,559	5,711,559	5,676,896	5,676,896
Rental deposit	363,250	363,250	355,250	355,250
	P795,116,994	P795,116,994	P547,723,549	P547,723,549
Financial Liabilities				
Trade and other payables**	P180,906,531	P180,906,531	P397,090,741	P397,090,741
Dividends payable	4,707,886	4,707,886	4,707,886	4,707,886
Loans payable	622,505,567	649,932,918	719,069,378	805,470,588
Advances from related parties	140,272,674	140,272,674	110,846,820	110,846,820
	P948,392,658	P975,820,009	P1,231,714,825	P1,318,116,035

*Excluding advances to officers and employees amounting to P34.3 million and P28.6 million as at December 31, 2020 and 2019, respectively.

**Excluding excise tax and other statutory payables and advances from customers amounting to P228.5 million and P372.2 million as at December 31, 2020 and 2019, respectively.

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

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

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

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

	2020	2019
Total debt	P1,867,116,716	P2,167,660,001
Total equity (excluding remeasurement gain on retirement benefit liability)	4,264,696,074	3,889,646,609
Debt-to-equity ratio	P0.44:1.00	P0.56:1.00

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

26. NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS

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

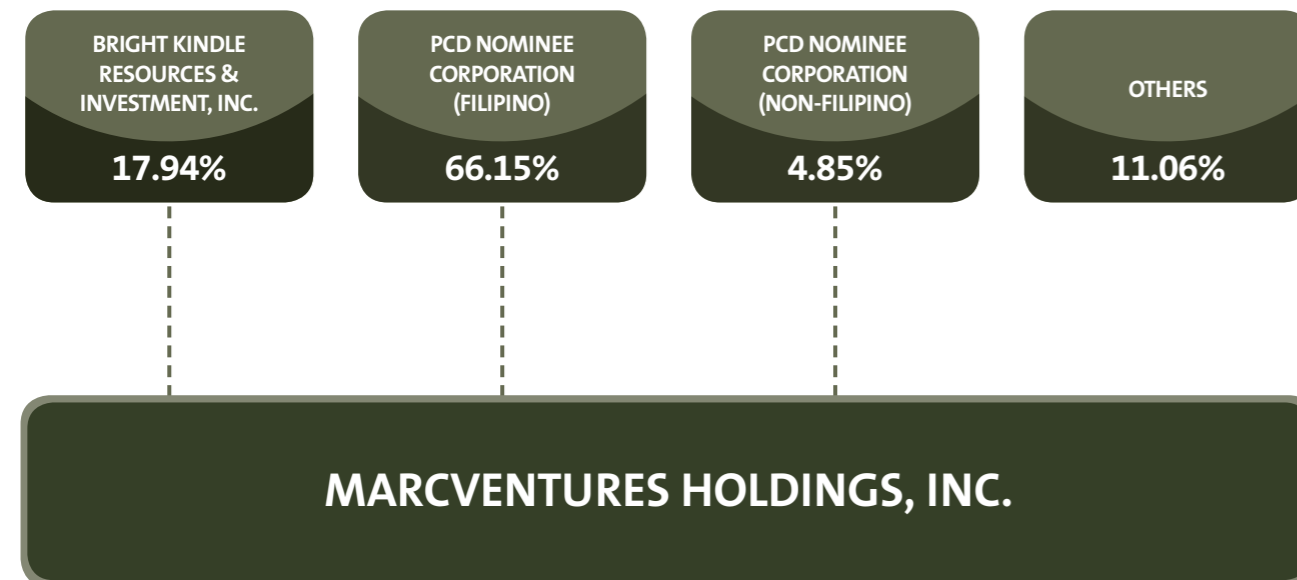
	2020		
	Loans Payable (see Note 13)	Accrued Interest (see Note 11)	Total
Balance at beginning of year	P719,069,378	P5,327,094	P724,396,472
Cash flows from financing activities:			
Payments of:			
Loans payable	(96,796,646)	-	(96,796,646)
Interest	-	(67,072,571)	(67,072,571)
Noncash changes:			
Amortization of debt issue costs	232,835	-	232,835
Interest expense	-	62,022,571	62,022,571
Balance at end of year	P622,505,567	P277,094	P622,782,661

	2019		
	Loans Payable (see Note 13)	Accrued Interest (see Note 11)	Total
Balance at beginning of year	P791,408,883	P277,094	P791,685,977
Cash flows from financing activities:			
Payments of:			
Loans payable	(72,555,662)	-	(72,555,662)
Interest	-	(54,548,881)	(54,548,881)
Noncash changes:			
Amortization of debt issue costs	216,157	-	216,157
Interest expense	-	59,598,881	59,598,881
Balance at end of year	P719,069,378	P5,327,094	P724,396,472

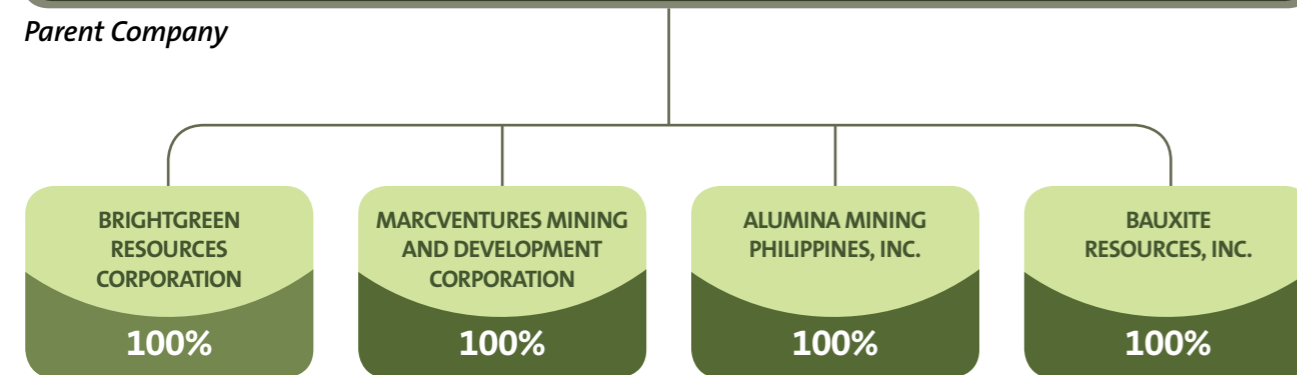
Conglomerate Map

December 31, 2020

Shareholders



Parent Company



Subsidiary



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