MARCVENTURES
HOLDINGS, INC.

GROWTH IN RESPONSIBLE MINING

2021
Annual Report

TABLE OF CONTENTS

Growth in Responsible Mining

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 2021 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 mineral resource is estimated at 61.45 Million WMT Measured and Indicated Saprolite and Limonite.

The total measured and indicated saprolite mineral resource is estimated at 7.8 Million WMT at 1.35% Ni and 12.80% Fe while the measured and indicated limonite mineral resource is estimated at 53.64 Million WMT at 0.87% Ni and 43.90% Fe.

An additional 5.22 Million WMT of saprolite resource with an average grade of 1.23% Ni and 13.19% Fe were categorized under the inferred category.

For Bright Green Resources the Total Measured and Indicated Mineral Resource 16.03M WMT with average grade of 1.17% Ni and 34.98% Fe. Saprolite is 3.06M WMT with an average grade of 1.59% Ni and 14.85% Fe, and 12.97M WMT limonite with an average grade of 1.07% Ni and 39.73% Fe.

The Total Measured and Indicated Resources of MHI is 10.86 Million Wet Metric Tons (WMT) Saprolite at 2.94% Ni and 25.86% Fe and 66.61 Million Wet Metric Tons (WMT) Limonite at 1.94% Ni and 83.63% Fe and Inferred Resources of 5.22 Million Wet Metric Tons (WMT) of Saprolite at 1.23% Ni and 13.19 % Fe.

From the acquisition of the Bauxite Mines, MHI gained 73.18 Million WMT Measured and Indicated Resources containing 41.66% AI2O3.

MHI's Principal Offices are located at the 4th Floor of BDO Towers Paseo (formerly 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 the Mineral Resource Report as of December 31, 2021, MMDC mineral resource is estimated at 61.45 Million WMT Measured and Indicated Saprolite and Limonite. The total measured and indicated saprolite mineral resource is estimated at 7.8 Million WMT at 1.35% Ni and 12.80% Fe while the measured and indicated limonite mineral resource is estimated at 53.64 Million WMT at 0.87% Ni and 43.90% Fe.

An additional 5.22 Million WMT of saprolite resource with an average grade of 1.23% Ni and 13.19% Fe were categorized under the inferred category.

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 **16.03 Million Wet Metric Tons (WMT)** with average grade of **1.17% Ni** and **34.98% Fe**. This is further broken down to **3.06Million Wet Metric Tons (WMT) Saprolite** with an average grade of **1.59% Ni** and **14.85% Fe**, and **12.97 Million Wet Metric Tons (WMT) Limonite** with an average grade of **1.07% Ni** and **39.73% Fe**.

Mineral Resources has been validated by Mines and Geosciences Bureau (MGB) and is deemed acceptable and compliant to PMRC 2007 guidelines and DENR DAO No. 2010-09.

BRC has secured the extension of the 3rd renewal of its Exploration Period for another two (2) years effective July 02, 2022 to July 01, 2024. It was also included in the list of priority projects by the Mines and Geosciences Bureau (MGB).

BRC is in the process of securing the approval of its Declaration of Mining Project Feasibility (DMPF). It has completed its public and technical scoping activities needed for the Environmental Compliance Certificate (ECC) application in February 2021 and March 2021, respectively. Baseline data gathering was also completed in November 2021 and is currently preparing all the mandatory technical reports for its DMPF application.

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. According to Mineral Resource Report signed by a Competent Person in March 2016 reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person (CP) for Geology in June 2017:

The Bauxite Properties' combined Measured and Indicated Mineral Resource is around 73.18 Million Wet Metric Tonnes (WMT) with an average grade of 41.66% Al2O3

Both AMPI and BARI are in the process of securing an Environmental Compliance Certificate (ECC) for the planned development and mine operation of the Samar Bauxite Project. Notwithstanding the imposed country-wide lockdown due to the COVID-19 pandemic, AMPI and BARI were able to complete the public scoping and technical scoping stages of the Environmental Impact Assessment (EIA) process in January, 2021.

HARNESSING RESILIENCE AMID CHALLENGES

Message from MHI Management

The challenges of the pandemic have taught us the value of resilience. We learned to find strength in the ray of hope that continues to guide out path.

With Covid-19 still and in the midst, quarantine, alert level, and lockdowns remained inevitable. It continued to disrupt businesses, forcing us to continuously find ways to adapt to the new normal.

The promise of hope came in the form of decreasing Covid-19 cases, successful vaccination programs and the perseverance of organizations to function despite the difficulties.

By year-end 2021, almost 45% of the total population was fully vaccinated. Industries resumed operations bringing a new appreciation for employment and productivity.

The National Economic and Development Authority (NEDA) noted the impressive 8.3 percent growth in the first quarter of 2022, emphasizing that it exceeded the median analyst forecast by 6.7 percent making the Philippines the fastest growing economy in the Southeast Asia Region for the period.

As one of the country's growth drivers, the mining industry continues to post remarkable gains. Data from the Mines and Geosciences Bureau (MGB) showed that the metallic mineral production opened the year with a growth of 36.21% from the PhP35.69 billion in Q1 of 2021 to PhP 48.61 billion in Q1 of 2022. The rising metal price pushed the optimistic performance together with the increase in mine production.

Operational efficiency pushed MHI to achieve a profit of **Seven Hundred Fifty-Six Million Forty-Four Thousand Pesos (P756.44 Million)** with the subsidiary MMDC posting an income of **Eight**

> “ We will continue to strengthen our commitment to our stakeholders and our mission to employ clean, sustainable and responsible mining methods.

Hundred Seventy-Two Million Four Hundred Sixty Thousand Pesos (P872.46 Million). The outcome is attributed to operational efficiencies, the tonnage improvement from **1.73 Million WMT** in 2020 to **2.09 Million WMT** in 2021, and the soaring nickel prices in the world market.

The company continues to honor our responsibilities and obligations to our Host Communities and the Environment. A total of **Ninety-Four Million Three Hundred Thousand Pesos (P94.30 Million)** was spent for the Environment Enhancement and Protection Program (EPEP) and with a total cost of **Twenty-Four Million One Hundred Forty Thousand Pesos (P24.14 Million)** expenditures for Social Development Management Programs (SDMP). For 2021, MHI extended assistance to 200 students, the majority are from indigenous communities. The company also continued to give full scholarship to deserving college students enrolled in different universities in Visayas and Mindanao.

We join the government as it vigorously drives our economy forward. Early this year, Marcventures was included in the list of Best Mining Stocks of 2022.

We will continue to strengthen our commitment to our stakeholders and our mission to employ clean, sustainable and responsible mining methods.

Once again we extend our appreciation to our stakeholders, the communities in Cantillan Carrascal and Madrid, Surigao del Sur, the Local Government Units, our friends in DENR, MGB and other agencies, our buyers and contractors, and you shareholders for all your support.

We thank the Divine Source for the guidance, and as we eagerly move forward for another productive year.

CESAR C. ZALAMEA
Chairman

ROLANDO SANTOS
Senior Vice President - OIC

SOARING HIGH
Financial Review

RESULTS OF OPERATION

	Audited (in million Pesos)		Increase (Decrease)	
	2021	2020	Amount	%
Revenues	**₱3,891.59**	₱2,876.68	₱ 1,014.92	35.3%
Cost of Sales	**2,166.66**	1,647.83	456.79	31.5%
Operating Expenses	**712.89**	599.37	176.68	18.9%
Income (Loss) Before Income Tax	**1,012.04**	629.48	382.56	60.8%
Income Tax	**255.60**	254.43	1.16	0.5%
Net Income (Loss)	**₱756.44**	₱375.05	₱ 381.40	101.7%

The impressive surge of the Operating and Financial Performance of MHI in 2021 was paved by the positive results from the wholly-owned subsidiary – Marcventures Mining Development Corporation (MMDC).

From a Consolidated Net Income of **Pesos Three Hundred Seventy-Five Million Fifty Thousand (P375.05 Million)** in 2020, MHI achieved a profit of **Pesos Seven Hundred Fifty-Six Million Forty-Four Thousand (P756.44 Million)** with the subsidiary posting an income of **Pesos Eight Hundred Seventy-Two Million Four Hundred Sixty Thousand (P872.46 Million)** in 2021 versus its reported income of **Pesos Five Hundred Thirty Million Five Hundred Forty Thousand (P530.54 Million)** in 2020.

The formidable outcome is attributed to operational efficiencies, the tonnage improvement from **1.73 Million WMT** in 2020 to **2.09 Million WMT** in 2021, and the soaring nickel prices in the world market.

We continue to honor our responsibilities and obligations to our Host Communities and the Environment. A total of **Pesos Ninety-Four Million Three Hundred Thousand (P94.30 Million)** was spent for the Environment Enhancement and Protection Program (EPEP) and a total of **Pesos Twenty-Four Million One Hundred Forty Thousand (P24.14 Million)** was utilized for Social Development Management Programs (SDMP). Of this amount, **Pesos Twenty Million Two Hundred Ten Thousand (P20.21 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 One Million Eight Hundred Seventy Thousand (P1.87 Million)** for scholarships and educational assistance.

FINANCIAL POSITION

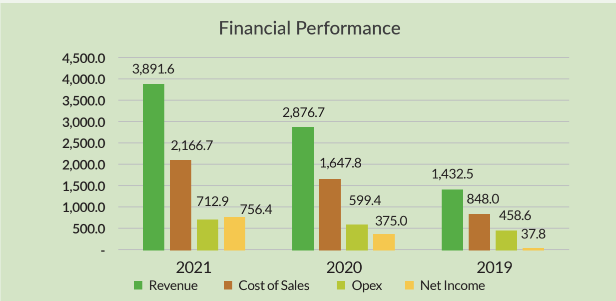
	Audited (in million Pesos)		Increase (Decrease)	
	2021	2020	Amount	%
Assets	**₱6,509.63**	₱6,163.70	₱345.94	5.6%
Liabilities	**1,844.51**	1,867.12	(22.60)	(1.2%)
Stockholders' Equity	**4,665.12**	4,296.58	368.54	8.6%

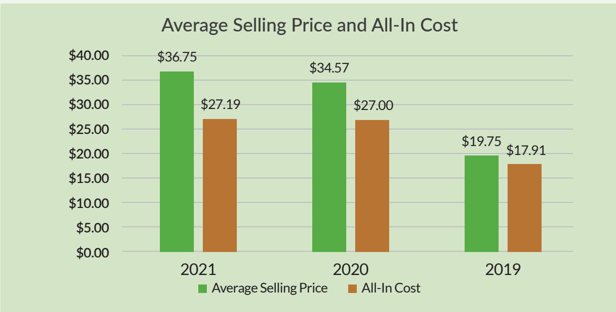
MHI Consolidated Total Assets of **Pesos Six Billion Five Hundred Nine Million Six Hundred Thirty Thousand (P6,509.63 Million)** posted a 5.61% increase from the **Pesos Six Billion One Hundred Sixty-Three Million Seven Hundred Thousand (P6,163.70 Million)** in 2020. The improvement is credited to the cash increase from the proceeds of sales, increase in trade and receivables for the uncollected proceeds of sales and ore inventory in the last quarter of the year.

Total Liabilities dropped by **Pesos Twenty-Two Million Six Hundred Thousand (P22.60 Million)** with the payments made to suppliers and contractors, and partial settlement of the loan principal.

Stockholders' Equity increased by **Pesos Three Hundred Sixty-Eight Million Five Hundred Forty Thousand (P368.54 Million)** as a result of the consolidated net income in 2021.

FINANCIAL PERFORMANCE





OBSERVING RESPONSIBLE STEWARDSHIP
Our Business

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 the Mineral Resource Report as of December 31, 2021, MMDC mineral resource is estimated at 61.45 Million WMT Measured and Indicated Saprolite and Limonite. The total measured and indicated saprolite mineral resource is estimated at **7.8 Million WMT** at **1.35% Ni** and **12.80% Fe** while the measured and indicated limonite mineral resource is estimated at **53.64 Million WMT** at **0.87% N**i and **43.90% Fe**.

An additional 5.22 Million WMT of saprolite resource with an average grade of 1.23% Ni and 13.19% Fe were categorized under the inferred category.

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 **16.03 Million Wet Metric Tons (WMT)** with average grade of 1.17% Ni and 34.98% Fe. This is further broken down to **3.06Million Wet Metric Tons (WMT) Saprolite** with an average grade of **1.59% Ni** and **14.85% Fe**, and **12.97 Million Wet Metric Tons (WMT) Limonite** with an average grade of **1.07% Ni** and **39.73% Fe.**

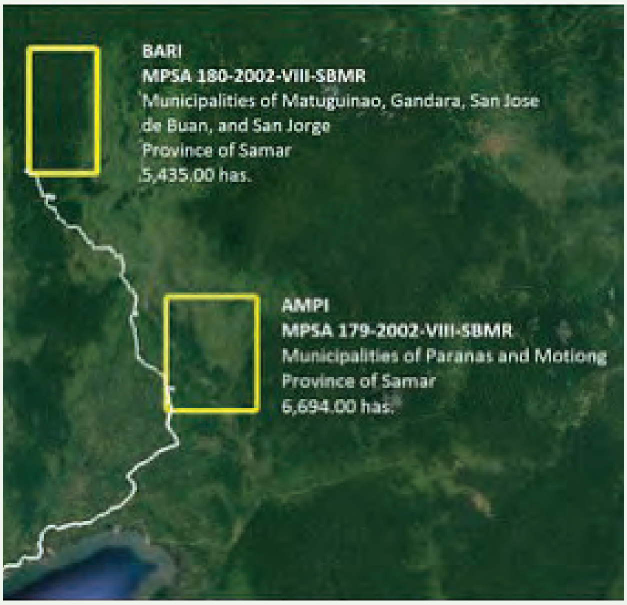
Alumina Mining Philippines Inc. (AMPI) holds MPSA No. 179-2002 VIII (SBMR) with an area of 6,694 hectares located in the Province of Samar, issued on December 5, 2002.

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 **73.18 Million Wet Metric Tonnes (WMT)** with an average grade of **41.66% Al2O3**.

BAUXITE PROPERTIES:
Samar, Eastern Visayas



OUR EXPANDING VENTURES
Mine & Exploration Report

As of December 31, 2021, the MMDC mineral resource is estimated at 61.45 Million WMT Measured and Indicated Saprolite and Limonite.

Development drilling was conducted in 2021 at Cabangahan and Sipangpang areas, with a goal to upgrade the mineral resource category from Indicated and Inferred to Measured and Indicated, respectively.

Drilling operations started in April and were completed in October, just in time for the onset of the wet season.

A total of 363 drill holes were drilled with an aggregate depth of 4,414.14 meters and an average depth of 12.16 meters per drill hole.

Mineral resources were classified according to drilling density and spacing. Saprolite resource was classified as measured with drilling interval at 25 meters, indicated at 50 meters, and inferred at 100 meters. For limonite, the resource was classified as measured with drilling intervals at 25 and 50 meters and indicated with drilling intervals at 100 meters.

The cut-off grade used for the estimation of saprolite resource is 1.0% Ni. 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.

As of December 31, 2021, the MMDC mineral resource is estimated at 61.45 Million WMT Measured and Indicated Saprolite and Limonite.

The total measured and indicated saprolite mineral resource is estimated at 7.8 Million WMT at 1.35% Ni and 12.80% Fe while the measured and indicated limonite mineral resource is estimated at 53.64 Million WMT at 0.87% Ni and 43.90% Fe.

An additional 5.22 Million WMT of saprolite resource with an average grade of 1.23% Ni and 13.19% Fe were categorized under the inferred category.

MINERAL RESOURCE – MMDC	Tonnage Million WMT	% Ni	% Fe
Measured and Indicated			
Limonite	53.64	0.87	43.90
Saprolite	7.81	1.35	12.80
Total Measured and Indicated	**61.45**	**0.95**	**39.09**
Inferred			
Saprolite	5.22	1.23	13.19
Total Inferred	**5.22**	**1.23**	**13.19**

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.

According to Mineral Resource Report signed by a Competent Person in March 2016 reviewed and certified by a Philippine Mineral Reporting Code (PMRC) Competent Person (CP) for Geology in June 2017, the Bauxite Properties' combined Measured and Indicated Mineral Resource is around **73.18 Million Wet Metric Tonnes (WMT)** with an average grade of **41.66% Al_2O_3**. Both AMPI and BARI are in the process of securing an Environmental Compliance Certificate (ECC) for the planned development and mine operation of the Samar Bauxite Project. Notwithstanding the imposed country-wide

73.18M WMT

Bauxite Properties' combined Measured and Indicated Mineral Resource

74.63M WMT

AMPI BARI – Combined Measured and Indicated Resource lockdown due to the COVID-19 pandemic, AMPI and BARI were able to complete the public scoping and technical scoping stages of the Environmental Impact Assessment (EIA) process in January 2021.

BRIGHTGREEN RESOURCES CORPORATION (BRC)

BrightGreen Resources Corp. (BRC) is a Mining Tenement adjacent to the mining property of MMDC. Based on a mineral resource report signed by a Competent Person on March 2016, BRC's total Measured and Indicated Mineral Resource is **16.03 Million Wet Metric Tons (WMT)** with average grade of **1.17% Ni** and **34.98% Fe**. This is further broken down to **3.06 Million Wet Metric Tons (WMT) Saprolite** with an average grade of **1.59% Ni** and **14.85% Fe**, and **12.97 Million Wet Metric Tons (WMT) Limonite** with an average grade of **1.07% Ni** and **39.73% Fe**. Mineral Resources has been validated by Mines and Geosciences Bureau (MGB) and is deemed acceptable and compliant to PMRC 2007 guidelines and DENR DAO No. 2010-09.

BRC has secured the extension of the 3rd renewal of its Exploration Period for another two (2) years effective July 02, 2022 to July 01, 2024. It was also included in the list of priority projects by the Mines and Geosciences Bureau (MGB).

BRC is in the process of securing the approval of its Declaration of Mining Project Feasibility (DMPF). It has completed its public and technical scoping activities needed for the Environmental Compliance Certificate (ECC) application in February 2021 and March 2021, respectively. Baseline data gathering was also completed in November 2021 and is currently preparing all the mandatory technical reports for its DMPF application.

GROWTH THAT PRESERVES
Environmental Protection & Community Development

1.2

An essential program for mitigating the impact of climate change and improving biodiversity, tree planting is a global initiative because trees are vital to human existence.

Mining activities are guided by programs that promote environmental protection and the sustainable development of host communities. Mitigating processes continue to be a priority to reduce potential effects on land resources associated with mining operations.

Temporary Revegetation

The establishment and maintenance of Temporary Revegetation areas are in compliance with DENR Administrative Order (DAO) No. 2018-19, *Guidelines for Additional Environmental Measures for Operating Surface Metallic Mines.*

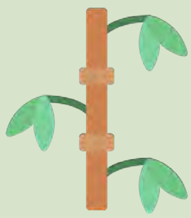
DAO No. 2018-19, provides new environmental policies that ensure sustainable environmental conditions and minimizes environmental effects at every stage of the mining operation.

In 2021, a total area measuring 124.47 hectares was covered with wedelia *(wedelia trilobata), napier* grass *(pennisetum purpureum),* lambayong *(Ipomoea pes-caprae)* stabilizer plant and ipil-ipil *(leucaena luecocephala).*

Also under maintenance is a planting area measuring 31.61 hectares. The grounds are regularly weeded, brushed, replanted, intercropped, and fertilized for healthy growth.

Mining Forest Program

Reforestation activities restore mined-out landscapes to functioning ecosystems. An essential program for mitigating the impact of climate change and improving biodiversity, tree planting is a global initiative because trees are vital to human existence.



51,373
seedlings covering over 70 hectares

In 2021, a mined-out area measuring 26.21 hectares was reshaped and planted for permanent rehabilitation. A total of 41,858 seedlings are currently growing in the area. Among the species are agoho *(casuarina equisetifolia*), bagalunga *(melia dubia cav)* malatambis *(syzigium huchinsonii)*, magkono *(xanthostemon verdugonianus)*, mangium (acacia mangium) and talisay *(terminalia catappa)*.

Several planting grounds are continuously maintained through weeding, cultivation, fertilizer application, and replanting.

Riparian Zone Stability

To help stabilize the riverbanks along Carac-an River, an area measuring 1.1 hectares was covered with bamboo and *narra* seedings. Another planting area measuring 10.10 hectares is also maintained through regular weeding, fertilizer application, and enrichment planting using *narra* seedlings.

54,796
Forest Trees Planted
MMDC - Measured and Indicated Mineral Resource

Silt Control

Settling ponds prevent water discoloration brought about by water run-off from the mine site. The sediments are collected at the silt before discharge. The process ensures that the water effluence level is in compliance with DENR standards.

In 2021, a total of 21 settling ponds were constructed. There were 10 new ponds at the mining area in Cabangahan and 11 new ponds at the mining area in Sipangpang.

A total of **80,348** cubic meters of solid pollutants were desilted as part of the pond's maintenance and improvement .

Slope Stabilization

Slopes are planted with grass and tree seedlings to uphold safety and stability. The process helps minimizes soil erosion during stripping. Land clearing activities are also limited to help minimize disturbance and water contamination.

For 2021, bamboo and creeping grass species *wedelia* and *lambayong* were planted at the lower part of the mined-out area to help mitigate soil erosion.

Nursery Operations and Maintenance

As of December 2021, the company maintains a total of 97,993 seedlings of various species. The plants are propagated and grown at the mangrove nursery and at the nurseries in Sipangpang, Pili, and Banban.

For the year 2021 the company's MEPEO (Mine Environmental Protection and Enhancement Office) planted a total of 54,796 forest trees. The species are a mix of *magkono (xanthostemon verdugonianus) agoho(casuarina equisetifolia*) and *malatambis (syzigium huchinsonii)*. Also in the area are 7,350 *kawayan tinikand kajawan* bamboo plants.

Bamboo

Marcventures pioneered the planting of bamboo for mine rehabilitation. In 2019 the Department of Environment and Natural Resources (DENR) Secretary Roy Cimatu instructed mining companies to establish a bamboo plantation equivalent to 10% of the mine-out areas.

In June 2020, the Mines and Geosciences Bureau (MGB) released the "Establishment of Bamboo Plantation in Mining Areas" memorandum instructing companies to devote an additional 10% to bamboo, bringing the plantation area to a total of 20%. The latter was in line with DENR's post-Covid-19 recovery efforts.

To date, Marcventures has planted a total of 51,373 seedlings covering over 70 hectares. Currently growing in the mined-out areas are commercially viable varieties- giant bamboo (*dendrocalamus asper)*, kawayang tinik *(bambusa blumeana)* together, and spiny bamboo *(bambusa blumeana)*.

COMMUNITY DEVELOPMENT

Mining becomes truly valuable when it makes a positive impact on the host communities. Along with operational efficiency is the company's Social Development and Management Program (SDMP) which is committed to the health, safety, and livelihood of the residents of communities in Carrascal, Cantillan, and Madrid.

For 2021 the company's SDMP projects amounted to Twenty- Four Million One Hundred Forty Thousand pesos (Php 24.14) while its Corporate Social Responsibility projects amounted to Eight Million Four Hundred Twelve Thousand Fifty-Five Pesos only (Php 8,412,055.00).

Health

Several activities were implemented to promote proper health and disease prevention.

The company took part in the community-based feeding program in Barangay Cabangahan. The project is in coordination with the Municipal Social Welfare and Development Office (MSWDO) and the Brgy. Nutrition Scholar (BNS). Through a community survey, BNS identified areas in need of nutritional intervention. Households received milk and vitamins for the children. Quarterly monitoring is done to check health improvements and to determine if parents need further nutritional counseling.

Sanitary infrastructure is important to both human health and the environment. In support of the sanitation program of Barangay Cabangahan, the company sponsored the construction of toilet facilities in various households to ensure proper hygiene within the community.

The pandemic remains a threat despite the decreasing number of cases. The company continued to give out food packs, hygiene kits, and vitamins to the residents of Bayugo, Panikian, Bon-ot, Gamuton, Babuyan, Bacolod, Parang, and Cabas-an.

The company also extends regular support to health centers by providing medical supplies and equipment. Thermal scanners, weighing scales, sphygmomanometers, alcohol, and cotton pads were donated to the health center of Barangay Bon-ot. Medical supplies and vitamins were also given to the Birthing Center in Barangay Parang.

For the year 2021, the company's health projects for its host and neighboring communities amounted to Nine Million Two Hundred Sixty-six Thousand Seven Hundred Forty-Eight pesos. (Php 9,266,748.00).

Livelihood

The company supported livelihood programs to provide income-generating opportunities to households. The program aims to uplift the quality

of life and inspire community members to be active agents of change and eventually directly contribute to the local economy.

The Company spent a total of One Million Seven Hundred Sixty-Three Thousand Nine Hundred Ninety pesos only (Php 1,763,990.00) for projects that encouraged community members to create, build and earn.

Seed capital was given to various organizations in Barangay Bon-ot, to help them start their own enterprise. Fisherfolks were also given pump boats and fish cages to aid their day-to-today livelihood.

In Barangay Cabangahan, seed capital was also given to 300 members of women's associations for their small businesses. The company also supported the business enterprise organized by the farmer's association, senior citizens association, association of PWDs, fisherfolks, and other organizations.

Infrastructure

MMDC spent Two Million Nine Hundred Forty-Eight Thousand Four Hundred Fifty-Five Pesos only (Php 2,948,455.00) for community infrastructure. The projects include the installation of pipes and water systems in Barangay Cabas-an and Barangay Cabangahan and the farm-to-market road with spillway in Barangay Parang. The completed access road will be utilized to transport farm products. The company also contributed to renovating and improving the churches in Barangay Panikian, Gamuton, Babuyan, Parang, and Cabas-an.

Education

For the academic year 2021-22, the company continued to extend regular financial assistance to 197 students who are enrolled in different colleges and universities in Visayas and Mindanao.

The company also subsidized the salary of 19 volunteer teachers. Most schools do not have enough teachers

197
students receive regular financial assistance

for the growing number of students in the community. The volunteers assist in the daily classroom activities and make sure that educational needs are addressed despite the limitations. A total of Four Million Four Hundred Thirty-Three Thousand Four Hundred Sixty-Nine Pesos only (Php 4,433,469.00) was spent on the educational programs this year.

An additional Six Hundred Twenty-Five Thousand Seventy-Two and 36/100 Pesos (Php 625,072.36) were utilized for the projects under the Development of Mining and Geoscience Technology (DMGT). The fund supports the scholarship of 22 students enrolled in mining, environment, accounting, and other community-related courses. Aside from the tuition fee, the scholars received a monthly allowance of P5,000.

Under its Corporate Social Responsibility program, the company utilized Eight Million Four Hundred Twelve Thousand Fifty-Four Pesos only (Php 8,412,054.87). The funds were utilized for various community needs which include the school expenses of scholars from the IP (Indigenous People) communities and the salary of volunteer teachers deployed in different schools.

SAFETY AND HEALTH

Safe and healthy working conditions are consistently maintained at the minesite with regular training and technically proven and economically feasible environmental protection measures.

A safe, responsible work culture requires the mastery of safety procedures. These concepts must be top of mind and second nature to all employees

The Central Safety and Health Committee (CSHC) tackles day-to-day safety concerns. Headed by the Resident Mine Manager, the committee meets monthly and members include department heads, key staff, contractors, safety coordinators, and officers.

22
students enrolled in mining, environment, accounting, and other community-related courses.

Regular training is an essential part of the company's safety plan. Everyone is required to take part in all activities involving workforce safety and efficiency. This includes workshops on Occupational Safety and Health, Fire Fighting, Defensive Driving, Basic First Aid and Life Support, Food Handling, and Sanitation. All visitors are given Safety Orientation before entering the premises.

The company's safety program covers quarterly earthquake drills, annual training on health, first aid, basic life support, fire safety, mine rescue, and firefighting. For 2021, the company recorded a total of 4,189, 738 man-hours with 428,903 safe hours.

Covid- 19

The company operated at full capacity guided by the strict health protocols required by the IATF. Social distancing was strictly observed. A minimal number of employees reported on-site and employees above 60 years of age and those with pre-existing illnesses are strongly advised to work from home.

Vehicle service was provided, timekeeping was suspended, and working hours were limited to allow employees sufficient time to go home and avoid rush hour.

Safety and Health Protocols were drafted and disseminated to guide employees. In 2021, a total of 50 employees were infected by the virus. As part of the procedure, contact tracing was done to identify close contacts. Those who tested positive were required to isolate and seek treatment in accordance with Local Government Unit (LGU) protocols. After the quarantine period, the employee can return to work upon issuance of medical clearance.

Infected employees utilized the HMO benefits for Covid testing and other medical services. The HR Team also sent food and health packs to employees recuperating at home and at quarantine centers. To ensure everybody's health and safety, flu and pneumonia vaccines were administered to all employees.

The company launched a Covid 19 vaccination awareness program and participated in the vaccine rollout initiative of the LGU. A total of 237 employees or 89% have been vaccinated. The remaining 30 unvaccinated employees were required to undergo regular Antigen tests as directed by the IATF.

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.

BOARD OF DIRECTORS

Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

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

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

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

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

MICHAEL L. ESCALER
Director – Marcventures Holdings, Inc.

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

RUBY K. SY
Director – Marcventures Holdings, Inc.

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

KWOK YAM IAN CHAN
Director – Marcventures Holdings, Inc.

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

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

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

BOARD OF DIRECTORS

Marcventures Holdings, Inc. and
Marcventures Mining & Development Corporation

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.
Marcventures Mining & Development Corporation

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 Bancom Finance Corporation, PCI Bank, and Insular Bank of Asia and America (a Bank of America affiliate) from 1975 to 1981. Mr. Alcantara is a Certified Public Accountant.

He obtained his BSC in Accounting and BS in Economics degrees from De La Salle University, graduating magna cum laude. He also attended 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 Proteina Industries Corp. He serves as Chairman and Chief Finance Officer of Mactel Corp., and as Director and Treasurer for Manila Standard Today Management, Inc. Mr. Te is a licensed soliciting official for Non-Life Insurance with the Philippine Insurance Commission. He previously sat as director in the following companies: AG Finance, Inc. Balabac Resources & Holdings Co., Inc., Commonwealth Savings & Loans bank, EBECOM Holdings, Inc. Equitable PCI Bank, MRC Allied Industries, Inc., Oriental Petroleum & Minerals Corp., PAL Holdings, Inc., PGA Cars, Inc., and Phoenix Energy Corp. He obtained his Bachelor of Arts in Business Management from De La Salle University.

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, was 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.

BOARD OF DIRECTORS

Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

A sugar trader in New York and London from 1974 to 1993, Mr. Escaler began his career at Nissho-Iwai of America for two years and left for ACLI International, one of the largest privately held trading 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 of 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
Senior Vice President
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 & Development Corp.

Atty. Arturo L. Tiu was 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 & 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.

EXECUTIVE OFFICERS

Marcventures Holdings, Inc. and
Marcventures Mining & Development Corporation

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

ATTY. ANA MARIA A. KATIGBAK
Asst. Corporate Secretary/Compliance Officer, MHI

EDUARDO M. FRANCISCO
President & General Mine Operations Head, MMDC

ROLANDO S. SANTOS
Director/Treasurer, MMDC

REUBEN F. ALCANTARA
Senior Vice President & Head of Marketing Business Development & Strategic Planning, MHI, MMDC

ATTY. MAILA LOURDES G. DE CASTRO
Co-Assistant Corporate Secretary, MHI
Vice President and Head of Legal & Corporate Secretary, MMDC

DEBORRA C. ILAGAN
Vice President for Human Resources and Administration, MMDC

DALE A. TONGCO
Vice President for Controllership, MMDC

ELMER O. PURISIMA
Assistant Vice President for Accounting, MMDC

MA. THERESA A. DEFENSOR
Assistant Vice President for Corporate Communications, MMDC

GEOL. JAYVHEL T. GUZMAN
AVP & Head of Geology, MMDC

ENGR. DIANNE R. RODRIGUEZ
AVP Engineering & Project Management, MMDC

EXECUTIVE OFFICERS

Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

RIC FELICES MACABIDANG
Assistant Vice President for Budget and Cost Control, MMDC

EMERSON P. PAULINO
Assistant Vice President for Internal Audit, MMDC

BERNARD P. BALUDA
Vice President for Compliance Acquisitions & Tenement Management, MMDC

EXECUTIVE OFFICERS

Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

ATTY. ROBERTO V. SAN JOSE
Corporate Secretary Marcventures Holdings. Inc. (MHI)

Atty. Roberto V. San Jose is the Corporate Secretary of the Company and has held 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, MHI

Atty. Ana Maria A. Katigbak is the Co-Assistant Corporate Secretary of the company and has held 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.

EDUARDO M. FRANCISCO
President & General Mine Operations Head, Marcventures Mining & Development Corporation (MMDC)

Engr. Francisco is a registered and professional mining engineer with over 30 years of experience in open-pit mining, engineering, and operations. He worked for Rio Tuba Nickel Mining Corporation for 18 years and was its Mine Division Head before moving to Canada. He had been in positions as the Mine Coordinator for the Agrium (Nutrien) phosphate mine, Senior Mine Engineer of De Beers Canada (Attawapiskat diamond mine) and then Syncrude Canada oil sands, Manager-Mining for Capital projects of Barrick Gold, Technical Lead & Senior Mine Advisor for Imperial Oil (Exxon) oil sands, Development Specialist for Suncor Energy oil sands, Director for Operations for Canadian Silica Industries. Engr. Francisco completed his Bachelor of Science in Mining Engineering from Adamson University.

ROLANDO S. SANTOS
Director/Treasurer, MMDC

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 MMDC he was the Cluster Head for Banco De Oro branches while serving as its Branch Head from 2001 to 2013. He also worked for the 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.

REUBEN F. ALCANTARA
Senior Vice President & Head of Marketing Business Development & Strategic Planning, MHI, MMDC

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 MMDC, 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.

EXECUTIVE OFFICERS

Marcventures Holdings, Inc. and Marcventures Mining & Development Corporation

ATTY. MAILA LOURDES G. DE CASTRO
Co-Assistant Corporate Secretary, MHI
Vice President and Head of Legal & Corporate Secretary, MMDC

Maila G. De Castro, J.D., MBA also serves as the Data Privacy Officer and Corporate Secretary for subsidiaries. She earned her MBA from the Asian Institute of Management (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 Belo, Gozon, Elma, Parel, Asuncion, and Lucila Law Offices, with a 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.

DALE A. TONGCO
Vice President for Controllership, MMDC

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, MMDC

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 MMDC 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, MMDC

Theresa Defensor is a Communications practitioner backed up with decades of experience in public relations, content creation, and media management. Prior to MMDC 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 also writes for The Manila Standard. Tet majored in Journalism at the University of the Philippines. She earned her Master's Degree in Literature (cum laude) and Ph.D. in Literature units from the University of Santo Tomas and completed the management program at the Asian Institute of Management.

ELMER O. PURISIMA
Assistant Vice President for Accounting, MMDC

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 Bachelor's 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 & Head of Geology, MMDC

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 Philippine Christian University. Prior to joining Marcventures, she was a Consultant Geologist at Bundok Mineral Resources Corporation, Brass Technologies, Inc., Century Peak Corporation, and Tekton Geometrix, Inc. She also worked as Geologist at various companies such as Philippine National Oil Company - Energy Development Corporation, Philex Mining Corporation, Asian Arc Mining Resources, Inc., Century Peak Corporation, and JCP Geo- Ex Services, Inc.

ENGR. DIANNE R. RODRIGUEZ
AVP Engineering & Project Management, MMDC

Engr. Dianne R. Rodriguez is a licensed Mining Engineer equipped with almost 15 years of experience in mine feasibility studies, project management, and 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 a Senior Mining Engineer and Executive Technical Assistant to the President. Prior to MMDC, she was a Senior Mining Engineer at Benguet Corporation's Engineering Research and Project Development Group.

RIC MACABIDANG
Assistant Vice President for Budget and Cost Control, MMDC

Mr. Ric Macabidang is a Certified Public Accountant with over 20 years of 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. He graduated (cum laude) from the University of San Carlos with a degree in BS Accountancy .

EMERSON PAULINO
Assistant Vice President for Internal Audit, MMDC

Mr. Emerson Paulino is a Certified Public Accountant with over 15 years of 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 the University of Perpetual Help Rizal, Las Piñas.

BERNARD P. BALUDA
Vice President for Compliance Acquisitions & Tenement Management, MMDC

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 Marcentures, he worked at St. Lukes Medical Center and Energy Development Corporation. He was also the Supply Chain Head, Technical Manager, and Project Engineer of Philex Mining Corporation. He graduated from the University of the Philippines with a degree in BS in Mining Engineering in 2002. He also took his master's in Business Administration at Ateneo Graduate School of Business and earned units in Master in Environmental Engineering at the University of Philippines.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2020 and 2021

AUDIT COMMITTEE REPORT

The Board of Directors

July 1, 2022

In compliance with applicable corporate governance laws and rules, we confirm for 2021 that:

- During the year, the Audit Committee is composed of three members, two of whom are independent directors.

- The committee had 6 meetings during the year.

- We have reviewed and approved all audit and non-audit services provided by Reyes Tacandong & 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 2021 which was done by Reyes Tacandong & 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 Tacandong & Co., we hereby recommend that the Board of Directors approve the audited financial statements as of and for the year ended December 31, 2021 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 Tacandong & Co.'s performance and qualifications, including consideration of management's recommendation, we approved the appointment of Reyes Tacandong & Co. as MHI Group's independent auditor.

Respectfully submitted,

ATTY. CARLOS T. OCAMPO
Chairman

MR. AUGUSTO C. SERAFICA JR.
Member

KWOK YAM IAN CHAN
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

MARCVENTURES
HOLDINGS INC.

The management of **Marcventures Holdings Inc. & Subsidiary (the Company)** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations or has not realistic alternative but to do so.

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

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

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

CESAR C. ZALAMEA
Chairman of the Board

ROLANDO S. SANTOS
SVP-Finance

DALE A. TONGCO
VP-Controllership

Signed this 7th day of April, 2022

INDEPENDENT AUDITOR'S REPORT

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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 Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2021, 2020 and 2019 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.

Recoverability of Mining Rights and Deferred Exploration Costs

The Group's mining rights and deferred exploration costs pertaining to mining areas that are still under exploration phase amounted to ₱1.6 billion and ₱0.2 billion as at December 31, 2021, respectively. The delay in the start of the development phase of these mining areas is an indicator of impairment. This is a key audit matter because of the significance of the combined asset value of the mining rights and deferred exploration cost as it represents 27.81% of the total assets of the Group and the significant judgment and estimate required in the computation of the recoverable amount of these assets.

We have reviewed the methodology and the assumptions used by the management in determining the recoverable amount of the mining assets and deferred exploration costs. We validated the reasonableness of the discount rates and other assumptions used in the computation, which include, among others, the expected start of the development phase and start of production, expected future production levels and costs, mineral prices, sales forecasts and foreign currency exchange rates by comparing to similar companies, external data and industry benchmarks. We also assessed the adequacy of the disclosures in Note 3 to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, 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, 2021 are expected to be made available to us after the date of this Auditors' report.

INDEPENDENT AUDITOR'S REPORT

Reyes Tacandong & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit.

We 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 remain solely responsible for our audit opinion.

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

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

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

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 86981-SEC Group A
Issued March24, 2020
Valid for Financial Periods 2019-2023

BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8851708
Issued January 3, 2022 Makati City

April 7, 2022
Makati City, Metro Manila

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2021**	2020
ASSETS			
Current Assets			
Cash	4	**₱801,051,844**	₱241,951,074
Trade and other receivables	5	**351,623,284**	542,258,519
Advances to related parties	13	**10,767,041**	39,179,557
Inventories	6	**197,309,136**	127,217,784
Other current assets	7	**123,829,136**	133,615,250
Total Current Assets		**1,484,580,441**	1,084,222,184
Noncurrent Assets			
Property and equipment	8	**176,762,578**	209,369,331
Mining rights and other mining assets	9	**4,392,636,987**	4,435,089,769
Net deferred tax assets	20	**52,155,347**	36,193,214
Other noncurrent assets	10	**403,497,742**	398,821,130
Total Noncurrent Assets		**5,025,052,654**	5,079,473,444
		₱6,509,633,095	₱6,163,695,628
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱453,124,346**	₱409,425,087
Current portion of loans payable	12	**231,260,318**	335,975,945
Advances from related parties	13	**11,318,602**	140,272,674
Dividends payable	16	**381,945,355**	4,707,886
Income tax payable		**19,088,579**	136,107,191
Total Current Liabilities		**1,096,737,200**	1,026,488,783
Noncurrent Liabilities			
Loans payable - net of current portion	12	**209,107,868**	286,529,622
Provision for mine rehabilitation and decommissioning	14	**57,514,917**	55,675,292
Retirement benefit liability	15	**39,155,969**	33,160,260
Deferred tax liability	20	**441,999,621**	465,262,759
Total Noncurrent Liabilities		**747,778,375**	840,627,933
Total Liabilities		**1,844,515,575**	1,867,116,716
Equity			
Capital stock	16	**3,014,820,305**	3,014,820,305
Additional paid-in capital	16	**269,199,788**	269,199,788
Retained earnings		**1,345,190,197**	980,673,981
Cumulative remeasurement gains on retirement benefit liability - net of deferred tax	15	**35,907,230**	31,884,838
Total Equity		**4,665,117,520**	4,296,578,912
		₱6,509,633,095	₱6,163,695,628

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note		Years Ended December 31	
		2021	2020	2019
SALES		**₱3,891,592,774**	₱2,876,676,296	₱1,432,534,095
COST OF SALES	17	**2,166,660,973**	1,647,827,569	847,975,370
GROSS INCOME		**1,724,931,801**	1,228,848,727	584,558,725
OPERATING EXPENSES	18	**689,934,226**	572,046,872	407,983,396
INCOME FROM OPERATIONS		**1,034,997,575**	656,801,855	176,575,329
INTEREST EXPENSE	12	**(50,525,191)**	(64,492,696)	(61,630,647)
INTEREST INCOME	4	**601,633**	766,044	236,547
OTHER INCOME	19	**26,966,806**	36,406,306	10,777,723
INCOME BEFORE INCOME TAX		**1,012,040,823**	629,481,509	125,958,952
INCOME TAX EXPENSE	20	**255,597,967**	254,434,044	88,116,546
NET INCOME		**756,442,856**	375,047,465	37,842,406
OTHER COMPREHENSIVE INCOME (LOSS)	15			
Not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax		**1,744,903**	(2,159,007)	(4,298,125)
Effect of change in tax rate		**2,277,489**	–	–
		4,022,392	(2,159,007)	(4,298,125)
TOTAL COMPREHENSIVE INCOME		**₱760,465,248**	372,888,458	33,544,281
Basic and diluted earnings per share	22	**₱0.251**	₱0.124	₱0.013

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	2021	2020	2019
			Years Ended December 31	
CAPITAL STOCK - 1 par value	**16**			
Authorized - 4,000,000,000 shares				
Issued and outstanding:				
Balance at beginning and end of year		**₱3,014,820,305**	₱3,014,820,305	₱3,014,820,305
ADDITIONAL PAID-IN CAPITAL	16			
Balance at beginning and end of year		**269,199,788**	269,199,788	269,199,788
RETAINED EARNINGS				
Balance at beginning of year		**980,673,981**	605,626,516	567,784,110
Dividend declared	16	**(391,926,640)**	–	–
Net income		**756,442,856**	375,047,465	37,842,406
Balance at end of year		**1,345,190,197**	980,673,981	605,626,516
CUMULATIVE REMEASUREMENT GAINS ON RETIREMENT BENEFIT LIABILITY - NET OF DEFERRED TAX	**15**			
Balance at beginning of year		**31,884,838**	34,043,845	38,341,970
Remeasurement gain (loss)		**1,744,903**	(2,159,007)	(4,298,125)
Effect of change in tax rate		**2,277,489**	–	–
Balance at end of year		**35,907,230**	31,884,838	34,043,845
		₱4,665,117,520	₱4,296,578,912	₱3,923,690,454

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2021	2020	2019
		Years Ended December 31		
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱1,012,040,823**	₱629,481,509	₱125,958,952
Adjustments for:				
Depletion	9	**197,202,195**	174,132,163	61,542,082
Provision for expected credit loss	5	**159,402,782**	20,000,000	20,000,000
Interest expense on:	12			
Loans		**47,772,840**	61,219,396	60,759,992
Provision for mine rehabilitation and decomissioning		**1,839,625**	3,040,465	654,498
Amortization of debt-issue cost		**912,726**	232,835	216,157
Depreciation and amortization	8	**47,225,847**	48,866,200	68,138,439
Retirement expense	15	**8,322,247**	8,592,588	8,702,664
Interest income	4	**(601,633)**	(766,044)	(236,547)
Operating income before working capital changes		**1,474,117,452**	944,799,112	345,736,237
Decrease (increase) in:				
Trade and other receivables		**31,232,453**	(357,794,730)	(20,848,638)
Inventories		**(70,091,352)**	(50,283,424)	68,922,379
Other current assets		**8,982,938**	(726,818)	(16,087,056)
Increase (decrease) in trade and other payables		**26,023,135**	(354,858,055)	286,780,681
Net cash generated from operations		**1,470,264,626**	181,136,085	664,503,603
Income tax paid		**(410,145,997)**	(129,288,522)	(37,000)
Interest received		**601,633**	766,044	236,547
Retirement benefits paid	15	**–**	(15,911,695)	–
Net cash provided by operating activities		**1,060,720,262**	36,701,912	664,703,150
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Mining rights and other mining assets	9	**(154,749,413)**	(64,146,344)	(168,834,748)
Property and equipment	8	**(14,619,094)**	(23,018,667)	(1,352,188)
Decrease (increase) in:				
Advances to related parties		**28,412,516**	12,187,198	1,897,842
Other noncurrent assets		**(4,676,612)**	100,229,542	(67,252,935)
Net cash provided by (used in) investing activities		**(145,632,603)**	25,251,729	(235,542,029)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans	26	**(₱362,778,837)**	(₱96,796,646)	(₱72,555,662)
Interest	26	**(43,982,710)**	(67,072,571)	(54,548,881)
Availment of loans	12	**179,728,730**	–	–
Increase (decrease) in advances from related parties		**(128,954,072)**	29,425,854	(14,975,434)
Net cash used in financing activities		**(355,986,889)**	(134,443,363)	(142,079,977)
NET INCREASE (DECREASE) IN CASH		**559,100,770**	(72,489,722)	287,081,144
CASH AT BEGINNING OF YEAR		**241,951,074**	314,440,796	27,359,652
CASH AT END OF YEAR		**₱801,051,844**	₱241,951,074	₱314,440,796
NONCASH FINANCIAL INFORMATION				
Dividend declaration	16	**₱391,926,640**	₱–	₱–
Completed constructions transferred to mining rights and other mining assets	8	**–**	40,662,469	–

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 Group".

The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957. Its primary purpose is to deal with properties of every kind and description to the extent permitted by law without engaging in the business of an investment company as defined in the Investment Company Act (Republic Act (R.A.) No. 2629), or act as a securities broker or dealer. 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 Group 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, 2021 and 2020, 3,014,820,305 shares of the Parent Company's shares of stocks are listed in The Philippine Stock Exchange, Inc. (PSE).

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

__Approval of Financial Statements__
The consolidated financial statements as at December 31, 2021 and 2020, and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BOD) on April 7, 2022, 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). In January 1995, VTC executed a deed of assignment (the Deed) to transfer to the Group all its rights and interest in MPSA No. 016-93-XI. On March 11, 2008, the DENR issued an Order approving the Deed of MPSA No. 016-93-XI from VTC to MMDC.

On June 24, 2016, the DENR issued an order approving the extension of 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.

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

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.

On January 28, 2022, BGRC filed an application to MGB for the extension of the exploration period for another two years and then eventually, it will file an application for the renewal of the MPSA for another twenty-five (25) years. BGRC is anticipative of the approval of the exploration period extension as it is currently in the process of filing the DMPF and has recently received a letter from MGB dated March 25, 2022 declaring that BGRC is included in the priority projects of MGB.

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.

In a letter dated February 9, 2022, the AMPI and BARI wrote to MGB requesting for additional two (2) years extension (or until June 18, 2024) of the 3rd Exploration Period (CY 2018-2020; Extension: CY2020-2022) on the ground that due to force majeure, factors and events which prevented the them from fully utilizing its respective contract area to complete its activities corresponding to the Exploration Period were not yet addressed and are still prevailing. The same was approved (subject to several conditions) in a letter from the MGB dated March 28, 2022. AMPI and BARI plans to file for the DMPF and an early renewal of the MPSA for another 25 years.

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 Group's functional currency. All values are in absolute amounts, unless otherwise indicated.

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

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

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

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

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

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

Amended PFRS Issued But Not Yet Effective
Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the consolidated financial statements, are summarized below.

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).

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

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

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

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

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

Deferred effectivity -

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

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its wholly owned subsidiaries as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019.

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

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

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

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

Financial Assets and Liabilities

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

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). 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 Group 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 Group 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 Group determines the appropriate method of recognizing the "Day 1" difference.

b. Classification and Subsequent Measurement Policies

The Group 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 Group's business model and its contractual cash flow characteristics.

As at December 31, 2021 and 2020, the Group 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, 2021 and 2020, the Group'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 13). 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 Group 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 Group 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, 2021 and 2020, the Group's trade and other payables (excluding advances from customers and excise tax and other statutory payables), loans payable, advances from related parties and dividends payable are classified under this category (see Notes 11, 12, 13 and 16).

c. Reclassification

The Group 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 Group 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 Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Group 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 Group 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 Group 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 Group 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 Group has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the finanhpcial asset, the financial asset is recognized to the extent of the Group'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 Group 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.

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

Prepaid Income Tax. Prepaid income tax represents creditable withholding tax (CWT) and other tax credits of the Group. CWT represents the amount withheld by the Group'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.

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

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.

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

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

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

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

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

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

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

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 Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount, which is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction.

In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Employee Benefits

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

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

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

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

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

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

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

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

Equity

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

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

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

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

Revenue Recognition

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 Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group 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. Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.

Cost and Expense Recognition
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 Group assesses whether, throughout the period of use, the customers has both of the following:

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

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

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

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

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

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

Income Taxes

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

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

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

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

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

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

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

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

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

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

Earnings Per Share

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

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

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

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

---

3. Significant Judgments, Accounting Estimates and Assumptions

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

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

Assessing the Ability of the Group to Continue as a Going Concern. The Group 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 Group's operations. The Group 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 Group will continue as a going concern.

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

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 Group. Operating segments use internal reports that are regularly reviewed by the Group's chief operating decision maker, which is defined to be the Group's BOD, in order to allocate resources to the segment and assess its performance.

Management has assessed that the Group 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 Group 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 Group'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 Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

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

Rental expense recognized by the Group amounted to ₱2.1 million, ₱0.3 million and ₱0.6 million in 2021, 2020 and 2019, respectively (see Note 21).

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

Provision for ECL amounted to ₱159.4 million in 2021, ₱20.0 million in 2020 and 2019. The allowance for ECL amounted to ₱152.2 million and ₱86.6 million as at December 31, 2021 and 2020, respectively. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱328.8 million and ₱507.9 million as at December 31, 2021 and 2020, respectively (see Note 5).

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

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

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

For cash in banks and advances to related parties, the Group assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus the ECL on these financial assets in 2021, 2020 and 2019 are not significant and not recognized.

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

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

No provision for inventory obsolescence was recognized in 2021, 2020 and 2019. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱197.3 million and ₱127.2 million as at December 31, 2021 and 2020, respectively (see Note 6).

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

No provision for impairment loss was recognized in 2021, 2020 and 2019. 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 ₱310.3 million and ₱307.7 million as at December 31, 2021 and 2020, respectively (see Note 10).

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

There were no changes in estimated useful lives of property and equipment in 2021, 2020, and 2019. Property and equipment, net of accumulated depreciation and amortization, amounted to ₱176.8 million and ₱209.4 million as at December 31, 2021 and 2020, 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 Group's reserves are estimated based on local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a competent person. The carrying amounts of mining rights and other mining assets are as follows:

	Note	**2021**	2020
Mining rights	9	**₱2,464,718,851**	₱2,527,633,755
Mine and mining properties	9	**1,758,501,818**	₱1,744,699,198

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

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

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of "Mining assets" in the consolidated statements of financial position, amounted to ₱31.2 million and ₱34.1 million as at December 31, 2021 and 2020, respectively (see Note 9).

Provision for mine site rehabilitation and decommissioning amounted to ₱57.5 million and ₱55.7 million as at December 31, 2021 and 2020, respectively (see Note 14).

Assessing Impairment of Nonfinancial Assets. The Group 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 Group considers important which could trigger an impairment review include the following:

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

The Group's subsidiaries, BGRC, AMPI and BARI, have not yet started commercial operations. The Group 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 is its fair value less costs to sell or value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the Group's expected mining operations. The estimated cash flows are discounted using pre-tax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Based on management assessment, the estimated recoverable amount of the CGU is higher than its carrying amount. Accordingly, no impairment loss was recognized in 2021, 2020 and 2019.

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

	Note	2021	2020
Mining rights and other mining assets	9	**₱4,392,636,987**	₱4,435,089,769
Property and equipment	8	**176,762,578**	209,369,331
Other current assets	7	**123,829,136**	133,615,250
Other noncurrent assets (excluding financial assets)	10	**397,399,900**	392,746,321
Advances to officers and employees	5	**22,784,158**	34,346,965

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

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

Retirement benefit liability amounted to ₱39.2 million and ₱33.2 million as at December 31, 2021 and 2020, respectively (see Note 15).

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

The Group's recognized deferred tax assets amounted to ₱53.1 million and ₱36.9 million as at December 31, 2021 and 2020, respectively (see Note 20).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at December 31, 2021 and 2020 because the management assessed that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.

The Group's unrecognized deferred tax assets amounted to ₱67.2 million and ₱89.2 million as at December 31, 2021 and 2020, respectively (see Note 20).

Contingencies. The Group is currently involved in various legal proceedings which the Group 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 Group (see Note 23).

4. Cash

This account consists of:

	2021	2020
Cash on hand	**₱372,713**	₱247,195
Cash in banks	**800,679,131**	241,703,879
	₱801,051,844	₱241,951,074

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

	Note	2021	2020	2019
Cash in banks		**₱541,901**	₱731,382	₱179,319
RCF and MTF (shown under other noncurrent assets account)	10	**59,732**	34,662	57,228
		₱601,633	₱766,044	₱236,547

5. Trade and Other Receivables

This account consists of:

	2021	2020
Trade receivables	**₱469,088,519**	₱586,334,701
Advances to officers and employees	**22,784,158**	34,346,965
Others	**11,977,178**	8,208,439
	503,849,855	628,890,105
Allowance for ECL	**(152,226,571)**	(86,631,586)
	₱351,623,284	₱542,258,519

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

Advances to officers and employees are unsecured and noninterest-bearing cash advances for business-related expenditures subject to liquidation within one (1) year.

Movements in allowance for ECL are as follows:

	Note	2021	2020
Balance at beginning of year		**₱86,631,586**	₱66,631,586
Provision	18	**159,402,782**	20,000,000
Write-off		**(93,807,797)**	–
Balance at end of year		**₱152,226,571**	₱86,631,586

6. Inventories

This account consists of beneficiated nickel ore amounting to ₱197.3 million and ₱127.2 million as at December 31, 2021 and 2020, respectively, which is stated at cost. The cost of inventories is lower than its NRV.

Cost of inventories charged to "Cost of sales" account in the consolidated statements of comprehensive income amounted to ₱2,166.7 million, ₱1,647.8 million and ₱848.0 million in 2021, 2020 and 2019, respectively (see Note 17).

7. Other Current Assets

This account consists of:

	2021	2020
Prepaid income tax	**₱49,492,733**	₱49,492,733
Advances to contractors and suppliers	**25,526,184**	20,662,835
Prepaid expenses	**17,918,324**	29,285,862
Mining and office supplies - net of allowance for obsolescence	**10,192,535**	17,957,398
Others	**20,699,360**	16,216,422
	₱123,829,136	₱133,615,250

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

Mining and office supplies include mechanical, electrical and other materials that will be used in the Group's mining operations. In 2021, the Group recognized a provision for obsolescence on its mining and office supplies amounting to ₱15.6 million (see Note 18).

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.

Prepaid expenses pertain to insurance, excise tax and rent.

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:

	2021				
	Land	**Building and Improvements**	**Office Furniture, Fixtures and Equipment**	**Heavy and Transportation Equipment**	**Total**
Cost					
Balances at beginning of year	**₱58,597,484**	**₱174,195,640**	**₱111,457,281**	**₱390,490,844**	**₱734,741,249**
Additions	**–**	**44,411**	**9,204,571**	**5,370,112**	**14,619,094**
Balances at end of year	**58,597,484**	**174,240,051**	**120,661,852**	**395,860,956**	**749,360,343**
Accumulated Depreciation and Amortization					
Balances at beginning of year	**–**	**83,921,856**	**97,076,516**	**344,373,546**	**525,371,918**
Depreciation and amortization	**–**	**7,190,805**	**9,738,171**	**30,296,871**	**47,225,847**
Balances at end of year	**–**	**91,112,661**	**106,814,687**	**374,670,417**	**572,597,765**
Carrying Amount	**₱58,597,484**	**₱83,127,390**	**₱13,847,165**	**₱21,190,539**	**₱176,762,578**

	2020					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balances at beginning of year	₱58,597,484	₱169,768,530	₱100,108,592	₱378,846,725	₱45,063,720	₱752,385,051
Additions	–	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
Carrying Amount	₱58,597,484	₱90,273,784	₱14,380,765	₱46,117,298	–	₱209,369,331

In 2020, MMDC completed the construction of road trails and bridges at its mine site in Surigao del Sur amounting to ₱40.7 million. Accordingly, the cost was transferred to mine development costs (see Note 9).

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

	Note	**2021**	2020	2019
Charged to:				
Cost of sales	17	**₱6,208,768**	₱13,575,789	₱15,920,112
Operating expenses	18	**41,017,079**	35,290,411	52,218,327
		47,225,847	48,866,200	68,138,439
Capitalized to mine development costs		**–**	–	1,367,440
		₱47,225,847	₱48,866,200	₱69,505,879

Fully depreciated property and equipment with cost of ₱489.6 million and ₱304.7 million as at December 31, 2021 and 2020, respectively, are still being used by the Group and retained in the accounts.

9. Mining Rights and Other Mining Assets

The balances and movements of this account are as follows:

	2021					
			Mine and Mining Properties			
	Mining Rights	**Deferred Exploration Costs**	**Mine Development Costs**	**Mine Rehabilitation Asset**	**Total Mine and Mining Properties**	**Total**
Cost						
Balances at beginning of year	**₱2,935,579,522**	**₱162,756,816**	**₱2,158,884,685**	**₱44,167,841**	**₱2,203,052,526**	**₱5,301,388,864**
Additions	**–**	**6,659,502**	**148,089,911**	**–**	**148,089,911**	**154,749,413**
Balances at end of year	**2,935,579,522**	**169,416,318**	**2,306,974,596**	**44,167,841**	**2,351,142,437**	**5,456,138,277**
Accumulated Depletion						
Balances at beginning of year	**407,945,767**	**–**	**448,286,167**	**10,067,161**	**458,353,328**	**866,299,095**
Depletion	**62,914,904**	**–**	**131,408,205**	**2,879,086**	**134,287,291**	**197,202,195**
Balances at end of year	**470,860,671**	**–**	**579,694,372**	**12,946,247**	**592,640,619**	**1,063,501,290**
Net Carrying Amount	**₱2,464,718,851**	**₱169,416,318**	**₱1,727,280,224**	**₱31,221,594**	**₱1,758,501,818**	**₱4,392,636,987**

	2020					
			Mine and Mining Properties			
	Mining Rights	Deferred Exploration Costs	Mine Development Costs	Mine Rehabilitation Asset	Total Mine and Mining Properties	Total
Cost						
Balances at beginning of year	₱2,935,579,522	₱150,535,169	₱2,066,297,519	₱44,167,841	₱2,110,465,360	₱5,196,580,051
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	₱2,527,633,755	₱162,756,816	₱1,710,598,518	₱34,100,680	₱1,744,699,198	₱4,435,089,769

Mining Rights

Mining rights of the Group consist of:

	2021	2020
Mining rights on explored resources of MMDC	**₱823,905,486**	₱886,820,390
Mining rights of BGRC, AMPI and BARI	**1,640,813,365**	1,640,813,365
	₱2,464,718,851	₱2,527,633,755

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

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

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

Deferred Exploration Costs

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

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

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

Mine Rehabilitation Asset. Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of its ore activities, as required in its MPSA (see Note 14).

10. Other Noncurrent Assets

This account consists of:

	Note	2021	2020
Input VAT		**₱310,299,775**	₱307,734,715
Final mine rehabilitation fund		**87,100,125**	85,011,606
Rehabilitation cash fund (RCF)	21	**5,568,073**	5,545,217
Rental deposit		**363,250**	363,250
Monitoring trust fund (MTF)		**166,519**	166,342
		₱403,497,742	₱398,821,130

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

RCF is reserved as part of the Group's compliance with the approved rehabilitation activities and schedules for specific mining project phase, including research programs as defined in the Environmental Protection and Enhancement Program (see Note 21).
MTF is exclusively used in activities approved by the Mine Rehabilitation Fund Committee.

Interest income from RCF and MTF amounted to ₱59,732, ₱34,662, and ₱57,228 in 2021, 2020 and 2019, respectively (see Note 4).

11. Trade and Other Payables

This account consists of:

	Note	2021	2020
Trade payables		**₱140,375,562**	₱149,953,857
Advances from customers		**230,807,057**	206,249,090
Excise tax and other statutory payables		**29,048,460**	22,269,466
Accrued expenses:			
Compliance		**43,643,712**	24,435,258
Interest	12	**3,264,049**	277,094
Others		**5,985,506**	6,240,322
		₱453,124,346	₱409,425,087

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 after the reporting period.

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

12. **Loans Payable**

This account consists of:

	2021	2020
Short-term loans	**₱26,000,000**	₱256,000,000
Long-term loans:		
MMDC	**414,368,186**	210,275,436
AMPI	**–**	156,230,131
	440,368,186	622,505,567
Less current portion	**231,260,318**	335,975,945
Noncurrent portion	**₱209,107,868**	₱286,529,622

MMDC
In 2021, MMDC entered into a six (6)-year ₱208.0 million term loan facility agreement with a local bank secured by a real estate mortgage with a carrying value of ₱145.0 million executed by the Group and one of its stockholders, Bright Kindle Resources & Investments, Inc. The loan is subject to an interest floor rate of 6% or prevailing interest rate at loan drawdown, whichever is higher. Total loan drawdowns in 2021 amounted to ₱179.7 million.

On February 18, 2020, the Group'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. Interest rate in 2021 is at 7.55%. The loan is secured by shares of MMDC and shares held in BGRC. Principal payments are payable quarterly starting May 18, 2021 until maturity.

The short-term loans amounting to ₱26.0 million as at December 31, 2021 and 2020 pertains to a related party loan (see Note 13).

AMPI
On September 21, 2018, AMPI obtained a five-year promissory note of ₱200.0 million which will be used to finance AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.0% subject to monthly repricing. The principal is due on maturity. In 2021, the loan was fully paid.

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

Principal amount	₱157,142,857
Unamortized debt-issue cost	(912,726)
	₱156,230,131

Movements of unamortized debt-issue costs are as follows:

	Note	2021	2020
Balance at beginning of year		**₱912,726**	₱1,145,561
Amortization	26	**(912,726)**	(232,835)
Balance at end of year		**₱–**	₱912,726

Movements in the loans payable follows:

	2021	2020
Balance at beginning of year	**₱622,505,567**	₱719,069,378
Payments	**(362,778,837)**	(96,796,646)
Amortization of debt-issue cost	**912,726**	232,835
Availment	**179,728,730**	–
Balance at end of year	**₱440,368,186**	₱622,505,567

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

	Note	2021	2020	2019
Loans payable		**₱47,772,840**	₱61,219,396	₱60,759,992
Provision for mine rehabilitation and decommissioning	15	**1,839,625**	3,040,465	654,498
Debt issue cost		**912,726**	232,835	216,157
		₱50,525,191	₱64,492,696	₱61,630,647

Accrued interest payable amounted to ₱3.3 million and ₱0.3 million as at December 31, 2021 and 2020, respectively (see Note 11).

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

Not later than one (1) year	₱205,260,318
Later than one year but not more than five (5) years	209,107,868
	₱414,368,186

13. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

		Transaction Amounts		Outstanding Balances		
	Note	**2021**	2020	**2021**	2020	Nature and Terms
Advances to related parties		**₱9,856,875**	₱12,187,198	**₱10,767,041**	₱39,179,557	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		–	₱29,423,853	**₱11,318,602**	₱140,272,674	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	12	**₱–**	₱–	**₱26,000,000**	₱26,000,000	Short-term loan; unsecured; interest-bearing; payable on demand

As at December 31, 2021 and 2020, the Group has not provided any allowance for ECL for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

Compensation of Key Management Personnel
Compensation of key management personnel, which consists of salaries and other benefits, amounted to ₱48.7 million, ₱84.3 million and ₱80.0 million in 2021, 2020 and 2019, respectively. Retirement benefit expense of key management personnel amounted to ₱2.6 million, ₱2.8 million and ₱2.4 million in 2021, 2020, and 2019, respectively.

14. Provision for Mine Rehabilitation and Decommissioning

Movements in this account are as follows:

	Note	2021	2020
Balance at beginning of year		**₱55,675,292**	₱52,634,827
Accretion of interest	12	**1,839,625**	3,040,465
Balance at end of year		**₱57,514,917**	₱55,675,292

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

15. Retirement Benefit Liability

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

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2021.

The principal actuarial assumptions used to determine retirement benefit liability for 2021 and 2020 are as follows:

	2021	2020
Discount rates	**4.90% - 5.00%**	3.53% - 3.64%
Salary increase rates	**4.00%**	3.00%

The plan exposes the Group to actuarial risks, such as interest rate risk and salary risk.
The components of retirement benefit expense presented under "Operating expenses" account in profit or loss are as follows:

	2021	2020	2019
Current service cost	**₱7,116,859**	₱5,416,152	₱4,735,379
Net interest cost	**1,205,388**	1,820,256	1,660,320
Past service cost	–	1,356,180	2,306,965
	₱8,322,247	₱8,592,588	₱8,702,664

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2021 and 2020 and changes in the present value of defined benefit obligation are as follows:

	2021	2020
Balance at beginning of year	**₱33,160,260**	₱37,395,071
Retirement benefits expense recognized in profit or loss:		
Current service cost	**7,116,859**	5,416,152
Net interest cost	**1,205,388**	1,820,256
Past service cost	–	1,356,180
Remeasurement losses (gains) recognized in OCI:		
Changes in financial assumptions	**(1,431,932)**	4,115,333
Deviations of experience from assumptions	**(894,606)**	(1,031,037)
Benefits paid	–	(15,911,695)
Balance at end of year	**₱39,155,969**	₱33,160,260

Sensitivity analysis on defined benefit obligation as at December 31, 2021 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(3,317,594)
	-1%	3,998,083
Salary increase rate	+1%	3,977,495
	-1%	(3,394,471)

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

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

The cumulative remeasurement gains recognized in OCI are as follows:

		2021	
	Cumulative Remeasurement Gains	**Deferred Tax Liability (see Note 20)**	**Net Remeasurement Gain**
Balance at beginning of year	**₱45,549,769**	**(₱13,664,931)**	**₱31,884,838**
Actuarial gain	**2,326,538**	**(581,635)**	**1,744,903**
Effect of change in tax rate	–	**2,277,489**	**2,277,489**
Balance at end of year	**₱47,876,307**	**(₱11,969,077)**	**₱35,907,230**

	2020		
	Cumulative Remeasurement Gains	Deferred Tax Liability (see Note 20)	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

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

16. Equity

Details of the Group's capital stock with 1 par value as at and for the years ended December 31, 2021, 2020 and 2019 follows:

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

In 2021, the Parent Company declared dividends of ₱0.13 per share or a total of ₱391.9 million to all stockholders on record as of December 7, 2021 with payment date of January 4, 2022.

Dividends payable amounted to ₱381.9 million and ₱4.7 million as at December 31, 2021 and 2020.

17. Cost of Sales

This account consists of:

	Note	**2021**	2020	2019
Contractual services		**₱1,363,580,313**	₱1,032,007,627	₱451,977,196
Production overhead		**241,180,878**	191,272,884	87,560,434
Depletion	9	**197,202,195**	174,132,163	61,542,082
Personnel costs		**165,120,325**	156,709,857	100,638,603
Excise tax		**155,603,734**	115,067,052	57,301,364
Demurrage costs		**107,856,112**	15,345,621	4,113,200
Depreciation	8	**6,208,768**	13,575,789	15,920,112
		2,236,752,325	1,698,110,993	779,052,991
Net movements in inventories		**(70,091,352)**	(50,283,424)	68,922,379
		₱2,166,660,973	₱1,647,827,569	₱847,975,370

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.

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

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

18. Operating Expenses

This account consists of:

	Note	**2021**	2020	2019
Provision for ECL	5	**₱159,402,782**	₱20,000,000	₱20,000,000
Environmental expenses	21	**94,305,139**	146,929,598	56,042,520
Taxes and licenses		**80,105,584**	73,958,234	37,415,478
Salaries and allowances		**79,609,228**	80,197,516	102,984,634
Professional fees		**51,456,531**	39,554,245	33,315,431
Depreciation and amortization	8	**41,017,079**	35,290,411	52,218,327
Royalties	21	**40,845,980**	30,205,101	14,857,247
Social development programs	21	**24,144,382**	39,688,936	16,279,884
Community relations		**19,192,957**	11,529,160	11,034,181
Provision for obsolescence	7	**15,558,092**	–	–
Outside services		**13,804,099**	11,451,722	10,786,391
Representation		**9,807,890**	12,367,183	4,120,691
Retirement benefit expense	14	**8,322,247**	8,592,588	8,702,664
Communication, light and water		**4,104,100**	6,029,291	5,889,692
Dues and subscriptions		**3,000,082**	3,217,161	3,153,260
Rent expense	21	**2,142,641**	323,302	645,034
Transportation and travel		**1,234,043**	2,129,059	5,709,344
Others		**41,881,370**	50,583,365	24,828,618
		₱689,934,226	₱572,046,872	₱407,983,396

Others include fines and penalties imposed by government agencies.

19. Other Income

This account consists of:

	2021	2020	2019
Foreign exchange gain	**₱2,852,800**	₱1,371,735	₱1,261,403
Others	**24,114,006**	35,034,571	9,516,320
	₱26,966,806	₱36,406,306	₱10,777,723

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

20. Income Taxes

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

	2021	2020	2019
Current	**₱314,908,863**	₱261,173,036	₱12,337,430
Deferred	**(14,266,280)**	(6,738,992)	75,779,116
Effect of change in tax rate	**(45,044,616)**	–	–
	₱255,597,967	₱254,434,044	₱88,116,546

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

	2021	2020	2019
Income tax at statutory rate	**₱253,010,206**	₱188,844,453	₱37,787,686
Effect of change in tax rate	**(22,241,822)**	–	–
Changes in unrecognized deferred tax assets	**(21,978,012)**	17,208,380	23,990,659
Add (deduct) income tax effects of:			
Expired NOLCO	**24,877,552**	8,041,460	4,122,716
Nondeductible expenses	**22,062,655**	38,851,805	20,477,569
Interest income subjected to final tax	**(150,372)**	(229,814)	(70,964)
Expired MCIT	**17,760**	1,717,760	1,808,880
	₱255,597,967	₱254,434,044	₱88,116,546

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

	2021	2020
Deferred tax assets:		
Allowance for ECL on receivables	**₱36,415,753**	₱24,020,408
Retirement benefit liability	**9,134,075**	9,294,996
Allowance for obsolescence on mining supplies	**3,889,523**	–
Provision for mine rehabilitation	**3,429,196**	3,563,148
	52,868,547	36,878,552
Deferred tax liabilities:		
Unrealized foreign exchange gain	**(713,200)**	(411,521)
Debt issue cost	–	(273,817)
	(713,200)	(685,338)
	₱52,155,347	₱36,193,214

The presentation of net deferred tax assets are as follows:

	Note	2021	2020
Through profit or loss		**₱53,084,856**	₱49,858,145
Through other comprehensive income	18	**(929,509)**	(13,664,931)
		₱52,155,347	₱36,193,214

The Group's deferred tax liability amounting to ₱442.0 million and ₱465.3 million as at December 31, 2021 and 2020, respectively, 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.

	2021	2020
NOLCO	**₱64,340,988**	₱86,306,189
Retirement benefit liability	**2,831,355**	2,829,520
Excess MCIT over RCIT	**17,271**	32,560
	₱67,189,614	₱89,168,269

Details of NOLCO of the Group are as follows:

Year Incurred	Expiry Date	Amount	Applied	Expired	Balance
2021	2026	₱69,189,004	₱–	₱–	₱69,189,004
2020	2025	89,254,500	–	–	89,254,500
2019	2022	98,920,446	–	–	98,920,446
2018	2021	99,510,205	–	(99,510,205)	–
		₱356,874,155	₱–	(₱99,510,205)	₱257,363,950

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

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

Year Incurred	Expiry Date	Amount	Applied	Expired	Balance
2021	2024	₱2,471	₱–	₱–	₱2,471
2019	2022	2,432,232	(2,417,432)	–	14,800
2018	2021	1,787,769	(1,770,009)	(17,760)	–
		₱4,222,472	(₱4,187,441)	(₱17,760)	₱17,271

<u>Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act</u>

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises ("CREATE") was approved and signed into law by the country's 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 became effective beginning July 1, 2020. However, the effect of the change in income tax rate in 2020 is reflected in 2021 in accordance with the accounting standard. Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2021 and 2020 are 25% and 30% for RCIT and 1% and 2% for MCIT, respectively.

21. Commitments

<u>Social and Environmental Responsibilities</u>

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 Group provides an annual budget for SDMP projects that focus on health, education, livelihood, public utilities and socio-cultural preservation. The implementation of the program is monitored by the MGB.

The Group's implemented social development programs to host communities amounted to ₱24.1 million, ₱39.7 million and ₱16.3 million in 2021, 2020 and 2019, respectively (see Note 18).

Environmental Protection and Enhancement Program (EPEP)

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

The Group is required to set up a fund to ensure compliance with the program. The balance of the fund, presented as RCF under "Other noncurrent assets" account, amounted to ₱5.6 million and ₱5.5 million as at December 31, 2021 and 2020, respectively.

The Group implemented projects amounting to ₱94.3 million, ₱146.9 million and ₱56.0 million in 2021, 2020 and 2019, respectively (see Note 18).

Royalty Agreement

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

Royalty expense amounted to ₱40.8 million, ₱30.2 million, ₱14.9 million in 2021, 2020 and 2019, respectively (see Note 18).

<u>Lease Commitment</u>

The Group leases an office space for its operations. Rental deposit amounted to ₱0.3 and ₱0.4 million as at December 31, 2021 and 2020 (see Note 10).

Rental expense arising from short-term leases amounted to ₱2.1 million, ₱0.3 million and ₱0.6 million in 2021, 2020 and 2019, respectively (see Note 18).

22. Earnings Per Share

Earnings per share are computed as follows:

	2021	2020	2019
Net income shown in the consolidated statements of comprehensive income (a)	**₱756,442,856**	₱375,047,465	₱37,842,406
Weighted average number of common shares (b)	**3,014,820,305**	3,014,820,305	3,014,820,305
Basic earnings per share (a/b)	**₱0.251**	₱0.124	₱0.013

The Group does not have potentially dilutive common shares.

23. Contingencies

<u>Cancellation of MMDC's MPSA</u>

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, the Group 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 July 1, 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President 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, 2021, 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 MMDC may continue its operations because the execution of the Order of the DENR Secretary is deemed automatically stayed as a matter of law on account of the pendency of the MMDC's appeal, as likewise confirmed by the Office of the President.

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

MMDC has continuously been granted the necessary regulatory permits and licenses to operate, including but not limited to Discharge Permits, Ore Transport Permits and Mineral Ore Export Permits. As proof its compliance, MMDC has also secured a certification from the MGB as of March 17, 2022, attesting to the validity and existence of its MPSA and that MMDC has an approved DMPF covering its entire contract mining area as of October 15, 2014 and is being developed and utilized by virtue of an approved Three-Year Development/Utilization Work Program dated September 9, 2022 covering Calendar Years 2020 to 2022.

Moreover, MGB also certified that MMDC has complied with the terms and conditions of the MPSA and the pertinent provisions of R.A. No. 7942 or the Philippine Mining Act of 1995 and its Implementing Rules and Regulations.

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

BGRC

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

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

As at December 31, 2021, there are no developments regarding the Show-Cause Order. However, 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 and is allowed by law and the alleged impairment and damage in BGRC's 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

On May 18, 2020, the AMPI and BARI received a letter-approval of the DENR, through the MGB, granting the requested extension of the exploration period of the their MPSA from June 18, 2020 to June 18, 2022. As of March 28, 2022, AMPI and BARI received a favorable response granting its request for an additional two (2) year extension period (or until June 18, 2024) of the 3rd Exploration Period (CY 2018-2020; Extension: CY2020-2022) on the ground of force majeure.

Legal Proceedings

The Group 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 Group's financial position and results of operations.

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

General

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

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and loans payable. The primary purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments such as trade and other receivables (excluding advances to officers and employees), RCF, rental deposit, MTF, trade and other payables (excluding excise tax and other statutory payables and advances from customers), dividends payable and advances to and from related parties, which arise directly from operations. The main risks arising from the use of these financial instruments are foreign currency risk, 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 Group's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar with respect to US dollar-denominated financial assets.

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

The following table shows the Group's US dollar-denominated financial assets and their Philippine Peso equivalent as at December 31, 2021 and 2020:

	2021		2020	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Cash in banks	**₱150,993,220**	**$2,961,232**	₱142,812,658	$2,974,025
Trade receivables	**469,088,519**	**$9,199,618**	586,334,701	12,210,219
	₱620,081,739	**$12,160,850**	₱729,147,359	$15,184,244

For purposes of restating the outstanding balances of the Group's US dollar-denominated financial assets as at December 31, 2021 and 2020, the exchange rates applied were ₱50.99 and ₱48.02 per US$1, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income before tax for the years ended December 31, 2021 and 2020 (due to changes in the fair value of financial assets). There is no other impact on the Group's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2021	**+2.15**	**₱13,331,757**
	-2.15	**(13,331,757)**
December 31, 2020	+2.28	16,624,560
	-2.28	(16,624,560)

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 Group 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 Group'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 Group'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, 2021 and 2020.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2021	**+3.11%**	**(₱1,571,333)**
	-3.11%	**1,571,333**
December 31, 2020	+2.70%	(1,741,303)
	-2.70%	1,741,303

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

The tables below show the credit quality per class of financial assets as at December 31, 2021 and 2020.

	2021						
			Past Due but not Impaired				
	High Grade	**Standard Grade**	**1 – 30 Days**	**31 – 90 Days**	**More than 90 Days**	**Impaired**	**Total**
Lifetime ECL (not credit impaired):							
Trade and other receivables*	**₱–**	**11,977,178**	**₱–**	**₱201,779,084**	**₱115,082,864**	**₱152,226,571**	**₱481,065,697**
12 - month ECL:							
Cash in banks	**800,679,131**	–	–	–	–	–	**800,679,131**
Advances to related parties	–	**10,767,041**	–	–	–	–	**10,767,041**
RCF and MTF	**5,734,592**	–	–	–	–	–	**5,734,592**
Rental deposit	–	**363,250**	–	–	–	–	**363,250**
	806,413,723	**11,130,291**	–	–	–	–	**817,544,014**
	₱806,413,723	**₱23,107,469**	**₱–**	**₱201,779,084**	**₱115,082,864**	**₱152,226,571**	**₱1,298,609,711**

**Excluding advances to officers and employees amounting to ₱22.8 million as at December 31, 2021.*

	2020						
			Past Due but not Impaired				
	High Grade	Standard Grade	1 – 30 Days	31 – 90 Days	More than 90 Days	Impaired	Total
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.*

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

For other financial assets consisting of cash in banks, advances to related parties, RCF, MTF and rental deposit, the Group established controls and procedures on its credit policy to determine and monitor the credit worthiness of counterparties.

The credit quality of the financial assets is managed by the Group using internal credit quality ratings. High grade accounts consist of receivable from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Group 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 Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal and interest payments. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2021 and 2020, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

	2021					
	On Demand	**Less than three months**	**Three to six months**	**More than six months to one year**	**More than one year**	**Total**
Trade and other payables*	**₱9,249,554**	**₱43,643,713**	**₱140,375,562**	**₱–**	**₱–**	**₱193,268,829**
Dividends payable	**381,945,355**	**–**	**–**	**–**	**–**	**381,945,355**
Loans payable**	**26,000,000**	**57,883,350**	**57,090,594**	**111,872,773**	**237,930,452**	**490,777,169**
Advances from a related party	**11,318,602**	**–**	**–**	**–**	**–**	**11,318,602**
	₱428,513,511	**₱101,527,063**	**₱197,466,156**	**₱111,872,773**	**₱237,930,452**	**₱1,077,309,955**

**Excluding excise tax and other statutory payables and advances from customers aggregating to ₱259.9 million as at December 31, 2021.*
***Including interest payable up to maturity amounting to ₱50.4 million as at December 31, 2021.*

	2020					
	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	Total
Trade and other payables*	₱6,517,416	₱24,435,258	₱149,953,857	₱–	₱–	₱180,906,531
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
	₱409,927,939	₱47,885,162	₱197,954,478	₱94,548,567	₱247,977,330	₱998,293,476

**Excluding excise tax and other statutory payables and advances from customers aggregating to ₱228.5 million as at December 31, 2020.*
***Including interest payable up to maturity amounting to ₱49.9 million as at December 31, 2020.*

Fair Value of Financial Assets and Financial Liabilities

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

	2021		2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Cash	**₱801,051,844**	**₱801,051,844**	₱241,951,074	₱241,951,074
Trade and other receivables*	**328,839,126**	**328,839,126**	507,911,554	507,911,554
Advances to related parties	**10,767,041**	**10,767,041**	39,179,557	39,179,557
RCF and MTF	**5,734,592**	**5,734,592**	5,711,559	5,711,559
Rental deposit	**363,250**	**363,250**	363,250	363,250
	₱1,146,755,853	**₱1,146,755,853**	₱795,116,994	₱795,116,994
Financial Liabilities				
Trade and other payables**	**193,268,829**	**193,268,829**	180,906,531	180,906,531
Dividends payable	**381,945,355**	**381,945,355**	4,707,886	4,707,886
Loans payable	**440,368,186**	**426,350,535**	622,505,567	649,932,918
Advances from related parties	**11,318,602**	**11,318,602**	140,272,674	140,272,674
	₱1,026,900,972	**₱1,012,883,321**	₱948,392,658	₱975,820,009

**Excluding advances to officers and employees amounting to ₱22.8 million and ₱34.3 million as at December 31, 2021 and 2020, respectively.*
***Excluding excise tax and other statutory payables and advances from customers amounting to ₱259.9 million and ₱228.5 million as at December 31, 2021 and 2020, respectively.*

Cash, Trade and Other Receivables (excluding advances to officers and employees), Advances to Related Parties, RCF, MTF, Trade and Other Payables (excluding excise tax and other statutory payables and advances from customers), Dividends Payable and Advances from Related Parties.

Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

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

Loans Payable. Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDST-R2 rates ranging from 1.79% to 4.37% that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

25. Capital Management Objectives, Policies and Procedures

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

26. Notes to Consolidated Statements of Cash Flows

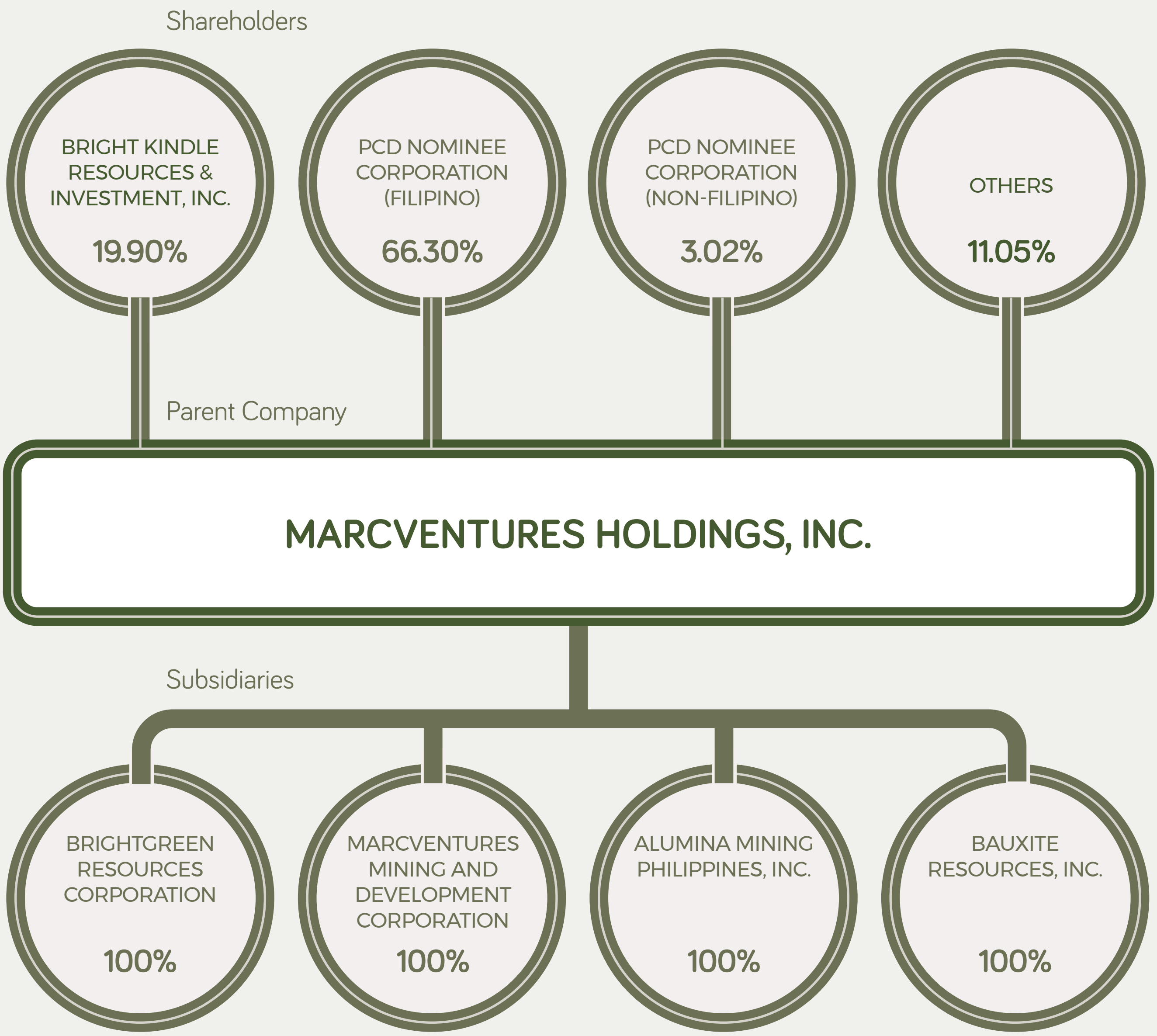
The table below details changes in the liabilities and equity of the Group arising from financing activities, including both cash and non-cash changes.

	2021		
	Loans Payable (see Note 12)	**Accrued (Prepaid) Interest (see Note 11)**	**Total**
Balance at beginning of year	**₱622,505,567**	**(₱526,081)**	**₱621,979,486**
Cash flows from financing activities:			
Payments of:			
Loans payable	**(362,778,837)**	**–**	**(362,778,837)**
Interest	**–**	**(43,982,710)**	**(43,982,710)**
Availment of loans	**179,728,730**	**–**	**179,728,730**
Noncash changes:			
Amortization of debt issue costs	**912,726**	**–**	**912,726**
Interest expense	**–**	**47,772,840**	**47,772,840**
Balance at end of year	**₱440,368,186**	**₱3,264,049**	**₱443,632,235**

	2020		
	Loans Payable (see Note 12)	Accrued (Prepaid) Interest (see Note 11)	Total
Balance at beginning of year	₱719,069,378	₱5,327,094	₱724,396,472
Cash flows from financing activities:			
Payments of:			
Loans payable	(96,796,646)	–	(96,796,646)
Interest	–	(67,072,571)	(67,072,571)
Noncash changes:			
Amortization of debt issue costs	232,835	–	232,835
Interest expense	–	61,219,396	61,219,396
Balance at end of year	₱622,505,567	(₱526,081)	₱621,979,486

CONGLOMERATE MAP

December 31, 2021



MARCVENTURES
HOLDINGS, INC.

4F BDO TOWERS PASEO (Formerly Citibank Center)
8741 PASEO DE ROXAS, MAKATI CITY
TELEPHONE NOS.: +63(2) 831-4479 +63(2) 831-4483
FAX NO.: +63(2) 856-7976

mhicorporate@marcventures.com.ph