



Apollo Global Capital

## **APOLLO GLOBAL CAPITAL, INC.**

(Incorporated in the Republic of the Philippines)

Primary Offer of **12,350,000,000** Common Shares  
at an Offer Price of **₱0.08** per Offer Share

**To be listed and traded on the Main Board of  
The Philippine Stock Exchange, Inc.**

*Issue Manager and Underwriter*



### **Selling Agents**

The Trading Participants of the Philippine Stock Exchange, Inc.

**The date of this Prospectus is August 13, 2021**

**THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.**

**Apollo Global Capital, Inc.**  
**Unit 504, Galleria Corporate Center**  
**EDSA corner Ortigas Ave.**  
**Brgy. Ugong Norte, Quezon City**  
**Telephone Number: (632) 8532-8654**  
**Corporate Website: <http://apolloglobalcapital.com>**

This Prospectus relates to the offer and sale of a total of 12,350,000,000 common shares at an Offer Price of ₱0.08, with a par value of ₱0.01 per share, of APOLLO GLOBAL CAPITAL, INC. (“APL”, “the Company” or “Issuer”). The Offer Shares will comprise of 12,350,000,000 new Shares to be issued and offered by the Company by way of a primary offer.

Pursuant to its latest amended articles of incorporation, approved by the SEC on November 07, 2016, the Company has an authorized capital stock of ₱6,000,000,000 divided into 600,000,000,000 Shares with a par value of ₱0.01 per share, of which 280,336,349,297 Shares are outstanding as of the date of this Prospectus. The Offer Period will be from August 16, 2021 to August 20, 2021.

The Offer Shares will be offered at a price of ₱0.08 per Offer Share. The “Determination of the Offer Price” is further discussed on page 69 of this Prospectus. A total of 292,686,349,297 common shares will be outstanding after the Offer. The Offer Shares will comprise 4.22% of the outstanding Shares after the Offer.

At an offer price of ₱0.08 per Offer Share, the total proceeds to be raised by the Company from the sale of the Offer Shares will be ₱988.0 million. The estimated net proceeds to be raised by the Company from the sale of the Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱34.9 million will be approximately ₱953.1 million. The Company intends to use the net proceeds it receives from the Offer primarily for the acquisition of a 49% stake in Poet Blue Ocean Offshore Services Pte. Ltd (PBO), who owns the MB Siphon I vessel, to be used for the offshore mining activities of JDVC Resources Corporation (JDVC), a subsidiary of the Company. For a detailed discussion on the proceeds from the Offer and the Company’s proposed use of proceeds, please see “Use of Proceeds” beginning on page 57 of this Prospectus.

The Underwriter will receive an Issue Management and Underwriting fee from the Company equivalent to 1.00% percentage of the gross proceeds from the sale of the Offer Shares with a cap of ₱8,000,000. For a more detailed discussion on the fees to be received by the Underwriter, see “Plan of Distribution” beginning on page 210 of this Prospectus.

Each holder of the Common Shares will be entitled to such dividends as may be declared by the Company’s Board of Directors (the “Board”), provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of the Company’s total outstanding capital stock. The Revised Corporation Code of the Philippines, Republic Act 11232 (the “Philippine Revised Corporation Code”), has defined “outstanding capital stock” as the total shares of stock issued, whether paid in full or not, except treasury shares. There can be no guarantee that the Company will pay any dividends in the future. See “Dividends and Dividend Policy” beginning on page 61 of this Prospectus.

The Offer Shares are being offered and sold by the Company at the Offer Price in the Philippines. The Underwriter will distribute 9,880,000,000 Offer Shares (or 80.0% of the Total Offer Shares) to its institutional clients and the general investing public.

Pursuant to the rules of The Philippine Stock Exchange, Inc. (“PSE”), the Company will make available 2,470,000,000 Offer Shares (or 20.0% of the total Offer Shares) for distribution to the Trading Participants of the PSE. Any Offer Shares allocated to the PSE Trading Participants but not taken up

by them, will be distributed by the Underwriter to its institutional or retail clients or the general public. Any Offer Shares not taken up by the Underwriter's institutional or retail clients or the general public shall be purchased by the Underwriter.

All of the Shares issued and to be issued or sold pursuant to the Offer have identical rights and privileges. The Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities. Because the Company's subsidiary, JDVC, is engaged in resource exploitation and mining activities, its foreign shareholdings may not exceed 40.0% of its issued and outstanding capital stock entitled to vote, and 40.0% of its total issued and outstanding capital stock, whether or not entitled to vote. See "Regulatory and Environmental Matters – Foreign Ownership Controls."

The Underwriter will underwrite, on a firm commitment basis, the Offer Shares relating to the Offer in the Philippines.

As of the date of this Prospectus, the Company and its subsidiary, JDVC, possess all required permits and licenses for its current businesses and/or have applied for the renewal of said permits and licenses. Neither the Company nor JDVC has received any decision or order from the Government for the cessation or suspension of its businesses as of the date of this Prospectus.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company, which has taken reasonable care to ensure that such is the case, confirms that, as of the date of this Prospectus, the information contained in this Prospectus relating to it and its operations is correct, and that there is no material misstatement or omission of fact that will make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same.

The Company and the Underwriter have exercised due diligence in ascertaining that all material representations contained in this Prospectus are true and correct and that no material information was omitted that was necessary in order to make the statements contained in said documents not misleading.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- Risks relating to the Company's existing business and industry;
- Risks relating to COVID-19
- Risks relating to the Philippines; and
- Risks relating to the Offer and the Offer Shares
- Risks relating to Certain Statistical Information in this Prospectus

Please refer to the section entitled "Risk Factors" beginning on page 26 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

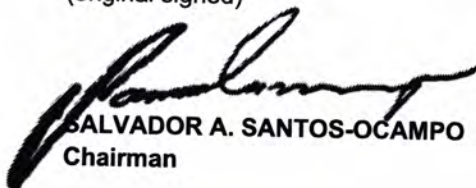
The Shares are (and, upon close of the Offer, the Offer Shares will be) listed on the PSE under the trading symbol “APL.” On August 12 2021, the closing price of the Shares on the PSE was ₱0.116. The Offer Price will be determined by the Company and the Underwriter through a book-building process and not by reference to the historical trading price of the Shares on the PSE. Investors should not rely on the historical market price of the Shares on the PSE as an indicator of the value of the Shares. See “Determination of the Offer Price.”

The SEC and the PSE assume no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The SEC and the PSE make no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or SEC.

The Offer Shares are offered subject to receipt and acceptance of any order by the Company and subject to its right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment to the PDTC on or about August 31, 2021.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED IS TRUE AND CURRENT.

By:  
(original signed)

  
SALVADOR A. SANTOS-OCAMPO  
Chairman

Republic of the Philippines )  
City of QUEZON CITY

Before me, a notary public in and for the city named above, personally appeared Salvador A. Santos-Ocampo, who was identified by me through competent evidence identity in the form of a Philippine passport, with No. \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_, to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this AUG 12 2021 day of QUEZON CITY 2021 at QUEZON CITY

Doc. No. 387  
Page No. 78 :  
Book No. VI :  
Series of 2021.

Atty. MANUEL A. DALUCAPAS  
Notary Public  
Atty Roll No. 29274  
Valid Until ~~December 31, 2021~~  
PTR No. 5522028 - 1-04-2021 Q.C.  
IBP No. 18353014 - 1-04-2021 Q.C.  
Adm. Matter No. NP 012 (2020-2021)  
MCLE Compliance No. v-0605813  
Matalino St. Diliman, Q.C.

**THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.**

The Offer Shares have not been and will not be registered under the U.S. Securities Act. The Offer Shares may be subject to certain transfer restrictions as described herein.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company and the Underwriter. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

The operating information used throughout this Prospectus has been calculated by the Company on the basis of certain assumptions made by it. As a result, this operating information may not be comparable to similar operating information reported by other companies.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Underwriter require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful.

The Company reserves the right to withdraw the offer and sale of the Offer Shares at any time, and the Underwriter reserves the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and the PSE. The Underwriter and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

**Conventions that Apply to this Prospectus**

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the “Group,” “we,” “our,” or “us” are to the Issuer and its subsidiaries (or the Issuer and any one or more of its subsidiaries, as the context may require). All references to the “Philippines” are references to the Republic of the Philippines. All references to the “Government” are to the national government of the Philippines. All references to the “BSP” are references to *Bangko Sentral ng Pilipinas*, the central bank of the Philippines. All references to “United States” or “U.S.” are to the United States of America. All references to “Philippine Peso,” “Pesos” and “₱” are to the lawful currency of the Philippines, and all references to “U.S. dollars” and “US\$” are to the lawful currency of the United States. The Company publishes its financial statements in Pesos.

This Prospectus contains translations of certain Peso amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all

translations from Pesos to U.S. dollars have been made at a rate of ₱50.00 = US\$1.00, the rates obtained from the BSP. See “Exchange Rates” for further information regarding the rates of exchange between the Peso and the U.S. dollar.

The items expressed in the Glossary of Terms may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

### **Cautionary Note Regarding Reserves and Resources**

Information contained in this Prospectus relating to estimates of JDVC’s mineral resources at the project was prepared by the competent persons identified as such in the PMRC Report. For more information on these estimates, see the PMRC Report attached hereto as Annex “A”. Information contained in this Prospectus relating to estimates of reserves and mineral resources at the Mine was also prepared by the competent persons identified as such in the PMRC Report. Unless otherwise stated herein, JDVC’s reserves and mineral resources reported in this Prospectus, have been estimated in accordance with the PMRC. JDVC’s magnetite iron ore reserves and mineral resources reported under the heading “Business – Mineral Resources and Reserves – PMRC, on page 102” in the PMRC Report have been estimated in accordance with the PMRC. The PMRC has been adopted by the PSE as the minimum reporting standard for listed mining companies in the Philippines. See “Risk Factors”. JDVC’s reserve and resource estimates may not accurately reflect its deposits, and inaccuracies or future reductions in JDVC’s reserve or resource estimates could have an adverse impact on APL’s business, results of operations, and financial condition, see “Business – Mineral Resources and Reserves on page 102”.

The differences between reserves and resources are more fully described under “Business – Mineral Resources and Reserves.” However, one should be aware that the reserves or resources declared are estimates of the ore that JDVC believes it will be able to profitably mine taking into account the economic, legal, and technical factors in its extraction and sale, while the resources classification is primarily based on geological factors (although such a declaration implies that there are reasonable prospects for the eventual economic extraction of the resource). However, such classifications are not forecasts of future profitability and one should not assume that JDVC will in fact be able to profitably extract the reserves and resources estimated in this Prospectus, particularly that portion of the estimated resources identified as “inferred resources”. When reserves and resources are reported under the PMRC, the ore reserve figures (tonnage and grade) are included within the mineral resource figures (tonnage and grade).

Estimates of reserves and mineral resources depend significantly on the interpretation of geological data obtained from drill holes and other sampling techniques, which is extrapolated to produce estimates of the size, shape, depth and grade of ore bodies. In addition, to calculate JDVC’s reserves, it makes estimates and assumptions regarding a number of economic and technical factors, such as production rates, grades, production and transport costs and prices. These economic and technical estimates and assumptions may change in the future in ways that affect the quality and quantity of JDVC’s reserves. JDVC generates additional geological data as it mines, which may not be consistent with the data on which JDVC based its reserves and resources estimates, resulting in changes to those estimates. No assurance can be given that the reserves and resources presented in this Prospectus will be recovered at the quality or yield presented.

### **Basis for Certain Industry Data**

Certain statistical information and forecasts in this Prospectus relating to the Philippines and other data used in this Prospectus has been extracted from various sources, most of which are publicly available. The industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, industry forecasts, market research, governmental data, publicly available

information, and/or industry publications, while believed to be reliable, have not been independently verified, and neither the Company nor the Underwriter make any representation as to the accuracy of such information.

Certain other market data and certain other industry forecasts used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Underwriter make any representation as to the accuracy of such information.

### **Metric Equivalent Table**

This Prospectus presents measurements in metric units. The table below shows the applicable calculations for converting imperial measurement units to metric units.

<b>Imperial Measurement Units</b>	<b>Multiply by</b>	<b>To Metric Measurement Units</b>
Tons	[1.1023]	Tonnes

### **Presentation of Financial Information**

The Company's financial statements are reported in Pesos and are prepared based on its accounting policies, which are in accordance with the PFRS issued by the Financial Reporting Standards Council of the Philippines.

The financial information of the Company for the years ended December 31, 2018, 2019, and 2020 represent the historical accounts of the Company on a consolidated basis. Unless otherwise stated, all financial information relating to the Company contained herein is stated in accordance with PFRS.

BDO Roxas Cruz Tagle and Co. has audited and rendered an unqualified audit report on the Company's audited financial statements for the year December 31, 2018. Meanwhile, Reyes Tacandong and Co. has audited and rendered an unqualified audit report on the Company's audited financial statements for the year December 31, 2019. Valdes Abad & Company has audited and rendered an unqualified audit report on the Company's audited financial statements for the year December 31, 2020.

Certain production and shipment data shown in this Prospectus is shown using a calendar year ended December 31, which is in line with the Company's mine plan and the mining season, which generally runs from February to August of each year.

In this Prospectus, references to "EBITDA" are to gross profit less operating expenses plus depreciation, depletion, and amortization. EBITDA is not a measure of performance under IFRS or PFRS, and investors should not consider EBITDA in isolation or as alternatives to net profit as an indicator of the Company's operating performance or to cash flow from operating, investing, and financing activities as a measure of liquidity or any other measures of performance under PFRS. Because there are various EBITDA calculation methods, the Company's presentation of these measures may not be comparable to similarly titled measures used by other companies.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures that totals may not be an arithmetic aggregate of their components.



## Forward-Looking Statements

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks;
- business prospects (including the timing and development of new deposits and the success of exploration activities);
- uncertainties and other factors that may cause the Company's actual results, performance, or achievements to be materially different from expected future results; and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance, or achievements to differ materially from those in the forward-looking statements include, among other things:

- Risks relating to the Company's existing business and industry;
- Risks relating to COVID-19
- Risks relating to the Philippines; and
- Risks relating to the Offer and the Offer Shares.
- Risks relating to Certain Statistical Information in this Prospectus

Additional factors that could cause the Company's actual results, performance, or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Underwriter expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

**This Prospectus includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Company accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Company's expectations.**

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## GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms have the meanings set out below.

### Glossary of Terms Related to the Offer

Agbiag Mining or Agbiag	Agbiag Mining and Development Corporation is the main and duly registered offshore mining operator for JDVC Resources Corp. The Agreement between Agbiag Mining and JDVC is duly recognized by DENR-MGB. Agbiag is authorized to engage EPC Contractors. It is the first legal Offshore Mining Company awarded with all valid statutory permits from DENR-MGB.
APL or The Company	Apollo Global Capital Inc.  APL is the PSE-listed parent company of JDVC, and the entity that will receive 90.47% of all royalties collected by JDVC and/or Agbiag Mining.
ATRMBTC	Advanced Technology Resources Mining and Business Process Technology Provider Corp will be the specialist in the field of Offshore mining and will assist the Company in preparing and organizing all necessary documents for Offshore Mining and Exploration work
Black Sand	Magnetite iron sand that has diverse industrial applications.
Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO)	Is the local Equipment Supply, Procurement Contractor (EPC) duly designated by Poet Blue Ocean Offshore Services PTE. LTD, and is the local counterpart of ODMS. Agbiag Mining has given CBO the rights to mine 900 hectares inside the 1,897.02 hectares' exclusive zone given by JDVC to Agbiag
Contract Area	The offshore area delineated under the Mineral Production Sharing Agreement after the relinquishment obligations of JDVC, under MPSA No. 338-2010-11-OMR Amended-A, it consists of an offshore area of 1,897.0242 hectares situated at the offshore area of Gonzaga, Cagayan, 15 kilometers from the shoreline.
CFR	Cost and Freight is a legal term used in international trade wherein the seller has the obligation to arrange and pay for transport to the named port
Crude Steel	Steel in the first solid state after melting, suitable for further processing or for sale. Synonymous with raw steel.

Blast Furnace	a furnace used in integrated steelmaking in which coal and iron ore (sinters or pellets) react together under a hot air flow to form liquid hot metal (pig iron).
BGRMC	Bo Go Resources Mining Corporation, a corporation duly organized and existing under the laws of the Republic of the Philippines. BGRMC's nature of business is mining.  BGRMC was initially granted to the MPSA in June 2010, which was transferred to JDVC on January 25, 2013. There are no relationship between BGRMC and the Company.
Electric Arc Furnace	a furnace that heats charged material by means of electric breakdown of a gas that produces a continuous electrical discharge. Modern EAFs efficiently recycle steel scrap, allowing up to 100% feedstock.
EPC	Equipment Supply and Procurement Contractor
Fe	Iron
FTAA	Financial or Technical Assistance Agreement. A Financial or Technical Assistance Agreement may be entered into between a Contractor and the Government for the large-scale exploration, development and utilization of gold, copper, nickel, chromite, lead, zinc and other minerals except for cement raw materials, marble, granite, sand and gravel and construction aggregates.
Group	The Company and its subsidiary (or the Company and JDVC, as the context may require)
Indicated Mineral Resource	The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.  It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

Inferred Mineral Resource	<p>The part of a Mineral Resource in which tonnage, grade and mineral content can be estimated with a low level of confidence.</p> <p>It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes which may be limited or of uncertain quality and reliability. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource.</p>
Iron Ore	iron bearing material that can be economically used at a particular place and time under then current cost and market price conditions
Iron Ore Fines	consists entirely of small particles, with a specified upper size limit in the range of 10mm to 6.3mm.
Iron Ore Resource	potential iron ore known to exist
Iron Ore Reserve	iron ore resources that can be economically mined at the time of determination. Iron ore reserves are subdivided into Probable Ore Reserves and Proven Ore Reserves.
JDVCRC or JDVC	JDVC Resources Corporation is a domestic corporation duly registered with the Securities and Exchange Commission for the business purpose of offshore large scale high grade magnetite mining. JDVC Resources Corporation is the mine tenement owner of the mining area. JDVC is a 90.47% owned subsidiary by APL.
Kinetic	Kinetic Holdings Corp. is a domestic corporation duly organized and existing by virtue of the laws of the Philippines. It is one of the EPCs engaged by Agbiag Mining.
Magnetite Iron Sand or Magnetite Iron Ore	<p>Magnetite iron sand or Magnetite iron ore are primarily used as an additive to construction-quality steel often mined as an ore of iron, and lately, through the use of magnetic separator processing plant and chemical intervention.</p> <p>Magnetite iron sand is the technical term for the mineral that will be subject to legal commercial extraction by the Group under this project.</p>

Marine Sand	Refers to the sand eroded by sea water without desalination, mostly from the junction of sea water and rivers, containing corrosive salts. For this project, it refers to the tailings that are produced as the magnetite sand is processed through three-stage magnetic separators. Marine sand can be used as reclamation sand for reclamation projects locally and internationally.
Measured Mineral Resource	<p>The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.</p> <p>It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaced closely enough to confirm geological and grade continuity.</p>
MB Siphon I	The science and technology-based siphon vessel that the Group will use to commercially extract magnetite iron sand and marine sand from its mine tenement. This siphon vessel has magnetic separators, ejector system with pump facilities, for deep water siphon, washer, drying apparatus, and loading facilities for mineral transfer to either inventory barges or direct to export mother vessels.
Mineral Trading Partners or MTP	Selling entities who will act as traders to transact Purchase and Sales Contracts with smelter plants in China and other countries
Mineralogic Resources Corporation	<p>A domestic corporation duly organized and existing by virtue of the laws of the Philippines with principal office at Quezon City. It is one of the EPCs engaged by Agbiag Mining.</p> <p>CBO gave Mineralogic Resources Corporation the rights to mine 200 hectares inside the 900 hectares' exclusive zone given by Agbiag with acknowledgement from JDVC.</p> <p>The remaining 800 hectares is allocated between CBO, Kinetic, Northern Orient Resources Development Corporation, and Royal Line.</p>
Mines Consortium Agreement	These are the Agreements JDVC entered into, initially with five (5) different proponents namely Cagayan Blue Ocean Offshore Aquamarine Services Corporation, Mineralogic Resources Corporation, Kinetic Holdings Corp., Northern

	<p>Orient Resources Development Corporation, and Royal Line Corporation.</p> <p>Each of these proponents has been given the right and privileges to occupy, explore, develop, utilize, and mine over a certain area assigned to them, within the mine tenement of the Group in the offshore areas of Gonzaga, Cagayan. Their agreements with JDVC are on a revenue-sharing basis and under royalty fee arrangements which is the first mode of revenue of the Company. They are in effect JDVC's oftakers and they will have their own international buyers. This is the document used by Agbiag Mining to engage EPCs in various contracts.</p>
MOEP	<p>Mine Ore Export Permit is the document duly processed by the Bureau of Internal Revenue for the payment of the 4% excise tax and the 5% mineral reservation fees to DENR-MGB (Philippine Government) that will serve as the permit to load to the export mother vessel the minerals produced.</p>
MPSA	<p>Mineral Production Sharing Agreement</p>
MPSA No. 338-2010-II-OMR Amended-A	<p>Mineral Production Sharing Agreement dated June 9, 2010 by and between BGRMC and the Republic of the Philippines represented by the Secretary of the Department of Environment and Natural Resources;</p> <p>Deed of Assignment between BGRMC and JDVC transferring the ownership of the MPSA Contract to JDVC on November 25, 2011; duly approved and confirmed by both company's Board of Directors Resolutions and Corporate Secretary's Certifications. The same Deed of Assignment was duly registered with the DENR-MGB Region II, Tuguegarao City, Cagayan on 27, January 2012. It was duly approved on January 25, 2013 by the DENR Secretary Ramon J. P. Paje as recommended by MGB Director Leo L. Jasareno.</p>
MV Falcon	<p>A scientific research and survey vessel from Singapore that was engaged by JDVC in order to prove and confirm the major requirements of a successful offshore operation.</p>
Northern Orient Resources Development Corp.	<p>a domestic corporation duly organized and existing by virtue of the laws of the Philippines with principal office in Pasig City. CBO gave Northern Orient Resources Development Corporation the rights to mine 100 hectares inside the 900 hectares' exclusive zone given by Agbiag with acknowledgement from JDVC.</p>

	The remaining 800 hectares is allocated between CBO, Mineralogic Resources Corporation, and Royal Line.
ODMS	Offshore Drilling and Mining Services PTE LTD is responsible for all operating costs relating to the offshore mining. ODMS is an EPC duly designated by PBO.
Offshore Mining	Also called deep sea mining, offshore mining is a mineral retrieval process that takes place on the ocean floor. In this case, the project is located fifteen (15) kilometers away from the shore, towards the middle of the ocean, and the minerals to be extracted are magnetite iron sand, forty (40) to eighty (80) meters below the ocean floor. It will involve the use of science-based and technologically built deep sea mining vessels that are environmentally safe and ecologically balanced.
Offshore Mining Chamber of the Philippines	An advocacy group and organization with memberships for purposes of enhancing and promoting environmentally safe and ecologically balanced offshore mining in the Philippines. Offshore mining companies have organized among themselves this mining chamber to promote responsible mining and become an economic driver for nation-building through mineral export and tax contributions.
Offshore Mining Guidelines	Refers to the Offshore Mining of Republic Act (RA) No. 2942, otherwise known as the Philippine Mining Act of 1995, and its implementing rules and regulations (IRR) dated May 16, 2016
Onshore Mining	Mining or extraction of minerals or other geological materials from the land surface or from underground, usually open pit mining.
Pig Iron	crude iron as first obtained from a smelting furnace, in the form of oblong blocks
Philippine. Mining Act of 1995	Philippine. Mining Act of 1995 is the main policy/ legislation which governs all mining operations in the country and includes various measures to protect the environment and defines areas in which mining can be allowed.
PNP	Philippine National Police
PBO	Poet Blue Ocean Offshore Services Pte. Ltd is the owner of the Panama registered siphon vessel, MB Siphon I, which is 51% owned by Singaporean investors, and 49% by Filipino investors



Purchase and Sales Contract for Magnetite Iron Sand	This is the second mode of revenue royalty fee generation by JDVC and Agbiag Mining from its mineral trading partners for Apollo Global Capital (APL)
Purchase and Sales Agreement for Marine Sand	This is the third mode of revenue royalty fee generation by JDVC and Agbiag Mining from its mineral trading partners for Apollo Global Capital (APL)
Royal Line	<p>Royal Line Corp. is a domestic corporation duly organized and existing by virtue of the laws of the Philippines with principal office at Pasay City. It is one of the EPCs engaged by Agbiag Mining.</p> <p>CBO gave Royal Line the rights to mine 300 hectares inside the 900 hectares' exclusive zone given by Agbiag with acknowledgement from JDVC.</p> <p>The remaining 800 hectares is allocated between CBO, Mineralogic Resources Corporation, and Northern Orient Resources Development Corp.</p>

#### **Glossary of Other Terms Related to the Offer**

Applicant	A person, whether natural or juridical, who seeks to subscribe to the Offer Shares by submitting an Application under the terms and conditions prescribed in this Prospectus
Application	An application to subscribe to Offer Shares pursuant to the Offer
Banking Day	A day (except Saturdays, Sundays and holidays) on which banks in the Philippines are open for business
BDO Roxas Cruz Tagle and Co.	BDO Roxas Cruz Tagle and Co. (formerly Alba Romeo & Co.) is the member firm of BDO International Ltd., the 5th largest professional network of public accounting, tax and advisory firms worldwide. Former auditor of APL.
BI	Bureau of Immigration
BIR	Bureau of Internal Revenue
Board	The Company's Board of Directors
BSP	Bangko Sentral ng Pilipinas, the central bank of the Philippines

Common Shares	The Company's shares of common stock, each with a par value of ₱0.01
Corporation Code	Batas Pambansa Blg. 68, otherwise known as "The Corporation Code of the Philippines"
COVID-19	Coronavirus Disease 2019
Board of Directors; Directors	Directors of the Company
Debt-to-Equity Conversion Shares or Conversion Shares	Refers to the 5,140,277,777 common shares to cover the debt-to-equity conversion transaction of the Company with Joanna B. Co, at a conversion price of ₱0.01 per share for a total transaction value of ₱51,402,777.00
DENR	Department of Environment and Natural Resources
DMPF	Declaration of Mining Project Feasibility
DMT	Dry Metric ton
DOJ	Department of Justice
DOLE	Department of Labor and Employment
ECC	Environmental Compliance Certificate
Eligible Investors	Applicants who are qualified to subscribe to the Offer Shares. The Offer Shares will be restricted to only Filipino nationals and Filipino entities
EMB	Environmental Management Bureau
EPC	Equipment Supply and Procurement Contractor
Escrow Agent	Rizal Commercial Banking Corporation – Trust and Investments Group  The Escrow Agent will (i) hold in escrow the net proceeds from the Follow-on Offering and release only for the purpose and in accordance with the work program approved by the SEC, and (ii) receive safe keep sand certify as to the delivery by the Company of the share subject to the voluntary lock-up.
FOO	Follow On Offering
Government	The government of the Republic of the Philippines

IRR	Implementing Rules and Regulations
Issuer	See the “Company”.
Issue Manager and Underwriter	Investment & Capital Corporation of the Philippines
Listing Date	The date, expected to be on or about August 31, 2021, on which the Offer Shares are listed and from which dealings therein are permitted to take place on the PSE
Main Board	The Main Board of The Philippine Stock Exchange
MCIT	Minimum Corporate Income Tax
MGB	Mines and Geosciences Bureau
MPO	Minimum Public Ownership
MPSA	Mineral Production Sharing Agreement
NCIP	National Commission on Indigenous People
Offer Period	The period commencing at 9:00 a.m., Manila time, on August 16, 2021 and ending at 12:00 p.m., Manila time, on August 20, 2021, unless extended by agreement between the Company and the Underwriter with the approval of the SEC and the PSE.
Offer Price	₱0.08 per Offer Share
Offer Shares	12,350,000,000 primary common shares
Peso, Pesos, or ₱	Philippine Pesos, the lawful currency of the Republic of the Philippines
PCD	Philippine Central Depository
PCNC	PCD Nominee Corporation
PDS	The Philippine Dealing System
PDTC	The Philippine Depository and Trust Corporation, the central securities depository of, among others, securities listed and traded on the PSE
PFRS	Philippine Financial Reporting Standards

Philippines	Republic of the Philippines
Philippine Constitution or Constitution	The 1987 Constitution of the Republic of the Philippines
Philippine Corporation Code	Batas Pambansa Blg. 68, otherwise known as "The Corporation Code of the Philippines"
Philippine Nationals	The term shall mean any of the following: (1) a citizen of the Philippines or a domestic partnership or association wholly owned by citizens of the Philippines; or (2) a corporation organized under the laws of the Philippines at least 60% of the capital stock outstanding and entitled to vote of which is owned and held by citizens of the Philippines; or (3) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of the Philippine nationals. Where a corporation and its non-Filipino stockholders own stocks in an SEC-registered enterprise, at least 60% of the capital stocks outstanding and entitled to vote of both corporations must be owned and held by citizens of the Philippines and at least 60 per cent of the members of the Board of Directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered Philippine nationals.
Placer Deposits	deposit of minerals that has been concentrated by mechanical action. Placer minerals generally have high density and resistance, and therefore may concentrate during various types of weathering. Placer environments typically contain black sand
PMRC	The Philippine Mineral Reporting Code sets out minimum standards and guidelines for public reporting of Exploration Results, Mineral Resources, Ore Reserves and metallurgical assessments and design related to mining in the Philippines that are compatible with global standards
Prospectus	This Prospectus together with all its annexes, appendices and amendments, if any
PSE	The Philippine Stock Exchange, Inc.
PSE Easy	PSE Electronic Allocation System
PSE Edge	PSE's Electronic Disclosure Generation Technology
PSE Trading Participants	The trading participants of the PSE in the Philippines

Receiving Agent	Professional Stock Transfer Inc., in its capacity as receiving Agent  The Receiving Agent receives and accepts from time to time within the offer period from the trading participants and Underwriters applications to subscribe shares of stock and other required documents from stockbrokers, selling agents and underwriters based on their approved allocations and in accordance with the terms and provisions of the stock subscription agreement to include check payments for Offer Shares purchased and the accompanying Sales Reports in hard and soft copies.										
RTC	Reyes Tacandong & Co.										
Shares	APL's shares of common stock, with a par value of ₱0.01 per share										
Share-for-Share Swap Shares or Swap Shares	247,396,071,520 common shares (the "Swap Shares") issued pursuant to APL's share- for-share swap transaction with the shareholders of JDVC Resources Corporation ("JDVC"), particularly, Hyung Rae Dao, Napoleon M. de Leon Jr., Lloyd Reagan C. Taboso and Daniel Chua Go, at a swap price of ₱0.01 per APL share, for a total transaction value of ₱2,473,960,715.20.  Below are the shareholders of the Shareswap Shares. <table border="1"> <thead> <tr> <th>Shareholder</th> <th>No. of Shares</th> </tr> </thead> <tbody> <tr> <td>Hyung Rae Doo</td> <td>109,065,080,064</td> </tr> <tr> <td>Lloyd Reagan C. Taboso</td> <td>46,471,972,000</td> </tr> <tr> <td>Napoleon M. De Leon, Jr.</td> <td>46,224,979,304</td> </tr> <tr> <td>Daniel Chua Go</td> <td>45,634,040,152</td> </tr> </tbody> </table>	Shareholder	No. of Shares	Hyung Rae Doo	109,065,080,064	Lloyd Reagan C. Taboso	46,471,972,000	Napoleon M. De Leon, Jr.	46,224,979,304	Daniel Chua Go	45,634,040,152
Shareholder	No. of Shares										
Hyung Rae Doo	109,065,080,064										
Lloyd Reagan C. Taboso	46,471,972,000										
Napoleon M. De Leon, Jr.	46,224,979,304										
Daniel Chua Go	45,634,040,152										
SCCP	Securities Clearing Corporation of the Philippines										
SEC	The Philippine Securities and Exchange Commission										
Underwriter	Investment & Capital Corporation of the Philippines										
sqm or sqm.	Square meters										
SRC	Republic Act No. 8799, otherwise known as "The Securities Regulation Code"										
Stock and Transfer Agent	BDO Unibank, Inc. – Trust and Investments Group, in its capacity as stock transfer agent										

Tax Code	The national Internal Revenue Code of the Philippines, as amended
Tonnage	weight in tons
Trading Day	Any day on which trading is allowed in the PSE
Trading Participants	Member brokers of the PSE who are also selling agents
Valdes Abad & Company	Valdes Abad & Company is the current external auditor of the Company

TRAIN Act	Republic Act No. 10963, otherwise known as the "Tax Reform for Acceleration and Inclusion, which envisions to correct a number of deficiencies in the tax system to make it simpler, fairer, and more efficient, characterized by low rates on a broader base.
Underwriting Agreement	The agreement entered into by and between the Company and the Underwriter, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the Underwriter
Unrestricted Retained Earnings	The amount of accumulated profits and gains realized out of the normal and continuous operations of the Company after deducting therefrom distributions to stockholders and transfers to capital stock or other accounts, and which is: (a) not appropriated by the Board of Directors for corporate expansion projects or programs; (b) not covered by a restriction for dividend declaration under a loan agreement; and (c) not required to be retained under special circumstances obtaining in the corporation such as when there is a need for a special reserve for probable contingencies.
USD	U.S. Dollars, the lawful currency of the United States of America
USGS	U.S. Geological Survey, a scientific agency of the United States government. It is a fact finding research organization with no regulatory responsibility. Its major science disciplines include biology, geography, geology, and hydrology.
VAT	Value Added Tax

*[The remainder of this page is left intentionally blank]*

## EXECUTIVE SUMMARY

*The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's audited financial statements and the notes thereto, included elsewhere in this Prospectus. Because it is a summary, it does not contain all the information that a prospective investor should consider before investing. Prospective investors of the Offer Shares must read the entire Prospectus carefully, including the section on Risk Factors and the financial statements and the related notes to those statements annexed to this Prospectus. Capitalized terms not defined in this summary are defined in the —Glossary of Terms or elsewhere in this Prospectus.*

### OVERVIEW

Apollo Global Capital, Inc. (APL), formerly Yehey! Corporation (YEHEY) was incorporated on June 10, 1998. Its primary purpose is to engage in the business of internet online related products relating to database research engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites; and to engage in other pre-production and postproduction work on web sites in internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

Yehey! was known to be a digital marketing company that delivers effective marketing solutions in the digital space. Yehey!, under the Yehey Marketing Solutions, offers its clients digital marketing services to include Web Design and Development, Web Management, Media Buying & Planning, Digital PR and Reputation Management, Digital Strategy, Social Media Marketing, Digital Research and Digital Strategy. The wide variety of its digital marketing services enables the Company to capture new business from its existing customers and even attract new customers.

In most cases, Yehey! builds the websites and social media pages of customers. These sites are then used as the platform to engage the respective target market of its existing customers. In 2014, the Company was 66.95% owned by Vantage Equities, Inc. On October 15, 2015, YEHEY ceased to be a majority-owned subsidiary of Vantage Equities, Inc. (V) when V sold its shares to a group of individual shareholders.

On October 12, 2016, the SEC approved the Company's change in name to APL as well as the winding down of APL's digital marketing operations and the corresponding change in primary purpose to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; provided it shall not engage as a stock broker or dealer of securities.

On February 17, 2017, the Company and JDVC's shareholders entered into a Deed of Exchange of Shares where in the Company had issued 247,396,071,520 shares (par value of ₱0.01 per share) in exchange for 4,133,740 shares (par value of ₱100 per share) at an exchange price of ₱598.48 of JDVC. The deed covering the transaction was approved by SEC on October 9, 2017. As a result of this transaction, the Company now owns 82.67% of JDVC.

In December 2019, the Company purchased an additional 389,530 shares of JDVC from its existing stockholders for ₱267.6 million resulting in an increase in ownership of JDVC to 90.47%.



JDVC is an entity registered with the Securities and Exchange Commission for the business purpose of offshore large scale magnetite mining and other mineral resources in the province of Cagayan. The company gained ownership of the MPSA on November 25, 2011, denominated as MPSA-338-2010-II-OMR Amended-A, covering 1,897.0 hectares for the Company to conduct research and mining operations 15 kilometers offshore from the municipality of Gonzaga, province of Cagayan, Philippines.

JDVC has conducted mining exploration, geological and feasibility studies, and contracted experts in the field of mining to successfully quantify and value probable magnetite ore reserves in the proposed area. The deposit resources of JDVC have reached a highly satisfactory technical level from inferred to indicated resources based on the three (3) following reports: (i) Supplemental Report provided by Competent Person Ramon N. Santos, (ii) Comprehensive Report by PMRC Competent Person Rafael R. Liwanag, and (iii) Mines and Geosciences Bureau (“MGB”) Validation Report, attached hereto as Annex A, Annex B and Annex C, respectively.

### **Operating Plan**

JDVC through Agbiag and its EPC contractors will institute environmentally safe and effective offshore mining methods for the extraction of magnetite iron sand at the offshore area of Gonzaga, Cagayan. Highly technical professionals have contributed their knowledge and experience in coming up with state of the art methodology to be able to implement the project in terms of high-technology production systems. Management systems and responses will also be done in accordance to ISO standards.

The product, magnetite iron sand, is a primary raw material, like iron ore, for steel and cast-iron manufacturers when they are developed in the form of iron lumps, balls, fines, and pellets. When formed as such, they are technically called Direct Reduced Iron (DRI) which are used to feed electric blast furnaces in the iron and steel making process.

In case there is a need for expansion in the event of an international market success, there are two other areas of expansion. One consists of 2,149 hectares for one tenement just beside the JDVC tenement owned by Cagayan Ore Metal Mining Corp. The other consists of 3,182 hectares owned by Catagayan Iron Sand Mining Resources Corp., right beside the tenement owned by Cagayan Ore Metal Mining Corp. JDVC holds the commitment of both companies should APL decide to acquire both tenements in the future. See “Business” on page 87 for further information.

### **Key Strengths**

The Company believes that its key strengths include the following:

- *First duly licensed and permitted offshore mining company in the Philippines*
- *Strong global demand for steel, for iron fines and its by-products and tailings (for reclamation and other uses)*
- *Full compliance with responsible mining practices*
- *Strong support from international offshore mining experts*
- *Support from the government*
- *Highly experienced management team*

- *Nearest offshore location to countries with high demand for its products*
- *Cost efficient operations with relatively low operational risk*
- *Established partnerships with service contractors to optimize capital investment*

See “Business—Key Strengths”

### **Key Strategies**

The Company’s strategy is designed to maximize the profitability of its existing base of operations while driving growth through continued exploration of the offshore mine located in Cagayan Province, expansion of its customer base, and ongoing monitoring of value-added opportunities, particularly in downstream processing. The key elements of the Company’s strategy are:

- *Market risk is passed on to offshore operating contractors/operators, including but not limited to risks arising from environmental and ecological concerns*
- *Maintain compliance with all applicable environmental laws*
- *Well-organized team of experts to supervise offshore contractors/operators’ compliance with environmental protection and ecological balance*
- *Focus on export markets and sell its products abroad*
- *Additional value generation from the sale of its marine sand offshore mine tailings as reclamation sand and for other uses*
- *Strengthen customer base in China, including direct sales to smelters in China*
- *Acquire more company-owned vessels to increase revenues*
- *Expand to the concrete sand market*
- *Increase the number of contractor vessels*

See “Business—Key Strategies”

### **Risks of Investing**

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Shares. These risks include:

- Risks relating to the Company’s existing business and industry,
- Risks relating to COVID-19
- Risks relating to the Philippines; and
- Risks relating to the Offer and the Offer Shares.
- Risks relating to Certain Statistical Information in this Prospectus

Please refer to the section entitled “Risk Factors” which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

## **Corporate Information**

Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City, Philippines, with telephone number (632) 8532-8654. The Company's website is <http://apolloglobalcapital.com>.

The information on APL's website is not incorporated by reference into, and does not form a part of, this Prospectus.

## **Investor Relations Office**

The Investor Relations Office will implement the investor relations program in order to reach out to all shareholders and keep them informed of corporate activities. The office will also handle communication of relevant information to the Company's stakeholders as well as to the broader investor community. The Investor Relations Office will also be responsible for receiving and responding to investor and shareholder queries relating to APL.

The Chief Financial Officer and Chief Investment Officer has been appointed by the Board as the head of the investor relations office and to serve as the Issuer's Investor Relations Officer ("IRO"). The IRO will ensure that APL complies with and file on a timely basis all required disclosures and continuing requirements of the SEC and the PSE. In addition, the IRO will oversee most aspects of the shareholder meetings, press conferences, investor briefings, and management of the investor relations portion of APL's website, which will contain information, including but not limited to:

- (a.) Company information (organizational structure, board of directors, and management team);
- (b.) Company news (analyst briefing report, press releases, latest news, newsletters (if any));
- (c.) Financial report (annual and quarterly reports for the past two years);
- (d.) Disclosures;
- (e.) Investor FAQs;
- (f.) Investor contact (e-mail address and phone numbers for feedback/comments, shareholder assistance and service); and
- (g.) Stock information.

The Investor Relations Office will be located in the principal place of business of APL with contact details as follows:

Address: Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City, Philippines  
Landline: (+632) 8532-8654  
E-mail: [uy.lucky@gmail.com](mailto:uy.lucky@gmail.com)  
Website: <http://apolloglobalcapital.com>

## TERMS AND CONDITIONS OF THE OFFER

*The following does not purport to be a complete listing of all rights, obligations and privileges attaching to or arising from the Offer Shares. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Offer Shares. Each prospective investor must rely on its own appraisal of the Company and the Offer Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy, accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.*

<b>Issuer</b>	Apollo Global Capital, Inc.
<b>Issue Manager, and Underwriter</b>	Investment & Capital Corporation of the Philippines
<b>Selling Agents</b>	PSE Trading Participants
<b>Governing Law</b>	The law of the Republic of the Philippines
<b>The Offer / Offer Shares</b>	Offer of 12,350,000,000 primary common shares
<b>Underwriter's Offer Shares</b>	9,880,000,000 Offer Shares, or 80% of the Offer Shares (subject to re-allocation as described below), are being offered to certain institutional and other investors in the Philippines by the Underwriter
<b>Trading Participants Allocation</b>	Of the total 12,350,000,000 Offer Shares, a total of 2,470,000,000 Offer Shares, or 20% of the Offer, will be allocated to the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 19,760,000 Offer Shares (computed by dividing the Trading Participants and Offer Shares allocated to the PSE Trading Participants among the 125 PSE Trading Participants) and subject to re-allocation as may be determined by the Issue Manager and Underwriter.
<b>Offer Price</b>	The Offer Price has been set to ₱0.08 per Offer Share. The Final Offer Price was determined through a book-building process after securing SEC pre-effective approval, and discussion between APL and the Underwriter.
<b>Offer Period</b>	The Offer Period shall commence at 9:00 am., Manila time on August 16, 2021 and end at 12:00 noon, Manila time on August 20, 2021. The Company and the Underwriter reserve the right to extend or terminate the Offer Period, subject to the prior approval of the SEC and the PSE. Applications must be received by the Receiving Agent not later than

12:00 noon Manila Time on August 20, 2021. Applications received thereafter or without the required documents will be rejected.

Applications shall be considered irrevocable upon submission to the Underwriter or a PSE Trading Participant, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the Application. The actual subscription and/or purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE.

**Eligible Investors and  
Restrictions on  
Ownership**

Considering that the foreign ownership in APL, as of March 31, 2021 is almost 40%, the Offer Shares will be restricted to only Filipino nationals and Filipino entities.

The Offer Shares representing 80% of the whole Offering or 9,880,000,000 Offer Shares, are being offered for sale to institutional and other investors in the Philippines by the Issue Manager and Underwriter.

2,470,000,000 Offer Shares, or approximately 20% of the Firm Shares, are being offered by the Issue Manager and Underwriter at the Offer Price to all of the PSE Trading Participants, subject to final allocation, as may be determined by the Issue Manager and Underwriter which shall be consistent with the applicable rules and guidelines approved by the PSE. The allocation of the Offer Shares between the Trading Participants' Offer and the Underwriter's Offer are subject to further adjustment as agreed by the Company and Underwriter.

**Voluntary Lock-up**

The Company and the following shareholders: (i) Hyung Rae Doo, (ii) Lloyd Reagan C. Taboso, (iii) Napoleon M. De Leon, Jr., (iv) Daniel Chua Go and (v) Joanna B. Co, have agreed with the Underwriter that they will not, without the prior written consent of the Underwriter, sell, assign or in any manner dispose of their Shares for a minimum period of 180 days after the listing date of the Swap Shares and Conversion Shares on August 11, 2021.

Below is the summary of shareholders who agreed to a voluntary lock-up:

<b>Shareholder</b>	<b>No. of Shares Subject to 180-day Lock-up Period</b>
Hyung Rae Doo	109,065,080,064
Lloyd Reagan C. Taboso	46,471,972,000
Napoleon M. De Leon, Jr.	46,224,979,304
Daniel Chua Go	45,634,040,152
Joanna B. Co	5,140,277,777

To implement the lock-up requirement, the Company and the foregoing shareholders entered into an escrow agreement with Rizal Commercial Banking Corporation – Trust and Investments Group

See “Principal Shareholders – Voluntary Lock-Up” on page 176.

**Use of Proceeds**

APL intends to use the net proceeds from the Offer primarily to buy a 49% stake in PBO that owns MB Siphon I vessel which will be used for the offshore mining activities of JDVC. See “Use of Proceeds” beginning on page 57 of this Prospectus.

**Minimum Subscription**

Applications shall be for a minimum of 100,000 Offer Shares. Applications in excess of this minimum shall be in multiples of 10,000 shares. No subscription or application for multiples of any other number shall be considered.

**Reallocation**

The allocation of the Offer Shares between the Trading Participants’ Offer and the Underwriter’s Offer is subject to further adjustment as agreed by the Company and Underwriter. The Offer Shares will be underwritten on a firm commitment basis by the Issue Manager and Underwriter. There is no arrangement for the Issue Manager and Underwriter to return any of the Trading Participants’ Offer Shares or the Underwriter’s Offer Shares to the Company.

In the event of an under-application in the Underwriter’s Offer and a corresponding over-application in the Trading Participants’ Offer, Offer Shares in the Underwriter’s Offer may be reallocated to the Trading Participants’ Offer. If there is an under-application in the Trading Participants’ Offer and a corresponding over- application in the Underwriter’s Offer, Offer Shares in the Trading Participants’ Offer may be reallocated to the Underwriter’s Offer. The reallocation shall not apply in the event of over-application in both the Trading Participants’ Offer and the Underwriter’s Offer.

**Procedure for Application**

Application forms to purchase Offer Shares may be obtained from Professional Stock Transfer Inc. (the “Receiving Agent”), the Underwriter or the PSE Trading Participants. All Applications shall be evidenced by the application to purchase form, duly executed in each case by an authorized signatory of the Applicant and accompanied by one completed signature card which, for applicants who are corporations, partnerships or trust accounts, should be authenticated by the corporate secretary (or managing partner in the case of a partnership), and the corresponding payment or proof of payment for the Offer Shares covered by the Application and all other required documents. The duly executed Application and required documents should be submitted during the Offer Period. If the Applicant is a corporation, partnership or trust account, the Application must be accompanied by the documents enumerated in the final Prospectus.

An Application should be submitted in quadruplicate (four (4) copies, one (1) of which shall be returned to the applicant) and accompanied by the following documents (complete):

- Two (2) duly executed signature cards in the form attached to this Application, duly authenticated by the applicant's nominated PDTC Participant or by the Issue Manager and Underwriter (if the applicant is a client of the Issue Manager and Underwriter);
- Photocopy of two (2) valid and current government-issued ID (e.g., SSS, GSIS, Driver's License, Passport or PRC) (Note: for joint applications (i.e. multiple investors in one Application, two (2) valid and current government-issued IDs of each applicant/investor will be required); and
- Submit other documents as may be reasonably required by the Underwriter in the implementation of its internal policies regarding "knowing your customer" and anti-money laundering

**Other Documentary  
Requirements for  
Corporate Applicants**

If the Applicant is a corporation, partnership or trust account, the Application must be accompanied by the following documents:

- (a) Two (2) duly executed signature card in the form attached to this Application;
- (b) A certified true copy of the latest Articles of Incorporation and By-laws (or Articles of Partnership in the case of a partnership) of the Applicant and other constitutive documents (each as amended to date), duly certified by its Corporate Secretary (or Managing Partner in the case of a partnership);
- (c) A certified true copy of the SEC Certificate of Registration or certificate of filing amended articles of incorporation or by-laws, as the case may be, of the Applicant, duly certified by its Corporate Secretary (or Managing Partner in the case of a partnership);
- (d) A duly notarized certificate of the Applicant's Corporate Secretary (or Certificate of the Managing Partner in the case of a partnership) that sets out (a) the resolutions of the Applicant's Board of Directors or equivalent body authorizing the purchase of the Offer Shares subject of the Application and designating signatories for the purpose; (b) the specimen signatures of such designated signatories; and (c) percentage holdings by Philippine nationals in the Applicant; and

- (e) Photocopy of two (2) valid and current government-issued ID (e.g., SSS, GSIS, Driver's License, Passport or PRC) of (a) the authorized signatory/ies, duly certified as true copy by the Corporate Secretary and (b) the Corporate Secretary, duly certified as true copy by an authorized officer of the corporation.
- (f) Such other documents as may be reasonably required by the Issue Manager and Underwriter in compliance with their respective internal policies regarding "knowing your customer" and anti-money laundering.

### **Payment Terms**

The purchase price must be paid in full in Philippine Pesos upon the submission of the duly completed and signed Application form and specimen signature card, together with the requisite attachments.

For the Underwriter's Offer, payment of the Offer Shares shall be made through the Issue Manager and Underwriter, in accordance with the instructions to be provided by the Issue Manager and Underwriter.

For the Trading Participants' Offer, payment of the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank having a clearing period of no more than one (1) Banking Day; (ii) a manager's or cashier's check issued by a BSP authorized bank having a clearing period of no more than one (1) Banking Day; or (iii) a direct deposit to the designated bank account to be indicated in a notice containing the final allocation of said Trading Participant to be delivered to such Trading Participant prior to the Trading Participants' Offer Settlement Date. Proof of payment must be submitted to the Receiving Agent, together with the Application and attachments enumerated in the Procedure for Application for the Offer.

For more details on the Procedure for Application for the Offer, please refer to the Procedures and Implementing Guidelines for Trading Participants for the Follow-on Offering of Apollo Global Capital, Inc.

### **Acceptance/Rejection of Applications**

The actual number of Offer Shares that an Applicant will be allowed to purchase in the Offer is subject to the confirmation of the Underwriter.

Applications are subject to the final approval of the Company. The Company and the Underwriter reserve the right to accept or reject, in whole or in part, any Application or scale down the number and amount of Offer Shares due to any grounds specified in the Underwriting Agreement entered into by the Company and Underwriter. Applications where checks are dishonored upon first presentation and Applications which do not comply with the terms of the Offer will be rejected. Moreover, any payment received pursuant



to the Application does not constitute the Company's approval or acceptance of the Application.

An Application, when accepted, will constitute an agreement between the Applicant and the Company for the purchase of the Offer Shares at the time, in the manner and subject to the terms and conditions set forth in the Application and those described in this Prospectus. Notwithstanding the acceptance of any Application by the Underwriter or its duly authorized representatives, acting for or on our behalf, the actual purchase by the Applicant of the Offer Shares will become effective only upon listing of the Offer Shares on the PSE and upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled, on or before the Listing Date, in accordance with the provisions of such agreements. If such conditions have not been fulfilled on or before the periods provided above, all application payments will be returned to the Applicants without interest and, in the meantime, the said application payments will be held in a separate bank account with the Receiving Agent.

**Dividends and Dividend Policy**

Each holder of the Common Shares will be entitled to such dividends as may be declared by the Board of Directors, provided that any stock dividend declaration requires the approval of shareholders holding at least two-thirds of the Company's total outstanding capital stock. The Philippine Revised Corporation Code has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares. There can be no guarantee that the Company will pay any dividends in the future. See "Dividends and Dividend Policy."

**Refunds of the Trading Participants and Retail Offer**

In the event that the number of Offer Shares to be received by an Applicant, as confirmed by the Underwriter, is less than the number covered by its Application, or if an Application is rejected by the Company, then the Receiving Agent shall refund, without interest, within five (5) Banking Days after the Offer Period or on August 27, 2021, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent, at the Applicant's risk.

**Registration and Lodgment of Shares with PDTC**

The Offer Shares purchased by Applicants will be lodged with the Philippine Depository and Trust Corp. ("PDTC").

The Applicant must provide the required information in the Application for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC on the Listing Date.

**Tax Considerations**

See “Philippine Taxation” for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.

**Listing and Trading**

The Company’s application for the listing of the Offer Shares was approved by the PSE on August 9, 2021.

Subject to regulatory approvals, all of the Offer Shares are expected to be listed on the PSE on or before August 31, 2021. Trading is expected to commence on the same date that the Offer Shares are listed on the PSE. All of the Offer Shares are or will be listed on the PSE under the symbol “APL”

**Risks of Investing**

Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include:

- Risks relating to the Company’s existing business and industry,
- Risks relating to COVID-19
- Risks relating to the Philippines; and
- Risks relating to the Offer and the Offer Shares.
- Risks relating to Certain Statistical Information in this Prospectus

**Expected Timetable**

The timetable of the Offer is as follows:

SEC Pre-effective clearance...	August 6, 2021
PSE Board approval of the listing application.....	August 9, 2021
Notice of final Offer Price to the PSE and SEC.....	August 12, 2021
Receipt of Permit to Sell from the SEC.....	August 13, 2021
Trading Participants and Institutional and Other Investors’ Offer Period .....	August 16-20, 2021
PSE Trading Participants’ Commitment Period.....	August 16-18, 2021
Submission of Firm Order and	12 noon on August 18, 2021

Commitments by PSE Trading Participants.....	
Submission of Applications and Payments of Trading Participants and Institutional and Other Investors.....	12 noon on August 20, 2021
Listing Date and commencement of trading on the PSE .....	August 31, 2021

The dates included above are subject to the approval of the PSE and the SEC, market and other conditions, and may be changed.

<b>Escrow Agent</b>	Rizal Commercial Banking Corporation – Trust and Investments Group
<b>Receiving Agent</b>	Professional Stock Transfer Inc.
<b>Stock Transfer Agent</b>	BDO Unibank, Inc. – Trust and Investments Group
<b>Counsel for the Issuer</b>	Atty. Ronnie Ray F. Paraiso
<b>Counsel for the Underwriter</b>	Atty. Lyra Gracia Y. Lipae-Fabella
<b>Independent Auditors</b>	Valdes Abad & Company

## RISK FACTORS

*An investment in the Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security may experience upward or downward movements and may even become valueless. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, in order of importance (from most important to least important), before deciding to invest in the Shares. The occurrence of any of the following events, or other events not currently anticipated, could have a material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Shares to decline. All or part of an investment in the Shares could be lost.*

*This section entitled "Risk Factors" does not purport to disclose all of the risks or other significant aspects of investing in the Shares. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and on the Shares and the investors may lose all or part of their investment. Investors may request publicly available information on the Shares and the Company from the SEC and PSE.*

*An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the Offer or the nature of risks involved in purchasing, holding and trading the Shares. Each investor should consult its own counsel, accountant and other advisors as to legal, tax, business, financial, and other related aspects of an investment in the Shares.*

### **A. RISKS RELATING TO THE COMPANY'S EXISTING BUSINESS AND INDUSTRY**

#### **1. REGULATORY RISKS**

***Risk of the Government summarily ordering the closure of JDVC's mining operations will adversely impact its business.***

Despite the change in the leadership in the DENR, there is no assurance or guarantee that the DENR will not issue an order directing the closure of the JDVC's Mines, or any portion thereof, or that the courts will not uphold such DENR order if any. The closure of a mining operation is within the prerogative of the DENR. It has the power to close a specific mining site or operation that is found, after observance of due process in violation of the mining laws, rules and regulations.

To address the foregoing risks, JDVC employs a team of legal and operating personnel, who exercise the requisite due diligence with respect to the compliance with the mining laws, rules and regulations as well as the conditions for the related government permits.

Furthermore, it may reasonably be stated that offshore mining is not as environmentally sensitive as onshore mining due to its remote location from the land and from human settlements, the simplicity of the underwater suction and magnetic separation processes which produce no toxic by-products, and the ability to dispose of mine tailings by simply returning the processed sand back to the seabed, among other reasons. APL believes that this is in fact a reason why JDVC was granted the full range of environmental and commercial permits as required by the Philippine government.

***Changes in, or the more aggressive enforcement of mining laws and regulations, and environmental regulations, could adversely affect JDVC's business.***

Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and rehabilitation, mine safety, toxic substances, transportation safety and emergency response and other matters. See "Regulation."

Compliance with these laws and regulations involve substantial costs. It is possible that the costs, delays and other effects associated with these laws and regulations may impact JDVC decision as to whether to continue to operate an existing mine, refining and other facilities or whether to proceed with exploration or development of properties. Since legal requirements change from time to time, are subject to interpretation and may be enforced to varying degrees in practice, we are unable to predict the ultimate cost of compliance with these requirements or their effect on operations should any of these increases or be modified in any material respect. Furthermore, and more importantly, changes in governments, regulations and policies, and practices could have an adverse impact on JDVC's business, results of operations, and financial condition.

Recently, the Philippine government has been vocal about its plans to intervene in mining operations. Key mining players in the industry have been heavily affected by open pit mining for instance, which has been banned by the Department of Environment and Natural Resources citing environmental destruction as its main concern. While offshore mining is a different and a more sustainable form of mining, the open pit mining ban is a sign that the government is willing to intervene in operations of the mining sector.

To ensure compliance with the local and national laws and regulations, JDVC maintains regular discussions with the government and concerned agencies. The Company's legal counsel also monitors the developments in the country to keep up with the national requirements.

Offshore mining is regulated technically under Offshore Mining Guidelines per Memorandum Circular of DENR-MGB under the Philippine Mining Act. Management does not see any major change for such now and in the future.

***Negative public perception towards mining could adversely affect JDVC's business.***

Public perception towards mining in the Philippines has been negatively affected by certain groups. Specifically, black sand mining has been misrepresented by illegal, small-time miners located in the area. This can translate into business continuity risks if the public can pressure the government to suspend mining operations.

Black Sand is magnetite iron sand in technical and legal terms. The word black sand is the reference term of laymen, most especially of the people in coastal villages of Northwestern and Northeastern Philippines. The "black sand" of coastal villages facing the Lingayen Gulf in the Philippines, is being mined for magnetite, a highly-valuable material used by industrial companies. The connotation of the word black sand is sometimes being related to illegal extraction of magnetite iron minerals from the restricted onshore areas in coastal villages.

To address this risk, JDVC engages in informational and community development programs such as community building through mobile schools. A continuous series of Information Education Campaigns (IEC) were already conducted at the host communities to present the details of the project, including its contributions to the local economy of the municipalities of jurisdiction, and demonstrate the transparency of the company on its commercial offshore mining operations. This has generated levels of social acceptability as high as ninety (90) percent.

***The implementation of an export ban or increased export taxes on magnetite iron sand or increased revenue sharing scheme by the Philippine Government would materially and adversely affect JDVC's business, results of operations, and financial condition.***

There are two (2) bills relating to the adoption of a mineral ore ban in the Philippines, which have been filed and are currently pending in the Philippine Congress to adopt a mineral ore export ban in the Philippines, in part to force miners to build processing facilities and to create employment for the local population; one of the filed bills provide that the ban should be implemented starting January 01, 2021, while the other filed bill provides that the ban should be implemented starting January 01, 2019. In case of the passage of the bills and the implementation of such ban, JDVC would be forced to terminate its trade with all international customers, which would materially affect JDVC's revenue stream, results of operations and financial condition. One of the main factors hampering the development of processing facilities in the Philippines is the shortage of electricity supply in the country. The substantially high cost of electricity is hindering the momentum for investments in developing high-energy consumption industries in the Philippines, such as rotary kiln electric arc furnace smelting plants and processing facilities.

In mitigation of the above, JDVC notes that the Philippine Mining Act is already stable and in place now. The offshore operations of JDVC for iron fines are not reliant on electricity use. Electricity supply becomes relevant only if and whenever JDVC sets up an iron pelletizing plant.

Alternatively, export taxes on magnetite iron sand may instead be considered by the Philippine government to deter the exportation of mineral resource. JDVC believes that an export tax is the more probable scenario rather than a complete export ban of magnetite iron sand. In any event, the implementation of either an export ban or export taxes on magnetite iron sand may have a material adverse impact on JDVC's business, results of operations, and financial condition.

***Threats from environmental NGOs might affect JDVC's operations.***

Well-funded non-government organizations ("NGOs") and a number of civil society groups have been active in spreading negative information about offshore mining opportunities in the Philippines. Some of these groups are willing to go through unprecedented extents to push their agenda. There is a risk that operations will be disrupted due to the actions taken by these groups. The Company uses the internet and tri-media to spread proper information about offshore mining. The Company also meets with these NGOs and groups to inform them about the beneficial aspects of offshore mining. Collaborating with these groups is also a key priority of the Company to ensure that all parties are supporting each other.

On April 24, 2018 the Philippine Supreme Court, denied the appeal by NGO Ang Aroroy ay Alagaan, Inc. and certain individuals, for the issuance of a writ of kalikasan against Filminera Resources Corporation, and its directors and officers. The petitioners have claimed that Filminera, which operates in the Philippine province of Masbate, had been causing environmental damage in the conduct of its mining operations in violation of local law, and that a writ of kalikasan should be issued.

The Supreme Court resolution ruled that the petitioners failed to sufficiently show that the Court of Appeals committed any reversible error when it found in its March 8, 2017 decision that the petitioners had not established that Filminera had committed any violations of applicable laws that caused the alleged environmental damage, and that Filminera had rebutted the claims of the petitioners with overwhelming countervailing evidence showing that Filminera conducts its mining operations in full compliance with applicable environmental laws, regulations, and best practices in the mining industry.

A writ of kalikasan is a remedy available to persons or entities whose constitutional right to a balanced and healthful ecology is violated, involving environmental damage of such magnitude as to prejudice the life, health, or property of inhabitants in two or more cities or provinces. The writ is a special remedy available under the Rules of Procedure of Environmental Cases, issued by the Supreme Court in April 2010, as "a response to the long-felt need for more specific rules that can sufficiently address the procedural concerns that are peculiar to environmental cases." The reliefs that may be granted under the writ of kalikasan include: (a) directing the respondent to permanently cease and desist from committing acts in violation of environmental laws resulting in environmental destruction or damage; (b) directing the respondent to protect, preserve, rehabilitate, or restore the environment; and (c) such other reliefs which relate to the right of the people to a balanced and healthful ecology or to the protection, preservation, rehabilitation, or restoration of the environment

In the Writ of Kalikasan Supreme Court case filed by various churches, NGOs, and political personalities against Altamina, a company that was previously granted an FTAA contract by the Philippine government, that also involves offshore magnetite mining, the Court of Appeals which was mandated by the Supreme Court to hear the case, was dismissed by the Court of Appeals last November 23, 2012. It is worthy to note that although the mining industry is a regulated sector, mining operations are not per se unlawful. In fact, the prerogative of the State to enter into mineral agreements or FTAA's emanate from the constitutional grant of the power to explore, develop and utilize its natural resources. It is likewise important to note that ALTAMINA did not violate the provisions on prior consultation under the law. In contrast, all the necessary requisites for the grant of its application for FTAA have been sufficiently complied with. Clearly then, the approval of the FTAA as well as the subsequent conduct of exploration activities cannot be said to be violative of any environmental law and, as such may not be labeled unlawful. The case was also dismissed with finality by the Supreme Court, due to lack of scientific evidence presented by the litigants.

In addition, JDVC, from the very beginning, established a proper defense against possible threats from environmental NGOs. JDVC, during its exploration stage on April 2014 of the mine site, conducted rigid sea bottom profile in order to determine if there are any aquamarine life, corals, underground cables, vintage bombs from WW2, sunken treasures, and such other elements that could bring about the environmental concerns during offshore operation. This type of offshore mining in the three (3) countries like Japan, which started doing this type of offshore mining for the last eight (8) decades, New Zealand, which did the same for the last six (6) decades, and Indonesia for the last four (4) decades. In those countries that did offshore mining ahead of the Philippines, there has been no published negative effects on the environment due to offshore mining.

Furthermore, the first siphon vessel, MB Siphon I was deployed last April 14, 2021, and is currently preparing for commercial operation, prior to starting commercial extraction has obtained EQA IMS last August 20, 2019 from the necessary environmental impact assessment by the Singaporean authorities. EQA IMS Certification Pte Ltd is accredited by the Singapore Accreditation Council (SAC) and is governed by an independent Assessment Committee to ensure that all audits performed are impartial and independent. The EQA IMS Certification is attached hereto as Annex "F".

In addition, a vessel inspection report done by Jtech Development & Innovations Corporation dated September 7, 2018 was issued to ATRMBPTC stating that the Siphon Vessel (MB Siphon I) is in compliance to the Offshore Mining Guidelines of the Mines and Geosciences Bureau. The vessel inspection report is attached hereto as Annex "G".

***JDVC's Cagayan Offshore Mine might be declared by the NCIP as a sacred ground. As such, JDVC might not be able to undertake its operations in the said area. This will adversely affect its financial and operating results.***

JDVC's Cagayan offshore mine may be evaluated by the NCIP and a negative finding of the NCIP might result in JDVC losing its Cagayan Offshore Mine.

Furthermore, JDVC has already secured an NCIP clearance prior to approval of MPSA-338-2010-II-OMR Amended-A. This is a certificate of non-overlap stating that JDVC's mining area is free from Indigenous people, considering the area is 15 kilometers away from the shoreline

## **2. OPERATING RISKS**

***The Company is dependent on the operations of its subsidiary, JDVC. Any adverse impact on JDVC's operations will ultimately result in adverse effects on the Company's own financial and operating results***

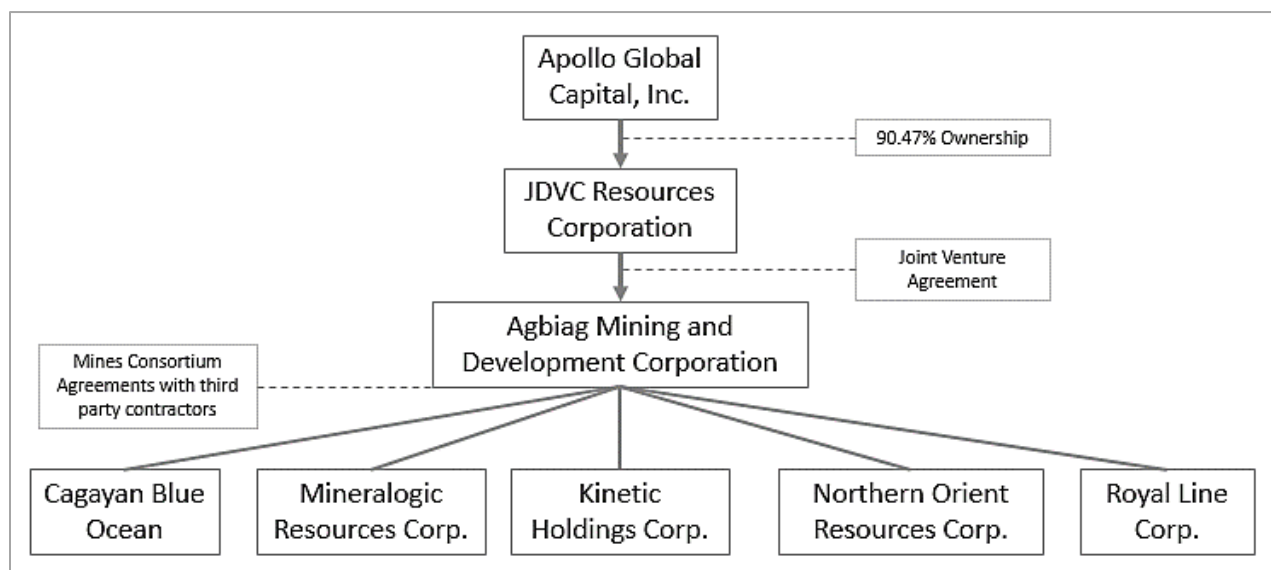
The Company is a holding company in nature, without its own revenue generating operation. Therefore, its operational and financial results depend on the operation and dividend stream of its subsidiary, JDVC. Moreover, any adverse impact on JDVC's operations will ultimately result in adverse effects on the Company's own financial and operational results.

To mitigate this risk, the Company intends to expand its business through selective, complementary acquisitions, and to continue to evaluate acquisition opportunities with complementary mining operations or exploration and development prospects as they arise. Furthermore, majority of the proceeds of the FOO will be used to acquire a 49% strategic stake in PBO, which owns MB Siphon ! Vessel to be used in the offshore mining operations of JDVC. In addition, the Company tempers its exposure to this risk by exercising prudent management.

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**JDVC relies to a significant degree on third-party contractors. The failure of any of its contractors to comply with their respective obligations, or the loss of any such contractor's services will disrupt JDVC's operations which could result in delays and increase JDVC's costs.**



JDVC could be held liable for any problems caused by its independent third-party contractors, including associated costs, delays, or other issues, any of which may have a material adverse effect on its business, results of operations, and financial condition. JDVC depends upon independent third-party contractors to perform its mining operations at Cagayan Mine for JDVC. The performance of the independent third-party contractors may be constrained by labor disputes or actions, damage to or failure of equipment and machinery, or financial difficulties. In addition, failure by JDVC's contractors to comply with applicable laws could adversely affect JDVC's reputation.

In addition, there can be no assurance that JDVC's monitoring of the work and performance of its independent third-party contractors will be sufficient to control the quality of their work or their adherence to safety or environmental standards. In the event that JDVC's independent third-party contractors fail to meet the quality, safety, environmental, and other operating standards that are required by the relevant laws and regulations, its operations may suffer and JDVC may be liable to third parties. In particular, given the dangers inherent with operating heavy machinery and mining activities, JDVC cannot guarantee its current safety measures and monitoring activities could successfully prevent any accidents or casualties caused by the operation of its independent third-party contractors.

Furthermore, any contractual disputes with JDVC's contractors, the inability of any of its contractors to comply with their contractual obligations to APL, including shipment volume guarantees, or its inability to maintain a cooperative relationship with any of JDVC's independent third-party contractors or obtain alternative providers on comparable or more favorable terms in a timely manner, or at all, may delay its production schedule and JDVC may breach its supply contracts with its customers, any or all of which may substantially increase JDVC's costs and may have a material adverse effect on JDVC's business, results of operations, and financial condition.

In addition, JDVC cannot assure that it will not be involved in any legal claims with respect to such outsourced activities or will not be liable to third parties for losses or damages caused by its independent

third-party contractors. In any such instance, JDVC may be required to devote funds and resources to defend themselves. Costs and expenses incurred as a result of JDVC being implicated or held liable for any acts or omissions of JDVC's independent third-party contractors or of any failure in the services they provided to JDVC may have a material adverse effect on the Company's business, results of operations, and financial condition.

To mitigate this risk, JDVC has contracted Agbiag to be responsible for the overall supervision of the offshore operation as well as all environmental protection system and ecological balance monitoring of all contractors. In addition, JDVC has employed a team of experts for the continuous strict monitoring and review of the performance of its service contractors on a regular basis. JDVC required each of the offshore contractors/operators to put up security deposits of USD100,000 for every 100 hectares of assigned mining area, to cover for any violations committed that can negatively affect JDVC.

***Risks relating to JDVC's agreement with Agbiag being the overall supervisor of the mining operations***

JDVC signed a joint venture agreement (JVA) with Agbiag on Sept. 1, 2014, wherein Agbiag will manage, supervise, oversee offshore operation of all contractors and collect every export shipment from all JDVC contractors under its duly issued Mines Consortium Agreements to several firms for all the Royalty Fees due to JDVC. Failure of Agbiag to effectively supervise the EPCs, timely collect and pay taxes and royalty fees, may significantly affect the financial and operating results of JDVC.

To mitigate this risk, there will be a management monitoring and audit group supervised by the Group's top executives, to ensure that the entire business plan is strictly implemented to prevent and/or anticipate any of the risks mentioned, from happening. Moreover, the Group continues to maintain strong and long-standing relationships with Agbiag.

***JDVC's success depends on its ability to attract and retain qualified personnel, and contractors to maintain satisfactory labor relations. JDVC highly depends on key personnel, and the loss of their services could have a material adverse effect on JDVC.***

Recruiting and retaining qualified personnel is critical to JDVC's success. The number of persons skilled in the acquisition, exploration and development of mining properties in the Philippines is limited and competition for such personnel is intense both from within and outside the Philippines. The majority of the members of JDVC's senior management team have been involved in JDVC's business operations for many years and the loss of key executives could adversely impact JDVC's business.

There are no labor unions within the Group. At present, JDVC highly depends on the efforts, reputations and business relationships of senior management, which are critical elements in the success of JDVC's operations. JDVC's performance is strongly correlated to the performance of several senior management officers. The loss of the services of any of them, together inability to replace them in a timely manner, could have a material adverse effect on JDVC's operations

In mitigation, JDVC intends to avail of continuous manpower training. Moreover, the Philippines has abundant supply of highly-skilled Filipino seafarers working overseas, and they will only need competitive salaries to come home.

***Risk of Malfunction and Failure of Equipment to Operate.***

Mining operations are subject to all the hazards and risks normally encountered in the exploration, development and production of the mineral properties. The machines and equipment of JDVC's service contractors used in the mining operations may malfunction, breakdown or sink in the course of the operations. Additional costs may also be incurred if the equipment necessary to the exploration and mining operations of JDVC becomes damaged.

To mitigate this risk, JDVC will only operate seven (7) months in a year, usually from February to August and the non-operational months are used for preventive maintenance and repair. JDVC requires service contractors to have its mining equipment undergo periodic maintenance and checking to ensure that the equipment is in absolute running condition. In addition, Agbiag issued a Memorandum Circular date August 6, 2020 requiring all siphon vessels/deep-sea mining vessel operator/s to put up periodically a trust fund up to twenty percent (20%) of the net earnings of such vessel/s to be able to comply with the mandate with the Maritime Industry Authority (MARINA) Classification Society, for every two (2) years of Dry Docking, Preventive Maintenance schedule compliance requirement, and further enhancement of offshore operations. Moreover, JDVC requires that the machines and equipment are covered by insurance.

***Risk on Delay or Failure to Acquire Equipment.***

JDVC's service contractors may experience a delay in acquiring certain equipment or machinery, especially after an equipment breaks down and is no longer capable of repair.

Although the first siphon vessel has already arrived in the mining site, to further mitigate this risk, JDVC requires its service contractors to maintain an adequate inventory of its equipment so that in case certain equipment becomes damaged, there will still be equipment available for use by the service contractors.

***Risk on JDVC's operations if only one vessel will operate***

Currently, JDVC through Agbiag has entered into a Mines Consortium Agreement with five (5) EPCs who will mine the Contract Area.

If only one vessel, MB Siphon I, will operate on the first year, JDVC does not see any negative impact on the operations because the indicative prices of iron ore based on Singapore platts price index and Custeel price index is high, and will continue to do so due to high demand in steel. The disparity between the cost of operations and such other export expenditures like excise tax, mineral reservation tax, royalties, freight cost, and other miscellaneous exporting costs vis-a-vis the prevailing export prices, can adequately cover and still be with comfortable margins from operations.

In addition, the second siphon vessel to be brought in by one of the EPCs, Kinetic Holdings is ready for mobilization from China, and is just awaiting clearances for deployment to Cagayan, Philippines in the aftermath of COVID-19 border controls now being implemented by government.

***If JDVC is unable to supply its customers with magnetite iron sand in the agreed volume or with the agreed specifications, APL's business, results of operations, and financial condition would be adversely affected.***

Sales of JDVC's magnetite iron sand are made through contractual arrangements with third parties. These ore supply agreements typically contain provisions requiring JDVC to deliver magnetite iron sand with

certain specified specifications, such as magnetite iron content, iron content, moisture content, and volume. Failure to meet any of these specifications or other quality thresholds could result in economic penalties, including price adjustments, rejection of deliveries or termination of such agreements. In addition, JDVC may not be able to deliver the agreed quantities of magnetite iron sand to its customers under JDVC's agreements with them because of adverse weather conditions, which could affect JDVC's ability to mine the magnetite iron sand or to load its magnetite iron sand onto barges and LCTs, equipment and machinery failures and operational difficulties, difficulties in acquiring essential machinery, equipment, and spare parts or disputes with JDVC's employees or contractors.

In mitigation, the export contracts for the product of JDVC allow pre-determined detailed qualifications of product grades. Systems for receiving rewards or paying penalties for exceeding or failing to meet qualifications, respectively, are in place.

***JDVC's actual production may not meet its estimates, which could have an adverse impact on its business, results of operations, and financial condition.***

JDVC prepares estimates of future production and future production costs for operations. No assurance can be given that production estimates will be achieved. The accuracy of these production estimates is based on, among other things, the following factors: reserve estimates; assumptions regarding ground conditions and physical characteristics of ore materials, such as the presence or absence of particular metallurgical characteristics; and estimated rates and costs of mining.

Production Risk reflects the possibility that production will not proceed as expected as a result of production fluctuations caused by problems such as:

- Strong weather disturbances
- Possible inadequate maintenance capability of mechanics, equipment operators, engine technicians, and the like;
- Supplies and logistical preparation inadequacy; and
- Failure to provide adequate incentive mechanisms to operations specialists.

Actual production may vary from estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors relating to the magnetite iron sand reserves, such as the need for sequential development of magnetite iron sand bodies and the processing of new or different magnetite iron sand grades; risk and hazards associated with mining; natural phenomena, such as inclement weather conditions, earthquakes, landslides and erosion; and unexpected inability to obtain spare parts, labor shortages or strikes. Failure to achieve production estimates could have an adverse impact on the Company's business, results of operations, and financial condition.

In addition, JDVC's production estimates for every siphon vessel is placed only at very conservative estimates, a 62%-72% utilization of the capacity of the platform, hence, stable enough as basis of projections. Moreover, at this early stage, JDVC through Agbiag Mining entered into a Mines Consortium Agreement with five (5) EPCs to ensure that targets are met or exceeded.

***JDVC's operations are hazardous and are subject to risks that could lead to unexpected production delays, increased costs, damage to property, or injury to persons or casualties.***

JDVC's mining operations, like those of other companies engaged in mining operations, are subject to all of the hazards and risks normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or properties. Hazards associated with JDVC's offshore mining operations include accidents associated with the operation of large magnetite iron sand handling equipment and production disruptions due to inclement weather.

JDVC is still at risk of experiencing any, some or all of these hazards. The occurrence of any of these hazards could result in material damage to, or the destruction of, mineral properties, human exposure to pollution, personal injury or casualty, environmental or natural resource damage, delays to production or shipping, reduced sales, increased costs and losses associated with remedying the situation, as well as potential legal liability for JDVC.

The liabilities resulting from any of these risks may not be adequately covered by insurance, and no assurance can be given that we will be able to obtain additional insurance coverage at rates we consider to be reasonable. JDVC may therefore incur significant costs that could have material adverse effect on its business, results of operations, and financial condition.

Furthermore, around 19% of the proceeds or ₱179 million will be used to purchase additional Equipment and insurance needed to commence operations. This includes sea water pollution curtains, oil spill arresters, food contamination and waste treatment system mitigation on-board, Yokohama fenders or equivalent, for prevention of ship-to-ship loading collision accidents, and other environmental, pollution, control, accident prevention or treatment measures as required under ISO standards. *See Use of Proceeds on page 57.*

***The Company could encounter risks in the peace and order and security of its Cagayan Mine.***

JDVC's site of operations may be attacked causing damage to a number of the JDVC's vessel, and equipment. The failure to prevent such damages to properties may have an adverse effect on the financial results of JDVC.

The offshore mining area of operations is 15 kilometers away from the shorelines. Hence, possible peace and order, and security concerns are less likely. In addition, JDVC will coordinate with the government authorities like the Philippine Coast Guard, the PNP Civil Security Group in Cagayan, to ensure that the operations and assets of JDVC's and the ECPs are properly secured from any security risks.

Moreover, JDVC's mining area of operations is within the ocean and not in any way involved in any indigenous people concern. Hence, JDVC will not be involved in any conflict with any local community tribe, if any.

**Risk of lengthened severe weather disturbances in the offshores of Cagayan**

JDVC may not start its operations as expected due to unfavorable weather conditions, even after all the necessary equipment has been procured in order to start its operations.

To mitigate this risk, JDVC's production estimates for every siphon vessel is placed only at very conservative estimates of 62%-72% utilization of the capacity of the platform, hence, stable enough as basis for the

planned production. Moreover, at this early stage, JDVC through Agbiag Mining entered into a Mines Consortium Agreement with five (5) EPCs to ensure that targets are met or exceeded.

### 3. MARKET RISKS

***JDVC's business is sensitive to the volatility of magnetite iron sand prices, which can result in volatility in its earnings. If the sale price of the JDVC's magnetite ore falls and remains below its production costs, JDVC may sustain losses, and may need to curtail or suspend some or all of its mining and exploration activities, which could have an adverse impact on JDVC's business, results of operations and financial condition.***

JDVC's sale of magnetite iron sand is dependent on the world market price in general, and the market price of magnetite iron sand in China in particular. The magnetite iron sand price is subject to volatile price movements over time and is affected by numerous factors that are beyond JDVC's control. These factors include global supply and demand; regulatory policies of other Magnetite Iron producing countries; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy. Fluctuating prices in the iron ore market can cause difficulties in achieving the Company's/JDVC's target revenues. Iron ore prices have been fluctuating due to the aggregate iron inventory level in the market, supply visibility, changes in each country's standards, and the actions taken by the biggest producers and buyers in the market.

There can be no assurance that the markets for magnetite iron sand will continue to do well. Reduced levels of economic growth, adverse changes in the country's political or security conditions, or weaker performance of, or slowdown in, the national and local mining markets may still adversely affect the demand and prices for the Company's magnetite iron sand. In particular, the global economic downturn resulting from the COVID-19 pandemic has resulted in an economic slowdown and negative business sentiment, which may have an adverse effect on the outlook on the Philippine mining market and lead to an adverse change in the Philippines' macroeconomic situation generally, which could materially and adversely affect the Company's results of operations. The Company cannot foresee when the disruptions of business activities caused by the outbreak of COVID-19 will cease.

To manage this risk, JDVC continuously monitors key global economic indicators as well as global market conditions in the iron and steel industry. To ensure that JDVC will not be negatively affected by the sudden changes in iron ore prices, JDVC is carefully selecting its potential markets. JDVC has a team of experienced analysts who properly monitors the movements in both supply and demand.

***Economic, political and other conditions in China, as well as government policies, could adversely affect the Company's business and prospects.***

JDVC's business currently depends in large part on the general economic conditions in China, as well as its political and social conditions. China's annual consumption of primary magnetite iron has also increased by more than 5% since 2008 from 367,000 tonnes to an estimated 1.0 million tonnes in 2015. The economy of China differs in many respects from the economies of most developed countries, including with respect to:

- the amount and degree of government involvement;
- growth rate and degree of development;

- government control over capital investment;
- government control of foreign exchange; and
- government allocation of resources

The Chinese economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For approximately three (3) decades, the Chinese government has implemented economic reform measures to utilize market forces in the development of the economy. However, the Chinese government continues to play a significant role in regulating industries and the economy through policy measures.

Any political tension between the Chinese and Philippine governments may also have an adverse effect on JDVC's business and operations if such tension escalates and has effects on commerce and economic relations. See "—Risks Relating to the Philippines—Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment." For example, such tension may result in policy directives restricting free trade between China and the Philippines or increase in the cost of doing business between the two (2) countries, such as with respect to shipping and freight costs, which at present constitutes a significant competitive advantage for the Company against international competitors. The Company cannot predict the extent of any adverse effect on its current or future business, financial condition or results of operations that could be caused by any changes in Chinese economic, political or social conditions and in Chinese laws, regulations and policies.

To mitigate this risk, JDVC intends to diversify its export markets to other countries, especially those in the Asian region, where there will always be demand for a basic industrial commodity like iron and steel as well as the by-product of reclamation sand. The alternative markets include the Philippines itself, through the Company's plan to integrate downstream to an iron pelletization plant investment, as well as through JDVC's openness to local purchasers of reclamation sand.

***Fluctuations in transportation costs and disruptions in transportation could adversely affect the demand for the JDVC's magnetite iron sand.***

Transportation costs may vary for a number of reasons, including changes in global demand for commodities, the size of the global shipping fleet and fuel costs. Under the terms of certain of JDVC's ore supply agreements, the customer is responsible for paying transportation costs including shipping and related insurance costs. Any future increases in freight costs could result in a significant decrease in the volume of magnetite iron sand that customers outside the Philippines purchase from us.

JDVC depends upon ships to deliver magnetite iron sand to JDVC's international customers. While these customers typically arrange and pay for transportation of magnetite iron sand from transshipment areas to the point of use, disruptions to these transportation services because of weather-related problems, distribution problems, labor disputes or other events could temporarily restrict the ability to supply magnetite iron sand to customers which could result in demurrage claims by ship-owners for loading delays. Any of the foregoing events could materially and adversely affect JDVC's business, results of operations, and financial condition.

To mitigate this risk, JDVC has adapted its international sales platform aligned with Singapore Platts and Custeel Price Index for iron at the time of buyers' orders and signing of Purchase and Sales Contracts with the company. Said fluctuations in the indicative prices automatically carries freight cost adjustments.

Therefore, it is unlikely that these fluctuations in transportation costs will adversely affect the demand for magnetite iron.

Moreover, disruption in transportation, as part of JDVC's business plan for the continuing export and shipment activities for the long-term, is to engage freight vessels on a quarterly or semi-annual or annual charter contractual arrangement, so that there can be continuing turn around export shipments without disruption.

### ***Substitution risk***

Iron from magnetite is mainly used in industrial steel production. Substitution is one of the biggest risks in the steel industry, with aluminum being used by automobile manufacturers due to its lightness. Steel, however, is stronger than aluminum, making it essential for modern building. Some steel manufacturers are also focusing on the technology aspect of manufacturing steel to compete against the aluminum manufacturers.

To ensure the demand going forward, JDVC will sign formal contracts with the importers or buyers. JDVC is also considering price-volume agreements to guarantee the price and volume of iron ore sold.

### ***JDVC may face competition from other mining firms which could materially adversely affect its revenue and profitability.***

As of the date of this Prospectus, DENR MGB has issued four (4) Offshore Approved MPSA Contracts at the Offshore waters of Cagayan. However, no one has been permitted yet except JDVC. Only JDVC has completed all the Mining Requirements for Commercial Extraction Operations which includes an Approved DMPF and ECC. The other three (3) MPSA Mining companies do not have complete permits.

There are still eight (8) other mining applications offshore of Cagayan that do not have an MPSA approval. All over the Philippines, there are also applications for offshore MPSA permits, but all of them are still under process and no other application has reached the level of completion of JDVC. In addition, it took over four (4) years for JDVC to complete exploration, continuing public consultations, and numerous documentation requirements to be able to secure its ECC, Declaration of Mining Project Feasibility, Notice to Commence, Environmental Protection and Enhancement Program, Resolutions of No Objection from the municipality of Gonzaga and its coastal Barangays. Moreover, JDVC having the "first mover" advantage will already have strong foundations and hold on to stable clientele, adequate resources, and be able to withstand effective competition by the time other companies are ready. Also, siphon vessels used for the offshore mining operation are not readily available for chartering which adds to the barriers to entry for other possible competitors.

## **4. FINANCIAL RISKS**

***JDVC may face difficulty in obtaining future financing at acceptable terms. JDVC requires a significant amount of funding and any delays could cause JDVC to postpone development plans, forfeit rights in its properties or joint ventures, or reduce or terminate certain mine operations, any of which could have an adverse impact on its business, results of operations, and financial condition. There is no assurance that the Company will be able to sufficiently finance future capital requirements.***



Given the capital intensive nature of the business, there is a risk that JDVC's operations will be disrupted if the financial requirements are not met. Failure to obtain additional financing on a timely basis may cause JDVC to postpone development plans and modify capital expenditure budgets, forfeit rights in its properties or joint ventures or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on JDVC's business, results of operations, and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Debt Obligations and Facilities" for information with respect to JDVC's historical financing activities.

The further development and exploration of mineral properties in which the Company holds interests or which it will acquire may depend upon its ability to obtain financing the project cost through joint ventures, debt financing, equity financing or other means. Although the Company has credit facilities with banks that can be tapped by the Company, there is no assurance that the Company will be successful in obtaining the required and sufficient financing as and when needed to meet the project cost. Volatile magnetite iron prices may make it difficult or impossible for the Company to obtain debt financing or equity financing on favorable terms or at all. The Company's principal operations, through JDVC are located in, and its strategic focus is on, the Philippines, a country that has experienced past economic and political difficulties and may be perceived as unstable. This may make it more difficult for the Company to obtain debt or equity financing. Failure to obtain additional financing on a timely basis may cause the Company to postpone or delay development plans, forfeit rights in its properties or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's business, financial condition, results of operations and prospects.

To mitigate project funding and development risks, the Company notes that a new deep-sea mining vessel funded 51% by Singaporean and 49% Filipino, called MB Siphon I, has arrived the mining area and is currently deployed to do preparation stage and is just awaiting the procurement of all required environmental equipment from the FOO proceeds, so that MB Siphon I can be fully compliant with the offshore mining guidelines. JDVC tempers its exposure to this risk by exercising prudent management. In addition, JDVC is also in discussions with local and foreign debt and equity providers for its planned fundraising activity.

***JDVC's insurance coverage may not be sufficient to fully cover the risks related to JDVC's operations and losses.***

JDVC is not fully insured against all potential hazards incident to its business and if any or all of JDVC's mining facilities are damaged and JDVC's operations are interrupted for a sustained period, there can be no assurance that its insurance policies would be adequate to cover any or all of the losses that may be incurred as a result of such interruptions or the costs of repairing or replacing the damaged facilities.

Furthermore, the vessel to be used for the Offshore Mining operations, MB Siphon I is insured by Paramount Insurance and re-insured by Paramount Insurance with QBE Singapore, one of the world's top 20 general insurance and reinsurance companies.

***Risks in raising project finance loans***

JDVC has financial obligation that are subject to interest rates. JDVC's exposure to the risk for changes in interest relates primarily to its loan with banks with floating interest rate, instead of loans subject to fixed rates.

The Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance mining activities through internally generated funds, advances from customers and availing of existing credit lines with banks. The Group considers its available funds and its liquidity in managing its long-term financial requirements.

For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts. The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets. JDVC regularly monitors interest rates movements to assess exposure impact. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

### ***Liquidity risk***

Limited pricing and demand visibility may challenge JDVC's liquidity. Working capital management in the sector is, to a certain degree, dependent on market conditions. If the market price of iron ore falls or if the demand dives to a level below targeted, JDVC may face working capital management issues. Cash may be locked in working capital leading to liquidity problems. JDVC optimizes cash management to release cash, drive productivity, and manage risk. JDVC will also require letters of credit from its buyers to ensure that the payments will be made. In addition, JDVC has obtained an Letter of Credit (LC) Discounting Line from the Development Bank of the Philippines (DBP) in the amount of US\$8,000,000.

## **5. RESOURCE AND RESERVE RISKS**

***JDVC's reserve and resource estimates may not accurately reflect its magnetite iron deposits. Any inaccuracies or future reductions in JDVC's reserve or resource estimates could have an adverse impact on its business, results of operations, and financial condition.***

Reserve and resource figures are estimates and no assurances can be given that the indicated levels of magnetite iron sand will be produced or that we will receive the price assumed in determining JDVC's reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results, and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While we believe that the reserve and resource estimates included in this Prospectus are well established, by their nature reserve and resource estimates depend, to a certain extent, upon statistical inferences that may ultimately prove inaccurate and require adjustment.

Furthermore, fluctuations in the market price of magnetite iron, increased capital or production costs or reduced recovery rates, change to life of mine plans and changes in applicable laws and regulations, including environmental laws and regulations, may render ore reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which resources may ultimately be reclassified as proved or probable reserves is dependent upon the determination of their profitable recovery, which determination may change over time based on economic and technological factors. Accordingly, no assurances can be given that any reserve estimates will not be reduced in the future or that any resource estimates will ultimately be reclassified as proved or probable reserves.

If JDVC's reserve or resource figures are reduced in the future, this could have an adverse impact on APL's business, results of operation, financial condition and prospects.

In mitigation, the mineral ore reserve estimates included in this Prospectus were calculated in accordance with the PMRC, based on mineral resource estimation data and modifying factors data provided to the competent persons who rendered the PMRC report to JDVC.

***JDVC's future exploration and development activities may not be successful. Even if JDVC makes economic discoveries of magnetite iron sand deposits, unexpected problems during the start-up phase of any new operations could have an adverse impact on JDVC's business, results of operations, and financial condition.***

JDVC can provide no assurance that its current exploration and development programs will result in profitable commercial mining operations or will replace production at JDVC's existing mining operations. Also, APL may incur expenses on exploration projects that are subsequently abandoned due to poor exploration results or the inability to define reserves that can be mined economically. In addition, JDVC may compete with other mining companies to acquire rights to exploit attractive mining properties.

The economic feasibility of development projects is based upon many factors, including the accuracy of reserve estimates; capital and operating costs; government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting, and environmental protection; and magnetite iron prices, which are highly volatile. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits, and availability of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Estimates of proved and probable reserves and cash operating costs are, to a large extent, based upon detailed geological and engineering analysis. We also conduct feasibility studies that derive estimates of capital and operating costs based upon many factors, including anticipated tonnage and grades of magnetite iron sand to be mined, the configuration of the mine, ground and mining conditions and anticipated environmental and regulatory compliance costs.

It is possible that actual costs and economic returns of current and new mining operations may differ materially from JDVC's best estimates. It is not unusual for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. These additional costs could have an adverse impact on JDVC's business, results of operations, and financial condition. If JDVC's exploration program is not successful, JDVC's business, results of operations, and financial condition would be adversely affected.

Moreover, the deployment of MV Falcon scientific research and survey vessel mitigated the risks stated above.

***JDVC's reserves may not be replaced. Failure to identify, acquire and develop additional reserves could have an adverse impact on APL's business, results of operations, and financial condition.***

JDVC's source of magnetite iron sand is currently limited to the Cagayan Mine. JDVC's profitability depends substantially on its ability to mine, in a cost-effective manner, magnetite iron sand that possesses the quality characteristics desired by JDVC's customers. Because JDVC's reserves decline as it mines magnetite iron sand, JDVC's future success and growth depend upon its ability to identify and acquire additional magnetite iron sand resources that are economically recoverable. JDVC currently has one (1) mining exploration property and plan to acquire another mining exploration property in the Philippines. If JDVC fails to identify or utilize additional reserves at its existing or future property, its existing reserves will eventually be depleted. Failure to commercialize JDVC's additional magnetite iron resources and identify reserves on such resources, enhance JDVC's existing reserves or maintain or continue to grow its reserves could materially and adversely affect JDVC's business, results of operations, and financial condition.

In mitigation, JDVC's business plan and financial projections, which drive its valuation, are based on already known mineral resources. Additional reserves that may be discovered in the future simply represent additional business opportunities for JDVC.

## **6. COMPLIANCE RISKS**

***Failure to comply with regulations, safety, health and environmental laws may adversely affect JDVC's business, results of operations, and financial condition.***

JDVC's facilities operate under various operating and environmental permits, licenses and approvals that contain conditions that must be met and APL's right to continue operating its facilities is, in a number of instances, dependent upon compliance with these conditions. Failure to meet certain of these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties, all of which could have an adverse impact on JDVC's business, results of operations, and financial condition. See "Regulation."

The siphon vessel MB Siphon I that will operate on-site is a deep sea mining vessel that has passed the necessary Environmental Impact Assessment (EIA) and uses technology for environmentally safe and ecologically balanced operations.

JDVC has provided funding for all environmental and health concerns. JDVC expends significant financial and managerial resources to comply with a complex set of environmental, health and safety laws, regulations, guidelines and permitting requirements (for the purpose of this paragraph, collectively referred to as "laws") drawn from a number of different jurisdictions. JDVC anticipates that it will be required to continue to do so in the future as the recent trend towards stricter environmental laws is likely to continue. The possibility of more stringent laws or more rigorous enforcement or new judicial interpretation of existing laws exists in the areas of worker health and safety, the disposition of waste, the decommissioning and rehabilitation of mining sites and other environmental matters, each of which could have a material adverse effect on JDVC's exploration, operations or the cost or the viability of a particular project.

***Revocation and failure to obtain, sustain or renew JDVC's mineral agreements, operating agreements, currently outstanding approvals and permits and other regulatory approvals, permits and licenses necessary for JDVC's business could have an adverse effect on JDVC's business, results of operations, and financial condition.***

JDVC relies on regulatory approvals, permits, licenses (including MPSAs), operating agreements with third-party claim owners and land access agreements to conduct JDVC's mining operations. See "Regulation".

For JDVC's mining operations in Cagayan, JDVC currently holds all the necessary regulatory approvals, licenses, permits, operating agreements to carry on its activities under applicable laws and regulations, approvals, licenses, permits, operating agreements and land access agreements. JDVC has not received any decision or order from the Government for the cessation or suspension of JDVC's mining operations in Cagayan of the date of this Prospectus. All the necessary documents like certificates of non-objection from the municipal council of the municipality of Gonzaga, Cagayan and barangay council resolutions from all the coastal barangays of the town of Gonzaga are already on-hand.

On the issue of permits being revoked, JDVC sees that its permits cannot be simply cancelled by the government. Normally, the DENR will suspend the operations, pending corrective measures for any violations. As a matter of fact, the government recently issued EO 130, to revitalize further the mining sector,

in order for the mining industry to become a vital resource for purposes of economic recovery in the aftermath of the COVID-19 pandemic.

To address the foregoing risks, JDVC employs a team of legal and operating personnel, who exercise the requisite due diligence with respect to the compliance with the mining laws, rules and regulations as well as the conditions for the related government permits

***The Group's officers and directors, may, from time to time, be involved in legal and other proceedings arising out of the Group's operations and construction of its mine sites and properties.***

The Company and its officers and directors may, from time to time, be involved in disputes with various parties involved in the operation and construction of JDVC's mine sites and properties, including disputes with contractors and suppliers, or property damage or personal liability claims. Regardless of the outcome, these disputes may lead to legal or other proceedings and may result in substantial costs, delays in JDVC's mine plan, and the diversion of resources and management's attention. APL (and JDVC's officers and directors) may also have disagreements with regulatory bodies in the course of JDVC's operations, which may subject the Company to administrative proceedings and unfavorable decisions that result in penalties. In such cases, the Company's business, financial condition, results of operations and cash flows could be materially and adversely affected.

To manage these risks, the Group has a dedicated internal audit team to monitor compliance with relevant laws and regulations. The Group closely monitors changes in legislation and government regulations affecting its business

### ***Environmental Compliance Risk***

Environmental Compliance Risk reflects environmental regulations that affect the economic viability of mineral projects. Regulations often increase the time spent on non-mining activities, such as conducting environmental baseline studies, filing environmental impact assessments, and applying for mining permits and waiting for their approval. Regulations also increase the risks because of the discretionary authority that some regulations vest in government agencies to stop development or production even after significant expenditures have been made.

Environmental concerns regarding offshore magnetite mining, such as its effect on the local community and ecology, have already been addressed through JDVC's compliance with the guidelines in offshore mining issued by the MGB on May 16, 2016.

### ***Compliance with ISO 14001***

On July 1, 2016, the newly installed DENR Secretary Regina Lopez called for an audit of all mining operations in the country to ensure adherence to ISO 14001, the Department's measure of responsible mining.

ISO 14001 is a systematic framework to manage the environmental impacts of mining company's products, services and processes. Audited firms that do not comply with this standard will face suspension of their ECC.

As of August 10, 2016, eight mining firms have already been suspended, including Benguet Corp Nickel Mines Incorporated, Eramen Minerals Incorporated, LNL Archipelago Minerals Incorporated, Zambales

Diversified Metals Corporation, Berong Nickel, Citinickel, and Claver Minerals. The eighth firm is an iron ore mining firm in Bulacan, Ore Asia Mining Development Corporation.

JDVC is already in full compliance with ISO 14001.

#### *Addressed Concerns*

Environmental concerns regarding offshore magnetite mining, such as its effect on the local community and ecology, have already been addressed through JDVC's compliance with the guidelines in offshore mining issued by the MGB on May 16, 2016.

In June 14, 2021, JDVC was issued a Certificate of Compliance and Good Standing by MGB-DENR. These Certifications are awarded to mining companies that showed exemplary practices in safety and health; environmental protection and rehabilitation; and community and social development and compliant to the terms and conditions in its MPSA Contract.

## **7. NATURAL CALAMITIES RISKS**

***Offshore mining faces the inherent risks of natural calamities such as typhoons, tsunamis, and earthquakes that are beyond the Company's control. The occurrence of any of these risks could result in disruptions in JDVC's production, which may have an adverse impact on JDVC's business, results of operations and financial condition.***

JDVC's mining operations are influenced by changing conditions that can affect production levels and costs for varying periods, materially disrupt JDVC's operations, and as a result, diminish JDVC's revenues and profitability. Prolonged disruption of production at its mine or transportation of its magnetite iron sand to customers would result in an increase in the JDVC's costs and a decrease in its revenues and profitability, which could have a material adverse effect on the Company's business, results of operations and financial condition. The inability to obtain equipment necessary to conduct its operations, increases in replacement or repair costs, prices for fuel and other supplies, and unexpected geological conditions could have a significant impact on the productivity of the JDVC's mine, the resulting number of days JDVC is able to mine and its operating results.

Other factors affecting the production and sale of the JDVC's magnetite iron sand that could result in increases in the JDVC's costs and decreases in its revenues and profitability include:

- inclement weather conditions, including a prolonged monsoon season;
- equipment failures and unexpected maintenance problems;
- interruption of critical supplies, including spare parts and fuel;
- environmental hazards;
- industrial accidents;
- increased or unexpected rehabilitation costs;
- work stoppages or other labor difficulties; and
- changes in laws or regulations, including permitting requirements, the imposition of additional taxes and fees and changes in the manner of enforcement of existing laws and regulations.

To address the above risks, JDVC has, among other things: established a seven (7) month annual operating schedule based on a hundred years of seasonal weather data collected by the government; amply provided

for supplies, repairs and maintenance in its operating budget; and set aside a percentage of export revenues into a reserve fund for environmental rehabilitation. The Company and JDVC will continue to diligently comply with all government laws and regulations since the Company is publicly listed with the corresponding fiduciary obligations to its public shareholders.

## **B. COVID-19 RISKS**

***The Company's business may be materially and adversely affected by the COVID-19 outbreak and other adverse public health developments.***

In December 2019, an outbreak of the disease **COVID-19**, caused by a novel coronavirus (**SARS-CoV-2**) was first reported to have surfaced in Wuhan, the People's Republic of China, later resulting in millions of confirmed cases and hundreds of thousands of fatalities globally, with thousands of confirmed cases and more than a thousand fatalities in the Philippines. In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. As at the date of this Offering Circular, the COVID-19 disease has continued to spread globally, with the number of reported cases and related deaths increasing daily, and in many countries, exponentially.

Governments and health authorities around the world have imposed sweeping measures designed to contain the pandemic, including, among others, travel restrictions, border closures, curfews, quarantines, prohibition of gatherings and events and closures of universities, schools, restaurants, stores and other business. The economic repercussions of the pandemic and the efforts around the world to contain it have been severe, and include reduced global trade, lower industrial production, broad reductions in general consumption and economic activity and major disruptions to international travel and global air traffic.

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months from March 17, 2020 (at midnight), unless earlier lifted or extended as circumstances may warrant, and imposed an enhanced community quarantine ("**ECQ**") throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended as circumstances may warrant. On March 25, 2020, Republic Act No. 11469, otherwise known as the "Bayanihan to Heal As One Act" (the "**Bayanihan Act**"), was signed into law, declaring a state of national emergency over the entire country, and authorizing the President of the Philippines to exercise certain powers necessary to address the COVID-19 pandemic. On April 7, 2020, the Office of the President of the Philippines released a memorandum extending the ECQ over the entire Luzon island until April 30, 2020. On May 1, 2020, the Government further extended the ECQ over, among others, certain portions of Luzon, including Metro Manila, until May 15, 2020, while easing restrictions in other parts of the country. On May 11, 2020, the Inter-Agency Task Force of Emerging Infectious Disease ("**IATF**") placed high-risk local government units under modified ECQ ("**MECQ**") from May 16, 2020 until May 31, 2020, where certain industries were allowed to operate under strict compliance with minimum safety standards and protocols. On May 27, 2020, the IATF reclassified various provinces, highly urbanized cities and independent component cities depending on the risk-level. Meanwhile, on May 29, 2020, the Government placed Metro Manila under general community quarantine, allowing for the partial reopening of certain businesses and public transportation while continuing to limit general movements. Because of the spike in COVID-19 cases, on August 4, 2020, the Government again placed Metro Manila under MECQ until August 18, 2020. Starting August 19, 2020, MECQ was lifted and Metro Manila and nearby areas were again placed under general community quarantine. These measures have caused disruption to businesses and economic activities, and

their impacts on businesses continue to evolve. On September 11, 2020, the Bayanihan to Recover as One Act (the “**Bayanihan 2 Act**”) was signed into law by President Duterte. Similar to the Bayanihan Act, the Bayanihan 2 Act confers emergency powers to President Duterte which will be in effect until December 19, 2020. The Bayanihan 2 Act seeks to provide a stimulus package to struggling sectors as part of the country’s COVID-19 response and recovery plan, and to scrutinize the government’s implementation of programs related to the pandemic. The moratorium on the collection of residential and commercial rents of lessees not permitted to operate or which have temporarily ceased operations under the Bayanihan 2 Act during and after the effectivity of quarantine measures may affect the Company and businesses that transact with it. Until the measures are finalized, its potential effects or duration remain uncertain.

The Philippine Government expects the country’s gross domestic product to fall by 5.0% due to the economic effects of the outbreak, and the resulting domestic shutdowns, reduced tourism, disrupted trade and manufacturing and financial market spillovers. On May 7, 2020, the National Economic Development Authority reported that the Philippine economy had slowed down for the first time in 22 years, contracting 0.2% in the first quarter of 2020, from a 5.6% growth rate in the first quarter of 2019. In early August 2020, the Philippine Statistics Authority revised the first quarter estimates, stating that the economy contracted by 0.7% compared to same period in the prior year, and that GDP for the second quarter of 2020 contracted by 16.5%, bringing the country to a technical recession. According to Colliers, while the Philippine’s GDP growth is expected to contract between 4.5% to 6.6% in 2020, it is expected to rebound and grow by 6.5% to 7.5% in 2021 and 2022. The extent of the impact of COVID-19 on the Philippine economy and the speed and certainty of any economic recovery cannot be predicted for certain, and any new surge in infections may result in stricter quarantine or lockdown measures across provinces, cities and municipalities may lead to further contraction of the Philippine economy, closure of businesses, and rise in unemployment rates.

The outbreak of COVID-19 and other adverse public health developments, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus and Ebola virus could materially and adversely affect the Company’s business, financial condition and results of operations. These may include, temporary closures of the Company’s Properties, or cause the hospitalization or quarantine of the Company’s or its property managers’ employees, delay or suspension of supplies from the Company’s suppliers, disruptions or suspension of the Company’s operational activities. The disruption to business may also cause tenants to miss lease payments or downsize or not renew their leases. Although the Company has taken certain measures to try and minimize the negative effect of COVID-19 on the Company’s operations, there is no certainty that such measures will be sufficient or that the Company will not be required to incur additional expense to address the effect of COVID-19 on its operations.

Further, under the Bayanihan Act, lessors, such as the Company, were required to extend rent deferrals to small and medium enterprises that requested for such concessions during the imposition of ECQ and MECQ in Metro Manila. The Company has extended such rent deferrals in the past to its small and medium enterprise tenants, and may do so in the future if required by law or regulation.

In addition, the continued spread of COVID-19 has led to disruption and volatility in the global capital markets. It is possible that the continued spread of COVID-19 could cause a global economic slowdown or recession. The deterioration of the regional economy and financial markets in general will have a material adverse effect on the Company’s business, financial condition and results of operations. Furthermore, there is significant uncertainty relating to future developments of the outbreak of the COVID-19 and what actions the Philippine Government will take. The impacts of the outbreak of the COVID-19 on the Company’s results of operations are highly uncertain.



The outbreak of a virus or any public health epidemic in the Philippines could have an adverse effect on the Philippine economy, and could materially and adversely affect JDVC's, financial condition and results of operations. Furthermore, although an outbreak or epidemic could adversely affect demand for Magnetite Iron Sand, JDVC intends to diversify its export markets to other countries, especially those in the Asian region.

### ***Risks of COVID-19 in the Mining Industry***

The rapid spread of COVID-19 is disrupting lives and operations across industries, and mining is no exception. The pandemic is affecting the entire value chain, as organizations limit access to offices, mine sites and manufacturing facilities, and restrictions on transportation and shipping increase. The industry faces potential shortages of materials, such as chemicals and machine components, from upstream suppliers who are experiencing their own disruptions from the pandemic. And the crisis has shaken the confidence of investors around the globe.

In short, the mining industry has been thrust into a period of change and uncertainty that requires action. To move forward, companies must maintain a dual focus, tackling an array of short-term critical issues while keeping an eye on the longer term, and reshaping their operations to recover, adapt and thrive in the coming years.

The actions that companies take in this crisis will not only determine how well they fare in the short term—they will also define their culture and brand for some time to come. To mitigate near-term operational risks and protect people, the following actions are taken by JDVC now:

1. Establishing a response governance team
2. Ensuring people are safe
3. Conducting financial due diligence
4. Reducing operational exposure
5. Continuous monitoring and reporting

JDVC has been observing certain health measures which includes, among others, undergoing home/self-quarantine if anyone is found to be sick or not feeling well. To the extent possible, no face to face meetings are held unless the use of remote communication like teleconference or video conference is not feasible. Travel restrictions are also imposed on the officers of the Corporation.

Moreover, JDVC will be involved in deep-sea vessel Offshore Mining operations that will only have engineers, seafarers, technology professionals involved in its daily operations. Hence health protocols for Covid-19 can be more easily observed.

Lastly, with regard to the Covid-19 pandemic that affected the economy of China, the government of China has provided a stimulus package for its economic recovery, making steel production as its flagship economic rehabilitation program. Management sees this as an economic and financial opportunity. In fact, iron prices have gone up from US\$80 to US\$100 for the past three (3) months since April 2020 and is expected to rise further up to about US\$120-US\$130.

### **C. RISKS RELATING TO THE PHILIPPINES**

***There is no guarantee that future events will not cause political instability in the Philippines. Such instability may disrupt the country and its economy, as well as commercial traffic into and out of the Philippines, which could materially and adversely affect JDVC's business, results of operations, and financial condition. Acts of terrorism, clashes with separatist groups, and violent crimes could destabilize the country and could have a material adverse effect on JDVC's business, results of operations, and financial condition.***

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine army has also been in conflict with the Abu Sayyaf organization, which has ties to the Al-Qaeda terrorist network, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities particularly in the southern part of the Philippines. Moreover, isolated bombings and have taken place in the Philippines in recent years, mainly in regions in the southern part of the Philippines, such as the province of Maguindanao. On September 02, 2016, a bomb was detonated in a crowded night market area in Davao City, killing fourteen (14) persons. The Abu Sayyaf claimed responsibility for this incident. Also, on May 23, 2017, an ongoing armed conflict in Marawi, Lanao del Sur started between the Philippine government security forces and alleged affiliated militants of the Islamic State of Iraq and the Levant, including the Maute and Abu Sayyaf Salafi jihadist groups. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines and adversely affect the country's economy.

In the last few years, the political diversity in the Philippines has resulted in public and military protests and claims and investigations of misconduct of previous administrations.

In addition, there can be no assurance that the administration of President Rodrigo R. Duterte will continue to implement social and economic policies that promote a favorable and stable macroeconomic and business environment. Policy instabilities or fundamental change of policy directions, including those with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and the loss of investor confidence in the Philippines. The President's unorthodox and radical methods may also raise risks of social and political unrest. Any potential instability could have an adverse effect on the Philippine economy, which may impact JDVC's business, prospects, financial condition and results of operations JDVC cannot provide assurance of effective mitigation to such political instability.

There can be no assurance that the political environment in the Philippines will stabilize and any political instability, acts of terrorism, violent crime and similar events could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Further, while the Company has stringent internal control systems in place, the high level of corruption and relatively low levels of absolute income in some of its areas of operation make it vulnerable to fraud by its employees and counterparties.

#### ***Risk of lower net income because of new tax laws.***

Tax Risk reflects possible changes in mining taxation laws. The Mining Industry Coordinating Council (MICC) approved a new mining revenue sharing scheme last year. It approved a 10% tax on gross revenues or a 55% share of the adjusted net mining revenues (gross sales less costs), whichever is higher. This scheme is pending legislative action.

On December 19, 2017, President Rodrigo Duterte signed into law Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (“TRAIN”) Act. The TRAIN Act amended certain provisions of the National Internal Revenue Code (“NIRC”) including the increase of the excise tax on mineral products. This increase in excise tax on mineral products may affect the income margins and the results of operations and financial condition of the Company.

Furthermore, The Corporate Recovery and Tax Incentives Enterprises (CREATE) Bill was signed into law on March 26, 2021. The salient provisions of the CREATE Bill include: (i) reduction in corporate income tax (CIT) from the current 30% to 20% for MSMEs and to 25% for other corporate taxpayers by July 1, 2020; (ii) reduction in the minimum corporate income tax rate to 1% effective July 1, 2020 until June 30, 2023; (iii) effective July 1, 2020, a period of four to seven years during which export enterprises may enjoy the 5% special corporate income based on the gross income earned in lieu of all national and local taxes; (iv) extension of the applicability of the net operating loss carryover for losses incurred during the first three years from the start of commercial operation by registered projects or activities, from the current three to five consecutive taxable years immediately following the year of such loss. CREATE law does not have any significant impact on the net income of JDVC, whether positive or negative, since the special income tax rate of 5% based on gross income earned in lieu of all national and local taxes and exemptions on VAT and custom and import duties on importations are tax incentives that are already granted to JDVC as a Registered Business Enterprise under the Cagayan Economic Zone Authority.

To mitigate this risk, the Company will continue to pursue programs to improve operational productivity and reduce costs as what it has done in past years.

***Territorial and other disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.***

The Philippines, China and several Southeast Asian nations have been engaged in a series of long standing territorial disputes over certain islands in the West Philippine Sea, also known as the South China Sea. Despite efforts to reach a compromise, a dispute arose between the Philippines and China over a group of small islands and reefs known as the Scarborough Shoal. In April and May 2012, the Philippines and China accused one another of deploying vessels to the shoal in an attempt to take control of the area, and both sides unilaterally imposed fishing bans at the shoal during the late spring and summer of 2012. These actions threatened to disrupt trade and other ties between the two (2) countries, including a temporary ban by China on Philippine banana imports, as well as a temporary suspension of tours to the Philippines by Chinese travel agencies. Since July 2012, Chinese vessels have reportedly turned away Philippine fishing boats attempting to enter the shoal, and the Philippines has continued to protest China’s presence there. In January 2013, the Philippines sent notice to the Chinese embassy in Manila that it intended to seek international arbitration to resolve the dispute under the United Nations Convention on the Law of the Sea. China has rejected and returned the notice sent by the Philippines requesting arbitral proceedings. Chinese vessels have also recently confronted Philippine vessels in the area, and the Chinese government has warned the Philippines against what it calls provocative actions. Recent talks between the Government of the Philippines and the United States of America about increased American military presence in the country, particularly through possible American forays into and use of Philippine military installations, may further increase tensions.

In February 2013, several hundred armed Filipino-Muslim followers of Sultan Jamalul Kiram III, the self-proclaimed Sultan of Sulu from the south of the Philippines, illegally entered Lahad Datu, Sabah, Malaysia in a bid to enforce the Sultan of Sulu’s historical claim on the territory. As a result of the illegal entry, these followers engaged in a three (3) -week standoff with the Malaysian armed forces, resulting in casualties on

both sides. Clashes between the Malaysian authorities and followers of the Sultan of Sulu have killed at least 98 Filipino Muslims and 10 Malaysian policemen army since March 01, 2013. In addition, about 4,000 Filipino-Muslims working in Sabah have reportedly returned to the southern Philippines.

On May 09, 2013, a Philippine Coast Guard ship opened fire on a Taiwanese fisherman's vessel in a disputed exclusive economic zone between Taiwan and the Philippines, killing a 65-year old Taiwanese fisherman. Although the Philippine government maintained that the loss of life was unintended, Taiwan imposed economic sanctions on the Philippines in the aftermath of the incident. Taiwan eventually lifted the sanctions in August 2013 after a formal apology was issued by the Government of the Philippines. However, the incident has raised tensions between the two (2) countries in the recent year.

On March 30, 2014, the Philippines invoked the compulsory settlement of dispute clause under the U.N. Convention on the Law of the Seas and submitted a case to the Permanent Court of Arbitration in The Hague against China over the territorial dispute in the West Philippine Sea. On July 12, 2016, the international tribunal issued a decision stating among others that there was no legal basis for China to claim historic rights to resources within the sea-areas falling within the nine-dash line and that China violated the Philippines' sovereign rights in its exclusive economic zone by: a) interfering with Philippine fishing and petroleum exploration; b) constructing artificial islands; and c) failing to prevent Chinese fishermen from fishing in the zone. However, the international tribunal found that it lacked jurisdiction to consider the implications of a stand-off between Philippine marines and Chinese naval and law enforcement vessels holding that the dispute involved military activities and was therefore excluded from compulsory settlement. However, as of date, China has yet to recognize and comply with the rulings of the international tribunal.

Should territorial disputes between the Philippines and other countries in the region continue or escalate further, the Philippines and its economy may be disrupted and JDVC's operations could be adversely affected as a result. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas foreign worker permits. Any impact from these disputes in countries in where we export JDVC's products could materially and adversely affect JDVC's business, results of operations, and financial condition.

JDVC believes that it may be more susceptible than other Filipino companies to the possible adverse effects mentioned above, when disputes between the Philippines and China intensify. As the majority of JDVC's customers are Chinese nationals, any negative sentiments among JDVC's Chinese customers may result in non-payments, suspension of trade or termination of purchase agreements, which would cause possible loss of business, and have a material adverse effect on JDVC's results of operations.

***Corporate governance and disclosure standards in the Philippines may be less stringent than those in other countries.***

There may be less publicly available information about Philippine public companies than that which is regularly made available by public companies in certain other countries. SEC and PSE requirements with respect to corporate governance standards may also be less stringent than those applicable in certain other jurisdictions. For example, the SEC requires publicly listed companies to have at least two (2) independent directors or such number of independent directors as is equal to 20.0% of its board of directors, whichever is lesser, but in no case less than two (2) independent directors. We historically have had two (2) independent directors and, as of the date of this Prospectus, have two (2) independent directors. Many other countries require significantly more independent directors. Furthermore, rules against self-dealing and those protecting minority shareholders may be less stringent or developed in the Philippines. Such potentially lower standards in certain areas of disclosure and corporate governance may materially and adversely affect the interests of JDVC's shareholders, particularly those of minority shareholders.

***The credit ratings of the Philippines may restrict the access to capital of Philippine companies, including JDVC's business.***

Historically, the Philippines' sovereign debt has been rated non-investment grade by international credit rating agencies. In 2019, the Philippines' long-term foreign currency-denominated debt was upgraded by S&P Global ("**S&P**"), to BBB+ with stable outlook, while Fitch Ratings ("**Fitch**"), and Moody's Investors Service ("**Moody's**"), affirmed the Philippines' long-term foreign currency-denominated debt to the investment-grade rating of BBB and Baa2, respectively, with a stable outlook. On February 28, 2020, Fitch revised its rating of Philippines long-term foreign currency-denominated debt to BBB, with a positive outlook, following its expectation that sound macroeconomic management will continue to support high growth rates with stable inflation while ongoing tax reforms were expected to improve fiscal finances. On May 7, 2020, Fitch affirmed its rating of Philippines long-term foreign currency-denominated debt to BBB, but revised the outlook to stable, to reflect the deterioration in the Philippines' near-term macroeconomic and fiscal outlook as a result of the impact of the COVID-19 pandemic and domestic lockdown to contain the spread of the virus. In May 2020, S&P and Moody's affirmed its rating of BBB+ and Baa2, with stable outlook, respectively, for the Philippines' long-term foreign currency-denominated debt. In July 12, 2021, Fitch Ratings has affirmed Philippines' Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BBB' and revised the Outlook to Negative from Stable. The Philippines' economy has been hit particularly hard by the Covid-19 pandemic and contracted by 9.6% in 2020. The pace of economic recovery in 2021 has been set back by new highly transmissible variants and targeted mobility restrictions.

The Philippine Government's credit ratings directly affect companies domiciled in the Philippines as international credit rating agencies issue credit ratings by reference to that of the sovereign. No assurance can be given that Fitch, Moody's, S&P, or any other international credit rating agency will not downgrade the credit ratings of the Philippine Government in the future and, therefore, Philippine companies. Any such downgrade could have a material adverse impact on the liquidity in the Philippine financial markets, the ability of the Philippine Government and Philippine companies, including the Company, to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available.

***The Company is exposed to exchange rate fluctuations.***

Foreign Exchange Risk reflects the natural consequence of international operations. Iron ore prices are quoted in USD.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the Government has instituted restrictions on the ability of Philippine companies to use foreign exchange revenues or to convert Philippine Pesos into foreign currencies to satisfy foreign currency-denominated obligations, and no assurance can be given that the Government will not institute such or other restrictive exchange policies in the future.

To manage this risk, JDVC continuously monitors key global economic indicators as well as global market conditions in the iron and steel industry. To ensure that JDVC will not be negatively affected by the sudden changes in iron ore prices, JDVC is carefully selecting its potential markets. JDVC has a team of experienced analysts who properly monitors the movements in both supply and demand. JDVC is also considering price-volume agreements to guarantee the price and volume of iron ore sold.

#### **D. RISKS RELATING TO THE OFFER AND THE OFFER SHARES**

***The market price of securities can and does fluctuate. The Offer Shares have not been publicly traded and the relative volatility and illiquidity of the securities market may substantially limit investors' ability to sell the Offer Shares at a suitable price or at a time they desire.***

The market prices of securities can and do fluctuate, and it is impossible to predict whether the price of the Offer Shares will rise or fall. An individual security may experience upward or downward movements, and may even lose all its value. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. There may be a substantial difference between the buying price and the selling price of such securities. Trading prices of the Offer Shares will be influenced by, among other things:

- variations in JDVC's operating results;
- success or failure of JDVC's management team in implementing business and growth strategies;
- gain or loss of an important business relationship;
- changes in securities analysts' recommendation, perceptions or estimates of JDVC's financial performance;
- changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;
- differences between JDVC's actual financial operating results and those expected by investors and analysts;
- additions or departures of key personnel;
- changes in general market conditions and broad market fluctuations; and
- involvement in litigation.

These fluctuations may be exaggerated if the trading volume of APL's Shares is low.

The securities market is substantially smaller, less liquid, and more volatile than major securities markets in other jurisdictions, and is not as highly regulated or supervised as some of these other markets. The Offer Price will be determined by us in consultation with the Underwriter and could differ significantly from the price of the existing shares of the Company that are currently listed on the PSE or the price at which the Offer Shares will trade subsequent to completion of the Offer.

There can be no assurance that after the Offer Shares have been approved for listing on the PSE, an active trading market for the Offer Shares will develop or be sustained after the Offer, or that the Offer Price will correspond to the price at which the Offer Shares will trade in the Philippine public market subsequent to the Offer. There is no assurance that investors may sell the Offer Shares at prices or at times deemed appropriate.

***There is no guarantee that the Offer Shares will be listed on the PSE***

The PSE may or may not approve the Company's listing application.

Purchasers of the Offer Shares are required to pay the Offer Price of the Offer Shares so subscribed upon submission of their Applications during the Offer Period. Although the PSE has approved the Company's application to list the Offer Shares, because the Listing Date is scheduled after the Offer Period, there can be no guarantee that the listing of the Offer Shares will occur on the anticipated Listing Date. Delays in the

admission and the commencement of trading of shares on the PSE have occurred in the past. If the PSE does not admit the Offer Shares for listing on the PSE, the market for these will be illiquid and holders may not be able to trade the Offer Shares. However, they would be able to sell these by negotiated sale. This may materially and adversely affect the value of the Offer Shares.

***Future sales of Shares in the public market could adversely affect the prevailing market price of the Shares and shareholders may experience dilution in their holdings.***

In order to finance the expansion of JDVC's business and operations, The Company's Board will consider the funding options available to the Company at the time, which may include the issuance of new Shares. If additional funds are raised through the issuance of new equity or equity-linked securities by us other than on a pro rata basis to existing shareholders, the percentage ownership of the shareholders may be reduced, shareholders may experience subsequent dilution and/or such securities may have rights, preferences and privileges senior to those of the Shares.

Further, the market price of the Shares could decline as a result of future sales of substantial amounts of the Shares in the public market or the issuance of new Shares, or the perception that such sales, transfers or issuances may occur. This could also materially and adversely affect the prevailing market price of the Shares or the Company's ability to raise capital in the future at a time and at a price we deem appropriate.

***Investors in the Company's Shares will face immediate and substantial dilution in the net asset value per Share and may experience future dilution.***

The Offering Price is substantially higher than the Company's net book value per Common Share of ₱0.0106 as at December 31, 2020. Thus, there will be an immediate and substantial dilution in the net asset value per Share to new investors. See "Dilution."

***There may be a delay or failure in trading of the Shares, which could cause the Offer to be terminated and investors may not be allocated the Offer Shares for which they initially subscribed.***

There is 10-day gap between the dates on which the Offer closes and the date on which trading of the Shares is expected to commence on the PSE. During this period, a delay in or termination of the trading of the Shares on the PSE may result from the occurrence of any one or more events, including the Underwriter exercising its right pursuant to the Underwriting Agreement, to discharge itself from its obligations thereunder. In the event the commencement of trading on the PSE does not occur, the Offer may be terminated and investors may not be allocated the Offer Shares for which they initially subscribed.

***The rights of minority shareholders may be limited.***

In the Philippines, the rights of minority shareholders to assert their rights as such and the fiduciary obligations of directors and majority shareholders may not be as extensive as those in the United States or other countries, and the ability of any of the Company's shareholders to assert any such rights or to enforce any such fiduciary obligation may be limited.

The Philippine Corporation Code provides for minimum minority shareholders protection in certain instances wherein a vote by the shareholders representing at least two-thirds (2/3) of the Company's outstanding capital stock is required. The Corporation Code also grants shareholders an appraisal right allowing a dissenting shareholder to require the corporation to purchase his shares in certain instances. Derivative actions, while permitted under the Corporation Code and governed by the Interim Rules of Procedure

Governing Intra Corporate Controversies (A.M. No. 01-2-04-SC), are rarely brought on behalf of Philippine companies. Accordingly, there can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

***The Company is a holding company and relies on dividend payments from its subsidiary for funding and for paying dividends on its Shares.***

APL is a holding company incorporated in the Philippines and operates its business through its subsidiary in the Philippines. Therefore, the availability of funds to the Company to pay dividends to its Shareholders and to service its indebtedness depends upon dividends received from the subsidiary. If the Company's subsidiary incurs debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distribution to us. As a result, the Company's ability to pay dividends and to service its indebtedness will be restricted.

APL's ability to declare dividends in relation to its Shares will also depend on the Company's future financial performance, which, in turn, depends on successfully implementing the Company's strategy and on financial, competitive, regulatory, and other factors, general economic conditions, demand and prices for JDVC's ore, costs of raw materials and other factors specific to the Company's industry or specific projects, many of which are beyond the Company's control. The receipt of dividends from the Company's subsidiaries may also be affected by the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of existing laws and regulations and other events outside the Company's control. Philippine laws require that dividends be paid only out of Unrestricted Retained Earnings calculated according to Philippines accounting principles. In addition, restrictive covenants in bank credit facilities, convertible bonds instrument or other agreements that the Company or its subsidiary may enter into in the future may also restrict the ability of the Company's subsidiary to make contributions to APL and APL's ability to receive distributions. Therefore, these restrictions on the availability and usage of the Company's major source of funding may impact the Company's ability to pay dividends to the Company's shareholders.

In addition, The Company believes that its prospective performance should allow for a growth in profits that will, over time, help eliminate, the retained deficit and allow the Company to declare and pay-out dividends in the future. Alternatively, the Company may consider capital restructuring measures that would eliminate its retained deficits.

***The Company's Shares are subject to Philippine foreign ownership limitations.***

The Philippine Constitution, related statutes and recent jurisprudence set forth restrictions on foreign ownership of companies engaged in certain activities including, among others, mining activities.

In connection with the conduct of mining activities, Article XII, Section 2 of the Constitution states that "the exploration, development, and utilization of natural resources shall be under the full control and supervision of the State. The State may directly undertake such activities, or it may enter into co- production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens."

Considering the foregoing, as long as the Company's subsidiary or their affiliates conduct mining activities involving the exploration, development, and utilization of natural resources of the Philippines, foreign ownership in the Company is limited to a maximum of 40.0% of the Company's capital stock outstanding, whether or not entitled to vote. As of March 31, 2021, the Company's level of foreign ownership is 39.26%



of its equity. The Company cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the Company's books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

Recent cases by the Philippine Supreme Court have called into question what constitutes "control" for purposes of determining this 40.0% ownership threshold. Should ownership of the Company be challenged, it is unclear how Philippine courts would interpret the law on foreign ownership as this area of the law remains unsettled.

For more information, see "Regulatory and Environmental Matters – Foreign Ownership Controls."

***Investors may face difficulties enforcing judgments against the Company.***

The Company is organized under the laws of the Philippines and all or a substantial portion of the Company's assets are located in the Philippines. In addition, substantially all of its directors and officers are residents of the Philippines, and all or a substantial portion of the assets of such persons are located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Philippines predicated upon the laws of jurisdictions other than the Philippines.

The Philippines is party to the United Nations Convention on the Enforcement and Recognition of Arbitral Awards, though it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, the Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court is, through the institution of an independent action, enforceable in the Philippines as a general rule, unless there is evidence that: (a) the foreign court rendering judgment did not have jurisdiction; (b) the judgment is contrary to the laws, public policy, customs or public order of the Philippines; (c) the party against whom enforcement is sought did not receive notice; or (d) the rendering of the judgment entailed collusion, fraud, or a clear mistake of law or fact.

***Future changes in the value of the Peso against the U.S. dollar or other currencies will affect the foreign currency equivalent of the value of the Shares and any dividends.***

Fluctuations in the exchange rate between the Peso and other currencies will affect the foreign currency equivalent of the Peso price of the Shares on the PSE. Such fluctuations will also affect the amount in foreign currency received upon conversion of cash dividends or other distributions paid in Pesos by us on, and the Peso proceeds received from any sales of, the Shares.

**E. RISKS RELATING TO CERTAIN STATISTICAL INFORMATION IN THE PROSPECTUS**

***Certain information contained herein is derived from unofficial publications***

Certain information in this Prospectus relating to the Philippines, the industries in which we compete, and the markets wherein we operate, including statistics relating to market size, are derived from various Government and private publications. This Prospectus also contains industry information which was prepared from publicly available third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. The information contained in the Industry section may not be consistent with other information. Similarly, industry forecasts and other market research data,

including those contained or extracted herein have not been independently verified by the Company, the Issue Manager, and Underwriter, or any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly

***Non-verification of Certain Information***

The section of this Prospectus entitled “Industry” was not independently verified by the Company, the Issue Managers, and Underwriter, or any of their respective affiliates or advisors.

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## USE OF PROCEEDS

The Company expects to raise gross proceeds from the Primary Offer of ₱988,000,000 based on an Offer Price of ₱0.08 per share and an Offer of 12,350,000,000 new Common Shares. After deducting the estimated expenses pertaining to the Primary Offer, the estimated net proceeds from the Primary Offer is approximately ₱957,338,500.

The following are the estimated expenses to be incurred in relation to the Offer at an Offer Price of ₱0.08 per share:

<b>Gross proceeds from the Offer (In ₱)</b>	988,000,000
Estimated professional fees (including legal, accounting, and financial advisory fees)	3,000,000
SEC registration, filing, and research fees	1,877,500
Issue Management and underwriting fee	8,000,000
PSE TP Selling Commission	1,976,000
Taxes to be paid to the Government	4,940,000
Estimated receiving and escrow bank fees	2,470,000
PSE Filing fees	988,000
Estimated PDTC processing fees	2,470,000
Estimated other related expenses	4,940,000
<b>Total estimated expenses</b>	<b>30,661,500</b>
<b><i>Estimated Net proceeds from the Offer</i></b>	<b>957,338,500</b>

The actual underwriting and selling fees and other Offer-related expenses may vary from the estimated amounts indicated above. The estimated amounts used to determine the estimated net proceeds are presented in this Prospectus for convenience only.

The net proceeds that will be generated at an Offer Price of ₱0.08 per share, will be used primarily by the Company for the following:

<b>Use of Proceeds</b>	<b>Allocation (in ₱)</b>	<b>Percentage</b>	<b>Year/Period of Target Disbursement</b>
To buy a 49% stake in PBO who owns the MB Siphon I vessel which will be used for the Offshore Mining activities of JDVC	711,980,780	74%	2 <sup>nd</sup> half of 2021
Purchase of Environmental and Ecological Mitigating Measures, Equipment and Insurance	178,709,320	19%	2 <sup>nd</sup> half of 2021
General Corporate Purposes	66,648,400	7%	2 <sup>nd</sup> half of 2021
<b>TOTAL</b>	<b>957,338,500</b>	<b>100%</b>	

**To buy a 49% stake in PBO which owns the MB Siphon I Vessel that will be used for the offshore mining activities of JDVC**

Poet Blue Ocean (PBO) is a Special Purpose Vehicle exclusively for the company's ownership of MB Siphon 1 when PBO was registered in Singapore. The amount of ₱711,980,780 or 74% of the net proceeds shall be used to buy a 49% stake in PBO who owns the MB Siphon I vessel.

The Business Valuation of PBO, per Cuervo Appraisal is ₱2,268,027,869 (USD 45,303,475).

The Asset Valuation of PBO's only asset, MB Siphon I Vessel, per Cuervo Appraisal is ₱1,453,022,000.

While the Company will acquire 49% of PBO, the basis of the purchase price is the Asset Valuation of the vessel. Hence, the Company will pay ₱711,980,780 which constitutes 49% of the value of MB Siphon I Vessel.

**Purchase of Equipment and Insurance**

At an Offer Price of ₱0.08 per share, approximately ₱179 million or 19% of the net proceeds from the Offer will be used to purchase additional Equipment and insurance needed to commence operations. This includes sea water pollution curtains, oil spill arresters, food contamination and waste treatment system mitigation on-board, Yokohama fenders or equivalent, for prevention of ship to ship loading collision accidents, and other environmental, pollution, control, accident prevention or treatment measures as required under ISO standards.

<b>Pollution Mitigating Equipment</b>	<b>Unit Price</b>		<b>No. of units</b>	<b>Price (In USD)</b>
Payment of obligation for Design and Intellectual Property Rights	USD	1,000,000.00	1	1,000,000.00
Oil Spill Response Equipment Platform including boat	USD	900,000.00	1	900,000.00
Dragflow Suction System / Slightly Used / including Duties and Taxes	PHP	40,000,000.00	1	798,993.27
Hull & Machinery Insurance	PHP	17,012,071.14	1	342,568.36
Emergency and utility speedboat	PHP	11,941,970.00	1	238,538.84
Oil spill response Boat Option A	USD	109,387.40	1	109,387.40
Yokohama Fenders (2.5 m X 4.0 m X 8 Units)	USD	10,600.00	8	84,800.00
Oil Spill response Equipment (Skimmer, Oil Absorbing Mats, Storage tanks, Etc.) Wier Oil Skimmers	USD	60,000.00	1	60,000.00
Pollution Prevention Curtain (2 m x 2 m x 60 m) with flotation frame and winch	JPY	340,000,000.00	1	31,960.00
Food Contamination and Waste Treatment System	PHP	150,000.00	1	2,996.22
Ultratech Collapsible side Berms (4,488 Gallon Capacity - 12Ft X 50 Ft X 12 Inches) P100 Oil sorbent pads Heavy – weight CEP-P100	USD	35.81	5	179.05
Ultratech Collapsible side Berms (4,488 Gallon Capacity - 12Ft X 50 Ft X 12 Inches) P100 Oil sorbent pads Medium – weight CEP EP100	USD	28.95	5	144.75
Ultratech Collapsible side Berms (4,488 Gallon Capacity - 12Ft X 50 Ft X 12 Inches) L100 Oil sorbent pads Light CEP-L100	USD	24.14	5	120.7
<b>Total in \$</b>				3,569,688.59
<b>Total in ₱</b>				178,709,320.00

## General Corporate Purposes

At an Offer Price of ₱0.08 per share, ₱67 million or 7% of the net proceeds from the sale of the Offer Shares for general corporate purposes. The Company has projected expenses amounting to ₱5.6 million per month for the next 12 months mainly for the procurement of Environmental risk mitigation facilities for MB Siphon I. This includes monthly expense provisions for office rentals, salaries and wages, professional salaries and retainer fees (for environmental committee allowances), listing maintenance (for periodic reporting), representation expenses, taxes and licenses, utility bills, legal and documentation expenses, other maintenance and overhead expenses including to fund any unexpected increase in miscellaneous expenses.

The proposed use of proceeds described above represents the Company's best estimate of the use of the net Offer proceeds. The actual amount and timing of disbursement of the net proceeds from the Offer based on the uses stated above will depend on factors such as changing market conditions or new information regarding the cost or feasibility of the Company's planned acquisition. The Company's cost estimates may change as it develops its plans, and actual costs may be different from its budgeted costs.

To the extent that the net proceeds from the Offer are not immediately applied to the above purposes, the Company will invest the net proceeds in short term demand deposits and money market placements. In the event that there is any change in the Company's development plan, including *force majeure* and circumstances, such as (i) failure to obtain requisite approvals, (ii) changes in government policies that would render any of the above plans not commercially viable, the Company will carefully evaluate the situation and may reallocate the proceeds for future investments and/or hold such funds on short term deposit whichever is better for the Company's and its shareholders' interest taken as a whole.

In the event that the actual expenses are more than the foregoing estimates, or the actual net Offer proceeds are not sufficient to finance the projects described above, the Company will utilize the net proceeds based on their order of priority and will use internally generated funds and, where available, bank loans to finance the shortfall, or delay or abandon one or more of the components of its plans. In such event, the Company will issue a public disclosure if there is any change in the above proposed use of proceeds and shall accordingly inform the SEC, the PSE and shareholders at least 30 days prior to its implementation. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Company's Board of Directors and disclosed to the PSE. In addition, the Company shall submit via the PSE Electronic Disclosure Generation Technology ("PSE EDGE") the following disclosure to ensure transparency in the use of proceeds:

- i. Any disbursements made in connection with the planned use of proceeds from the Offer;
- ii. Quarterly progress report on the application of the proceeds from the Offer or on before the first 15 days of the following quarter; the quarterly progress report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- iii. Annual summary of the application of proceeds on or before January 31 of the year following the follow-on offering; the annual summary report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
- iv. Approval by the Company's Board of Directors of any reallocation on the planned use of proceeds. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least thirty (30) days prior to the said actual disbursement or implementation.

- v. A comprehensive report on the progress of its Business Plan on or before the fifteen (15) days of the following quarter.

Similarly, no portion of the net Offer proceeds shall be used to reimburse any officer, director, employee, shareholder or other affiliate for services rendered, assets previously transferred, money loaned or advanced. The Issue Manager and Underwriter will receive a transaction fee from the Company equivalent to 1.00% of the gross proceeds from the sale of the Offer Shares.

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## **DIVIDENDS AND DIVIDEND POLICY**

### **Limitations and Requirements**

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries, if any, depending on its business requirements.

The Philippine Revised Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

The Philippine Revised Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation, (ii) when distribution is prohibited under any loan agreement with any financial institution or creditor without its consent, and such consent has not been secured, (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies, or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

### **Record Date**

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. In case no record date is specified, it is deemed to be fixed at 15 days after the company's declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

### **Dividend History**

The Company was incorporated on 10 June 1998 and has not declared dividends since that date.

## **Dividend Policy**

The Board does not expect to be in a position to declare dividends in the near future. There are no specific requirements relating to the Company's dividend policy that limits or would likely limit the Company's ability to pay dividends.

The Company's current dividend policy provides no fixed percentage so long as there are unrestricted retained earnings, the Company may dividend out in full or in part the unrestricted retained earnings. The Board may not declare dividends which will impair the Company's capital. Dividends may be payable in cash, shares or property of the Company, or a combination thereof, as the Board determines.

Dividends to be paid in cash by the Company are subject to approval by a majority of the Board and no further approval from the Company's stockholders is required. Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date that is neither less than 10 days nor more than 30 days from the date the cash dividends are declared, provided, however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of cash dividend. In case no record date is specified, it is deemed to be fixed at 15 days from the Company's declaration.

The declaration of stock dividends is subject to the approval of stockholders representing at least two-thirds of the outstanding capital stock. In cases where the stock dividends shall be sourced from an increase in the authorized capital stock of the Company, such increase shall be subject to the required approvals of the SEC for the same. The record date with respect to stock dividends is to be neither less than 10 days nor more than 30 days from the date of stockholders' approval, provided, however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In relation to foreign stockholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

The Company's subsidiary, JDVC has approved a dividend policy in its Board Resolution dated August 10, 2021, that would entitle the Company to receive cash dividends of up to 100% of the prior year's net income after tax subject to (i) the availability of unrestricted retained earnings, (ii) contractual obligations, and (iii) working capital requirements. While cash dividends from JDVC are subject to approval of JDVC's Board of Directors, no stockholder approval is required.

In addition, after the acquisition of the 49% ownership of Poet Blue Ocean Co Ltd. (PBO) from the proceeds of the FOO, APL will be entitled to another dividend, comprising of 49% of the charter fees from one of the EPCs, CBO.

PBO in general, may declare dividends but any dividend declared must not exceed the amount recommended by the directors. The directors of PBO may from time to time pay to the members such interim dividends to the directors to be justified by the profits of PBO. No dividend is to (i) be paid otherwise than out of profits (ii) bear interest against PBO. The directors may, before recommending any dividend (i) set aside out of the profits of PBO sums as they think proper as reserves; or (ii) carry forward any profits which they may think prudent not to divide, without placing the profits to reserve. The reserves set aside are at the discretion of the directors, to be applied for any purpose to which the profits of PBO may be properly applied and may, at the discretion of the directors, be employed in the business of PBO or be invested in any investments (other than shares in PBO) as the directors may from time to time think fit.



## RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

### Changes in Capital Structure

Apollo Global Capital, Inc. (APL), formerly Yehey! Corporation (YEHEY) was incorporated on June 10, 1998. It has an authorized capital stock of Two Hundred Eighty Million Pesos (₱280,000,000.00) divided into Two Hundred Eighty Million (280,000,000) common shares with par value of ₱1.00 per share.

YEHEY's primary purpose was to engage in the business of internet online-related products relating to database research engine; to engage in other pre-production and post-production work on web sites in internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

By the majority vote of the Board of Directors in a meeting held on 16 November 2006 and by the vote and written assent of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock, the authorized capital stock of YEHEY was increased from Three Hundred Thousand (300,000) shares at ₱100 par value to One Million (1,000,000,000) shares at ₱1.00 par value per share. The increase in authorized capital stock was approved by the Securities and Exchange Commission (the "SEC") on 08 March 2007.

As of 2014, YEHEY was 66.95% owned by Vantage Equities, Inc. On 15 October 2015, YEHEY ceased to be a majority-owned subsidiary of Vantage Equities, Inc. (V) when V sold its shares amounting to Two Hundred Ninety Million Pesos (₱290,000,000.00) to a group of individual shareholders pursuant to a Sale and Purchase Agreement (SPA).

In October 2016, the SEC approved the YEHEY's change in name to "Apollo Global Capital, Inc." as well as the winding down of APL's digital marketing operations and resulting change in primary purpose to that of a holding company.

On 14 December 2016, the Board of Directors and the stockholders of the APL approved to increase the authorized capital stock of the Corporation from One Billion Pesos (₱1,000,000,000.00) divided into One Hundred Billion (100,000,000,000) common shares with a par value of One Centavo (₱0.01) per share to Six Billion Pesos (₱6,000,000,000.00) divided into Six Hundred Billion (600,000,000,000) common shares with a par value of One Centavo (₱0.01) per share. The application for increase in the authorized capital stock as well as the corresponding amendment to the Articles of Incorporation of APL was approved by the SEC on 9 October 2017.

On 17 February 2017, APL and the shareholders of JDVC Resources Corporation ("JDVC") entered into a Deed of Exchange of Shares (the "Deed") where APL issued Two Hundred Forty Seven Billion Three Hundred Ninety Six Million Seventy One Thousand Five Hundred Twenty 247,396,071,520 shares (at par value of ₱0.01 per share) to JDVC's shareholders in exchange for Four Million One Hundred Thirty Three Thousand Seven Hundred Forty (4,133,740) JDVC shares (at par value of ₱100 per share) at an exchange price of ₱598.48. The Deed covering the transaction was approved by SEC on 09 October 2017. As a result of this transaction, the Company now owns 82.67% of JDVC.

On February 21, 2019, the Board of Directors (the "BOD") of the Corporation authorized the entry into a Convertible Loan Agreement (the "Agreement") with Ms. Joanna B. Co (the "Lender") covering a loan by the Lender to the Corporation in the principal amount of ₱50,000,000 (the "Loan"). The Loan bears interest of 5% per annum maturing on February 20, 2021. Further, the Agreement provides that the Loan shall be

convertible to shares of the Corporation at par value of One Centavo ₱0.01 per share at any time until the 10th day before maturity at the option of the Lender.

On September 11, 2019, the Lender exercised her right to convert the loan at a par value of One Centavo ₱0.01 per share. On the same date, the BOD approved the conversion of the principal amount of the loan ₱50,000,000 and the accrued interest as of date of conversion amounting to ₱1,402,777.77. Thus, for the aggregate amount of ₱51,402,777.77, the Board approved the issuance of 5,140,277,777 common shares from the unissued portion of its capital stock of the Corporation in full payment for the Loan.

On December 7, 2020, the Commission approved the confirmation for valuation and has issued the related “Certificate of Approval of Valuation.”

The above described 5,140,277,777 common shares was approved for listing by the Philippine Stock Exchange (PSE) and listed on August 11, 2021

Provided herein is the history of issuances from 2017 to 2019

<b>Date of Issuance</b>	February 17, 2017	
<b>Entities</b>	APL	JDVC
<b>Number of Shares</b>	247,396,071,520	4,133,740
<b>Par Value</b>	₱0.01	₱598.48
<b>Total Amount</b>	₱2,473,960,715	₱2,473,960,715
<b>Basis for Issuance</b>	JDVC Share swap	APL Share swap

<b>Date of Issuance</b>	September 11, 2019
<b>Issuer</b>	APL
<b>Debt to be converted</b>	50,000,000
<b>Interest</b>	1,402,778
<b>Number of Shares</b>	5,140,277,777
<b>Par Value</b>	₱0.01
<b>Total Amount</b>	₱ 51,402,778
<b>Basis for Issuance</b>	Debt to equity conversion

In December 2019, APL purchased additional Three Hundred Eighty-Nine Thousand Five Hundred Thirty (389,530) shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in APL's ownership of JDVC to 90.47%.

### **Changes in Ownership Structure**

The principal stockholders of the Corporation are Hyung Rae Doo (38.9%), Lloyd Reagan Taboso (16.6%), Napoleon M. De Leon, Jr. (16.5%), Daniel Chua Go (16.3%) and PCD Nominee Corporation (9.6%). There were no significant changes in the ownership structure of APL in the last two (2) years.

The following table shows the shares beneficially owned by principal stockholders of the Company, before and after APL's share issuances.

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Pre-FOO Percentage Ownership</b>	<b>Post-FOO Percentage Ownership</b>
Common	Hyung Rae Doo	Korean	109,065,080,064	38.91%	37.26%
Common	Lloyd Reagan C. Taboso	Filipino	46,471,972,000	16.58%	15.88%
Common	Napoleon M. De Leon, Jr.	Filipino	46,224,979,304	16.49%	15.79%
Common	Daniel Chua Go	Filipino	45,634,040,152	16.28%	15.59%
Common	PCD Nominee Corp – Filipino	Filipino	27,016,037,628	9.64%	9.23%

### **Changes in Management Control**

During the Annual Meeting of Stockholders held on December 20, 2018, the following individuals were elected as members of the Board of Directors:

1. Salvador Santos-Ocampo
2. Vittorio Paulo P. Lim
3. Lloyd Reagan Taboso
4. Norman de Leon
5. Alexandra Herrera
6. Christopher Go
7. Edwin Lim
8. Lucky T. Uy
9. David Dela Cruz
10. Klarence T. Dy
11. Raymond Ricafort

During the Organizational Meeting of Board of Directors held on December 20, 2018, the following individuals were appointed as principal officers of APL:

<b>Name</b>	<b>Positions Held</b>
Salvador Araneta Santos-Ocampo	Chairman
Vittorio Paulo P. Lim	President
Edwin T. Lim	Treasurer
Kristina Joyce C. Caro- Gangan	Corporate Secretary
Lucky T. Uy	Compliance Officer

On March 4, 2019, Alexandra Herrera resigned as member of the Board of Directors of APL due to personal reasons. She was replaced by Bernadette Herrera-Dy. Mr. Christopher Go was also designated as APL's Chief Finance Officer.

On July 8, 2019, Mr. Gary Olivar was designated as APL's Chief Operating Officer.

During the 2019 Annual Meeting of Stockholders held on 07 January 2020, the following individuals were elected as members of the Board of Directors:

1. Salvador Santos-Ocampo
2. Vittorio Paulo P. Lim
3. Lloyd Reagan Taboso
4. Norman de Leon
5. Bernadette Herrera-Dy
6. Christopher Go
7. Edwin Lim
8. John Oliver Pascual
9. David Dela Cruz
10. Klarence T. Dy
11. Deo G. Contreras, Jr.

During the Organizational Meeting of Board of Directors held on 07 January 2020, the following individuals were appointed as principal officers of APL:

<b>Name</b>	<b>Positions Held</b>
Salvador Araneta Santos-Ocampo	Chairman
Vittorio Paulo P. Lim	President
Edwin T. Lim	Treasurer
Gary Olivar	Chief Operating Officer
Christopher Go	Chief Finance Officer
Kristina Joyce C. Caro- Gangan	Corporate Secretary
Lucky T. Uy	Compliance Officer

During the Organizational Meeting of Board of Directors held on October 2, 2020, the following individuals were appointed as principal officers of APL:

<b>Name</b>	<b>Positions Held</b>
Salvador Araneta Santos-Ocampo	Chairman
Vittorio Paulo P. Lim	President
Edwin T. Lim	Treasurer
Gary Olivar	Chief Operating Officer
Christopher Go	Chief Finance Officer
Kristina Joyce C. Caro- Gangan	Corporate Secretary
Lucky T. Uy	Compliance Officer

On March 1, 2021, Klarence T. Dy resigned as Independent Director of APL due to personal reasons. He was replaced by Edward William Sy Tan.

On March 5, 2021, Deo G. Contreras Jr. resigned as Independent Director of APL due to personal reasons. He was replaced by George O. Chua Cham.

On June 30, 2021, the Company announced the death due to cardiac arrest of its Chief Operating Officer, Mr. Gary Olivar. Mr. Olivar was APL's Chief Operating Officer from July 2019 to June 29, 2021.

### Current Directors

Name	Age	Citizenship
Vittorio Paulo P. Lim	35	Filipino
Salvador Araneta Santos-Ocampo	49	Filipino
Norman De Leon	28	Filipino
Christopher Go	51	Filipino
Bernadette Herrera-Dy	44	Filipino
David De La Cruz	53	Filipino
Edwin Lim	45	Filipino
Lloyd Reagan Taboso	39	Filipino
John Oliver Pascual	50	Filipino
Edward William Sy Tan*	49	Filipino
George O. Chua Cham*	73	Filipino

Independent Directors\*

### Current Officers

Name	Age	Citizenship	Positions Held
Vittorio Paulo P. Lim	35	Filipino	President
Edwin T. Lim	45	Filipino	Treasurer
Christopher Go	51	Filipino	Chief Finance Officer
Kristina Joyce C. Caro- Gangan	38	Filipino	Corporate Secretary
Lucky T. Uy	37	Filipino	Compliance Officer

### Financing Agreement/Material Contract/Agreements

On February 21, 2019, the Board of Directors (the "BOD") of the Corporation authorized the entry into a Convertible Loan Agreement (the "Agreement") with Ms. Joanna B. Co (the "Lender") covering a loan by the Lender to the Corporation in the principal amount of ₱50,000,000 (the "Loan"). The Loan bears interest of 5% per annum maturing on February 20, 2021. Further, the Agreement provides that the Loan shall be convertible to shares of the Corporation at par value of One Centavo ₱0.01 per share at any time until the 10th day before maturity at the option of the Lender.

On September 11, 2019, the Lender exercised her right to convert the loan at a par value of One Centavo ₱0.01 per share. On the same date, the BOD approved the conversion of the principal amount of the loan

₱50,000,000 and the accrued interest as of date of conversion amounting to ₱1,402,777.77. Thus, for the aggregate amount of ₱51,402,777.77, the Board approved the issuance of 5,140,277,777 common shares from the unissued portion of its capital stock of the Corporation in full payment for the Loan.

In October 2019, JDVC obtained credit from CBO to finance the Group's working capital requirements. The loans were drawn from a series of promissory notes in various dates, and as of December 31, 2020, ₱37,550,000 (2019: ₱13,950,000) have been availed from CBO.

On October 2, 2020, JDVC, successfully secured an Export Packing Credit Line from the Development Bank of the Philippines (DBP) for the amount of \$8,000,000 or ₱416,000,000. This is for the pre-shipment financing facility for JDVC's working capital requirements in its export production of iron ore.

On December 7, 2020, the Commission approved the confirmation for valuation and has issued the related "Certificate of Approval of Valuation."

The above described 5,140,277,777 common shares was approved for listing by the Philippine Stock Exchange (PSE) and listed on August 11, 2021.

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## **DETERMINATION OF THE OFFER PRICE**

The Company's Shares are currently traded on the Main Board of the PSE under the symbol "APL." The Company will apply for the Offer Shares to be listed and traded on the PSE under the same symbol. For a description of the PSE, see "The Philippine Stock Market."

The Offer Price has been set to ₱0.08 per Offer Share. The Final Offer Price was determined through a book-building process after securing SEC pre-effective approval, and discussion between APL and the Underwriter.

The factors considered in determining the Offer Price are a mixture of, among others, the Company's ability to generate earnings and cash flow, its short and long-term prospects, overall market conditions at the time of launch, the market price of listed comparable companies, and general valuation multiples such P/E, EV/EBITDA, and P/B. Note that the Offer Price may not have any correlation to the actual book value of the Offer Shares.

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## CAPITALIZATION AND INDEBTEDNESS

The following table sets out the Company's consolidated debt, shareholders' equity and capitalization as of March 31, 2021, and as adjusted to reflect the issuance and sale of a total of 12,350,000,000 Offer Shares at the Offer Price of ₱0.08 per share. The table should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto, included elsewhere in this Prospectus.

	<b>Actual as of</b>	<b>As Adjusted</b>
	<b>March 31, 2021</b>	<b>for the Offer</b>
	<b>(₱ Millions)</b>	<b>(₱ Millions)</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Total debt</b>	50.80	50.80
<b>Equity:</b>		
Capital stock	2,803.36	2,926.86
Additional paid-in capital	17.59	851.43
Retained earnings	(101.33)	(101.33)
Non-controlling interest	245.61	245.61
<b>Total equity</b>	<b>2,947.64</b>	<b>3,922.57</b>
<b>Total capitalization</b>	<b>2,985.24</b>	<b>3,973.37</b>

Differences in decimal numbers are due to rounding off.

For additional information, refer to the financial statements and accompanying notes included in the annexes of this Prospectus.

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## DILUTION

Through the Offer, the Company will offer 12,350,000,000 Offer Shares to the public. The Offer Shares will be sold at the Offer Price, which is substantially higher than the adjusted book value per share of the outstanding Shares, which will result in an immediate material dilution of the new investors' equity interest in the Company. The net book value attributable to the Company's common shareholders, based on the Company's audited consolidated financial statements as of March 31, 2021 was ₱2,956 million, while the net book value per common Share was at ₱0.105. The net book value attributable to the Company's common shareholders represents the amount of the Company's total equity attributable to equity holders of the Company. The Company's net book value per share is computed by dividing the net book value attributable to the Company's common shareholders by the equivalent number of Shares outstanding. Without taking into account any other changes in such net book value after the Offer, other than to give effect to the sale of 12,350,000,000 Shares at the Offer Price of ₱0.08 per Share and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the Company's net book value would increase to ₱3,913 million, or ₱0.0134 per Common Share at an Offer Price of ₱0.08 per Offer Share. This represents an immediate increase in net book value of ₱0.0028 per Common Share to existing shareholders, and an immediate dilution of ₱0.0666 per Common Share to purchasers of Shares at the Offer Price of ₱0.08 per Offer Share.

Dilution in pro forma book value per share to investors of the Offer Shares represents the difference between the Offer Price and the pro forma net book value per share immediately following the completion of the Offer. The pro forma net book value per share immediately following the completion of the Offer represents the net book value per share as of March 31, 2021 after giving effect to the equity transactions subsequent to the Offer. The following table illustrates dilution on a per share basis based on the Offer Price of ₱0.08 per Offer Share and the Offer of 12,350,000,000 Shares:

Offer Price per Offer Share	₱0.0800
Net book value per Common Share as of March 31, 2021	₱0.0105
Difference in Offer Price per Offer Share and book value per Offer Share as of March 31, 2021	₱0.0695
Pro forma net book value per Common Share immediately following the completion of the Offer	₱0.0134
Dilution in Pro forma net book value per Common Share to investors of the Shares	₱0.0666

The following table sets forth the shareholdings and percentage of Shares outstanding of existing shareholders as of March 31, 2021 and new shareholders of the Company immediately after completion of an Offer of 12,350,000,000 Shares:

	<b>Shares</b>	
	<b>Number</b>	<b>Percentage</b>
Existing shareholders	280,336,349,297	95.8
New investors	12,350,000,000	4.2
<b>Total</b>	<b>292,686,349,297</b>	<b>100.0</b>

As of May 31, 2021, the shares held by the public amounted to 11.75% of the total outstanding shares. After the Offer, the Company will have a public float of about 15.47%.

*[The remainder of this page is left intentionally blank]*

## SELECTED FINANCIAL AND OTHER INFORMATION

The following tables present the summary of financial information and should be read in conjunction with the independent auditor's reports and APL's financial statements, including the notes thereto, included elsewhere in this Prospectus, and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The summary financial information as of and for the years ended December 31, 2018 and 2019 were derived from APL's audited financial statements, which were prepared in accordance with PFRS and were audited by Reyes Tacandong & Co. in accordance with the PSA. Summary financial information as of December 31, 2020 was derived from APL's audited financial statements, which were prepared in accordance with PFRS and were audited by Valdes Abad & Company in accordance with the PSA. The summary financial information presented below for the three (3) months ended March 31, 2020 and 2021 was derived from the unaudited interim condensed consolidated financial statements of APL. The information below is not necessarily indicative of the results of future operations.

### Summary Consolidated Statements of Comprehensive Income

In ₱	For the years ended December 31			For three months ended March 31	
	2018	Audited 2019	2020	2020 Unaudited	2021
Service income	-	-	-	-	-
Cost of services	-	-	-	-	-
<b>General and Administrative Expenses</b>					
Filing and processing fees	-	-	-	-	4,214,967
Taxes and licenses	3,837,948	4,651,891	1,376,625	-	263,847
Mobilization cost	1,601,195	3,368,891	2,298,021	508,773	765,033
Salaries and wages	2,706,987	2,500,096	3,058,192	631,851	776,638
Professional fees	3,958,726	2,192,004	3,511,161	751,100	853,700
Travel and transportation	315,524	1,959,469	494,974	-	186,023
Representation	397,529	1,357,235	863,707	364,968	300,969
Rent	762,941	698,020	804,928	143,546	134,155
Depreciation	45,552	418,573	580,053	112,368	211,696
Annual listing fee	250,000	280,000	-	292,320	355,840
Office supplies	290,373	225,907	410,460	42,457	101,163
Repairs and maintenance	2,500	185,649	82,156	633,503	33,700
Association dues	52,335	155,469	-	37,301	53,811
Allowances				-	50,000
Meetings & conference				-	16,500
Utilities expenses				-	15,470
Medical expenses				-	2,510
Advertising					
Miscellaneous	1,817,910	989,759	2,254,239	599,055	328,771
<b>Operating Loss</b>	<b>(16,039,520)</b>	<b>(18,982,963)</b>	<b>(15,734,516)</b>	<b>(4,117,242)</b>	<b>(8,664,793)</b>

#### Other Income (Charges)

Interest income	2,275,959	2,292,074	4,797	2,517	248
Interest expense	(600,000)	(2,177,028)	(1,276,450)	(259,750)	(418,292)
Other Income (losses) - net	1,351	-969	-3,960	(257,233)	(418,044)
	1,677,310	114,077	-1,275,613	-514,466	-836,088
<b>Loss Before Income Tax</b>	<b>(14,362,210)</b>	<b>(18,868,886)</b>	<b>(17,010,129)</b>	<b>(4,374,475)</b>	<b>(9,082,837)</b>
Benefit from (Provision for) Income Tax					
Current	(45,446)	(45,446)	-		
Deferred	2,074,303	1,226,937	723,109		
	2,028,857	1,181,491	723,109		
Net Loss	(P12,333,353)	(P17,687,395)	(P16,287,020)	(P4,374,475)	(P9,082,837)
Other Comprehensive Income	-	-	-	-	-
Total Comprehensive Loss	(P12,333,353)	(P17,687,395)	(P16,287,020)	(P4,374,475)	(P9,082,837)
Net Loss attributable to:					
Equity holders of the Parent Company	(P10,195,983)	(P16,001,786)	(P15,149,443)	(P4,103,276)	(P8,762,641)
Non-controlling interest	(P2,137,370)	(P1,685,609)	(P1,137,577)	(P271,199)	(P320,196)
	(P12,333,353)	(P17,687,395)	(P16,287,020)	(P4,374,475)	(P9,082,837)
Basic/Diluted Earnings Per share Attributable to the Equity holders of the Parent Company	(P0.00004)	(P0.00006)	(P0.00005)	(P0.00001)	(P0.00003)

## Summary Consolidated Statements of Financial Position

In P	For the years ended December 31 Audited			For three months ended March 31 Unaudited	
	2018	2019	2020	2020	2021
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash	1,545,052	1,284,390	909,057	1,155,454	1,220,436
Other current assets	2,754,536	3,634,557	3,942,010	3,637,289	4,523,922
<b>Total current assets</b>	<b>4,299,588</b>	<b>4,918,947</b>	<b>4,851,067</b>	<b>4,792,743</b>	<b>5,744,358</b>
<b>Non-current assets:</b>					
Mine properties	3,257,154,051	3,284,054,565	3,288,748,565	3,489,782,767	3,291,959,365
Advances to contractors	40,577,963	42,690,538	44,888,691	43,132,874	46,004,420
Deferred tax asset	4,204,257	5,431,194	6,154,303	5,431,194	6,154,303
Property and equipment, net	75,618	1,230,174	2,427,268	1,208,379	2,361,604
Website cost	326,100	360,777	360,777	360,777	360,777
Advances to related parties	2,595,022	-	-	-	-
Loan receivable	254,500,000	-	-	-	-
Other non-current assets				30,000	
Accrued interest receivable	10,561,750	-	-	-	-
<b>Total Noncurrent Assets</b>	<b>3,569,994,761</b>	<b>3,333,767,248</b>	<b>3,342,579,604</b>	<b>3,539,945,991</b>	<b>3,346,840,469</b>
<b>TOTAL ASSETS</b>	<b>3,574,294,349</b>	<b>3,338,686,195</b>	<b>3,347,430,671</b>	<b>3,544,738,734</b>	<b>3,352,584,827</b>

**LIABILITIES & EQUITY****Current liabilities:**

Accounts and other payables	41,296,821	40,237,120	41,576,576	40,182,294	42,530,951
Advances from contractors	51,500,000	55,151,000	55,151,000	55,151,000	55,151,000
Interest-bearing loans & borrowings - current portion	10,000,000	-	13,950,000		19,950,000
Advances for future royalties	-	-	-		-
<b>Total current liabilities</b>	<b>102,796,821</b>	<b>95,388,120</b>	<b>110,677,576</b>	<b>95,333,294</b>	<b>117,631,951</b>
<b>Non-current liabilities</b>					
Deposit for future stock subscriptions	254,227,307	246,149,562	-	450,269,562	
Interest-bearing loans & borrowings - net of current portion	-	13,950,000	23,600,000	19,950,000	30,850,000
Advances from related parties	1,862,964	1,682,983	247,924,585	1,682,983	247,957,203
<b>Total noncurrent liabilities</b>	<b>256,090,271</b>	<b>261,782,545</b>	<b>271,524,585</b>	<b>471,902,545</b>	<b>278,807,203</b>
<b>Total liabilities</b>	<b>358,887,092</b>	<b>357,170,665</b>	<b>382,202,161</b>	<b>567,235,839</b>	<b>396,439,154</b>
<b>Equity:</b>					
Share capital	2,751,960,715	2,803,363,493	2,803,363,493	2,803,363,493	2,803,363,493
Share premium	17,586,961	17,586,961	17,586,961	17,586,961	17,586,961
Accumulated losses	(70,176,862)	(86,178,648)	(101,328,091)	(89,950,598)	(110,090,732)
Total equity attributable to Parent Company's shareholders	2,699,370,814	2,734,771,806	2,719,622,363	2,730,999,856	2,710,859,722
Non-controlling interest	516,036,443	246,743,724	245,606,147	246,503,040	245,285,951
<b>Total equity</b>	<b>3,215,407,257</b>	<b>2,981,515,530</b>	<b>2,965,228,510</b>	<b>2,977,502,896</b>	<b>2,956,145,673</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,574,294,349</b>	<b>3,338,686,195</b>	<b>3,347,430,671</b>	<b>3,544,738,735</b>	<b>3,352,584,827</b>

**Summary Consolidated Statements of Cash Flow**

In ₪	For the years ended December 31			For three months ended March 31	
	2018	Audited		Unaudited	
		2019	2020	2020	2021
<b>Cash flow from operating activities</b>					
Profit(loss) before income tax	(14,362,210)	(18,868,886)	(17,010,129)	(4,374,475)	(9,082,837)
Adjustments for:					
Depreciation	45,552	418,573	580,054	112,368	211,696
Unrealized foreign exchange gains	(1,351)	969	3,960		
Interest income	(2,275,959)	(2,292,074)	(4,796)	(2,517)	(248)
Interest expense	600,000	2,177,028	1,276,450	259,750	418,292
Operating loss before working capital changes	(15,993,968)	(18,564,390)	(15,154,461)	(4,004,874)	(8,453,097)
Changes in working capital accounts					
Increase in:					
Other receivables	-	-	-		
Input VAT	-	-	-		
Advances to contractors	(15,380,858)	(2,112,575)	(2,198,153)		
Advances from contractors		3,651,000			
Other current assets	(126,054)	(880,021)	(307,453)	(2,732)	(581,912)
Other noncurrent assets	153,152			(30,000)	-
Decrease in accounts and other payables	(99,349)	(1,059,701)	1,339,456	(96,536)	954,375
Net cash used for operations	(31,447,077)	(18,965,687)	(16,320,611)	(4,134,142)	(8,080,634)

Interest received	3,638	19,753	4,796	2,517	248
Income tax paid	(45,446)	(45,446)	-	-	-
<b>Net cash used in operating activities</b>	<b>(31,488,885)</b>	<b>(18,991,380)</b>	<b>(16,315,815)</b>	<b>(4,131,625)</b>	<b>(8,080,386)</b>
<b>Cash flows from investing activities</b>					
Additional acquisition of ownership	-	(267,607,110)	-	-	-
Collection of:					
Loan receivable	-	254,500,000	-	-	-
Accrued interest receivable	-	12,834,071	-	-	-
Advances to related parties	7,410,856	2,595,022	-	-	-
Additions to:				(442,337)	(1,115,729)
Mine properties	-	(26,900,514)	(4,694,000)	(1,924,202)	(3,210,800)
Acquisition of property and equipment	(62,223)	(1,573,129)	(1,777,148)	(55,309)	(146,032)
Increase in deferred exploration costs	-	-	-	-	-
Acquisition of investment	-	-	-	-	-
Increase in website cost	-	(34,677)	-	-	-
Increase in mine properties	(29,726,658)	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(22,378,025)</b>	<b>(26,186,337)</b>	<b>(6,471,148)</b>	<b>(2,421,848)</b>	<b>(4,472,561)</b>
<b>Cash flows from financing activities</b>					
Proceeds from loans & borrowings	-	63,950,000	23,600,000	6,000,000	27,200,000
Repayment of loans & borrowings	-	(10,000,000)	-	-	(13,950,000)
Availments (repayments) of advances from related parties	(7,192,215)	(179,981)	92,040	-	32,618
Additional advances to contractors	-	-	-	-	-
Receipt payment for advances for future royalties	-	-	-	-	-
Proceeds from (return of) deposits for future stock subscription	61,515,000	(8,077,745)	-	-	-
Interest paid	-	(774,250)	(1,276,450)	-	(418,292)
<b>Net cash provided by financing activities</b>	<b>54,322,785</b>	<b>44,918,024</b>	<b>22,415,590</b>	<b>6,000,000</b>	<b>12,864,326</b>
Effect of exchange rate changes on cash	1,351	(969)	(3,960)	-	-
<b>Net increase(decrease) in cash</b>	<b>457,226</b>	<b>(260,662)</b>	<b>(375,333)</b>	<b>(553,473)</b>	<b>311,379</b>
<b>Cash</b>					
Beginning Period Balance	1,087,826	1,545,052	1,284,390	1,284,390	909,057
Ending Period Balance	1,545,052	1,284,390	909,057	730,917	1,220,436

## Key Performance Indicators

<b>Financial Highlights</b> <b>(In Million ₱)</b>	<b>For the years ended December 31</b>			<b>For three months ended March 31</b>	
	<b>Audited</b>			<b>Unaudited</b>	
	<b>2018</b>	<b>2019</b>	<b>2020</b>	2020	2021
<b>Balance Sheet</b>					
Total Assets	<u>3,574</u>	<u>3,339</u>	<u>3,347</u>	<u>3,545</u>	<u>3,353</u>
Total Liabilities	<u>359</u>	<u>357</u>	<u>382</u>	<u>567</u>	<u>396</u>
Total Stockholder's Equity	<u>3,215</u>	<u>2,982</u>	<u>2,965</u>	<u>2,978</u>	<u>2,956</u>
<b>Income Statement</b>					
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Cost and Expenses	<u>-16.04</u>	<u>-18.98</u>	<u>-15.73</u>	<u>-4.12</u>	<u>-8.66</u>
Total Other Income (Charges)	<u>1.68</u>	<u>0.11</u>	<u>-1.28</u>	<u>-0.51</u>	<u>-0.84</u>
Provision for Income tax	<u>2.03</u>	<u>1.18</u>	<u>0.72</u>	<u>0.00</u>	<u>0.00</u>
Net income (loss)	<u>-12.33</u>	<u>-17.69</u>	<u>-16.29</u>	<u>-4.37</u>	<u>-9.08</u>
<b>Top Key Performance Indicators:</b>					
Current ratio	<u>0.04</u>	<u>0.05</u>	<u>0.04</u>	<u>0.05</u>	<u>0.05</u>
Debt to equity	<u>0.11</u>	<u>0.12</u>	<u>0.13</u>	<u>0.19</u>	<u>0.13</u>
Asset to equity	<u>1.11</u>	<u>1.12</u>	<u>1.13</u>	<u>1.19</u>	<u>1.13</u>
Debt to asset	<u>0.1</u>	<u>0.11</u>	<u>0.11</u>	<u>0.16</u>	<u>0.12</u>
Return on asset	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Return on equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion and analysis of the Company's historical financial condition and results of operations and certain trends, risks and uncertainties that may affect the Company's business and should be read in conjunction with the independent auditor's reports and the Company reviewed and audited consolidated financial statements and unaudited interim condensed consolidated financial statements of the Company and notes thereto contained in this Prospectus. The critical accounting policies section discloses certain accounting policies and management judgments that are material to the results of operations and financial condition for the periods presented in this report. The discussion and analysis of the Company's results of operations is presented in three (3) comparative sections: the three month ended March 31, 2021 compared with year ended December 31, 2020 and the year ended December 31, 2020 compared with the year ended December 31, 2019, and the year ended December 31, 2018 compared with the year ended December 31, 2017. Disclosure relating to liquidity and financial condition and the trends, risks and uncertainties that have had or that are expected to affect revenues and income complete the management's discussion and analysis.*

*Prospective investors should read this discussion and analysis of the Company's financial condition and results of operations in conjunction with the Company's consolidated financial statements and the notes thereto set forth elsewhere in this Prospectus.*

*This discussion contains forward-looking statements and reflects the Company's current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section entitled "Risk Factors" and elsewhere in this Prospectus.*

### Overview

Apollo Global Capital, Inc. (APL), formerly Yehey! Corporation (YEHEY) was incorporated on June 10, 1998 with the primary purpose to engage in the business of internet online related products relating to database research engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites; and to engage in other pre-production and postproduction work on web sites in internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market. As of December 31, 2019, the Company has wound down its advertising related business.

In 2014, the Company was 66.95% owned by Vantage Equities, Inc. On October 15, 2015, YEHEY ceased to be a majority-owned subsidiary of Vantage Equities, Inc. (V) when V sold its shares to a group of individual shareholders.

On October 12, 2016, the SEC approved the Company's change in name to APL as well as the change in primary purpose of which is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; provided it shall not engage as a stock broker or dealer of securities.

On 17 February 2017, APL and the shareholders of JDVC Resources Corporation ("JDVC") entered into a Deed of Exchange of Shares (the "Deed") where APL issued Two Hundred Forty Seven Billion Three Hundred Ninety Six Million Seventy One Thousand Five Hundred Twenty 247,396,071,520 shares (at par value of ₱0.01 per share) to JDVC's shareholders in exchange for Four Million One Hundred Thirty Three Thousand Seven Hundred Forty (4,133,740) JDVC shares (at par value of ₱100 per share) at an exchange price of ₱598.48. The Deed covering the transaction was approved by SEC on 09 October 2017. As a result



of this transaction, the Company now owns 82.67% of JDVC. In December 2019, APL purchased additional Three Hundred Eighty-Nine Thousand Five Hundred Thirty (389,530) shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in APL's ownership of JDVC to 90.47%. At present, the Company's primary investment is its 90.47% stake in JDVC, a company that is undertaking a large scale offshore mining project for the extraction of magnetite iron sand off the coast of Cagayan in the Cagayan Sea. See "Business" beginning on page 87 of this Prospectus.

The Company, at present, does not have existing loans or credit obligations from financial institutions. The Company's subsidiary, JDVC, has a credit line agreement with DBP for working capital requirements.

There are no events that will trigger direct or contingent financial obligation that is material to the company and no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

### **JDVC Resources Corporation**

On February 17, 2017, the Company and JDVC's shareholders entered into a Deed of Exchange of Shares where in the latter had issued 247,396,071,520 shares (par value of ₱0.01 per share) in exchange for 4,133,740 shares (par value of ₱100 per share) at an exchange price of ₱598.48 of the latter. The deed covering the transaction was approved by SEC on October 9, 2017. As a result of this transaction, the Company now owns 82.67% of JDVC.

In December 2019, the Parent Company purchased additional 389,530 shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in ownership of JDVC to 90.47%.

JDVC is an entity registered with the Securities and Exchange Commission for the business purpose of offshore large scale magnetite mining and other mineral resources in the province of Cagayan. The company holds an MPSA No. 338-2010-II-OMR Amended-A covering 1,897.0 hectares for the Company to conduct research and mining operations in the area. JDVC's primary purpose is to carry on the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic, such as nickel, iron, gold, copper, silver, lead, manganese, chromite, molybdenite, pyrite, sulfur, silica, kaolin clay, zeolite, perlite, diatomaceous earth, diorite, basalt, gabbro, coal, hydrocarbons, oil, natural gas, etc; filing, negotiating or applying for mineral agreements, operating agreements, mining leases, timber and water rights and surface rights, and of milling concentrating, processing, refining and smelting such minerals and manufacturing, utilizing, trading, marketing or selling such mineral products, likewise acquiring and operating all kinds of equipment, vehicles, instruments, machineries, chemicals supplies and other logistical structures that may be vital and necessary for the furtherance of the foregoing purposes. With financial and technical assistance agreement with the government.

JDVC has conducted mining exploration, geological and feasibility studies, and contracted experts in the field of mining to successfully quantify and value probable magnetite ore reserves in the proposed area. The deposit resources of JDVC have reached a highly satisfactory technical level from inferred to indicated resources. Recently, after revalidation of the mineral resources by the DENR and the Mines and Geosciences Bureau ("MGB"), the mineral resources have reached a status of high degree of geological confidence from indicated resources to measured resources.

JDVC's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected JDVC's results in the past and which JDVC expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on the Company's results of operations and financial condition in the future. See "Risk Factors".

## **Iron Price**

JDVC's sale of magnetite iron sand is dependent on the world market price in general, and the market price of magnetite iron sand in China in particular. The magnetite iron sand price is subject to volatile price movements over time and is affected by numerous factors that are beyond JDVC's control. These factors include global supply and demand; regulatory policies of other Magnetite Iron producing countries; expectations for the future rate of inflation; the level of interest rates; the strength of, and confidence in, the U.S. dollar; market speculative activities; and global or regional political and economic events, including changes in the global economy. Increases and decreases in the iron price will have a broadly proportional effect on the Company's revenues.

## **Cost of Mining**

JDVC's cost of mining can vary from year to year due to inflation and have an effect on JDVC's costs of mining, including labor costs, contractor fees, the costs involved in repairing and maintaining its equipment and fuel costs. Certain terms of the contracts with JDVC's service contractors are renegotiated every mining season. As JDVC increases its production and operating costs, this will result in higher rehabilitation costs.

To mitigate the cost of mining fluctuations, major costs like engagement fees for MB Siphon I, ODMS/Cagayan Blue Ocean are fixed for longer term, hence only minor costs become variable.

## **Critical Accounting Policies**

Critical accounting policies are those that are both (i) relevant to the presentation of the Group's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex.

## **FINANCIAL POSITION**

### **For the three month ended March 31, 2021 compared to December 31, 2020**

#### *Total Assets*

Total assets of the Group increased by ₱5.2-million (0.15%), which was primarily caused by the increase in mine properties and advances to contractors.

#### *Other Current Assets*

Other current assets increased by ₱581,912 (14.76%). The increase in other current assets is primarily caused by the increase in input taxes and prepaid expenses.

#### *Mine Properties*

Mine properties include mineral assets, patent and mining costs. The increase in mine properties is primarily caused by additional mining costs.

#### *Property & Equipment – net*

Property & equipment includes office furniture, fixtures and equipment, leasehold improvements and transportation vehicle.

The decrease in property and equipment is primarily due to depreciation charges.

#### *Total Liabilities*

Total liabilities have increased by ₱14.2-million (3.72%), which was primarily caused by increase in interest bearing loans & borrowings amounting to ₱13.3-million.

*Interest-Bearing Loans & Borrowings*

Loans & borrowings pertains to loans from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO).

In 2021, the Group availed of additional loan from CBO amounting to ₱13.3-million.

*Total Equity*

The decrease in total equity of ₱9.0-million in this account pertains to the net loss that the Group incurred in its operations.

**For the year ended December 31, 2020 compared to December 31, 2019**

*Total Assets*

Total assets of the Group increased by ₱8.7-million (0.26%), which was primarily caused by the increase in mine properties and advances to contractors.

*Other Current Assets*

Other current assets increased by ₱307,453 (8.46%). The increase in other current assets is primarily caused by the increase in input taxes and construction bond.

*Mine Properties*

Mine properties include mineral assets, patent and mining costs. The increase in mine properties is primarily caused by additional mining costs.

*Property & Equipment – net*

Property & equipment includes office furniture, fixtures and equipment and transportation vehicle. The increase in property and equipment is primarily due to additions in office furniture and equipment.

*Total Liabilities*

Total liabilities have increased by ₱25-million (7.01%), which was primarily caused by increase in accounts & other payables amounting to ₱1.34-million and interest bearing loans & borrowings amounting to ₱23.6-million.

*Interest-Bearing Loans & Borrowings*

Loans & borrowings pertains to loans from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO). In 2020, the Group availed of additional loan from CBO amounting to ₱23.6-million.

*Accounts and Other Payables*

The increase in the balance of this account by ₱1.34-million was due to the increase in accounts and statutory payables and accrued expenses.

*Total Equity*

The decrease in total equity of ₱16.29-million in this account pertains to the net loss that the Group incurred in its operations.

*Profit Before Tax*

The increase in loss before tax was primarily due to increase in general and administrative cost and finance costs incurred during the period.

#### *Income Tax Benefit*

Income tax benefit decreased by 38.8% due the expiry of tax benefits from NOLCO and unrecognized deferred tax benefits from current year losses.

### **For the year ended December 31, 2019 compared to year December 31, 2018**

#### *Total Assets*

Total assets of the Group decreased by ₱235.6-million (6.59%), which was primarily caused by the collection of loans and other receivables.

#### *Other Current Assets*

Other current assets increased by ₱880,021 (31.95%). The increase in other current assets is primarily caused by the increase in input taxes.

#### *Mine Properties*

Mine properties include mineral assets, patent and mining costs. The increase in mine properties is primarily caused by additional mining development costs.

#### *Property & Equipment – net*

Property & equipment includes office furniture, fixtures and equipment and transportation vehicle. The increase in property and equipment is primarily due to additions in office furniture and equipment and motor vehicle.

#### *Total Liabilities*

Total liabilities have decreased by ₱1.7-million (0.48%), which was primarily caused by loan repayments and refund of deposits for future stock subscription.

#### *Interest-Bearing Loans & Borrowings*

Loans & borrowings pertains to loans from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO). In 2019, the Group availed of loan from CBO amounting to ₱14.0-million.

#### *Accounts and Other Payables*

The decrease in the balance of this account by ₱1.1-million was due to the payment of accrued of expenses.

#### *Total Equity*

The decrease in total equity of ₱233.9-million in this account pertains to the acquisition of non-controlling interests in JDVC and of the net loss for the period.

### **For the year ended December 31, 2018 compared to year December 31, 2017**

The Company wind down the Digital Marketing operation of the Company on October 30, 2015 hence there was no revenue since then. Decline in general and administrative expenses was due to filing fees and documentary stamp tax on issuance of capital stocks resulting from the Deed of Exchange of Stocks in 2017

Movement in the assets are coming from increase in mine properties and advances to suppliers. Movement in liabilities mainly from deposits for future stock subscription

## **RESULTS OF OPERATIONS**

### **For the three month ended March 31, 2021 compared to December 31, 2020**

#### *General & Administrative Costs*

The Group's general & administrative costs has increased by 110.45% which was primarily due to the increase in filing & processing fees, salaries & employee benefits, mobilization costs, annual listing fee and depreciation (72.99% of the total general and administrative cost).

#### *Loss Before Tax*

The increase in loss before tax was primarily due to higher general and administrative cost incurred during the period.

### **For the year ended December 31, 2020 compared to December 31, 2019**

#### *General & Administrative Costs*

The Group's general & administrative costs decreased by 17.11% % which was primarily due to the decrease in mobilization costs, taxes and licenses, representation and transportation and travel (31.99% of the total general and administrative cost).

#### *Finance Income*

Total interest income decreased by 99.79% since the Group lost interest from loans receivable which was collected in 2019.

#### *Profit Before Tax*

The decrease in loss before tax was primarily due to decrease in general and administrative cost incurred during the period.

#### *Income Tax Benefit*

Income tax benefit decreased by 38.8% due the expiry of tax benefits from NOLCO and unrecognized deferred tax benefits from current year losses.

### **For the year ended December 31, 2019 compared to year December 31, 2018**

#### *General & Administrative Costs*

The Group's general & administrative costs increased by 18.35% % which was primarily due to the increase in mobilization costs, taxes and licenses, representation and transportation and travel (61.20% of the total general and administrative cost).

#### *Finance Costs*

Finance costs grew 262.84% due to the full year interest charge from borrowings compared to the fractional interest incurred in 2018.

### **For the year ended December 31, 2018 compared to year December 31, 2017**

#### *41.73% decrease in general and administrative expenses*

Mainly due to filing fees and documentary stamp tax on issuance of capital stocks resulting from the Deed of Exchange of Stocks in 2017

#### *12.80% decrease in other income-net*

Interest expense incurred by the subsidiary

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR PERIOD 31 DECEMBER 2020

	For the years ended December 31		
In ₪	2018	Audited 2019	2020
<b>Cash flow from operating activities</b>			
Profit(loss) before income tax	(14,362,210)	(18,868,886)	(17,010,129)
Adjustments for:			
Depreciation	45,552	418,573	580,054
Unrealized foreign exchange gains	(1,351)	969	3,960
Interest income	(2,275,959)	(2,292,074)	(4,796)
Interest expense	600,000	2,177,028	1,276,450
Operating loss before working capital changes	(15,993,968)	(18,564,390)	(15,154,461)
Changes in working capital accounts			
Increase in:			
Other receivables	-	-	-
Input VAT	-	-	-
Advances to contractors	(15,380,858)	(2,112,575)	(2,198,153)
Advances from contractors		3,651,000	
Other current assets	(126,054)	(880,021)	(307,453)
Other noncurrent assets	153,152		
Decrease in accounts and other payables	(99,349)	(1,059,701)	1,339,456
Net cash used for operations	(31,447,077)	(18,965,687)	(16,320,611)
Interest received	3,638	19,753	4,796
Income tax paid	(45,446)	(45,446)	
Net cash used in operating activities	(31,488,885)	(18,991,380)	(16,315,815)
<b>Cash flows from investing activities</b>			
Additional acquisition of ownership	-	(267,607,110)	-
Collection of:			
Loan receivable	-	254,500,000	-
Accrued interest receivable	-	12,834,071	-
Advances to related parties	7,410,856	2,595,022	-
Additions to:			
Mine properties	-	(26,900,514)	(4,694,000)
Acquisition of property and equipment	(62,223)	(1,573,129)	(1,777,148)
Increase in deferred exploration costs	-	-	-
Acquisition of investment	-	-	-
Increase in website cost	-	(34,677)	-
Increase in mine properties	(29,726,658)	-	-
Net cash used in investing activities	(22,378,025)	(26,186,337)	(6,471,148)
<b>Cash flows from financing activities</b>			
Proceeds from loans & borrowings	-	63,950,000	23,600,000
Repayment of loans & borrowings	-	(10,000,000)	-
Availments (repayments) of advances from related parties	(7,192,215)	(179,981)	92,040
Additional advances to contractors	-	-	-
Receipt payment for advances for future royalties	-	-	-
Proceeds from (return of) deposits for future stock subscription	61,515,000	(8,077,745)	-
Interest paid	-	(774,250)	(1,276,450)
Net cash provided by financing activities	54,322,785	44,918,024	22,415,590
Effect of exchange rate changes on cash	1,351	(969)	(3,960)
Net increase(decrease) in cash	457,226	(260,662)	(375,333)
Cash			
Beginning Period Balance	1,087,826	1,545,052	1,284,390
Ending Period Balance	1,545,052	1,284,390	909,057

To clarify, unpaid interest on the loan from CBO was aggregated together in Accrued Expenses, of which ₱1,450,700 and ₱174,250 as at December 31, 2020 and 2019, respectively, of unpaid interest from the CBO loan.

The breakdown of interest expense is as follows:

	2020	2019
Convertible loan	–	1,402,778
CBO loan	1,276,450	174,250
Related party loan	–	600,000
<b>Total</b>	<b>1,276,450</b>	<b>2,177,028</b>

The reconciliation of interest expense against interest paid is as follows:

	2020	2019
Interest expense	1,276,450	2,177,028
Accrued interest, 1/1	174,250	950,000
Accrued interest, 12/31	(1,450,700)	(174,250)
Converted to shares	–	(1,402,778)
<b>Interest paid</b>	<b>–</b>	<b>1,550,000</b>

The effect of the error in the statement of cash flows is as follows:

	2020	2019
CF from operating activities*	(1,276,450)	775,750
CF from financing activities	1,276,450	(775,750)
<b>Net effect</b>	<b>–</b>	<b>–</b>

\*The error can be attributed in the Cash Flows from Operating Activities from the increase (decrease) in Accounts & Other Payables, excluding accrued interest:

	2020	2019
As reported in SCF	1,339,456	(1,059,701)
Corrected amount		
A&OP, 12/31	40,125,876	40,062,870
A&OP, 1/1	(40,062,870)	(40,346,821)
	63,006	(283,951)
<b>Effect of error-CF from OA</b>	<b>(1,276,450)</b>	<b>775,750</b>

## QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

The Company has significant exposure to the following risks in the ordinary course of business:

### Liquidity Risk

The Company faces the risk that it will not have sufficient cash flows to meet its operating requirements and its financing obligations when they come due. The Company manages liquidity risks by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. In addition, the Follow-on Offering (FOO) will generate liquidity for the Company.

## **Seasonality**

During the rainy season, the Company's mining operations are suspended due to the Northeast Monsoon (Amihan) which causes the strong waves in the area which is unsuitable for safety operations of the Company. The Company only operates in certain months of the year, typically from February to August of each year.

## **Plan of Operation**

The Company's revenues and cash flow shall be generated from the business operation of its subsidiary, JDVC. On the other hand, JDVC shall generate revenue & income from its self-owned vessels, and from royalty payment from its contractor-owned vessels.

The forecast share of the Company in the profits from its subsidiary's self-owned vessels ranges from nine to ten percent (9% to 10%) of gross sales, and the share in royalty fees to be derived from contractor-owned vessels is at ninety-two percent (92%), approximately. The revenue flow is further discussed on page 96 of this Prospectus.

The Company will start with a foreign owned vessel (MB Siphon I) which is currently wholly-owned by Poet Blue Ocean Offshore Services Pte. Ltd. (PBO), and two contractors in 2021. After the FOO, where majority of the proceeds of the offering will be used to acquire a 49% stake in PBO, Company will effectively have two (2) sources of revenues. One is from the 90.47% royalties from its subsidiary, JDVC and second, from the 49% ownership of PBO that owns MB Siphon I. The two sources of the future revenues of the Company and JDVC will be sufficient in satisfying the cash requirements of the Group and no further fund-raising is expected in the coming year.

## **FINANCIAL RISK DISCLOSURE**

The Company is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on the Company's liquidity.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including default or acceleration of any obligation.

The Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

To address the current losses, the Company will implement its business plan on the offshore mining for magnetite sand. For a detailed discussion on the Company's Business, please see "Business" beginning on page 87 of this Prospectus.



## BUSINESS

### OVERVIEW

Apollo Global Capital, Inc., formerly Yehey! Corporation (YEHEY), was incorporated on June 10, 1998 and its primary purpose is to engage in the business of internet online related products relating to database research engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites; and to engage in other pre-production and postproduction work on web sites in internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

Yehey! was known to be a digital marketing company that delivers effective marketing solutions in the digital space. Yehey!, under Yehey Marketing Solutions, offers its clients digital marketing services to include Web Design and Development, Web Management, Media Buying & Planning, Digital PR and Reputation Management, Digital Strategy, Social Media Marketing, Digital Research and Digital Strategy. The wide variety of its digital marketing services enabled Yehey! to capture new business from its existing customers and attract new customers. In most cases, Yehey! builds the websites and social media pages of its customers. These sites are then used as the platform to engage the respective target markets of its existing customers. Yehey! strategizes and develops marketing tools like promotions, games, events, blogs, etc.

On August 9, 2012, the Securities and Exchange Commission (SEC) approved the Company's application to list 278.00 million common shares by way of introduction in the second board of the Philippine Stock Exchange (PSE) at an initial price of ₱1 per share. On October 18, 2012, the Company was listed in the PSE.

On July 7, 2015, Vantage Equities, Inc. (V) entered into a Sale and Purchase Agreement (SPA) with third party buyers for the sale of the entire shares owned by V. Under the SPA, the closing of the transfer of the Sale Shares is subject to and conditioned upon the conduct and completion of a mandatory tender offer as well as the payment of the purchase price, which conditions have been complied with on October 15, 2015. Accordingly, on October 15, 2015, the Company ceased as a majority owned subsidiary of Vantage when Vantage sold its shares at ₱290.00 million to a group of individual shareholders.

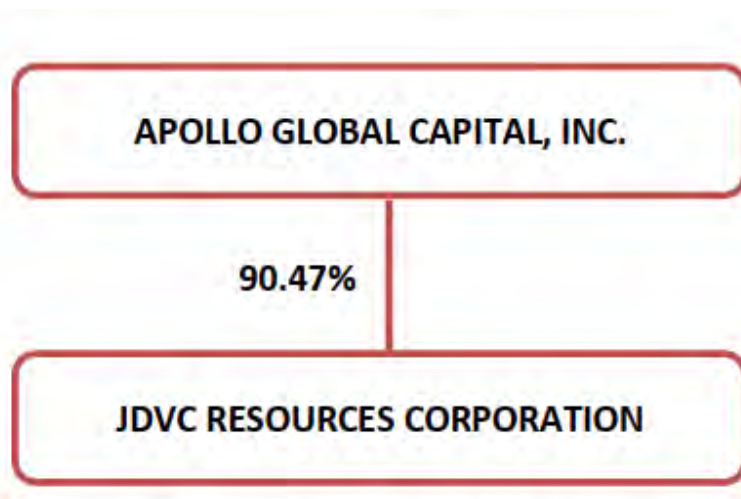
On October 12, 2016, the SEC approved the Company's change in name from Yehey! Corporation to Apollo Global Capital, Inc. The SEC also approved the change in the Company's primary purpose which is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; provided it shall not engage as a stock broker or dealer of securities.

On 17 February 2017, APL and the shareholders of JDVC Resources Corporation ("JDVC") entered into a Deed of Exchange of Shares (the "Deed") where APL issued Two Hundred Forty Seven Billion Three Hundred Ninety Six Million Seventy One Thousand Five Hundred Twenty 247,396,071,520 shares (at par value of ₱0.01 per share) to JDVC's shareholders in exchange for Four Million One Hundred Thirty Three Thousand Seven Hundred Forty (4,133,740) JDVC shares (at par value of ₱100 per share) at an exchange price of ₱598.48. The Deed covering the transaction was approved by SEC on 09 October 2017. As a result of this transaction, the Company now owns 82.67% of JDVC.

In December 2019, APL purchased additional Three Hundred Eighty-Nine Thousand Five Hundred Thirty (389,530) shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in APL's ownership of JDVC to 90.47%.

At present, the Company's primary investment is its 90.47% stake in JDVC, a company that is undertaking a large-scale offshore mining project for the extraction of magnetite iron sand off the coast of Cagayan in the Cagayan Sea. The detailed discussion of JDVC and its project is discussed below.

#### **Apollo Global Capital, Inc. – Corporate Organizational Chart**



#### **JDVC Resources Corporation**

JDVC is a corporation duly registered with the SEC whose primary purpose is to carry on the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic, such as nickel, iron, gold, copper, silver, lead, manganese, chromite, molybdenite, pyrite, sulfur, silica, kaolin clay, zeolite, perlite, diatomaceous earth, diorite, basalt, gabbro, coal, hydrocarbons, oil, natural gas, etc., filing, negotiating or applying for mineral agreements, operating agreements, mining leases, timber and water rights and surface rights, and of milling, concentrating, processing, refining and smelting such minerals and manufacturing, utilizing, trading, marketing or selling such mineral products, likewise acquiring and operating all kinds of equipment, vehicles, instruments, machineries, chemicals, supplies and other logistical structures that may be vital and necessary for the furtherance of the foregoing purposes. With financial and technical assistance with the government.

JDVC's primary business is the large-scale offshore mining of magnetite and other mineral resources in the province of Cagayan. The company holds MPSA No. 338-2010-11-OMR Amended-A covering 1,897.0 hectares for the company to conduct research and mining operations in the area. The MPSA grants JDVC the right to explore and develop magnetite resources within a specified area in Cagayan Province. The MPSA, which was initially granted to BGRMC in June 2010, was transferred to JDVC on January 25, 2013. The deed of assignment fully transferred all the rights and obligations of BGRMC to JDVC. The mining concession is valid for 25 years, and is renewable for another 25 years. JDVC has conducted mining exploration, geological and feasibility studies, and contracted experts in the field of mining to successfully quantify and value probable magnetite iron sand reserves in the proposed area. The deposit resources of JDVC have reached a highly satisfactory technical level from inferred to indicated resources. After

revalidation of the mineral resources by the DENR and the Mines and Geosciences Bureau (“MGB”), the mineral resources have reached a status of high degree of geological confidence from indicated resources to measured resources with an estimated grand total of raw offshore magnetite iron sand resource of 512,971,918.94 DMT, based on the Technical Report prepared and signed by Mr. Rafael R Liwanag, a Philippine Mineral Reporting Code (PMRC) accredited Competent Person for Reporting Exploration results with PMRC Registration No. 08-03-02.

In May 6, 2021, JDVC commissioned an Accredited Competent Person in Geology, Ramon N. Santos to provide more detailed description and revalidation of the mineral resource of the magnetite sand deposits within the 1,897.0242 hectares defined as MPSA 338-2010-II-OMR-Amended A as supplement to the PMRC Report prepared in August 2015 by ACP Rafael R. Liwanag, which covered 4,999.2358 hectares of explored portion of the original 14,240 hectares held by JDVC under MPSA 338-2010-II-OMR. Due to the approval of the parcelation and relinquishment of certain portion of the original mining tenement, MPSA 338-2010-II-OMR-Amended A was finally defined in the official records of the MGB-DENR to cover an area of 1,897.0242 hectares.

On February 17, 2017, the Company and JDVC’s shareholders entered into a Deed of Exchange of Shares wherein APL issued 247,396,071,520 shares (par value of ₱0.01 per share) in exchange for 4,133,740 shares (par value of ₱100 per share) of JDVC at an exchange price of ₱598.48 per share, and representing 82.67% of JDVC. The deed covering the transaction was approved by SEC on October 9, 2017.

In December 2019, APL purchased an additional 389,530 shares of JDVC from its existing shareholders for a total consideration of ₱267.6 million, or ₱686.98 per share. This increased APL’s stake in JDVC to 90.47%.

## Corporate Timeline

### Apollo Global Capital, Inc.



## JDVC Resources Corporation



<ul style="list-style-type: none"> <li>• JDVC was incorporated on November 2011</li> </ul>	<ul style="list-style-type: none"> <li>• JDVC executed a Deed of Assignment with Bogo Mining, transferring all its rights and interests under the MPSA (MPSA No. 338-2010-11-OMR Amended-A) contract</li> </ul>	<ul style="list-style-type: none"> <li>• JDVC formed a joint venture with Agbiag Mining and Development Corporation to act as its mining operator.</li> </ul>	<ul style="list-style-type: none"> <li>• JDVC formed another joint venture with Agbiag, CBO and Pelletized Iron &amp; Titanium vanadium Phils. Corporation to be its Project Manager/Sub-Contractor</li> </ul>	<ul style="list-style-type: none"> <li>• ECC was issued to JDVC and MGB approved JDVC's DMPF.</li> </ul>
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<ul style="list-style-type: none"> <li>• JDVC was acquired by APL through a share swap transaction</li> </ul>	<ul style="list-style-type: none"> <li>• In December 2019, APL acquired additional equity stake in JDVC, increasing its ownership to 90.47% from 82.67%</li> </ul>	<ul style="list-style-type: none"> <li>• In July 2020, MB Siphon I, the vessel to be used for the offshore mining operations arrived at the mining area in Cagayan</li> </ul>
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## The Project

JDVC was incorporated in November 2011, and is one of the first Philippine mining companies that will undertake large scale offshore mining activities. The Company holds MPSA No. 338-2010-11-OMR Amended-A. This MPSA was originally granted by the DENR-MGB to BGRMC in June 2010. The MPSA was transferred to JDVC on November 25, 2011 by virtue of a Deed of Assignment duly approved and confirmed by both companies' Board of Directors. The same Deed of Assignment was approved by the DENR-MGB on January 27, 2012, which fully transferred all the rights and obligations of BGRMC to JDVC. The mining concession is valid for 25 years, or up to 2035, and is renewable for another 25 years at that time. The MPSA covers a Contract Area of approximately Fourteen Thousand Two Hundred Forty (14,240)

hectares situated in Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, Cagayan. The primary purpose of the MPSA is to provide for the rational extraction, development and commercial utilization of magnetite and other associated mineral deposits existing within the Contract Area, with all necessary services, technology and financing to be furnished or arranged by JDVC in accordance with the provisions of the MPSA.

In October 13, 2016, JDVC formed a joint venture arrangement with Agbiag and JV between Cagayan Blue Ocean Offshore Aquamarine Services corporation and Pelletized Iron & Titanium Vanadium Phils. Corporation., with Agbiag acting as the mining operator with exclusive rights to conduct mining operations. The joint venture arrangement is included in the material contracts.

JDVC has secured the following:

- MPSA and attachments
- Approved Environmental Compliance Certificate
- Declaration of mining feasibility
- DENR-MGB approval on assignment of MPSA
- Philippine Mineral Reporting Code (“PMRC”) Certification from a Professional Mining Practitioner. The PMRC is equivalent to other mineral resource classification schemes such as the JORC Code.
- Endorsement from the local government of Gonzaga, Cagayan and its barangays Appraisal of the magnetite mining rights by Colliers International Philippines and Cuervo Appraisers, Inc.
- Fairness opinion conducted by Deloitte on the share swap between Apollo Capital and JDVC Environmental Protection and Enhancement Program / Final Mine Rehabilitation and Decommissioning Plan
- Revalidation of its exploration data by DENR
- Mining declaration
- Commercial extraction permits

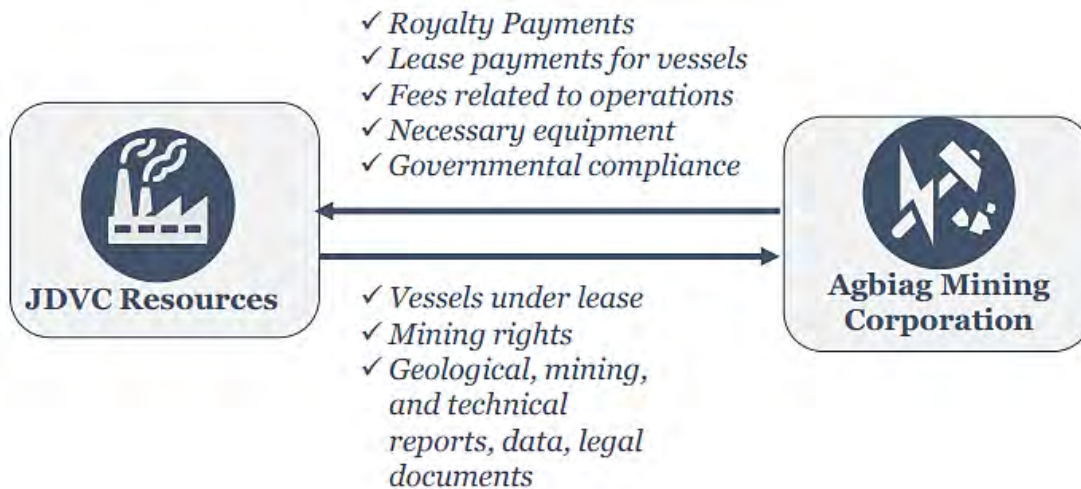


*Image: MB Siphon I Vessel*

## Joint Venture with Agbiag

JDVC signed a joint venture agreement (JVA) with Agbiag on Sept. 1, 2014. Through the JVA, JDVC will have access to Agbiag's research documents, mechanical and data books for efficient and effective offshore siphon vessel operation for magnetite iron sand application, and intellectual property rights.

Under the JVA, JDVC grants Agbiag the rights to explore, develop, utilize, and mine 1,897.0242 hectares of offshore site. In return JDVC will be entitled to royalties ranging from USD4.00 to USD9.33 per ton, and up to US20.0 more or less per ton for the combined use of its mining rights and siphon vessel.



**Table on JVA Between JDVC and Agbiag**

<b>Nature of Agreement</b>	Joint Venture Agreement
<b>Parties to the Agreement</b>	JDVC and AGBIAG
<b>General Terms of the JVA</b>	<ul style="list-style-type: none"> <li>• AGBIAG will conduct an in-depth study and compile research documents, mechanical and data books for efficient and effective offshore siphon vessel operation for magnetite iron sand application, and intellectual property rights;</li> <li>• AGBIAG will be granted rights to explore, develop, utilize, and mine 1,897.0242 hectares of offshore site</li> <li>• JDVC will have access to AGBIAG's research and data;</li> <li>• JDVC will be entitled to royalties ranging from USD4.00 to USD9.33 per ton, and up to US20.0 more or less per ton for the combined use of its mining rights and siphon vessel</li> </ul>

## **Mines Consortium Agreement**

From the initial JV Agreement between Agbiag and JDVC, the role of Agbiag Mining changed due to the Mines Consortium Agreement.

JDVC constituted Agbiag as its Mine Contractor/Operator under an existing Mines Operating, Joint Venture and MPSA dated September 2014, effectively assigning 1,897.0242 hectares of its Cagayan Province Offshore area located in the municipality of Gonzaga for exploration, commercial extraction, processing and exportation by Agbiag Mining. There is a total of five (5) EPC's who are in need of raw and unprocessed magnetite iron sand under Agbiag that were granted the rights and privileges to occupy, explore, develop, utilize and mine their assigned offshore mining area of operation. The EPCs will provide/manage siphon vessel/s and commercial extraction production platform/s including ship management, maintenance and operation to process and export high grade magnetite iron sand pure, and/or marine sands for reclamation throughout the charter of the vessels and will take part in the mining, operation and processing of the magnetite iron sand in their assigned offshore mining area of operation. Agbiag, as Mining Operator shall supervise, monitor, collect royalty/ies for JDVC.

Under the Mines Consortium Agreement, the EPC's guarantee a minimum monthly volume production of 100,000 tons of export or high-grade magnetite iron sand every month. The EPC's will prepare all necessary report required by law, rules and regulations pertaining to the conduct of the mining operation. Agbiag will be responsible for any operational expenses which might be needed to secure other necessary permits. EPC's will also provide and pay for all provisions; wages and all other expenses of the mining barge crews.

## **New Role of Agbiag**

Agbiag's restructuring of role as a result of the share-swap with APL. Originally, Agbiag is supposed to bring the Siphon Vessels on its own under the said Joint Venture and place all the contractors and sub-contractor with Siphon Vessels under its wing and make a reasonably good profit after providing JDVC with that earlier scalable and lower royalty arrangement for JDVC. However, when the opportunity for public listing through APL came about at the later part, the same Joint Venture contract had to pass through the detailed scrutiny when Deloitte was engaged by APL and JDVC for the share swap for purposes of public listing.

Due to the need for better revenue impact to favor the public investors, Deloitte had effectively researched for the best royalty practices for Magnetite Iron in the world that called for a minimum Royalty of 8% plus suggesting a Philippine country risk provision for additional risk premium cover for public investors.

Hence, Deloitte and JDVC's Principal Consultant had to finally agree to cover for both Royalty fee best practices in the world and Country Risk Premium provision for public investors at a total Royalty Fee and Country Risk Cover combination of 10% Net Royalty fees strictly based on the Current International Market Index Price at the time of every export orders (Singapore Platts Indicative Price, Custeel Indicative Price) for remittance outright to the tenement owner JDVC. This was done for JDVC to effectively prepare the company for a more attractive share swap arrangement with APL that will make the future dividends to the Public Investors from the said 10% royalty fees attractive to public investors and reasonable.

The official opinion of Deloitte on public listing quest of JDVC with APL created a huge negative impact on the future revenue projections of Agbiag, hence, the Principal Consultant, Agbiag and JDVC had to design an acceptable arrangement whereby Agbiag would still remain to be JDVC's exclusive operator, will pay the balance on intellectual property rights of \$1 million due to Agbiag, and JDVC to reimburse from JDVC's

future 9.53% net share in Royalty for the other \$1 million earlier deposited by Agbiag to JDVC. Moreover, due to its past technical experiences in terms of technical strength due to its portfolio of professionals, environmental protection expertise, etc., Agbiag will manage, supervise, oversee offshore operation of all contractors and collect every export shipment from all JDVC contractors under its duly issued Mines Consortium Agreements to several firms for all the Royalty Fees due to JDVC and APL. Agbiag, under this arrangement, will be entitled to a US\$ 1 per ton fixed service fee for all the magnetite iron ore that can be effectively exported from the 1,897 hectares tenement of JDVC. In addition, due to Agbiag's past experiences in dealing with the local communities, local government units and agencies, and efficient implementation of Social Development and Management Program and Social Commitments to the host community and periodic need for public consultation and public relations, the US \$3 per ton budget for those activities was also assigned as responsibilities to Agbiag.

APL will have a guaranteed 90.47% of the 10% royalty fees based on Indicated International Market prices of Singapore Platts and/or Custeel from the net margin earnings to be collected by Agbiag from the various Mines Consortium Partners while JDVC will be entitled to the remaining 9.53% from the same net royalty fee of 10%.

The royalty amount of 10% of gross revenue shall be directly remitted by Agbiag to JDVC for every export shipment.

In addition, after the acquisition of the 49% ownership of Poet Blue Ocean Co Ltd. from the proceeds of the FOO, APL will be entitled to another dividend, comprising of 49% of the US\$16.13 per ton charter fees from CBO.

As a result, there are two (2) sources of revenues for APL for every export shipment of magnetite iron sand.

### **APL Revenue Streams**

APL will have two (2) primary source of revenues namely: (1) royalty fees from the EPCs, (2) 49% share of the charter fees to be earned by Poet Blue Ocean. These royalty and charter fees are discussed below.

From the start of the Company's shipment operations, 100% of its revenue shall be derived from sale of magnetite iron sand to China. Presently, China has become a significant source of global demand for the commodity, and it is highly anticipated that Chinese companies shall prefer Philippine-sourced magnetite iron sand due to savings in freight costs because of the nearness of the Philippines to China. China's demand for imported high-grade iron is expected to remain strong because its domestic supply of the commodity is scarce while its demand for higher quality ore is rapidly increasing. Nevertheless, the Company shall explore the potential of diversifying its customers to include countries with accelerated demand for steel such as India, Japan and South Korean.

The Company does not rely heavily on a single customer; it is principally affected by the international market price of magnetite iron sand depending on domestic and global supply and demand.

The Company does not have any major long term existing sales contract. International iron ore index prices have already enjoyed an eight percent (8%) gain in 2021 after an eighty percent (80%) rise in the previous year 2020. Sales transactions are currently negotiated on a case to case basis in order for the Company to enjoy the flexibility of adjusting the selling price in its favor under an environment of rising commodity prices.



### **Royalty fees from the EPCs**

Agbiag Mining, as Exclusive Mining Operator, shall supervise, monitor, collect royalty/ies for JDVC, and oversee the offshore mining activities of the following EPCs (1) Cagayan Blue Ocean Offshore Aquamarine Services Corporation, (2) Kinetic Holdings Corp., (3) Royal Line Mining Corp., (4) Northern Orient Resources Development Corp., and (5) Mineralogic Resources Corporation. Under the Mines Consortium Agreement (MCA), the EPCs will have their own offtake agreements and are required to meet a target tonnage volume per month of magnetite iron sand. Agbiag Mining and the EPCs will have a 50%-50% gross profit sharing.

The EPCs will remit 50% of the gross profits to Agbiag, for and in behalf of JDVC. After which, Agbiag shall pay, for the account of JDVC, all associated national and local government taxes, cost of environmental and social development programs, various licenses, fees and permits, supervision fees, as well as the supervision fee owed by JDVC to Agbiag. Thereafter, Agbiag shall directly remit a 10% royalty fee based on the gross revenue of the EPCs to JDVC.

From the 10% royalty fee received by JDVC which is based on the gross revenue of the EPCs, JDVC will pay out cash dividends to the Company of up to 100% of the prior year's net income of JDVC's after tax subject to (i) the availability of unrestricted retained earnings, (ii) contractual obligations, and (iii) working capital requirements.

The Company is a holding company and relies on dividend payments from its subsidiary, JDVC, for funding and for paying dividends to its shareholders. The Company may, after receipt of the dividends from JDVC, dividend out in full or in part the unrestricted retained earnings to its existing shareholders.

### **Charter Fees from PBO Siphon Vessel Operations**

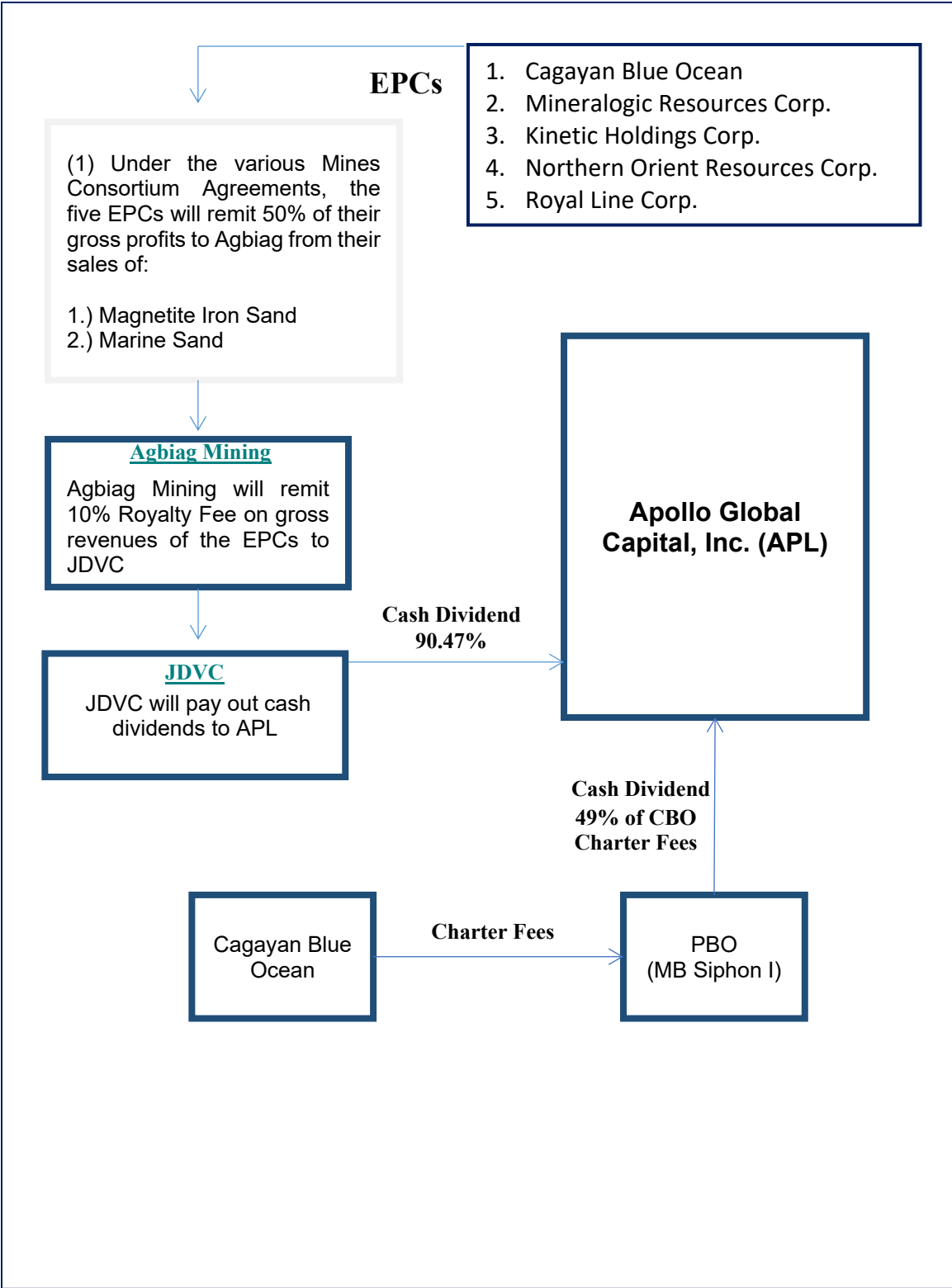
CBO will be chartering MB Siphon I from PBO. A charter fee of US\$16.13 per metric ton shall be paid by CBO to PBO for the use of said siphon vessel.

MB Siphon I is owned by PBO, a special purpose vehicle owned 51% by POET Investment Holdings Pte Ltd, and 49% by Filipino investors namely Alex Bernard Ramirez Cruz-Herrera and Chan Mark Ulric Go.

Upon completion of the Offering, the Company will acquire the 49% stake of PBO's Filipino shareholders in PBO. Consequently, the Company shall be entitled to a corresponding 49% share in cash dividends that PBO may eventually declare. the charter fee earnings of PBO via cash dividends from PBO to APL.

PBO in general, may declare dividends but any dividend declared must not exceed the amount recommended by the directors. The directors of PBO may from time to time pay to the members such interim dividends to the directors to be justified by the profits of PBO. No dividend is to (i) be paid otherwise than out of profits (ii) bear interest against PBO. The directors may, before recommending any dividend (i) set aside out of the profits of PBO sums as they think proper as reserves; or (ii) carry forward any profits which they may think prudent not to divide, without placing the profits to reserve. The reserves set aside are at the discretion of the directors, to be applied for any purpose to which the profits of PBO may be properly applied and may, at the discretion of the directors, be employed in the business of PBO or be invested in any investments (other than shares in PBO) as the directors may from time to time think fit.

**Revenue Flow Diagram of Royalty Fees for Apollo Global Capital, Inc. after the Follow-on Offering**



## **Key Strengths**

We believe that the Company's key strengths include the following:

### ***First duly licensed and permitted offshore mining company in the Philippines.***

At present, most of the mining companies in the Philippines are engaged in open-pit or surface mining, and these companies are facing challenges. JDVC is the first company that is duly licensed and permitted to undertake large scale offshore mining activities in the country and the only offshore mining company. JDVC has a "first mover" advantage in this field as completing the licenses, studies, and permits to start offshore mining operations will take at least three to five years. With its MPSA, and production arrangements in place, JDVC is years ahead of potential competitors. Its head start will help the company establish its standing in the market.

### ***Strong global demand for steel, for iron ore and its by-products and tailings (for reclamation and other uses).***

Steel consumption is anticipated to grow by roughly 3.8 percent in 2021 after an expected contraction in 2020 due to the Covid-19 crisis. Steel is an important resource in many industries. Construction and manufacturing are the key industries for steel consumption.

Coming out of the lockdown, China's economic recovery started early this year. The halt in economic activity during February resulted in a decline of 6.8% in GDP and 16.1% in fixed asset investment in the first quarter. According to World Steel Association (WSA), a non-profit organization headquartered in Belgium, industrial production fell by 8.4%, with the automotive sector showing the worst decline of 44.6% in the first quarter. The recovery of steel demand in China will be more visible in the second half of 2020. It will be driven by construction, especially infrastructure investment, as the government has put forward several new infrastructure initiatives. WSA expects Chinese steel demand to increase by 1.0% in 2020. WSA also expects that the benefit from infrastructure projects initiated in 2020 will carry over and support steel demand in 2021. China is by far the largest market for production and consumption of steel. In China, steel is used primarily for vehicle manufacturing, construction materials, and consumer electronics.

In contrast, the demand for steel in the Philippines has been increasing as a result of the planned private and government projects. The government's "Build, build, build" program, for instance, is expected to continuously boost the steel market. Infrastructure spending in the next decade is expected to reach USD180bn. Similarly, the private residential and commercial developments will positively impact the steel market. The expected stable growth of the real estate construction industry value from USD24.0bn in 2017 to USD29.1bn in 2019 will contribute significantly to the steel industry.

### ***Full compliance with responsible mining practices***

In 2017, the government suspended open pit mining due to environmental issues. Open pit mining activities were done on the coastline, and may cause erosion in the coastal area and create disturbances to the people. Open pit mining also produces noise, and may lead to improper waste management. The Company's project site is far from the shore, and as such, coastline erosion is unlikely to happen. The Company's process, which, returns 90% of the sand to the ocean, also help form marine life habitat. Offshore mining, unlike open-pit mining, is considered a more responsible way of conducting mining operations. As the country's first offshore mining operations, the Company strictly adheres to the Offshore Mining Guidelines by MGB-DENR.

### ***Strong support from international offshore mining experts***

JDVC has already established strong relationships with known international experts with excellent track record. The Company has also tapped Royal IHC, a Netherlands based company who supplies innovative equipment and vessel for offshore mining markets, and JGC Japan whose principal business domain lie in the field of EPC, for the design and supervision in the manufacture of future siphon vessel/s for either JDVC or APL to own, for the commercial extraction, magnetic separation, conveyance and general expertise regarding offshore mining operations. JDVC has already signed a contract with Primetals, an international company based in Austria, for the design and study of its iron pelletizing plant, to be put up in the Cagayan Export Zone Authority (CEZA) in Cagayan Province.

### ***Support from the government***

Offshore mining is highly supported by the government as compared to traditional mining. As such, the Company has secured all relevant government permits and complied with all existing offshore mining guidelines in the Philippines. In 2016, the country's Board of Investments and the Department of Science and Technology signed a memorandum of agreement for the completion of the feasibility to boost the local production of iron using mineral resources. In particular, President Duterte gave the instruction to look into the viability of local magnetite ores for the production of iron and steel. In the same year, the Mines and Geosciences Bureau issued Memorandum Circular No. 2016-05 to establish the guidelines on offshore mining. The memorandum covers mining operations, mine decommissioning, and mine rehabilitation in offshore areas in the Philippines. The strong support of government in the offshore mining project of JDVC has clearly been manifested by the Development Bank of the Philippines (DBP), establishing a credit line in the amount of US\$8,000,000 to finance export orders. (DBP Credit Line Agreement included in material contracts)

### ***Highly experienced management team***

The Company's management team is composed of individuals with a wide range of experience from various industries such as mining, real estate, banking, food & beverage, and engineering. The Company believes that its strong management team will further improve the Company's operations, services, and profitability. Aside from the core management team, the Company also tapped Advanced Technology Resources Mining & Business Process Technology Provider Corp. (ATRMBPTC) as its consultant. ATRMBPTC is a domestic company who specializes in the field of offshore mining of minerals specifically magnetite iron sand, palladium, silver, and other rare minerals. ATRMBPTC has established valuable linkages to the various local and foreign experts, specialists and academe, researcher, financial and legal teams with further linkages to NASA, Osaka University, Kyoto University, Tokyo University, Sumitomo Metal, Nippon Steel, Mitsubishi of Japan and other US researcher and legal offices in furtherance of specialization and expertise.

### ***Nearest offshore location to countries with high demand for its products***

The site is in close proximity to countries that currently have a high demand for magnetite and reclamation sand such as China, Japan, Taiwan, and Korea among others. As the date of this Prospectus, other competitors located in Cagayan such as Peniel Resources Mining Corp., San Lorenzo Mines, Inc., T&T Resources and Mining Corp. and J&M Resources Mining & Exploration Corp. are still under process in securing MPSA approvals.

### ***Cost efficient operations with relatively low operational risk***

The Company only collects remittances/revenues from its subsidiary and its service contractors through Agbiag Mining. All operating costs relating to the offshore mining are the sole responsibility of ODMS, the EPC duly designated by PBO.

### ***Established partnerships with service contractors to optimize capital investment***

JDVC only partners with established contractors and in addition, has employed a team of experts for the continuous strict monitoring and review of the performance of its service contractors on a regular basis.

### **Key Strategies**

The Company's strategy is designed to maximize the profitability of its existing base of operations while driving growth through continued exploration of the offshore mine located in Cagayan Province, expansion of its customer base, and ongoing monitoring of value-added opportunities, particularly in downstream processing. The key elements of the Company's strategy are:

#### ***Market risk is passed on to offshore operating contractors/operators, including but not limited to risks arising from environmental and ecological concerns***

The Company only enters into operating agreements to get royalty fees/payments from the operators, hence no market risk.

#### ***Maintain compliance with all applicable environmental laws***

As far as the Company is concerned, it is compliant with all laws, rules and regulations applicable to its mining operations, including environmental laws.

In June 14, 2021, JDVC was issued a Certificate of Compliance and Good Standing by MGB-DENR. These Certifications are awarded to mining companies that showed exemplary practices in safety and health; environmental protection and rehabilitation; and community and social development and compliant to the terms and conditions in its MPSA Contract

#### ***Well-organized team of experts to supervise offshore contractors/operators' compliances to environmental protection and ecological balance***

MB Siphon I, the first production platform to arrive at the JDVC offshore mining site has Environmental Impact Assessment (EIA) from Singapore Authorities. The EIA approval was met and obtained through the technical and scientific assistance of Agbiag Mining and the technical expert professionals engaged by ATRMBPTC.

ATRMBPTC engaged experts and professionals who assisted JDVC for the completion of its exploration study and ability to secure all the mining permits and licenses, were all obtained through the help and assistance of those professionals.

In actual fact, the Offshore Mining Guidelines under Momerandum Circular No. 2016-05 issued on May 16, 2016, by DENR-Mines and Geosciences Bureau was likewise assisted by the engaged professionals and experts of ATRMBPTC in the form of three (3) technical and scientific books as attachments for the issuance of such Offshore Mining Guidelines.

### ***Focus on export markets and sell its products abroad***

There is an opportunity for the Company to export iron ore to China and Japan, ensuring a diversified stream of demand for its product. With the Philippines' close proximity to China, freight cost and shipment time would be reduced if China imported iron ores from the Philippines instead of Australia. Japan remains a net importer of iron ore with its strong demand for its iron and steelmaking industries and will continue to remain a strong market for Philippine iron ore exports.

### ***Additional value generation from the sale of its marine sand offshore mine tailings as reclamation sand and for other uses.***

The Company has secured geological studies from a third party for indicated resource estimates of reclamation sand that can be extracted. Once the Company has established their offshore magnetite mining operations, they can expand to collecting reclamation sand from the site as well. There is recorded demand for reclamation sand in the Philippines, and nearby countries such as Singapore, Japan, and China. There are ongoing reclamation projects such as the Manila Bay expansion and the Singapore reclamation expansion. Seventy-eight percent of siphoned materials can be dedicated to reclamation sand.

### ***Strengthen customer base in China, including direct sales to smelters in China***

The Company intends to further develop the existing relationship in China, and also explore new opportunities in other countries. APL believes that there is currently a favorable economic and business climate for mining companies, and APL aims to take full advantage of its flexible and large magnetite iron sand ore supply, as well as its proximity to key markets to progressively expand its customer base.

## **Plans and Prospects**

### ***Acquire more company-owned vessels to increase revenues***

Steel consumption in the Philippines have risen at a CAGR of 24.2% from 2 million metric tons in 2009 to 9.1 million metric tons in 2016. With real GDP growth projected to increase at 6.2% yearly from 2018 to 2022, the growth for the demand of steel is expected to remain positive in the future. This presents an opportunity to expand mining operations and acquire company owned vessels. The acquisition of more company-owned vessels will allow the Company to extract a higher volume of magnetite sand, increase revenue generation, and improve the retained value.

### ***Expand to the concrete sand market***

With the volume of infrastructure projects across the world, the demand for concrete sand is expected to remain high. The Company is planning to take advantage of the strong market by using the project's by-product reclamation sand, and converting it to concrete sand through washing.

### ***Increase the number of contractor vessels***

The Company plans to have five contractor vessels in 2021. Having more contractor vessels will help generate more profits without the need for significant capital.

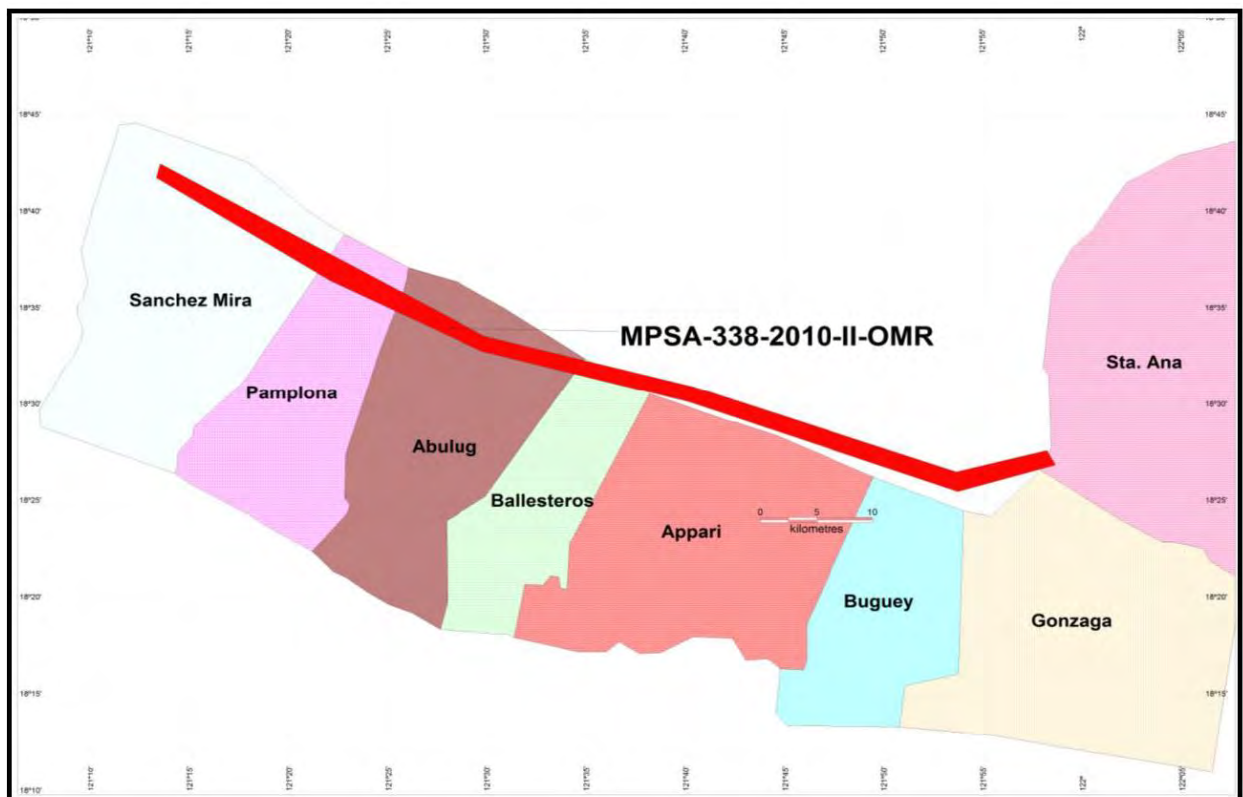
## Competition

The Company competes with magnetite iron ore suppliers in world iron ore markets. The most notable domestic competitors are Peniel Resources Mining Corp., San Lorenzo Mines, Inc., T & T Resources and Mining Corp., and J & M Resources Mining & Exploration Corp. The Company competes with other magnetite iron ore suppliers primarily on the basis of ore quality, price, transportation cost and reliability of supply. However, competition is also affected by the enforcement by the Philippine government of the environmental laws, rules and regulations.

The competition will be in the International market place like China who is the major buyer of magnetite iron ore, Japan, Taiwan, Korea, Thailand & Vietnam. Nonetheless, the magnetite iron ore export from Cagayan, Philippines is seen to be very competitive as it is the geographical nearest to the major markets of magnetite iron ore and the Company believes that it can effectively compete with its competitors due to efficient systems put in place in the operations of the Cagayan mine.

## The MPSA

### Tenement Map Showing Political Boundaries



Source: JDVC FER 2015

### MPSA No. 338-2010-11-OMR Amended-A

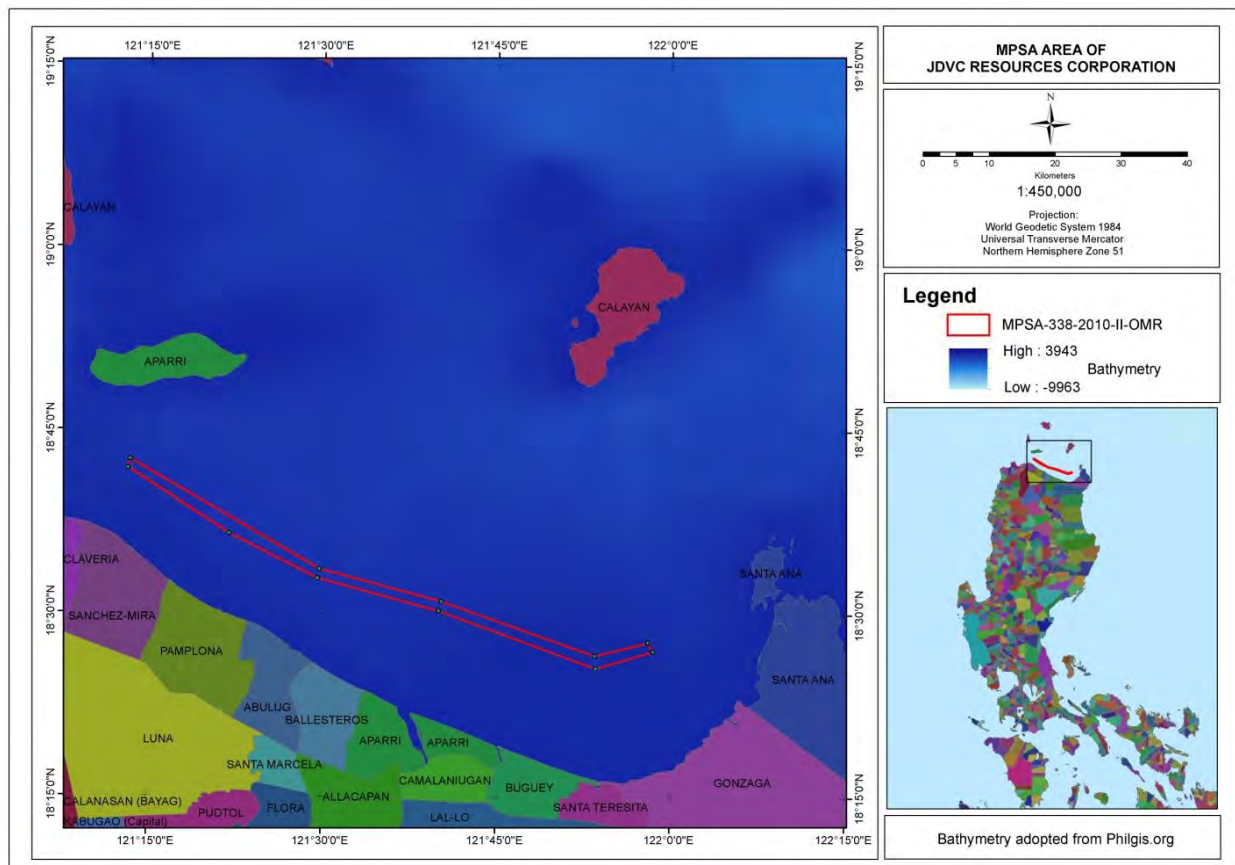
The MPSA grants the owner the right to explore and develop magnetite resources within a specified area in Cagayan province. The Contract Area covered by the MPSA has an initial area of 14,240 hectares within the municipalities of Sanchez, Mira, Abulug, Pamplona, Ballesteros, Appari, Buguey, and Gonzaga in the

province of Cagayan. The Contract Area was then redenominated to cover 11,840 hectares on May 20, 2016. The mining area was further parcellized to as 1,897.0242 hectares in Gonzaga, Cagayan.

The mining concession is valid for 25 years from the effective date of June 2010, and is renewable for another 25 years. An environmental compliance certificate has already been secured by the Company from the Department of Environment and Natural Resources. Nevertheless, the MPSA is not subjected to any mortgage, lien, or encumbrance.

The Government's share is equivalent to the excise tax on mineral products at the time of removal, and at the rate provided for in Republic Act No. 7729. The government will be entitled to royalties of not less than 5% of the gross output.

### Tenement Map Showing Claim Boundaries



Source: JDVC Resource Validation Report

## Mineral Resources and Reserves

### PMRC

In this Prospectus, unless otherwise noted, the Company presents estimated mineral resources in accordance with the PMRC, which is described below. We review and update the Company's estimates as required, but at least annually, to reflect actual production, new exploration data or developments and



changes in other assumptions or parameters. In connection with the Offer, the Company has commissioned a PMRC Competent Person to independently verify certain of the mineral resource estimates. Ore reserve estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel prices or production costs and other factors.

### Mineral Resource Estimates

Results of estimation show a combined indicated resource of 606,458,000 DMT with an average grade of 25.47% MF, which at 100% recovery, is equivalent to 154,466,259.02 DMT of magnetite concentrate; and an inferred resource of 63,179,310 DMT with an average grade of 47.71% MF, which at 100% recovery is equivalent to 30,140,910.80 DMT of magnetite concentrate. The summary of the resources is tabulated in detail by resource category in Table 1.

Table 1: Summary of Mineral Resources by Resource Category and Grade Group

Level	Hole-ID	Volume (m <sup>3</sup> )	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>INDICATED</b>					
<b>0-5</b>	GN18	14,134,498.64	23,887,302.69	26.58	6,349,245.06
	GN30	6,260,618.75	10,580,445.68	3.23	341,748.40
	GN33	11,977,837.40	20,242,545.20	22.56	4,566,718.20
	GN48	13,066,734.48	22,082,781.26	24.87	5,491,987.70
	GN58	11,252,573.11	19,016,848.56	24.94	4,742,802.03
	GN68	10,862,507.44	18,357,637.57	26.98	4,952,890.62
<b>Sub Total</b>		<b>67,554,769.80</b>	<b>114,167,560.95</b>	<b>23.16</b>	<b>26,445,391.99</b>
<b>5-11</b>	GN18	21,167,829.31	35,773,631.53	43.87	15,693,892.15
	GN30	11,600,678.95	19,605,147.43	21.01	4,119,041.47
	GN33	16,404,741.02	27,724,012.32	41.89	11,613,588.76
	GN48	15,073,202.66	25,473,712.50	46.55	11,858,013.17
	GN58	14,792,031.51	24,998,533.24	47.29	11,821,806.37
	GN68	14,539,173.62	24,571,203.41	43.15	10,602,474.27
<b>Sub Total</b>		<b>93,577,657.05</b>	<b>158,146,240.41</b>	<b>41.55</b>	<b>65,708,816.19</b>
<b>10-15</b>	GN18	22,232,822.30	37,573,469.69	24.89	9,352,036.61
	GN30	7,183,350.15	12,139,861.75	20.71	2,514,165.37
	GN33	18,130,900.05	30,641,221.08	23.63	7,240,520.54
	GN48	15,950,498.10	26,956,341.79	25.41	6,849,606.45
	GN58	14,510,689.13	24,523,064.63	27.89	6,839,482.73
	GN68	19,498,536.83	32,952,527.24	23.89	7,872,358.76

Source: IDVC CP Report

Level	Hole-ID	Volume (m <sup>3</sup> )	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>Sub Total</b>		<b>97,506,796.56</b>	<b>164,786,486.19</b>	<b>24.68</b>	<b>40,668,170.45</b>
	GN18	13,339,693.38	22,544,081.81	12.58	2,836,045.49

<b>15-20</b>	GN33	19,433,900.05	32,843,291.08	11.65	3,826,243.41
	GN48	17,519,498.10	29,607,951.79	12.66	3,748,366.70
	GN58	18,284,781.30	30,901,280.40	10.24	3,164,291.11
	GN68	22,483,264.39	37,996,716.82	13.56	5,152,354.80
<b>Sub Total</b>		<b>91,061,137.22</b>	<b>153,893,321.90</b>	<b>12.17</b>	<b>18,727,301.51</b>
	GN68	9,150,510.69	15,464,363.07	18.86	2,916,578.87
<b>Sub Total</b>		<b>9,150,510.69</b>	<b>15,464,363.07</b>	<b>18.86</b>	<b>2,916,578.87</b>
<b>Grand Total</b>		<b>358,850,871.32</b>	<b>606,458,000.41</b>	<b>25.47</b>	<b>154,466,259.02</b>

Source: JDVC CP Report

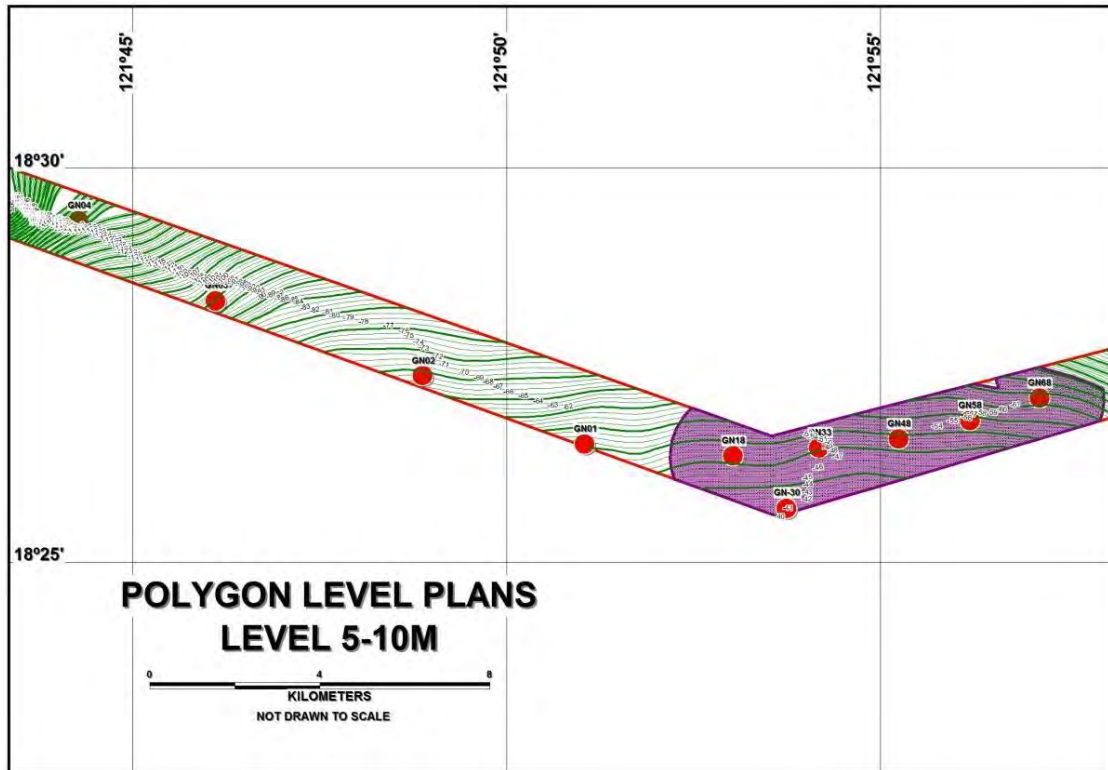
The resources are shown graphically in the level plans in Figures 3 to 7.

Figure 3: Polygon Plan for Level 0 to 5 meters



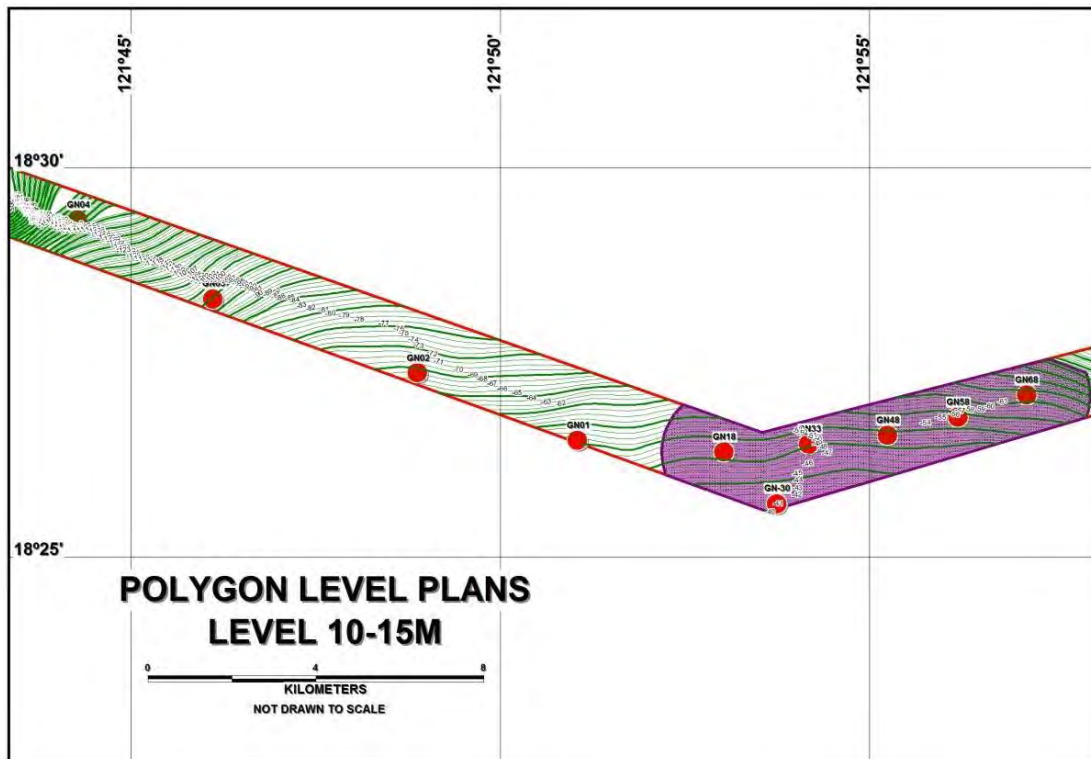
Source: JDVC CP Report

Figure 4: Polygon Plan for Level 5 to 10 meters



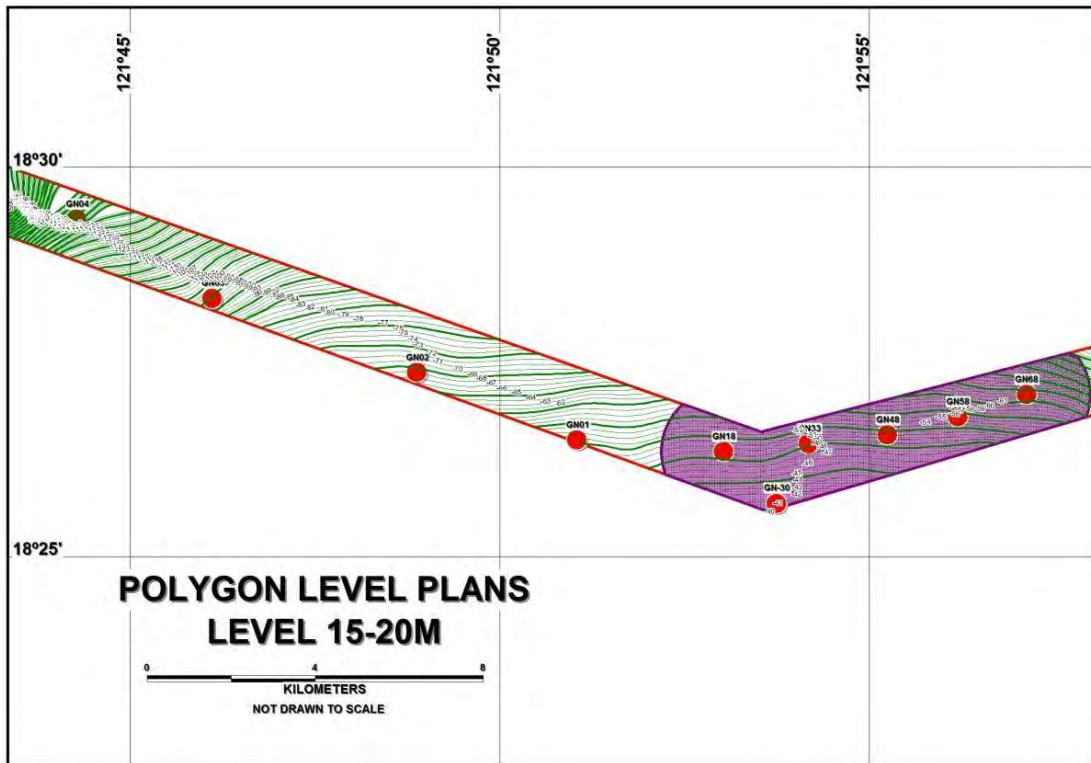
Source: JDVC CP Report

Figure 5: Polygon Plan for Level 10 to 15 meters



Source: JDVC CP Report

Figure 6: Polygon Plan for Level 15 to 20 meters



Source: JDVC CP Report

Figure 7: Polygon Plan for Level 20 to 25 meters



The PMRC has been adopted by the PSE as the minimum reporting standard for listed mining companies in the Philippines. JDVC's magnetite iron mineral resources and reserves reported in the PMRC Report have been estimated in accordance with the PMRC. The primary features of the reporting of mineral resources and ore reserves in accordance with the PMRC are summarized below.

(a) The PMRC governs the reporting of exploration results, mineral resources, ore reserves and metallurgical assessments and design related to mining in the Philippines.

(b) The PMRC is applicable to all solid minerals including industrial minerals and coal. PMRC does not include diamond and other gemstones.

(c) The "Competent Person" recognized under the PMRC is a person who is a duly-licensed professional and is an active Member or Fellow of the PSEM, GSP or SMEP, duly accredited by the professional organization to which he/she belongs or of a ROPO included in a list promulgated as the need arises.

(d) Under the PMRC, an "Ore Reserve" is defined as the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Defining ore reserves requires that appropriate assessments, to a minimum of a pre-feasibility study, have been carried out, and requires consideration of, and modification by realistically assumed, mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. In the case of integrated mining operations, the pre-feasibility study will have determined an ore treatment plan that is technically and commercially viable and from which the mineral recovery factors are estimated. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves.

### **Executive Summary of The PMRC Comprehensive Report on the results of exploration and mineral resource estimates for the proposed offshore magnetite mining project of JDVC resources corporation**

This is a comprehensive PMRC-compliant report on the Exploration Results and Mineral Resource Estimate for the Partial Declaration of Mining Project Feasibility in the Cagayan Offshore Magnetite Mining Project of JDVC Resources Corporation under MPSA-338-2010-II-OMR Amended-A located in the municipal waters of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, all in the province of Cagayan. Using a data cutoff of July 31, 2015, the company has completed an exploration programme over an area of 4,999.2358 hectares of the 14,240-hectare MPSA area, consisting of geophysical surveys involving seismic reflection profiling and bathymetric surveys and diamond drilling and core sampling that employed a boat-mounted Longyear 38 Wireline drill with modified "Jar drill" core recovery system to ensure an acceptable high core recovery; using bathymetric points and drill collars surveyed by GPS using WGS 84 projection that enabled the delineation of an ore envelope using the conventional Polygon Method of resource estimation.

Within this ore envelope, 11 vertical confirmation drillholes with an average of 90% recovery, amounting to more than 140 meters, with the collection of 142 samples, which were all analyzed by XRF for %Fe, %Al<sub>2</sub>O<sub>3</sub>, %CaO, %Cr<sub>2</sub>O<sub>3</sub>, %K<sub>2</sub>O, %MgO, %P<sub>2</sub>O<sub>5</sub>, %SiO<sub>2</sub>, %V<sub>2</sub>O<sub>5</sub>, %As, %BaO, %Cl, %Co, %Cu, %MnO, %Na<sub>2</sub>O, %Ni, %Pb, %SO<sub>3</sub>, %Sn, %Sr, %TiO<sub>2</sub>, %Zn, %Zr and Per cent loss-on-ignition (LOI) and Sieve Test at Intertek Testing Services Philippines, Inc., and analyzed for Magnetic Fraction (MF) using a Dings Davies Tube (DDT) which segregates the magnetite through magnetism at the Petrochemical Laboratory of the Mines and Geosciences Bureau.

The confirmation holes were drilled using 2,000 and 4,000-meter interval spacings which were based on the result of the interpretation of the seismic reflection data of the area. It was established in this survey that the sand horizon which contains the economic values of magnetite sand ranges in thickness of about 25 meters on the easternmost portion of the tenement, tapering towards the west to about 10 meters. The seismic reflection survey generated about 270 points that are spaced at a maximum of 500-meter interval on the N-S direction and a maximum of 1,000-meter interval on the E-W direction. Each of these points has its own coordinates, elevation, and the individual thicknesses of the sand horizons (Stratigraphic Units). These data were used to establish the consistency of the possible magnetite sand-bearing horizons accurately. Based on the data gathered from the seismic reflection survey, the drillhole spacing programmed for Parcel A is 2,000 meters with an average drilling depth of 20 meters; while for Parcel B-1, it is 4,000 meters, with an average drilling depth of 5 meters.

On the average, the thicknesses of the sediments per Unit are as mathematically computed follows:

	<b>Unit 1 (meters)</b>	<b>Unit 2 (meters)</b>	<b>Total (meters)</b>
<b>Parcel A</b>	6.8	19.0	25.8
<b>Parcel B-1</b>	3.0	6.8	9.80

*Source: JDVC CP Report*

While the company implemented QA/QC protocols during the drilling operation, they were limited to core recovery, sampling, logging, labeling and chain of custody. Field duplicates

and standards were not inserted in the samples. Data accuracy was therefore measured from the results of analysis of laboratory replicates and standards. To test the accuracy of the methods of sampling and physical (DDT) and chemical (XRF) analyses, the results of analyses of the field standards, laboratory replicates were tabulated and compared and the result shows that the standards and the laboratory replicates gave very low absolute relative differences between the known (expected) and the assayed values for Fe; and consequently, very low percentage of error (0.1% and 0.35%, respectively).

To determine the tonnage, the average specific gravity of 1.69 DMT/m<sup>3</sup> was used. This was determined at the petrochemical laboratory of the Mines and Geosciences Bureau. The resource polygons were constructed based on the topographic map produced from the bathymetric survey. The radii of influence used were 1,500 meters for indicated resource (Parcel A) area and 1,500 meters for the inferred resource (Parcel B-1) area based on the results of the seismic reflection profiling discussed above and as agreed with the proponents.

The estimation of the mineral resource using the polygon method shows an indicated resource of 606,458,000 DMT with an average grade of 25.47% MF, which will yield more than 150,000,000 DMT of magnetite concentrate which is about 60% Fe. The inferred resources consist of additional 63,000,000 DMT with an average of 47% MF content that can yield about 30,000,000 DMT of magnetite concentrate. Considering the unique contemplated method of mining which is by dredging, it was agreed with the proponent that a zero cut-off grade will be used in the resource computation. Based on this assumption, and based on the agreed parameters on resource categorization, the resulting details of the computed resource by level and categories are therefore tabulated as follows:

Level	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>INDICATED RESOURCE</b>			
0-5 meters	114,167,560.95	23.16	26,445,391.99
5-10 meters	158,146,240.41	41.55	65,708,816.19
10-15 meters	128,297,312.67	24.68	40,668,170.45
15-20 meters	153,893,321.90	12.17	18,727,301.51
20-25 meters	15,464,363.07	18.86	2,916,578.87
<b>Total</b>	<b>606,458,000.00</b>	<b>25.47</b>	<b>154,466,259.02</b>
<b>INFERRED RESOURCE</b>			
<b>0-5 meters</b>	<b>63,179,310.69</b>	<b>47.71</b>	<b>30,140,910.80</b>

Source: JDVC CP Report

The polygon method of computation enabled the classification of the resources within the ore envelope to be in conformity to PMRC classification of indicated, and inferred resources which correspond to the level of confidence and certainty of estimate related to each class. The result of the computation can be validated by fill-in holes which can be drilled as time and weather will permit; although the best way to validate the accuracy of the computation is through ore reconciliation during the actual mining operation.

The estimates provide a firm basis for transforming resources into reserves, hence eventual mineral production, lasting many years, depending on the production rate and mine plan that can be set and designed by a PMRC CP Mining Engineer. Optimization of the resultant block model will provide basis for proper mine planning and scheduling that will maximize the value of the resources and reserves. The block model from this estimation also provides the basis for grade control, reconciliation, to meet customer specifications.

A substantial portion of the tenement is still not drill tested. The project's total resources can be significantly upgraded; additional resources can be determined by deeper drilling by closer spaced drill holes, implementing a stricter compliance to QA/QC protocols.

### **Preliminary Resource Estimates**

Mr. Rafael R. Liwanag has been engaged by JDVC as the Competent Person (CP) to make an estimate of the Magnetite Sand mineral resources contained within certain portions of MPSA-338-2010-II-OMR Amended-A based on the information provided by JDVC in conformity with the Philippine Mineral Reporting Code.

Mr. Liwanag used the conventional Polygon Method of resource estimation. The tonnage was calculated by multiplying the area, thickness, and specific gravity. In the process, 83 drilling holes were made at a depth of 110 meters. Mr. Liwanag applied an 8% net recovery rate after magnetic separation. This is conservative relative to the international standards, which normally range from 8% to 12%. The Company used the sea-bottom profiling approach to determine the volume of magnetite sand on the proposed site. The Company engaged the services of an international survey vessel owned by a company involved in

specialty marine equipment operations. This gave assurance that no corals, fishes, other marine lives, and sea cables will be affected or damaged.

## **Results**

Based on the results of the offshore exploration activities by JDVC, an indicated mineral resource of 606,458,000 DMT with an average grade of 25.47% MF was estimated in the 4,999.2358 portion of the MPSA Contract Area situated in Parcel A (Gonzaga, Cagayan), which will yield more than 150,000,000 DMT of magnetite concentrate which is about 60% Fe.

Results of estimation show an inferred resource of 63,179,310 DMT with an average grade of 47.71% MF, which at 100% recovery is equivalent to 30,140,910.80 DMT of magnetite concentrate. The estimates provide a firm basis for transforming resources into reserves, hence eventual mineral production, lasting many years, depending on the production rate and mine plan that can be set and designed by a PMRC CP Mining Engineer. Optimization of the resultant block model will provide basis for proper mine planning and scheduling that will maximize the value of the resources and reserves. The block model from this estimation also provides the basis for grade control, reconciliation, to meet customer specifications.

While a substantial portion of the tenement is still not drill tested, it is recommended that JDVC may file a Partial Declaration of Mining Project Feasibility for Parcels A and B-1 of the MPSA Contract Area embracing an area of 4,999.2358 hectares situated in Gonzaga, Buguey and Aparri (portion), for commercial operations. The total resources can be significantly upgraded; additional resources can be determined by deeper drilling and closer spaced drill holes, implementing a stricter compliance to QA/QC protocols.

## **MGB Mineral Resource Validation Report**

### **Summary**

MGB has conducted a mineral resource validation (attached hereto as Annex "B") and manipulation of the JDVCRC drillholes used in the resource estimation, MGB estimated a grand total raw offshore magnetite sand resource of 512,971,918.94 DMT with weighted average grade of 26.51%MF. The cut-off grade of 5%MF came out to be the most economical cut-off considering the trade-offs in the reduction in mining and processing cost over the decrease in concentrates expected to be produced.

The overall resource estimate of MGB is lesser by 93,486,053.58 DMT than that of JDVCRC's declared total resource estimate of 606,457,972.52 DMT due to the different softwares used in the construction of the polygons and determination of the area. The difference between the estimates can also be accounted to different cut-off grades and % recovery used. While the JDVC did not set any cut-off grades and % recovery, MGB used a 5%MF cut-off grade and 90% recovery. Overall, the Measured mineral resource estimates of MGB is lower by 93,486,053.58 MT with grade difference of 1.04 % MF.



Table below shows the summary of JDVC Mineral resources:

Mineral resource classification	In metric tons	Average Grade
Inferred	63,179,310	47.0% Magnetic Fraction
Indicated	606,458,000	25.5% Magnetic Fraction
Measured	512,971,919	26.5% Magnetic Fraction

Source: PMRC Report and MGB Mineral Resource Validation Report

### Supplemental Report

In May 6, 2021, JDVC commissioned an Accredited Competent Person in Geology, Ramon N. Santos to provide more detailed description and revalidation of the mineral resource of the magnetite sand deposits within the 1,897.0242 hectares defined as MPSA 338-2010-II-OMR-Amended A as supplement to the PMRC Report prepared in August 2015 by ACP Rafael R. Liwanag, which covered 4,999.2358 hectares of explored portion of the original 14,240 hectares held by JDVC under MPSA 338-2010-II-OMR. Due to the approval of the parcelation and relinquishment of certain portion of the original mining tenement, MPSA 338-2010-II-OMR-Amended A was finally defined in the official records of the MGB-DENR to cover an area of 1,897.0242 hectares.

### Estimated Mineral Resources

Using the conventional polygon method of estimating mineral resources and applying the same specific gravity of ore at 1.69, this study arrived at an estimated Indicated Mineral Resource of 527 Million DMT of magnetite deposit containing an average of 26% Magnetic Fraction. The detailed estimation is presented in **Table 10**. By applying a maximum 'area of influence' of samples at 1,500m radius, some of the mineral resource previously included as Indicated Mineral Resource in the PMRC report of ACP Liwanag, have been re-classified as Inferred Mineral Resource in this report on the basis of the interpreted seismic profiles that consistently indicate the continuity of the magnetite bearing horizons. The estimated Inferred Mineral Resource is 26 Million metric tons with average grade of 23% MF. Detailed breakdown of the estimates is given in **Table 11**.

**Table 10.** Estimated Indicated Mineral Resource

Drill hole	Interval	Area, sq km	Volume, cu m	% MF
GN18	0-5	3.82	19,100,000	26.58
	5-10	3.82	19,100,000	43.87
	10-15	3.82	19,100,000	24.89
	15-20	3.82	19,100,000	12.58
GN30	0-5	Below cut off grade		3.23
	5-10	1.24	6,200,000	21.01
	10-15	1.24	6,200,000	20.71
GN33	0-5	3.00	15,000,000	22.56
	5-10	3.00	15,000,000	41.89
	10-15	3.00	15,000,000	23.63
	15-20	3.00	15,000,000	11.65

GN48	0-5	3.21	16,050,000	24.87
	5-10	3.21	16,050,000	46.55
	10-15	3.21	16,050,000	25.41
	15-20	3.21	16,050,000	12.66
GN58	0-5	2.91	14,550,000	24.94
	5-10	2.91	14,550,000	47.29
	10-15	2.91	14,550,000	27.89
	15-20	2.91	14,550,000	10.24
GN68	0-5	2.49	12,450,000	26.98
	5-10	3.05	15,250,000	43.15
	10-15	3.35	16,750,000	23.89
	15-20	3.56	17,800,000	13.56
	20-22	3.61	7,220,000	18.86
<b>Total Volume, cu m =</b>			<b>340,670,000</b>	<b>26.27</b>
<b>Tonnage, DMT =</b>			<b>575,732,300</b>	<b>26.27</b>

**Table 11.** Estimated Inferred Mineral Resource

<b>Drill hole</b>	<b>Interval</b>	<b>Area, sq m</b>	<b>Volume, cu m</b>	<b>% MF</b>
GN18	0-5	145,157	725,784	26.58
	5-10	145,157	725,784	43.87
	10-15	145,157	725,784	24.89
	15-20	145,157	725,784	12.58
GN68	0-5	216,157	1,080,787	26.98
	5-10	333,180	1,665,902	43.15
	10-15	483,716	2,418,578	23.89
	15-20	695,057	3,475,285	13.56
	20-22	762,731	3,813,657	18.86
<b>Total Volume =</b>			<b>15,357,346</b>	<b>23.19</b>
<b>Tonnage, DMT =</b>			<b>25,953,915</b>	<b>23.19</b>

### Interpretation and Conclusion

The estimated Indicated Mineral Resource reported in this study is in conformity with the previous estimations done by ACP Liwanag and the MGB Validating Team. The differences are acceptable considering that all these are only estimates that have inherent variability. In addition, the variance could be attributable in the dissimilarity in the design of the polygons, differences in the software used to measure the areas of influence and assumptions applied. For instance, ACP Liwanag did not apply any cut-off grade on the premise that selective mining is not possible while the MGB validating Team applied a 5%MF cut off grade and 90% recovery.

The implementing rules and regulation of PMRC 2007 provides that zero cut off grade is not allowed in the estimation of mineral resources; hence this writer supports the use of the 5%MF cut-off grade. However,

the application of a recovery factor should be based on mining plan and operational parameters and more suitable in the estimation of the Mineral Reserves rather than Mineral Resource that relies mainly on geologic information and confidence.

Based on the foregoing, it is the conclusion in this report that the estimated Indicated Mineral Resource of magnetite sand deposits within the 1,897.0242 hectares covered MPSA 338-2010-II-OMR-Amended A amounts to 575 Million DMT containing an average grade of 26% MF. The Inferred Mineral Resource is estimated at 23 Million DMT with average grade of 23%MF.

It is worth mentioning that the available drill holes data did not provide any indication on the bottom limit of the magnetite deposits. It is therefore recommended that in the succeeding exploration works intended to upgrade the current estimated Indicated and Inferred Mineral Resource either into Measured Mineral Resource or Ore/Mineral Reserves, the in-fill drilling program should be designed to reach the deeper horizons, possibly down to the acoustic basement.

<b>Mineral resource classification</b>	<b>In metric tons</b>	<b>Average grade</b>
Inferred	25,953,915	26.3% Magnetic Fraction
Indicated	575,732,300	23.2% Magnetic Fraction

The pictures below show MGB Validation team along with JDVC team:



**Photo 1.** MGB Validation Team with JDVC staff at roof top of Siphon Vessel.



**Photo 2.** Twin engine motor boat used to go to Siphon Vessel of JDVCRC located 15 km-offshore of Gonzaga, Cagayan, travel time of which is 2-hr though rough sea.



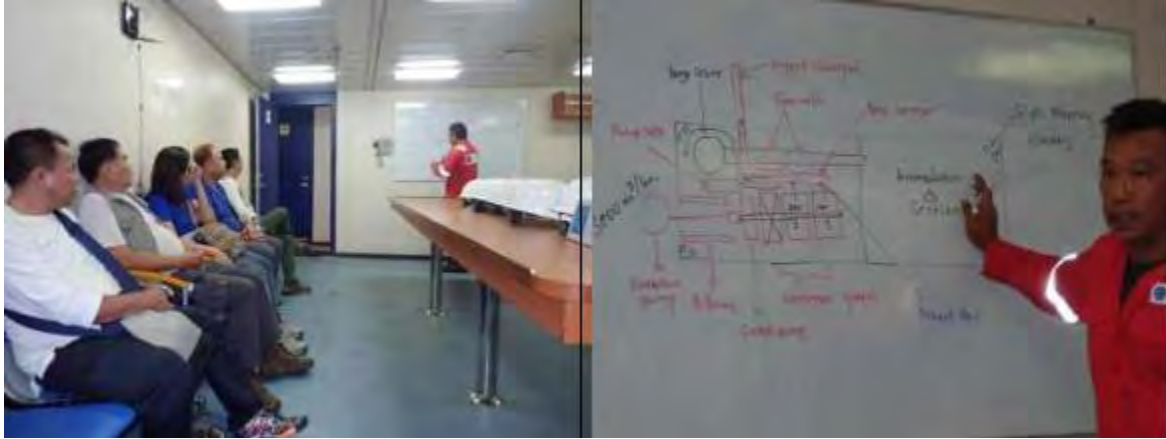
**Photo 3.** JDVCRC Siphon vessel with magnetic separator and processing apparatus on board located 15-km offshore of Gonzaga, Cagayan.



**Photo 4.** Transfer from motorboat through vertical ladder going to the Siphon Vessel



**Photo 5.** Samples of magnetite sand after processing.



**Photo 6.** Introduction lecture, safety orientation explanation of production and processing of magnetite sand.



**Photo 7.** Operation set-up for magnetite extraction (left) 3-stage magnetic separator system (right)



**Photo 8.** Extraction/siphon pump (left); Flyout conveyor where waste materials will go back to the sea

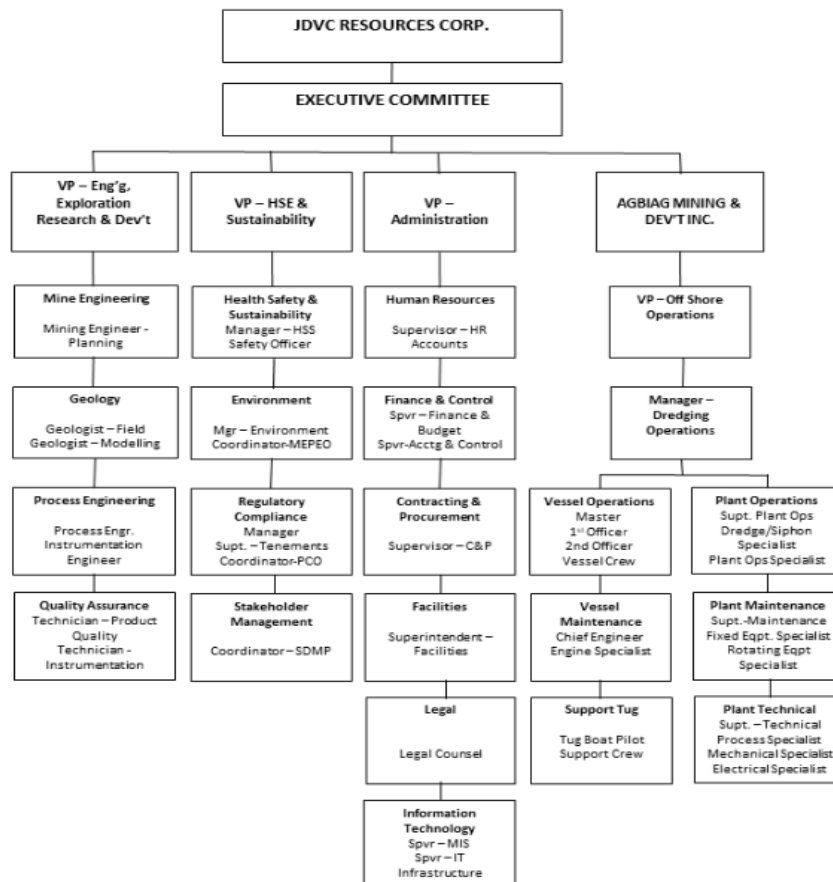
## Employees

As of date of this Prospectus, APL has no employees and is being managed by its officers, which includes the President, Vice President, Executive Committee composed of five (5) Technical people to see to it that the interests of APL are fully protected from all environment/operational concerns as well as maintenance of ISO standards and the like. One (1) compliance officer, one (1) Legal and Administrative Officer.

As of date of this Prospectus, JDVC has 25 employees. Out of these employees, twelve (12) are employed at JDVC's head office, while the remaining eight (8) are employed in JDVC's mining operations at the existing mining area in Cagayan. Of these, five (5) are involved in mining operations, engineering, and mine planning, grade and quality control, five (5) are taking care of the environment, health, and safety concerns of the Company, and seven (7) are performing administrative, human resource, accounting & finance, maintenance and mechanic functions, mine security, audit, and office of the vice president. JDVC has employed professional and technical personnel. Further, there are four (4) technical personnel who are members of JDVC's senior and junior management.

### JDVC Organizational Chart

As of date of this Prospectus, the following is the organizational chart of JDVC's employees:



### JDVC Directors and Executive Officers

Name	Nationality	Position
Salvador Araneta Santos-Ocampo	Filipino	Chairman of the Board
Napoleon M. De Leon Jr.	Filipino	Director/President/CEO
Leonardo M. De Leon	Filipino	Director/Corporate Secretary
Raisa Marie Sindingan Go	Filipino	Director/Treasurer
Bernadette Herrera-Dy	Filipino	Director
Lloyd Reagan C. Taboso	Filipino	Director
Edwin T. Lim	Filipino	Director

### JDVC Financial Highlights

(In Million ₱)	For the years ended December 31		
	Audited		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b><u>Balance Sheet</u></b>			
Total Assets	837	836	844
Total Liabilities	355	365	384
Total Stockholder's Equity	483	472	460
<b><u>Income Statement</u></b>			
Total Revenues	0	0	0
Total Cost and Expenses	(9)	11	11
Total Other Income (Charges)	(1)	(1)	(1)
Provision for Income tax	2	1	1
Net income (loss)	(7)	(11)	(12)

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## Technology

Offshore mining of magnetite iron sand requires the use of siphon vessels that have magnetic separators, ejector system with pump facilities for deep water siphon, washer, drying apparatus, and loading facilities for mineral transfer to export vessels. The siphon vessel is more technically described as having a width of 120 feet, and a length of 300 feet. The siphon vessel must also be complemented by an anchoring tug boat, a drilling barge, a service boat, and other marine equipment. If operating for 24 hours, a siphon vessel can effectively deliver a net production capacity of magnetically separated iron with purity of between 59% to 62% of the 5,000 tons daily.



*Image: MB Siphon I Vessel*

### MB Siphon Vessel I

Agbiag, being the operator of JDVC's mining tenement, sourced contractors to build what is now MB Siphon I. Agbiag engaged POET Ship Building & Engineering Pte Ltd. for the manufacture and fabrication of MB Siphon I. POET Ship Building & Engineering Pte Ltd., is a shipbuilding company that started its operations in 1990 and operates under the umbrella of POET Investment Holdings Pte Ltd.

The MB Siphon Vessel I has arrived the mining area, and after the Follow-on Offering, is estimated to start operations on or before April 30, 2022, if weather permits and after procuring all the necessary environmental protection equipment and ecologically balanced offshore mining protection gears such as (i) pollution curtains, (ii) oil spill response equipment, (ii) insurance and other pollution mitigating equipment required under the Offshore Mining Guidelines, enumerated in the *Use of Proceeds – Purchase of Equipment and Insurance* on page 58 of this Prospectus. The procurement of the required equipment will normally take four to five months which will be sourced from China and Japan.

The siphon vessel has complied with the following:

- ISO standard
- ISM certification
- Existing environmental compliance certificate and Offshore Mining Guidelines both issued by DENR
- Existing commercial extraction permit issued by DENR

The science and technology-based siphon vessel that the Group will use to commercially extract magnetite iron sand and marine sand from its mine tenement. This siphon vessel has magnetic separators, ejector system with pump facilities, for deep water siphon, washer, drying apparatus, and loading facilities for mineral transfer to either inventory barges or direct to export mother vessels.

#### *Poet Blue Ocean Offshore Services Pte. Ltd (PBO)*

PBO is the owner of the Panama registered siphon vessel, MB Siphon I, which is 51% owned by POET Investment Holdings Pte Ltd, and 49% by Filipino investors. POET Investment Holdings Pte Ltd, is one of the well-recognized shipbuilding company in the Asia Pacific Region, offering not only supply of Marine Equipment but also the Capability to Build and Customize a full range of Marine Vessels.

#### **Production Capacity**

At a utilization rate of about 85% (20 hours a day and seven (7) days a week), based on 7.5 months annual operating schedule, the annual capacity of each capesize siphoning vessel is approximately 900,000 metric tons. In the supplemental report provided by Engr. Ramon Santos last May 6, 2021, the indicated resources was 575,732,300 metric tons which can be depleted in 639 years by a single vessel, 320 years by two vessels, and 213 years by three vessels. Five vessels can deplete the inferred resources within 127 years. The MPSA is valid for 25 years starting 2010 and expires in 2035, renewable for another 25 years.



*Image: MB Siphon I Vessel*

#### **Engine Machinery and Specifications**

1. 4-Main Generator Sets – 800 kW (1,000 hp) rated capacity, powered by Daihatsu 6DE-8, vertical inline type, 6-straight line cylinder diesel engine, 900 rpm.
2. Emergency Generator Set – Cummins, Model CSMXTA7-IMO T2, 225 kVA (180 kW) rated capacity, 1,800 rpm, turbocharged
3. Sewage Treatment Plant – Detegasa, Model PRB 385, 50-person capacity
4. Fuel Oil Purifier – GEA, Type OTC 2-02-137, 1,150 liters per hour capacity
5. Oil Water Separator – Detegasa, Model OWS OWSAN-1, 1m<sup>3</sup> per hour capacity
6. 3-Plate Heat Exchangers – APV, Model O050MGS-10E/2, 48 TR cooling capacity

7. 3-Air Compressors – Airman, Model PDSK1050S-4C1, 2.45 MPa maximum working pressure, driven by 6-cylinder inline diesel engine
8. 3-Marine Start Air Compressors – JSWP25L, 7.5 kW power rating, 3.0 MPa working maximum pressure, 30.5 m<sup>3</sup>/min air flow rate
9. 2-Service Air Compressors – GRF-60A, 45 kW power rating, 1.0 MPa working maximum pressure, 6.5 m<sup>3</sup>/min air flow rate
10. Refrigerated Air Dryer – DL-0013, 1.0 MPa maximum working pressure, 13 m<sup>3</sup>/min air flow rate
11. 4-Portable Air Compressors – Liutech, 780 liters' capacity, driven by diesel engine
12. 2- Starting Air Receivers – 150 liters' capacity, 3.0 MPa maximum working pressure
13. Control Air Receiver – AO.25-10, 250 liters' capacity, 0.7 MPa maximum working pressure
14. 2-Working Air Receivers (3,000-liter capacity) – A3.0-10, 1.0 MPa maximum working pressure
15. 2-Working Air Receivers (10,000-liter capacity) – B10-2.5, 2.5 MPa maximum working pressure

### **Operating Plan**

JDVC through its EPC contractors will institute environmentally safe and effective offshore mining methods for the extraction of magnetite iron sand at the offshore area of Gonzaga, Cagayan. Highly technical professionals have contributed their knowledge and experience in coming up with state-of-the-art methodology to be able to implement the project in terms of high-technology production systems. Management systems and responses will also be done in accordance to ISO standards.

The product, magnetite iron sand, is a primary source of raw materials like iron ore for steel and cast-iron manufacturers when they are developed in the form of iron lumps, balls, fines, and pellets. When formed as such, they are technically called Direct Reduced Iron (DRI) which are used to feed electric blast furnaces in the iron and steel making process.

There has been a surge in demand in the global steel-manufacturing sector and in demand for magnetite iron sand in the international market. Recent data shows a firming up of iron prices in recent months, which is expected to remain that way throughout the year 2020 towards 2021. China will rely heavily on infrastructure to pump prime their economy after the lockdown, which will call for sustainable steel production, which in turn will drive demand for large volumes of magnetite iron sand in the foreseeable future. This will keep iron prices steady.

The mine tenement is near countries that have a high demand for magnetite sand (China, Japan, Korea, and Taiwan) and reclamation sand (Hong Kong, Singapore, and the Philippines). Hence JDVC has a competitive advantage over other international players in terms of transportation and logistical costs.

In case there is a need for expansion in the event of international market success, JDVC also holds an MPSA for the adjacent towns in Cagayan as well. In addition, JDVC already has many other potential mining claims in different locations in Northern Luzon for future iron sand and other mineral operations.

In case there is a need for expansion in the event of an international market success, there are two other areas of expansion. One consists of 2,149 hectares for one tenement just beside the JDVC tenement owned by Cagayan Ore Metal Mining Corp. The other consists of 3,182 hectares owned by Catagayan Iron Sand Mining Resources Corp., right beside the tenement owned by Cagayan Ore Metal Mining Corp. JDVC holds tightly the commitment of both companies should APL decide to acquire both tenements in the future.



Source: Company

### MV FALCON

A scientific research and survey vessel from Singapore that was engaged by JDVC through the resources of Cagayan Blue Ocean Offshore Aquamarine Services Corporation in order to prove and confirm the following major requirement of a successful offshore operation:

1. That there are no corals, no fishes, no aquamarine life, and the like in the deep sea offshore mining areas of Gonzaga, Buguey, and Aparri towns in the province of Cagayan.
2. That there are no vintage bombs under the sea of the target offshore mining area that can cause future accidents during commercial extraction operations.
3. That there are no sunken vessels of historical and cultural value to the country under those specific offshore mining areas.
4. That the status of those offshore areas under the sea are inert, no living things or organisms that may be destroyed during offshore mining operations.
5. That there are no fiber or optic cables for use by telephone, internet, or cable companies buried under the sea in the mining territories that can be damaged by the offshore operations.



Source: Company



Source: Company

JDVC, Agbiag, and APL are now in possession of the underwater camera records of MV Falcon that provided confidence that all those five (5) major danger concerns are totally eliminated in our offshore operations.

## **Location**

### **Province of Cagayan**

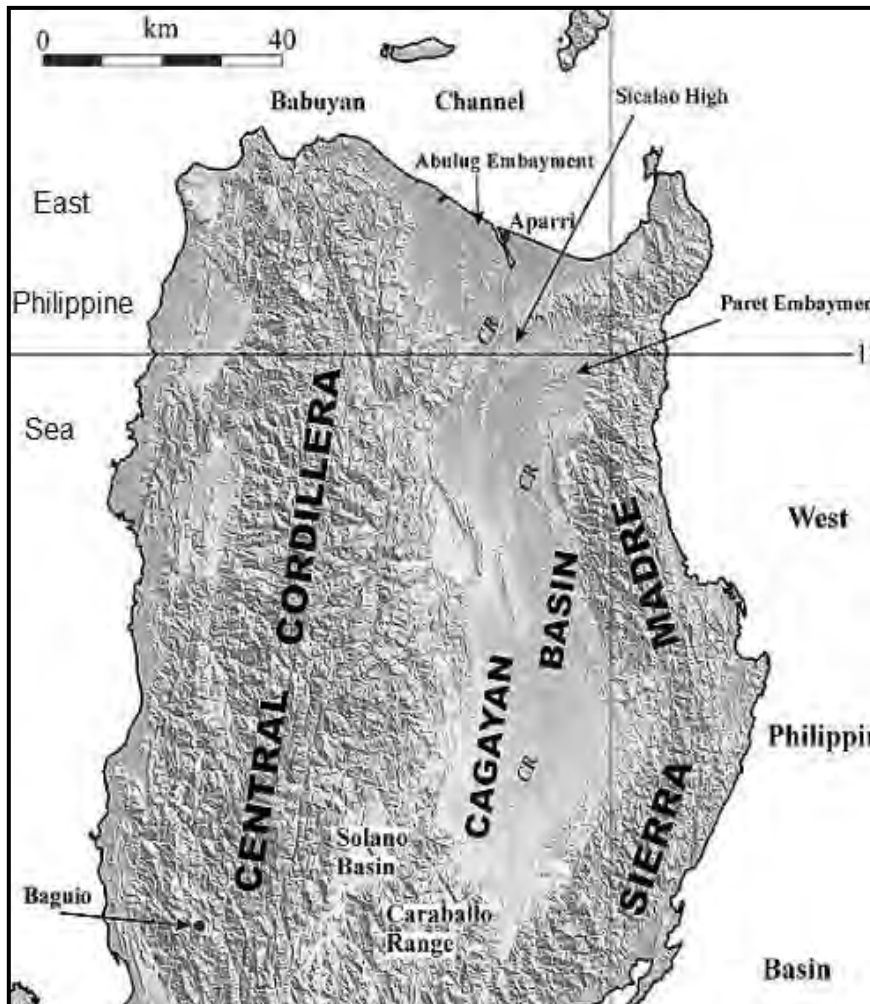
Cagayan is a province located on the northeast section of the island of Luzon. The province borders the Philippine Sea to the east, the provinces of Isabela and Kalinga to the south, the provinces of Ilocos Norte and Apayao to the west, and the Balintang Channel and Babuyan Group of Islands to the north. The province is the 5th largest province in the country with a land area of about 9,295.75 km<sup>2</sup>. It is subdivided into twenty-eight (28) municipalities and its capital city, Tuguegarao. Cagayan Valley's eastern coast forms the northern portion of the Sierra Madre mountain range, while its western limits form part of the Cordillera mountain range. The central area, dominated by a large plain, forms the basin of Cagayan River, the country's longest and widest river.

The economy of the province maybe characterized as mainly agricultural with produce such as rice, corn, peanut, beans, and fruits, livestock products such as cattle, hogs, and poultry, and fishes. Furniture made of hardwood, rattan, bamboo, and other indigenous materials are also manufactured in the province. Cagayan has an extensive shoreline and islands that serve as tourism hotspots. The beach at Palaui Island was ranked by CNN in 2014 as the 10th best beach in the world. The province is also host to the Cagayan Special Economic Zone and Freeport, also known as Cagayan Freeport, a special economic zone in the municipality of Santa Ana, at the northern tip of Cagayan. It is a self-sustaining industrial, commercial, financial, and recreational center, with a suitable residential area. It includes the development and operation of a casino resort, an 18-hole golf course, a theme park, and other recreational and tourism amenities.

The province is accessible from Metro Manila by land through the Pan-Philippine Highway or Maharlika Highway. It is accessible by commercial flight through the Tuguegarao Airport. The Northern Cagayan International Airport (NCIA) is a planned airport in the municipality of Lal-lo that will be built to support the Cagayan Special Economic Zone (CSEZ) in northern Cagayan. The project will involve the construction of a 2,200-meter runway, with a width of 45 meters, which can accommodate large aircraft and support international flights.

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**Figure 8: Terrain Map of the Cagayan Valley Region**



Source: JDVC CP Report

*Municipality of Gonzaga*

Gonzaga is located at the north-eastern tip of Cagayan, bordered by the municipality of Santa Ana to the northeast, the municipality of Santa Teresita to the west, and the municipality of Lal-lo to the south. It is approximately 45 kilometers from the municipality of Aparri, 125 kilometers from Tuguegarao City, and 607 kilometers from Manila.

Gonzaga has a total land area of 56,743 hectares representing 6.3% of the provincial land area. Majority of this area remains undeveloped. It has 44,100 hectares of virgin forests, especially throughout the mountainous areas of the Sierra Madre mountain range, best suited for protection and production forest lands. The majority of Gonzaga's 40-kilometer coastline is mostly along the Babuyan Channel to the north. It is also bounded by the Philippine Sea to the southeast. Its eleven coastal barangays contain a total of 139 hectares of beaches, 69 hectares of mangrove forests, and 348 hectares of coral reefs. These are areas best suited for fish production. Generally, the municipality is best suited to agriculture, forestry, and brackish fish production as determined by its soil classification, climate, present vegetation, terrain, and

farming practices of the population.

Gonzaga's economy is primarily agricultural, with more than half of the workforce employed either as farmers or fishers. Approximately 5,500 hectares are productive agricultural land, majority of which are dedicated to rice farming. Apart from fishing and farming, forest products and tourism also contribute to the town's revenues. Tourist spots and developments in the town include Rumang-ay Beach, Bagsang Falls, Mt. Cagua Peak & Crater, Manaring Hot Spring, Baua Beach Resort, Gonzaga Riverview Resort and Hotel, Matara Beach Resort, Singson Cove, and Tallag Rocks & Beach.

Originally, the Cagayan Magnetite Iron Sand Project was located in Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey, and Gonzaga in Cagayan. After parcellization, only 1,897.0 hectares have been assigned to JDVC, and the others were assigned to other corporations. The offshore magnetite iron sand, deep sea mineral extraction will be completed through the use of a siphon production vessel, a state-of-the-art vessel that will have separators, washers, ejector-type offshore mineral siphon, and a mineral transfer facility for loading on the carrier vessel.

The mining operations will be conducted offshore, which is about 7.56 nautical miles or 15 kilometers from the shoreline. The mining project covers an area of 1,897.0 hectares. No disturbance will be felt by the community because the operations will be far from sight, and noise will be minimized through the distance. Coastline erosions are also highly unlikely because the operations are far from the shore.

**Table 2: Slope Classification of Cagayan Province**

Description	Slope Range	Area in Hectares	Percent
Flat, nearly level land	0 - 3%	253,831	28.19%
Gently sloping land to undulating	3 - 8%	54,763	6.08%
Moderately sloping land to rolling	8 - 18%	121,386	13.48%
Rolling land to moderately steep	18 - 30%	153,665	17.07%
Steep land	30 - 50%	94,030	10.44%
Very steep land	> 50%	222,595	24.73%
TOTAL		900,270	100.00%

*Source: ALMED, Bureau of Soils and Water Management, DA*

The Province of Cagayan is crisscrossed by numerous rivers and creeks, the largest of which is the Cagayan River, considered as the lifeline of the province, where most of the towns of the Province are situated along its banks and plains. It originates from Quirino and traverses Cagayan from south to north. The larger tributaries of Cagayan River are the Pinacanauan, Chico, Magat, Malig, Ilagan, Dummun and Pared Rivers. The River headwaters are at Caraballo Mountains.

Cagayan River flows north for about 505 kilometers to its mouth at Aparri, Cagayan toward the Babuyan Channel. It has a total drainage area of about 27,300 sq. kilometers with an estimated annual discharge rate of 53,943 m<sup>3</sup>. Figure 8 shows the Cagayan River Basin Map.

The other major river systems in the Province are the Abulug River and the Pata River, both situated in the northwest portion. The Abulug River is the second largest river system in Cagayan Province and holds

historic and cultural values. Don Juan Salcedo set foot on the mouth of Abulug River in 1572. The Abulug River, which has 3,372 sq. kilometers drainage area, ranks number 9 among the country's major river systems, in terms of the size of drainage area.

The Abulug River receives fresh water laden with suspended and bed-load sediments from Apayao River and tributaries from the western part of the Cordillera (Fig. 5) The twin Abulug and Apayao River systems has a total drainage area of 44,500 hectares (DENR-RBCO, 2010).

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**Figure 1: Cagayan River Basin Map Showing Its Drainage Area**



*Source: JDVC CP Report*

**Figure 2: Abulug River System Situated on the**



*Source: JDVC CP Report*

## Northwestern Portion of Cagayan

The eastern portion of the Tenement area is generally characterized by shallower (~35 meters to 75 meters' water depth) water and gently sloping seabed while its western portion is characterized by deep to very deep water (water depth ranging from 100 meters to more than 300 meters) and steeply sloping landscape. The two different physiographic settings are separated by what seems to be a submarine canyon.

### Extraction Process

Offshore magnetite mining requires a capesize siphon vessel with a width of 32 meters on average and a length of about 300 meters. It must be complete with three (3) full sets of magnetic separators, ejector system for deep-sea pump-up siphoning from down to 200 meters after the sea bed, washer apparatus, drying apparatus, and loading facilities for mineral transfer to export vessels. Each vessel must be complemented by:

- an anchoring tug boat
- a drilling barge
- a service boat, and
- other marine equipment



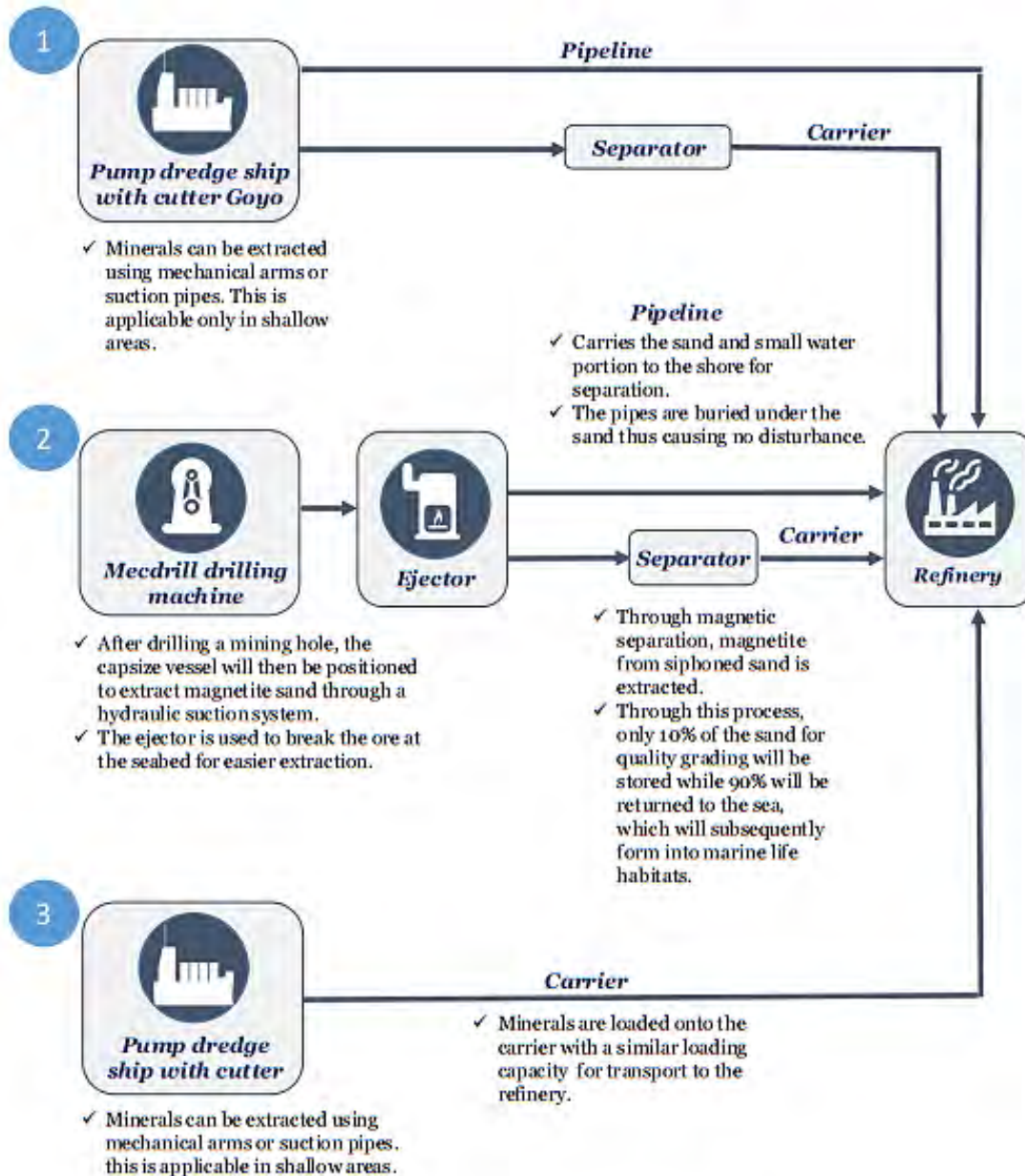
A drilling barge will be positioned at designated coordinates by an anchoring tug boat. After drilling a mining hole, the capesize vessel will then be positioned to extract magnetite sand through a hydraulic suction system. Magnetite from siphoned sand will then be extracted through magnetic separation. Through this process, only 10% of the sand for quality grading will be stored while 90% will be returned to the sea.

Upon reaching a certain volume, the magnetically separated iron ore will then be transferred to another barge for export.

The service boat will be used to transfer management, staff, and consultants from the port. It will also be used to transport supplies and provisions for the ship and crew.

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## Process and Production Flow



## Magnetite Iron Sand

### Mineral Details

Magnetite is a mineral in a form of iron oxide that can be used to create steel through smelting. Magnetite can be used to create heavy concrete to ward off radiation activities (i.e., power plants, uranium sites, etc.) Another form of iron ore, hematite, is formed when magnetite reacts with oxygen, but is lower in iron content compared to magnetite. Properties of magnetite can be collected easily as it latches onto magnets.

Magnetite iron sand is primarily used as an additive to construction-quality steel, with China, Japan, and Korea as the biggest users globally. Magnetite is the result of erosion of the metamorphic and indigenous rocks, leading to black sand, which accumulates and is deposited in beaches. Iron is the dominant metal used in all modern societies, and is considered to be the most useful metal in the world. It is used in construction, land and sea transport, household utilities, machinery, and tools. Iron is further found in paint, printing ink, plastic, cosmetics, laundry blue, paper dyes, fertilizers, baked enamel finishes, and pigment in polishing compounds.

The mineral is often mined as an ore of iron, and lately, through the use of magnetic separator processing plant and chemical intervention, magnetite iron sand became a primary source of raw material like iron ore for steel and cast iron manufacturer when they are developed in the form of iron lumps, iron balls, iron fines, and iron pellets. Magnetite is 72.36% iron, and 27.64% oxygen. Sand deposits of magnetite generally contain 15% to 30% magnetite which can be concentrated to yield about 55% to 62% iron. It also contains small amounts of high-value minerals such as titanium and vanadium.



Fast Facts	
Magnetite	
Formula	Fe <sub>3</sub> O <sub>4</sub>
Color	Black
Hardness	5.5 to 6.5
Specific Gravity	5.16 to 5.18
Luster	metallic
Crystal form	cubic
Transparency	opaque

## Uses

Magnetite is the raw material used to make pig iron, one of the main materials used in steel production. Iron, mixed with carbon, is turned to steel. Each metric ton of crude steel requires on average around 1.4 metric tons of iron ore and 0.8 metric tons of coking coal. Iron is the dominant metal used in all modern societies and is considered to be the most useful metal in the world. It is employed in construction, land and sea transport, household utilities, machinery, and tools. Iron is further found in paints, printing inks, plastics, cosmetics, artist colors, laundry blue, paper dyes, fertilizers, baked enamel finishes, and pigment in polishing compounds.

## Sources

Magnetite occurs in igneous, metamorphic, and sedimentary rocks. Deposits of magnetite iron sand are found in the United States, Canada, Argentina, Bolivia, Brazil, Chile, Colombia, Peru, Venezuela, Austria, Norway, Sweden, Russia, Egypt, South Africa, India, Iron, South Korea, China, Saudi Arabia, Thailand, Indonesia, Vietnam, Pakistan, New Zealand, and Australia.

In the Philippines, placer deposits are found in Bicol, Masbate, Zambales, Leyte, Pangasinan, La Union, Ilocos Sur, Ilocos Norte, Cagayan, and Isabela. Accumulation of these placer deposits can be traced back fifty-million years ago when the Philippine archipelago formed through the island arc volcanic phenomenon, taking with it both acidic and basic minerals (including iron) to the mountain-building process. Weathering processes then transported iron sand deposits to the shores and later by sea currents offshore. These processes, through geologic time, caused the accumulation of offshore magnetite sand deposits in the country.

Offshore placer deposits in Cagayan were formed through river discharges to the sea from the Cordillera Mountains, Caraballo Mountains, and the Sierra Madre Mountains.



*Images (from left to right): a black sand beach in Cagayan; pig iron; and a steel blast furnace*

## Regulatory Compliance

As of the date of the Prospectus, the Company's subsidiary, JDVC has obtained, or is in the process of renewing, all governmental approvals, permits and licenses issued by the appropriate Government agencies or authorities, which are necessary to conduct JDVC's business and operations. As of date of this Prospectus, JDVC has applied and paid the necessary fees for the issuance of material licenses, permits, and certifications. JDVC is awaiting issuance of the permits from the appropriate government agencies. The Group does not have any patents and trademarks.

JDVC's material licenses, and permits are as follows (included in material contracts):

Issuing agency/Issued by	Permit	Issued to	Date issued	Date of expiration
Department of Environment and Natural Resources Mines and Geosciences Bureau	Mineral Production Sharing Agreement	Bo Go Resources Mining Corporation	June 24, 2010	June 24, 2035
Department of Environment and Natural Resources Environmental Management Bureau	Environmental Compliance Certificate	JDVC Resources Corporation	May 20, 2016	n/a
Department of Environment and Natural Resources Mines and Geosciences Bureau	Declaration of Mining Project Feasibility	JDVC Resources Corporation	August 7, 2019	n/a
Department of Environment and Natural Resources Mines and Geosciences Bureau	Three Year Development/Utilization Work Program (3YD/UWP)	JDVC Resources Corporation	July 29, 2019	n/a
Department of Environment and Natural Resources Mines and Geosciences Bureau	Memorandum of Offshore Mining	JDVC Resources Corporation	May 16, 2016	n/a
Department of Environment and Natural Resources Mines and Geosciences Bureau	Feasibility Study of Offshore Mining Project	JDVC Resources Corporation	March 26, 2019	n/a

Contract	Parties Involved	Date issued	Date of expiration
Deed of Assignment from Bo Go Resources Mining Corporation to JDVC Resources Corporation	JDVC Resources Corporation	November 25, 2011	n/a
Memorandum of Agreement	JDVC Resources Corporation/Agbiag Mining and Development Corporation	September 3, 2014	n/a
Mines Operating, Joint Venture Agreement and MPSA Related Royalty and other Fees Thereto	JDVC Resources Corporation/Agbiag Mining and Development Corporation	September 1, 2014	n/a

Deed of Assignment	JDVC Resources Corporation/Cagayan Ore Metal Mining Exploration Corp., Inc.	August 9, 2017	n/a
Deed of Assignment	JDVC Resources Corporation/Catagayan Iron Sand Mining Resources Corp.	August 9, 2017	n/a
Deed of Assignment	JDVC Resources Corporation/Catagayan Mining Resources (PHILS.) Inc.	August 9, 2017	n/a
Deed of Assignment	JDVC Resources Corporation/San Lorenzo Mines Inc.	May 2, 2016	n/a
Deed of Assignment by DENR	JDVC Resources Corporation/San Lorenzo Mines Inc.	May 20, 2016	n/a
Notice of Relinquishment	Department of Environment and Natural Resources Mines and Geosciences Bureau/ JDVC Resources Corporation		n/a
Memorandum of Agreement	JDVC Resources Corporation/Agbiag Mining and Development Corporation/Cagayan Blue Ocean Offshore Aquamarine Services Corporation	June 2, 2020	n/a
Mines Consortium Agreement	JDVC Resources Corporation/Agbiag Mining and Development Corporation/Cagayan Blue Ocean Offshore Aquamarine Services Corporation/POET Blue Ocean Offshore Service PTE LTD	2018	n/a
Mines Consortium Agreement	JDVC Resources Corporation/Agbiag Mining and Development Corporation/Cagayan Blue Ocean Offshore Aquamarine Services Corporation/Royal Line Mining Corporation	2019	n/a
Mines Consortium Agreement	JDVC Resources Corporation/Agbiag Mining and Development Corporation/Cagayan Blue Ocean Offshore Aquamarine Services Corporation/Mineralogic Resources	2019	n/a
Mines Consortium Agreement	JDVC Resources Corporation/Agbiag Mining and Development Corporation/Cagayan Blue Ocean Offshore Aquamarine Services Corporation/Kinetic Holdings Corp.	2020	n/a
Mines Consortium Agreement	JDVC Resources Corporation/Agbiag Mining and Development Corporation/Cagayan Blue Ocean Offshore Aquamarine Services/Corporation/Northern Orient Resources	2020	n/a

## **Environmental and Other Key Issues**

Environmental protection and ecological balance are maintained and sustained in offshore mining operations. So far, there have been no published environmental problems nor ecological imbalance as a result of offshore mining done in Japan for eight (8) decades, New Zealand for six (6) decades, and Indonesia for three (3) decades.

The siphon vessel to be used by JDVC (MB Siphon I), as well as other vessels and barges to be used in this offshore mining activity, including those owned and chartered by the different mines consortium proponents, are equipped with environmental safeguards, as stipulated in the duly signed Mines Consortium Agreements.

In fact, MB Siphon I has an Environmental Impact Assessment (EIA) approval from Singapore Authorities. Its production platform is equipped with modern technology for environmentally safe and ecologically balanced offshore operations.

JDVC possesses all the necessary permits and licenses to be able to operate. Step by step procedures have been undertaken diligently and all required supporting documents to obtain such permits and licenses have been completed and submitted. As such, JDVC is confident that no legal issues or questions will be raised that would possibly disrupt operations. Hence, continuous smooth flow of commercial operations can be expected for the remaining seventeen (17) years of the MPSA, and upon its subsequent renewal for another twenty-five (25) years after that.

APL and JDVC are confident that the methodologies, approaches, and due diligence rendered makes the project very viable, and that regular cash dividends to stock investors can be assured, since continuous annual revenue generation is expected. In addition, the planned pelletized iron production plant will be pursued on a phase by phase basis to further enhance the prospects for continuous revenue generation, assured dividends, and stock value growth.

## **Key Differences Between Offshore Mining and Onshore Mining Processes**

Environmentalists and influential non-government organizations (NGOs) and the religious sector in every part of the globe are strongly pushing most governments to minimize, limit, if not put a complete stop to the heavy extractive industry, like the extraction of iron ore, nickel, copper, gold, and other precious and non-precious minerals and metals utilizing blasting and earth moving equipment.

This provides an opportunity for offshore mining processes that presents itself a better, environmentally friendlier and sustainable mining process to supply the global steel industry with key metal inputs. The offshore commercial extraction of magnetite iron sand has no material environmental and ecological impact as its operation is a simple siphon mechanism that generates only minor turbidity under the sea.

The siphoned magnetite iron sand is then feed into a magnetic separator that sits onboard the siphon vessel. The separated magnetite iron sand, that forms about 10% of the siphoned sand, is stored in the hull of the siphon vessel for industrial use/sale, or for export shipments. About 20% of the sand is returned back under to the seabed, while about 70% of the sand can be used for domestic reclamation sand use, or exported for the same purpose.

This phenomenon according to Dr. Minoru Yoneno, a High Technology Consultant of Nippon Steel, was the "Japan Experience", where after 8 decades of exhausting their Magnetite Iron Sand and other minerals from their offshores, substantially contributed to Japan's industrialization. And 20% of the sand returned



back to the sea crust, and were already cleared of toxic elements of the minerals after magnetic separation or segregation became sand mounts that further developed as natural fish weirs. Thus, the 20% under sea water without the steel component that used to warm that portion underneath the sea is now said to be equivalent to Cold Deep Ocean Water that became the habitats of fresh fishes and the 7 Succulent Sea Beasts in some areas of Japan. If everyone is aware about mining experiences in those other countries, it would seem that the next wave of the future to sustain mineral supplies to the world is Offshore Mining.

Just like in the Philippines where mineral deposits for Magnetite Iron Sand, Gold, Nickel, Palladium, Platinum, Silver, and the like, have been deposited in Philippines' offshores for about fifty million years. Where billions of tons are buried under the sea that have been carried and deposited offshores by rivers, creeks and natural water ways gushing down from tall and highly mineralized mountains.

Per the experiences of Filipino scientist and mining expert Dr. Felipe Calderon and Japanese Siphon and Grab Vessel designer Takazo Toyoshima, rapid technological developments are happening for the last fifteen (15) years in the design, construction and putting up of Offshore Dredging, Mining Equipment, Anchor Handling Tugs, Drilling Facilities, and the like in Japan, USA, Germany, Norway, The Netherlands, Australia and other advanced nations.

This phenomena in the advanced countries would lead to the conclusion, that in the future, the much environmentally hated Extractive Industry for minerals from underneath and the surfaces of the earth may no longer be sustainable. These countries have started to embrace the option of Offshore Commercial Mining as another alternative, in order to support the Steel and Industrial Sectors of the globe with the sustained supply of minerals.

This is similar to the Fuel and Energy Sectors which turned to renewable energy as an alternative technological source. Hence, the Offshore Commercial Mining operation is a look to the future. The key is Technological Development of Environmentally Safe and Effective Offshore Mining Systems with the use of technology designed Offshore Facilities for Mining Operation.

Exponentially, those Offshore Vessels, or, Barges Facilities for the last several decades are already being used for Offshore for Mining, Dredging and Explorations in Indonesia, New Zealand, Japan, Russia, West Africa, and Canada.

## INDUSTRY

*The information that appears in this Industry Overview section, including all data (actual, estimates and forecasts) has been prepared by ICCP and reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. Information in this Prospectus is from market research carried out by ICCP but should not be relied upon in making, or refraining from making, any investment decision. References to ICCP should not be considered as the opinion of ICCP as to the value of any security or the advisability of investing in the Issuer. The Issuer believes that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.*

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*The information set out in this section has been extracted from several reports prepared by Colliers International Group Inc., S&P Global Market Intelligence, Business Monitor International, Bangko Sentral ng Pilipinas, Mines Geosciences Bureau.*

### **Iron Ore Properties**

Iron ore refers to the ore that has use value, contains iron element or iron compounds, and is the key raw material for iron and steel production. There are many varieties of iron ore, with those for iron-making mainly including magnetite ( $\text{Fe}_3\text{O}_4$ ), hematite ( $\text{Fe}_2\text{O}_3$ ) and siderite ( $\text{FeCO}_3$ ).

The ore products are then selected from the natural ore (iron ore) through the procedures such as crushing, grinding, magnetic separation, flotation, and re-selection. It takes about 1.6 tons of iron ore to produce 1 ton of cast iron, and iron ore accounts for more than 60% in the cast iron cost. Therefore, the iron ore is also an important raw material closely related to the national economy.

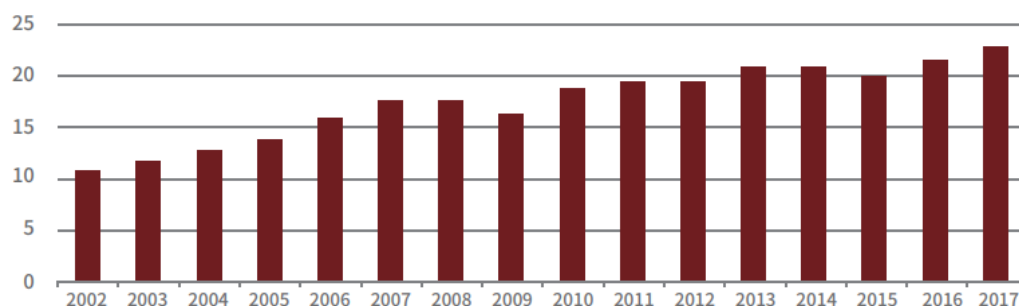
### **Market Overview of Iron Ore**

#### **Overview of Production, Consumption and Circulation of Iron Ore**

After 2000, rapid development of the iron and steel industry in the world, especially in Asia, drove the iron ore consumption in the world to significantly increase, thereby promoting the global iron ore production. In 2002-2011, the overall output of iron ore was on the rise, and was increased by 1.05 billion tons. The annual growth was about 105 million tons, and the average annual growth rate was 8.49%. Especially from 2003

to 2007, the average annual growth rate was more than 10%. In 2011, the global iron ore output was 1.96 billion tons. In 2012, influenced by the price fluctuation of iron ore, the global output, seeing its first decline since the 2009 financial crisis, was reduced to 1.90 billion tons. However, it rose again and reached 2.04 and 2.05 billion tons in 2013 and 2014, respectively. As small and medium-sized mines withdrew from the market successively with the ore prices falling below the break-even levels, the global iron ore output declined again in 2015, with the annual output amounting to 2.01 billion tons. In 2016, iron ore prices stabilized and picked up, and with small and medium-sized mines resuming production and outputs remaining at high levels at the four largest international mines, the global iron ore production returned to the uptrend. The annual outputs stood at 2.11 billion tons and 2.20 billion tons in 2016 and 2017 respectively.

### Global Iron Ore Output Trend in 2002-2017



*In billion tons*

*Source: International Iron and Steel Institute 2017*

South America, Asia and Oceania provide the main sources of global iron ore production increase in recent years, and the countries producing iron ore in these regions mainly include Brazil, China, India and Australia. In 2008-2015, the annual growth rate of iron core (raw ore output) was more than 40 million tons in Australia and China. Sum of the output of the top 10 countries and regions producing iron ore is more than 80% of the global total. It is clear that the iron ore production is centralized in the world.

### Global Supply

The USGS estimates global iron ore reserves in excess of 800 Gt which contain more than 230 Gt of iron (Fe). At reasonable grades of iron, this implies that total marketable products could approach 400 Gt. At current rates, this would allow for 200 years of consumption.

World iron ore reserves as of January 2016 are as follows

### World Iron Ore Reserves (in Billion Metric Tons or Gt)

Country	Crude ore	Iron content
United States	11.5	3.5
Australia	54.0	24.0
Brazil	23.0	12.0
Canada	6.3	2.3
China	23.0	7.2
India	8.1	5.2
Iran	2.7	1.5

Kazakhstan	2.5	0.9
Russia	25.0	14.0
South Africa	1.0	0.6
Sweden	3.5	2.2
Ukraine	6.5	2.3
Other countries	18.0	9.5
World Total	190.0	85.0

Source: Colliers International Appraisal Report 2016

### Top 10 Iron Ore Producing Companies as of 2018

GLOBAL RANK	COMPANY	IRON ORE		GLOBAL PRODUCTION SHARE (%)	CUMULATIVE GLOBAL PRODUCTION SHARE (%)
		ATTRIBUTABLE PRODUCTION - (TONNES)	PRODUCTION VALUE (\$M)		
1	Vale S.A.	396,359,125	27,531.10	16.866	16.866
2	Rio Tinto	290,799,734	20,198.95	12.374	29.241
3	BHP Group	249,793,106 E	17,350.63	10.629	39.870
4	Fortescue Metals Group Ltd.	167,900,002 E	11,662.33	7.145	47.015
5	Hancock Prospecting Pty Ltd.	67,668,320	4,700.24	2.880	49.894
6	ArcelorMittal	54,647,494	3,795.81	2.325	52.219
7	Private Interest	49,897,615	3,465.89	2.123	54.343
8	Mitsui & Co. Ltd.	44,183,210	3,068.97	1.880	56.223
9	AO Holding Co. METALLOINVEST	38,531,526	2,676.40	1.640	57.862
10	Natl Mineral Dev. Corp. Ltd.	33,151,000 E	2,302.67	1.411	59.273

Source: S&P Global Market Intelligence

### Top 5 Exporter of Iron Ore for the Last Five Years

EXPORTING COUNTRY	2019 RANK	2019	2018	2017	2016	2015
Australia	1	836,223,539	835,878,346	828,052,761	809,137,456	766,855,658
Pakistan	2	387,210,000	113,577,000	NA	NA	NA
Brazil	3	340,433,433	389,807,189	383,537,173	373,962,968	366,194,451
South Africa	4	66,329,358	63,349,694	66,432,370	64,706,850	65,254,090
Canada	5	52,205,805	47,806,229	42,954,155	41,048,485	37,014,218

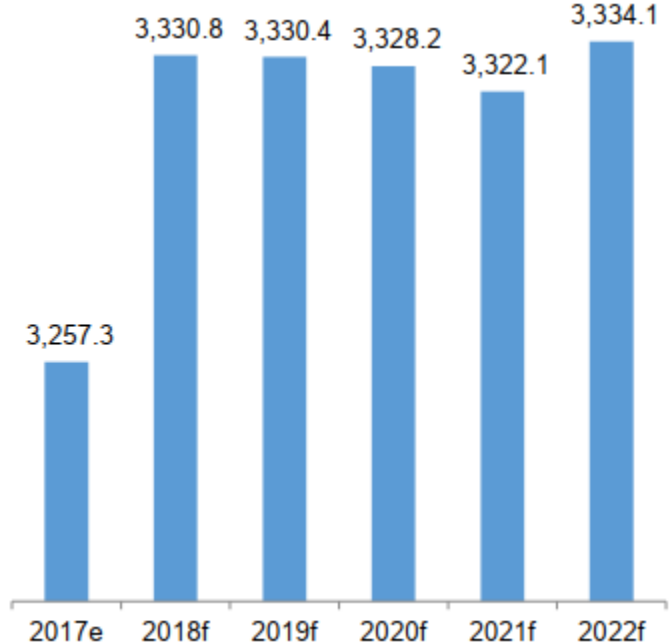
Source: S&P Global Market Intelligence

Global iron ore production is estimated at 3.18 Gt.

Global pig iron production is estimated at 1.17 Gt while global steel production is estimated at 1.6 Gt. The top iron ore importing countries in 2014 are as follows: China, 933.1 Mt; EU-28, 157.8 Mt; Japan 136.4 Mt; South Korea, 73.6 Mt; and Taiwan, 23.0 Mt.

The iron ore industry is changing as new plants are built, as iron-making technology advances, as transportation facilities improve, and as ore sources of major importance are developed and expanded.

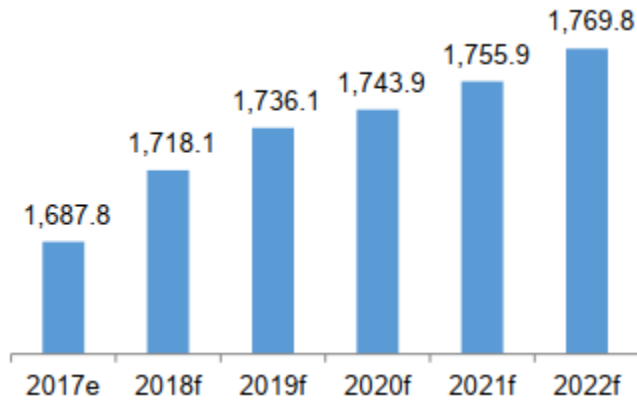
**Global Iron Ore Mine Production (in Million tons)**



Source: *Business Monitor International 2016*

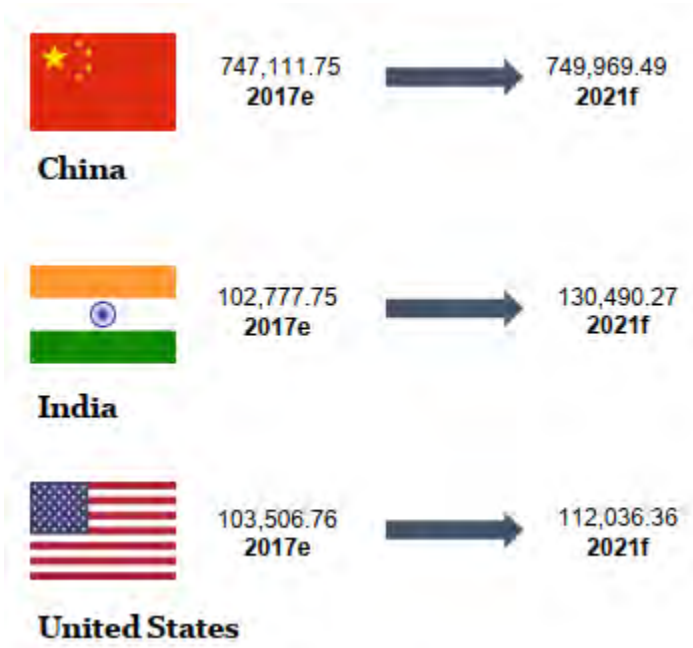
Japan, who was considered a top supplier of iron ore, has reportedly exploited its magnetite iron sand resources in the 1950s, and almost exhausted them in the 1970s. Starting as a supplier, Japan became an importer of iron ore because of the low reserves. With the growing steel market as the main driver of iron ore production, global iron ore production is expected to grow from 3,257.3mn tonnes in 2017 to 3,334.1mn tonnes in 2022.

**Global Steel Production (in Million tons)**



Source: Company

**Crude steel consumption forecasts (in thousand tons)**



Source: Company

**Global Demand**

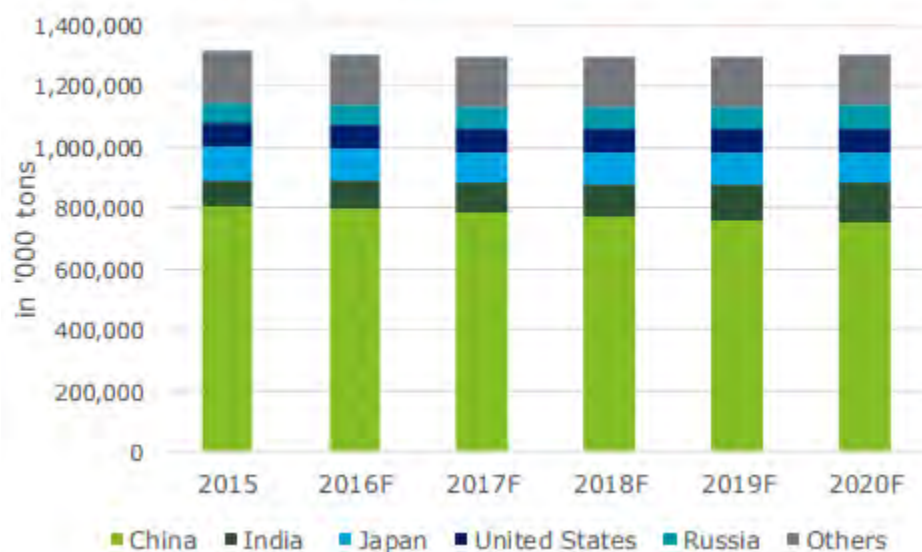
The global demand for iron ore has been growing mainly because of the growth of the steel market. Currently, India is among the main drivers of iron ore demand. The country’s demand for steel is expected to accelerate because of the growth in their construction, automotive, and infrastructure industries. China’s demand for high-grade iron ore is expected to remain strong because of the country’s tightening environmental standards. China is also expected to import more iron ore because of the lower domestic supply as well as the growing preference by domestic steel mills for higher quality ore, which usually comes from abroad. Other top consumers of the finished product steel include Japan, South Korea, Germany, Russia, Brazil, and the United States.

## Top 5 Importer of Iron Ore for the Last Five Years

EXPORTING COUNTRY	2019 RANK	2019	2018	2017	2016	2015
China	1	1,069,217,190	1,064,618,092	1,075,397,561	1,024,709,441	953,369,244
Japan	2	119,573,849	123,868,445	126,599,180	130,035,441	131,009,665
South Korea	3	74,661,125	73,296,676	72,427,937	71,740,538	73,282,472
Germany	4	38,821,974	40,545,886	39,727,189	40,034,157	41,438,712
Malaysia	5	30,860,910	27,034,342	21,908,671	22,966,306	14,741,778

Source: S&P Global Market Intelligence

## Global crude steel production



Source: BMI Steel Report 2017

Most of the extracted magnetite from the Philippines is supplied to China for steel manufacturing. Historically, iron ore prices started to decline in 2015 due to the economic slowdown of China, leading to lower demand for automobiles, real property, and machinery.

According to BMI Research, China's industrial overcapacity in the property sector will reduce the price of steel downward in 2017 and 2018. However, China is expected to bounce back by 2020-2021 once oversupply has stabilized.

Conversely, India is forecasted to capture a greater share in the steel market, as the demand in the construction, infrastructure, and automotive sectors continue to improve.

In the Americas, the United States will still be the major steel producer in the region, but will face issues in profitability due to higher operating costs against steel import prices.

## Regional Supply

The Asia and Pacific region includes 30 countries and territories including the Philippines, China, Japan, Indonesia, Australia, New Zealand, South Korea, Hong Kong, Taiwan, Singapore, Thailand, Malaysia, and Vietnam.

## **Reserves**

China's iron ore resources by the end of 2013 increased by 4.1 Gt as its Ministry of Land Resources (MLR) encouraged companies to explore for and develop iron ore deposits since the country depended on imports of this commodity. Its total iron ore reserves in 2013 totals 23 Gt.

Volcanic island arc countries such as Japan, Indonesia, New Zealand, and the Philippines are the only countries in the East Asian Region that have both onshore and offshore magnetite reserves. An island arc is a type of archipelago with arc-shaped alignment, often composed of a chain of volcanoes.

Japan reportedly exploited its magnetite iron sand resources in the 1950s and almost exhausted them in the 1970s. Japan had been producing small amounts of ore but stopped in 1995.

New Zealand's magnetite iron sand deposits in its North Island contain a total identified resource of over 850 Mt of concentrate assaying 55% to 56% iron. It was exported to other countries in the Asia and the Pacific region but New Zealand ceased its magnetite iron sand exports when it developed its steel manufacturing industry. Today, it produces its special iron and steel requirements and exports high value added special steel to other countries. New Zealand Steel's Glenbrook plant, which was the sole integrated steel producer in the country, had an output capacity of 650,000 metric tons per year (t/yr).

Indonesia intends to follow suit and use its magnetite iron sand resources only for local iron and steel production. It enacted a mining law in 2012 that prohibits the export of unprocessed minerals, such as iron ore, beginning in 2012 with full implementation in 2014. The law is intended to increase the value of its commodity exports and encourage the development of mineral processing and smelting in the country. PT Krakatau Steel, its 100% government owned steel plant, has an annual capacity of 2.4 Mt. Indonesia had about 2.4 Gt of iron ore reserves.

## **Production**

According to the 2013 Minerals Yearbook of the USGS, the region's production of iron ore was estimated to account for, in terms of gross weight, about 70% of the world total. China ranked first in the world in the production of iron ore (in terms of iron content) while Australia and India ranked second and third, respectively, in the Asia and Pacific region.



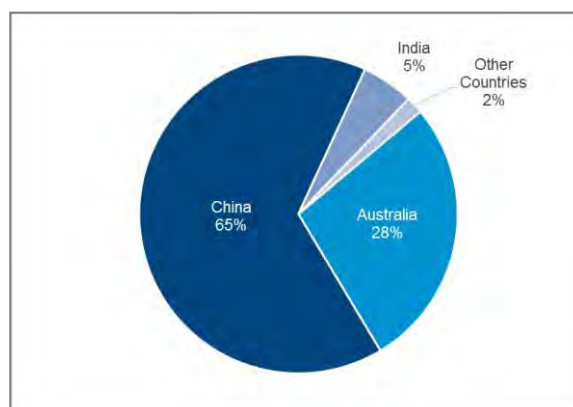
## Iron Ore Production in the Region (2013)

*\*in thousand metric tons*

Country	Iron Ore*	Proportion
Australia	609,000	27.50%
Bhutan	21	
India	117,000	5.28%
Indonesia	11,500	0.52%
Japan		
Korea, North	3,000	0.14%
Korea, Republic of	663	0.03%
Laos	50	
Malaysia	12,134	0.55%
Mongolia	6,011	0.27%
New Zealand		
Pakistan	412	0.02%
Philippines	1,300	0.06%
Taiwan		
Thailand	390	0.02%
Vietnam	2,830	0.13%
Total	2,214,310	100.00%
World Total	3,177,581	

Source: Colliers International Appraisal Report 2016

Iron Ore Production in the Region (2013)



The USGS expects regional production of iron ore to increase by 5.3% annually from 2013 to 2020.

## Regional Demand

According to the 2013 Minerals Yearbook of the USGS, the production of pig iron and crude steel accounted for about 77% and 63%, respectively, of the world total.

China and Japan were the two major markets for crude and processed minerals in the region. Japan was the leading consumer of imported iron ore due to its poor indigenous resources and its large manufacturing sector. However, in terms of growth in consumption in iron and steel, China remained to be the leader in the region.

India, Indonesia, Singapore, South Korea, Malaysia, Singapore, Taiwan, Thailand, and Vietnam were also significant consumers of iron ore and steel. China's production of pig iron in 2013 accounted for 61% of the world total.

### Pig Iron Production in the Region (2013)

Country	Pig Iron*	Proportion
Australia	3,430	0.38%
Bhutan		
<b>China</b>	<b>708,970</b>	<b>78.31%</b>
India	51,359	5.67%
Indonesia	757	0.08%
Japan	83,849	9.26%
Korea, North	250	0.03%
Korea, Republic of	41,045	4.53%
Laos		
Malaysia	1,399	0.15%
Mongolia		
New Zealand	680	0.08%
Pakistan	201	0.02%
Philippines		
Taiwan	13,400	1.48%
Thailand		
Vietnam		
Total	905,340	100.00%
World Total	1,172,249	

\*in thousand metric tons

Source: Colliers International Appraisal Report 2016

China's production of steel, on the other hand, accounted for 45% of the world total. Its crude steel output was more than the combined total of, in order of output, Japan, the US, and India.

### Steel Production in the Region (2013)

Country	Steel, crude*	Proportion
Australia	4,640	0.43%
Bhutan		
<b>China</b>	<b>779,040</b>	<b>71.88%</b>
India	81,300	7.50%
Indonesia	2,644	0.24%
Japan	110,595	10.20%
Korea, North	1,250	0.12%
Korea, Republic of	66,061	6.10%
Laos		
Malaysia	4,693	0.43%
Mongolia	68	0.01%
New Zealand	900	0.08%
Pakistan	1,359	0.13%
Philippines	1,308	0.12%

Taiwan	21,466	1.98%
Thailand	5,474	0.51%
Vietnam	3,000	0.28%
Total	1,083,798	100.00%
World Total	1,608,297	

*\*in thousand metric tons*

*Source: Colliers International Appraisal Report 2016*

The USGS reported in 2013 that regional production of crude steel is expected to increase by 1.2% annually from 2013 to 2020.

The table below summarizes the supply and demand data on selected players in the Asia and the Pacific region's iron ore and steel market.

### **Demand and Supply Summary for the Asia and the Pacific Region (2013)**

Country	Supply		Demand	
	Reserves	Production	Pig Iron Production	Steel Production
Philippines	Magnetite: 401.62 Mt (1996) Magnetite: 2 Gt	Iron Ore: 1.3 Mt Iron Ore: 0.79 Mt 62% Fe		Steel: 1.3 Mt (no significant demand)
China	Iron ore: 23 Gt	1.45 Gt	708.97 Mt	779 Mt
Japan	-	-	83.8 Mt (2013)	110.6 Mt
New Zealand	Iron ore: 850 Mt	-	680,000 t	650,000 t/yr
Indonesia	Iron ore: 2.4 Gt	11.5 Mt	757,000 t	2.6 Mt
Australia	52 Gt	609 Mt	3.43 Mt	4.64 Mt
India	8.1 Gt	117 Mt	51 Mt	81.3 Mt

*Source: Colliers International Appraisal Report 2016*

### **Moderate Steel Demand**

To meet the demand of steel industries in East Asian countries, especially those of Japan and China, imports of iron ore are expected to escalate. China will continue to be the leading iron ore importing country.

China is expected to lead in the expansion of crude steel production in the region but the rate of increase is expected to be much slower than in previous years and the country's crude steel output is expected to peak during the next several years. BHP Billiton (BHP) expects China to reach a steel production of 935 to 985 Mt by mid-next decade.

A report by international auditing and consultancy firm Ernst & Young (EY) in May 2016 estimates the growth of China's steel production at only 0.2% until 2020.

China's slowdown in metals consumption growth is due to an ongoing change of focus to a more consumer-based and less metal-intensive economy. Construction growth, for example, is expected to remain constrained this year as the Chinese government attempts to reduce the current large overhang of housing in lower-tiered cities. China's iron ore demand will actually need to increase by an estimated 5% to balance the expected iron ore supply.

### **Regional Opportunities**

As shown in the previous section, China has the largest iron ore reserve, iron ore production, pig iron production, and steel production in the region. Many of its iron mines, however, have declining ore grades and are uncompetitive against imported iron ore. This can be an opportunity for higher grade iron ore exports from the Philippines, although the Philippines will have to compete with the two top suppliers of iron ore to China: Australia and Brazil. China imported 607.6 Mt from Australia and 191.7 Mt from Brazil in 2015. The Philippines' strategic advantage over these countries is its proximity to China, making trade economical in terms of freight cost, turn-around shipment time, and efficient shipment arrival.

Japan is a net importer of iron ore with its strong demand for its iron and steel-making industries. Japan continues to be a viable market for Philippine iron ore exports

### **Local Supply**

The country has onshore and offshore deposits of about 2 billion metric tons (Gt) where onshore resources may amount to about 500 million metric tons (Mt). This is according to a study conducted by the Coordinating Committee for Geoscience Programmes in East and Southeast Asia (CCOP) and the MGB. The United States Geological Survey (USGS) estimated magnetite iron sand reserves in the country at 104 million metric tons (Mt) in 1994 and 401.62 million metric tons (Mt) in 1996. Industry.gov.ph indicates that the country's reserves are at 300 million metric tons (Mt).

Magnetite Iron Sand reserves in the country are located in the following areas:

DIVISION	REGION	PROVINCE	CITY / MUNICIPALITY
Luzon	I	La Union	Bacnotan and Damortis
		Ilocos Norte	Paoay and Nueva Era
		Ilocos Sur	Vigan, Sta. Lucia, and Sta. Cruz
	II	Cagayan	Abulug, Sanchez-Mira, Pamplona, Ballesteros, and Aparri
	III	Aurora	Dipaculao
		Bataan	Morong
		Bulacan	Sta. Maria
		Tarlac	Mayantoc and Moncada
		Zambales	Iba and Botolan
	IV-A	Quezon	Casiguran
	IV-B	Occidental Mindoro	Abra de Ilog
	V	Camarines Norte	Talisay and Vinzons

		Camarines Sur	Tinambac
Visayas	VI	Capiz	Ivisan
	VIII	Leyte	Abuyog, MacArthur, Palo, and Tolosa
	XVIII	Negros Oriental	Basay, Bayawan, Siaton, Zamboanguita
Mindanao	XII	Sarangani	
	XIII	Surigao del Sur	Hinatuan

*Source: Colliers International Appraisal Report 2016*

The Philippines is considered as one of the countries that are rich in mineral deposits and metallic resources. According to the study conducted by the Coordinating Committee for Geoscience Programmes in East and Southeast Asia and the MGB, the Philippines has onshore and offshore deposits of about two billion metric tons (Gt) of iron ore reserves.

In the Philippines, magnetite is mostly present in the northern island of Luzon. Magnetite is the result of erosion of the metamorphic and indigenous rocks, leading to black sand, which accumulates and is deposited in beaches. BMI Research reports that the Philippines is not a major exporter of iron ores, but has a sizeable resource for extraction.

The abundance of this type of sand part of the Philippine Archipelago can be traced through Fifty (50) Million years of mountain river discharges to the sea coming from the mountains of Benguet, Cordillera, Caraballo Mountains, Sierra Madre and other highlands. Periodic earthquakes and rains have contributed much to the surges in volume of this magnetite sand in the sea near the shore, offshores and shorelines of such areas.

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## Iron Ore Production

According to an estimate by the USGS, production of iron ore at gross weight in the Philippines amounted to 468,000 metric tons in 2011; 1,800,000 metric tons in 2012; and 1,300,000 metric tons in 2013.

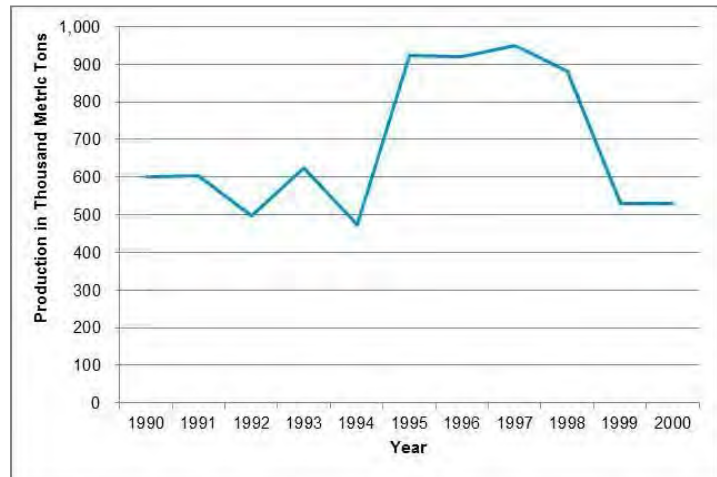
Production of iron ore with 62% iron content, on the other hand, was estimated at 292,608 metric tons in 2011; 1,148,232 in 2012; and 793,130 in 2013

## Local Demand

Steel output is the prime driver of iron ore demand with about 98% of iron ore production consumed by steel production.

During the 1990's, crude steel output in the country was as follows:

Year	Crude steel (t)
2000	530,000
1999	530,000
1998	880,000
1997	950,000
1996	920,000
1995	923,000
1994	473,000
1993	623,000
1992	497,000
1991	605,000
1990	600,000



Source: *Colliers International Appraisal Report 2016*

Steelmaking in the Philippines involved scrap-based, electric-arc furnace (EAF) steel-making operations, of which there were 17 facilities in 1997:

- Thirteen in the National Capital Region;
- Three in the province of Pampanga; and
- National Steel Corp.'s plant in Iligan City, province of Lanao del Norte.

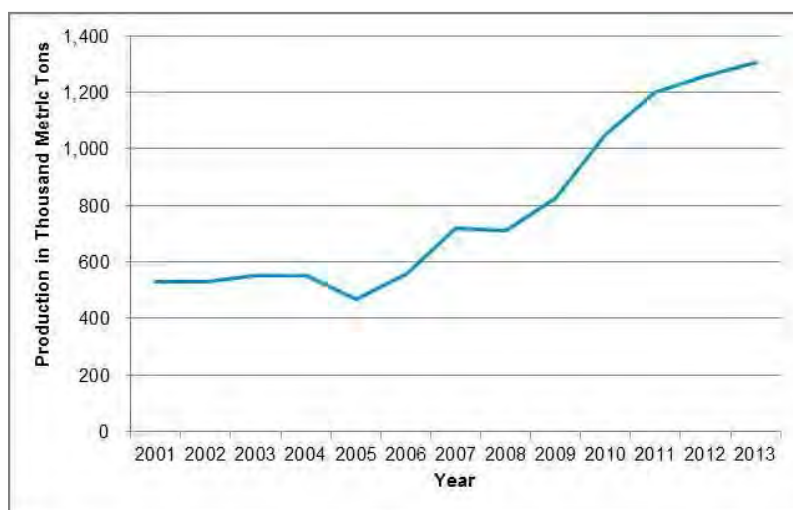
Most of the steel-making operations are small plants, called minimills. Minimill operations involve intense heat from electric energy and oxygen that melts iron and steel scrap as opposed to integrated steel mill operations, which entail the addition of coke and limestone to iron ore.

National Steel Corp. or NSC was the single largest steel company in the country, producing about one-third of the country's total production. It had a production capacity of 350,000 metric tons per year. NSC was government-owned before it was purchased in 1996 by Malaysia's Wing Tiek Holdings. It stopped production in 1999 after it was unable to make repayments on its debts, which were about USD 350 million. NSC was also under stiff competition from cheaper steel imported from South Africa and Russia.

The Philippine Sinter Corp. (PSC) owned by JFE Steel Corporation (formerly Kawasaki Steel Corp.) of Japan imported iron ore fines from various overseas sources, primarily Australia, and exported iron ore sinter and pellets to Japan. The plant, located in the province of Misamis Oriental, opened in 1977 and had a capacity of 5 Mt per year.

Crude steel production from 2000 to 2013 was as follows:

Year	Crude Steel (t)
2001	530,000
2002	530,000
2003	550,000
2004	550,000
2005	470,000
2006	558,000
2007	718,000
2008	711,000
2009	824,000
2010	1,050,000
2011	1,200,000
2012	1,260,000
2013	1,308,000



Source: Colliers International Appraisal Report 2016

Late last year, seven domestic banks have pooled a syndicated loan amounting to ₱4.4 billion to finance the construction of a modern steel mill in Plaridel, Bulacan that will produce reinforcing steel bars. This steel mill will be operated by Del Pilar Steel, Inc., a wholly-owned subsidiary of SteelAsia Manufacturing Corp., and will have an annual capacity of 1.2 million metric tons (Mt).

SteelAsia has rolling mills in Cebu, Davao, and Cagayan de Oro with a combined annual production of 2.1 million metric tons (Mt). The Plaridel mill will increase the firm's capacity to 3.3 million metric tons (Mt) by 2017.

### Local Steel Consumption

Current development can barely supply the country's fast-growing consumption of steel products – placed at 4.1 Mt in 2010, 6.6 Mt in 2013, and targeted to increase to 20 million metric tons (Mt) by 2030.

This sector is driven by demand for private residential and office buildings as well as infrastructure spending by the government, which led to the upswing in demand for steel products. The Build! Build! Build! (BBB) Program is the centerpiece program of the Duterte administration that aims boost infrastructure in the Philippines. Lack of infrastructure has long been cited as the "Achilles' heel" of Philippine economic development. The BBB Program looks forward to accelerate public infrastructure expenditure from an average of 2.9 percent of gross domestic product (GDP) during the Aquino regime to about 7.3 percent at the end of the Duterte administration, which may cost around P8 trillion to P9 trillion from 2016 to 2022 to address the huge infrastructure backlog in the country.

Currently, the Philippines is a net importer of "iron and steel and mineral fuels and related materials" which were valued at USD 14.6 billion in 2013. This amount was about 23% of the value of the country's total imports during that year. Sixty percent (60%) of the country's steel consumption in the last five years was supplied by China, Russia, and Japan. And 80% of crude steel inputs (slabs and billets) are being imported as well.

Supply			Demand	
Resources	Reserves	Iron Ore Production	Steel Production	Apparent Steel Consumption
2 Gt (no date)	401.62 Mt (1996) 300 Mt (no date)	1.3 Mt (2013) 0.79 Mt 62% Fe (2013)	1.3 Mt (2013)	6.6 Mt (2013)

Source: *Colliers International Appraisal Report 2016*

### Local Opportunities

The Philippines has currently no integrated steel making capabilities and developing it can increase the demand for locally-mined iron ore. The Philippine Iron Steel Institute (PISI) recognizes this lack of iron-and-steel-making (ISM) capability and compared the country with four of its Southeast Asian neighbors that are also net importers of iron and steel. Their ISM capacities and degrees of self-sufficiency are: Malaysia, 5.1 Mt (57%) ; Indonesia, 5.8 Mt (46%) ; Thailand, 6 Mt (37%) ; and Vietnam, 9.1 Mt (81%).

The government's support as well as the private sector's growing interest in steel manufacturing may help boost the demand for locally-mined iron ore. The Philippines is also the 17th largest steel importer, having imported 8.1 million tons valued at USD4.0bn in 2017. As such, having locally available iron ore may help start the steel manufacturing sector in the country.

### The Philippine Mining Industry

#### Overview

Iron mining in the Philippines dates back to pre-Spanish times when natives smelted iron for utensils and implements. This industry in the country evolved as follows:

DATE / PERIOD	LOCATION	DETAILS
1918	Camarines Norte	Shipped 48,000 metric tons of iron to Japan
1934	Camarines Norte	Production by the Philippine Iron Mines (PIM)
1938	Samar	Production by Samar Mining Co.
1938	Marinduque	Production by Gold Star Mining Co.
1938	Camarines Norte	Production by Paracale
Second World War	All areas	Closing of iron mines
1948	Camarines Norte	Mining resumed by the Philippine Iron Mines (PIM)
1950	Samar	Mining resumed by Samar Mining Co.
1950	Marinduque	Marinduque Iron Mines, Inc., took over the property of Gold Star Mining Co.
1955	Mati, Davao	Production by Atlas Consolidated Mining
1956 to 1958	Bulacan	Felipe Iron Mines
1956	Zamboanga del Sur	Samar Mining Co. transferred operations from Samar to Zamboanga



1960s	Camarines Norte	Production by United Mining and Development Corporation
1960s	Cebu	Production by the Metropolitan Mining and Development Co.
1960s	Bulacan	Production by Hercules Iron Mines
1960s	Benguet	Philex Mining Co. produced iron as a by-product of copper mining
1960s	Toledo, Cebu	Atlas Consolidated Mining produced iron as a by-product of copper mining
Mid-60s to mid-70s	La Union and Ilocos	Filmag Inc. mined beach sand magnetite
1972 to 1974	Sto. Tomas, La Union	Anglo-Philippine Oil and Mineral Corp. mined beach sand magnetite

Source: *Colliers International Appraisal Report 2016*

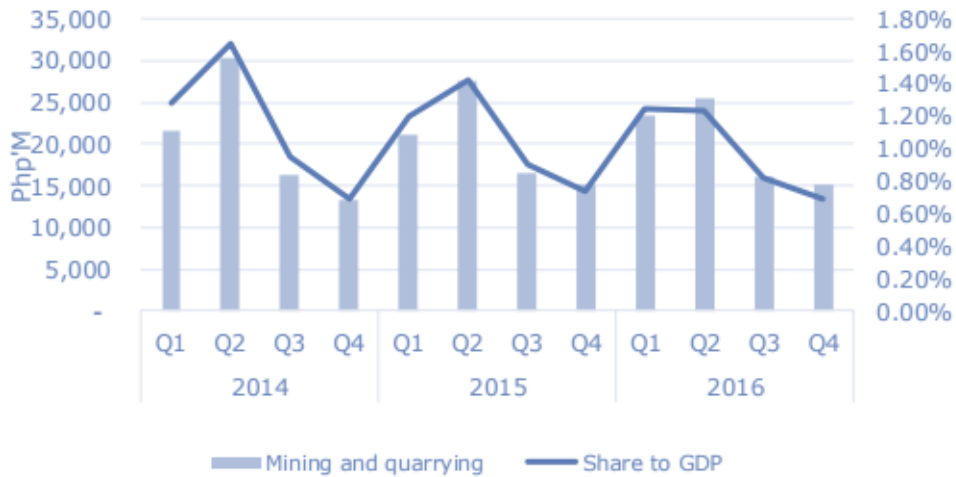
Production increased from 1948, reaching the million mark in 1962. It then reached the two million mark in 1971, but drastically declined in succeeding years. Adverse market conditions together with the ban on beach mining reduced production from 1977 onwards. The ban in magnetite iron sand mining in 1975 was lifted in 1995. All the iron ore production went to the export market such as Japan, with small amounts to the United States, Australia, and Taiwan. In 1970, supply contracts for magnetite concentrates from the Philippines to Japan totaled about 600,000 metric tons (t).

From 2010 to 2015, 2.4 million metric tons (Mt) were exported from Cagayan through Port Irene by 10 China-based mining firms. Magnetite mining went offshore as MGB records in 2015 showed that four mining companies applied for an MPSA for an area of 53,664 hectares offshore in northern Cagayan: Peniel Resources Mining Corp., JDVC Resources Corp., T&T Resources and Mining Corp. and J&M Resources Mining and Exploration Corp.

With the services sector being a major driver of economic growth, mining activities only constitute 1% of the total GDP. Mineral production in the Philippines is predominantly for copper, nickel, chromite, and gold. Business Monitor International Research reports that the deposits for gold, silver, iron, and copper is worth USD850B as of 2017.

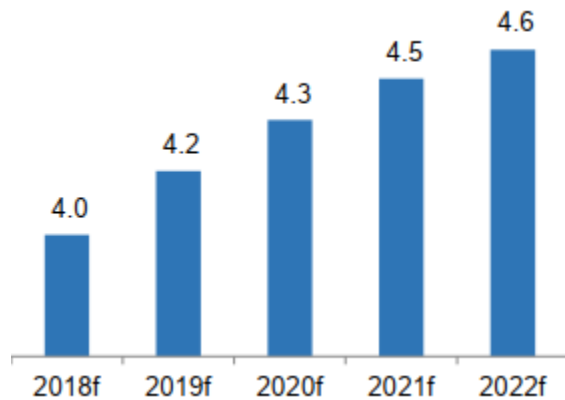
The country is considered to be potentially profitable for mining operations, due to its large mineral deposits and low labor and operating costs. Major costs considered in mining operations include the costs for quality labor, utilities, and other fees needed to sustain mining operations (such as taxes imposed by the government to extract mines). Philippine mining companies are also subject to royalties (of at least 5% of the gross output for all minerals produced) and excise taxes (at 2%) from MGB. Regulatory risks in the mining industry include the drafted 2016 Senate Bill No. 255 which aims to receive either the higher of (1) 10% of the gross revenue or (2) 55% of the adjusted net mining revenue, through taxes. Further, an audit of all Philippine mines was ordered in 2016, which led to the closure order on 23 mines, foreshadowing a potentially stricter regulatory oversight.

### Philippine mining and quarrying - share to GDP



Source: Bangko Sentral ng Pilipinas 2016

### Mining Industry Value (USD Billion)



Source: Mines and Geosciences Bureau

The Philippines is among the mineral-rich countries in the world for gold, magnetite iron, copper, and chromite. With an estimated USD850 Billion deposits of gold, silver, iron, and copper, the country's mining industry value is expected to grow from USD4.0 Billion in 2018 to USD4.6 Billion in 2022. The country's proximity to China, the largest consumer of industrial metals, as well as the generally lower operating costs will help grow the industry. The country also still has significant undeveloped deposits that may be tapped. The magnetite iron ore export ban in Indonesia also made the Philippine market important especially to China

### Mining company operations

The profitability of mining operations is largely dependent on price sensitivity and global demand. Mining companies usually hedge their price risk via execution of forward contracts. Minerals follow the seasonality of business cycles and global economic fluctuations. According to Euromonitor, the higher demand for metals and mining during economic upswings is due to increased activities in automotive, construction, and manufacturing sectors. Conversely, demand during economic downturn is driven by investment objectives such as hedging or capital appreciation. With an untapped market possessing large mineral sources, recent investments for mining explorations have been made in Latin America, Africa, and Asia, while smelting and refinery operations have been focused in the United States and Europe. It is common for mining companies to form joint ventures to maximize pooled capital, reduce risk, and have a better market positioning.

### Number of Philippine operating mettalic mining mines as of 2016



Source: Mines and Geosciences Bureau

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## Top Mining Players

Company	Commodities	Country of Origin
Philex Mining Corporation	Copper, Gold	Philippines
Semirara Mining Corporation	Coal	Philippines
Nickel Asia	Nickel	Philippines
Intex Resources	Nickel	Norway
Atlas Consolidated Mining	Copper, Mine	Philippines
BHP Billiton	Iron Ore	Australia
FNI Global Ferronickel	Nickel	Philippines



## Local Players

### ***Global Ferronickel Inc. (FNI)***

FNI is the third largest nickel ore producer in the Philippines by volume of nickel ore shipped and the second largest nickel ore producer in the Philippines by value of shipment, one of the largest single-mine lateritic exporters in the world and one of the largest global suppliers of nickel ore, accounting for 12.0% of the country's nickel ore production as per MGB statistics.

### ***Philex Mining Corporation***

Philex Mining Corporation is the principal driver of copper production in the Philippines. The company operates several mines in the country, including the Padcal mine, which has been in operation since 1958 and exports copper concentrate to Japan for smelting by Pan Pacific Copper Co Ltd.

### ***Semirara Mining and Power Corporation***

Semirara Mining and Power Corporation has successfully transitioned from a coal company into the vertically integrated coal-fired power plant business in the Philippines. It is currently the dominant local source of the country's coal requirements which supplies coal to power plants, cement plants, and other small boilers.

### ***Intex Resources***

Intex Resources is a diversified mineral exploration company based on Oslo, Norway. Their business principle is to discover and develop mineral deposit for commercial exploitation by the mining companies.

Their main asset is the world class Mindoro Magnetite iron project, located on the island of Mindoro in the Philippines.

**Magnetite Iron Asia Corporation**

Magnetite Iron Asia Corporation is the Philippines' largest producer of lateritic magnetite iron ore, and the largest in the world. It has a long operating history, starting with the sale of ore in 1977.

**Atlas Consolidated Mining**

Atlas Consolidated Mining and Development Corporation is a diversified natural resource based company with significant holdings of mineral resources in the Philippines. It was once the country's and Asia's largest copper producer, and it is still poised to be one of the preeminent mining companies in the Philippines.

**International Players**

**BHP Billiton**

BHP Billiton, headquartered in Melbourne, Australia, is a world-leading resources company which extract and process minerals, oil and gas. Their products are sold worldwide.

**Philippine Iron Ore Players**

Company	Area Size (Hectares)	Barangay
Peniel Resources Mining Corp	14,860.00	Sanchez Mira, Pamplona, Abulug, Aparri, Gonzaga
San lorenzo Mines, Inc.	2,400.00	Sanchez Mira, Pamplona
T & T Resources and Mining Corp	14,710.00	Sanchez Mira, Abulug, Pamplona, Ballesteros, Aparri, Buguey & Gonzaga Cagayan
J & M Resources Mining & Exploration Corp.	9,854.00	Abulug, , Ballesteros, Aparri, Buguey & Gonzaga Cagayan

*Source: Mines and Geosciences Bureau*

As the date of this Prospectus there are still eight (8) other mining applications offshore of Cagayan that do not have the an MPSA approval. All over the Philippines, there are also applications for offshore MPSA permits, but all of them are still under process and no other application has reached the level of completion of JDVC.

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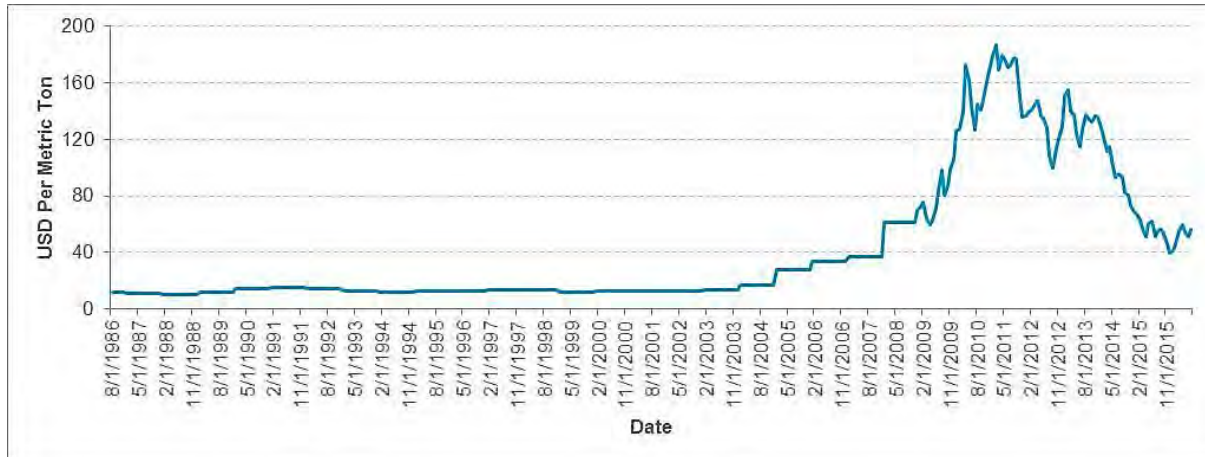
## Price Trend

Export price of magnetite iron sand is typically pegged at the import price of iron ore fines in the world's largest importer, China. The common basis is the "CFR Tianjin Port, 62% Fe Spot Price."

As of July 2016, the price is at USD 56.57 and is expected to trade at USD 59.8 by the end of the year.

Data from The Steel Index indicates a historical lowest price of USD 10.51 (1988), a highest price of USD 187.18 (2011), and a 30-year average price of USD 41.27 (from 1986 to 2016) as shown in the chart below.

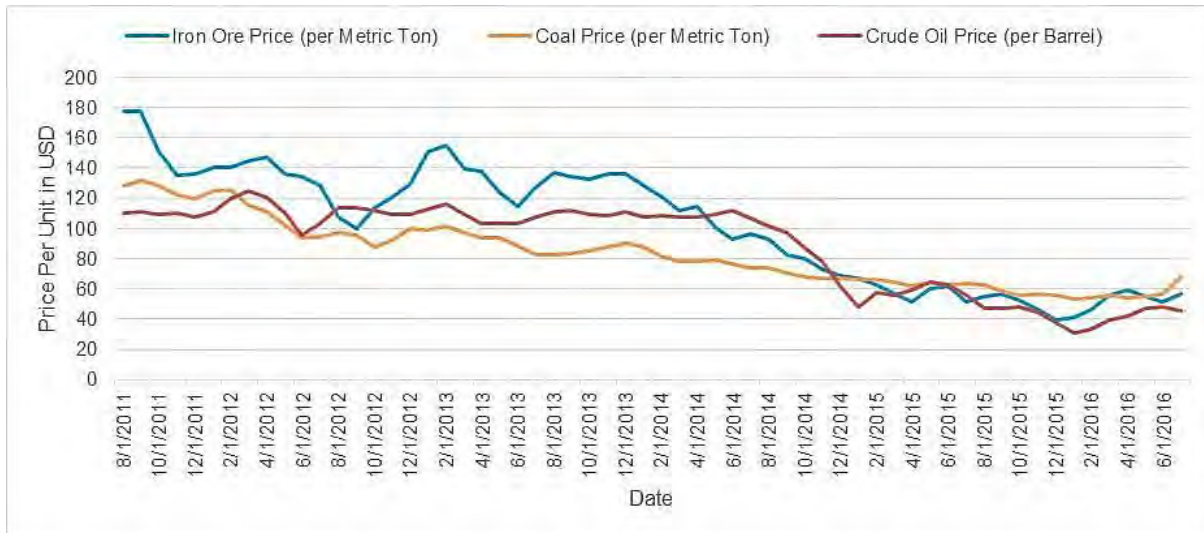
### Iron Ore Fines Historical Monthly Price (CFR Tianjin Port, 62% Fe)



Source: *Colliers International Report 2017*

In 2007 and 2008, there was a steep climb in prices driven by strong growth in China. It was then followed by a sharp decline reflecting the downturn in international economic activity linked with the onset of the global financial crisis. Demand for steel increased over 2009 and 2010, traced back to a policy stimulus and rise in infrastructure spending in China. This resulted in significant increases in prices of steel, iron ore and coking coal. Prices reached its peak in 2011 as severe flooding in Queensland, Australia temporarily disrupted the supply of coking coal.

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Source: *Colliers International Report 2017*

### Price of Iron Ore, Coal, and Crude Oil from 2011 to 2016

Post 2011, prices went into a downward spiral as additional supply of iron ore and coking coal has become available and growth in Chinese crude steel production has moderated as mentioned in the previous section.

This recent sustained decline in iron ore prices was not the result of decline in world steel production or iron ore requirements. Instead, this reflects an overshoot in iron ore supply and will recover when new demand catches up with supply. It will also recover when high-cost iron and steel producers exit, rebalancing the market.

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### Price Chart of Iron ore for the Last Three Years

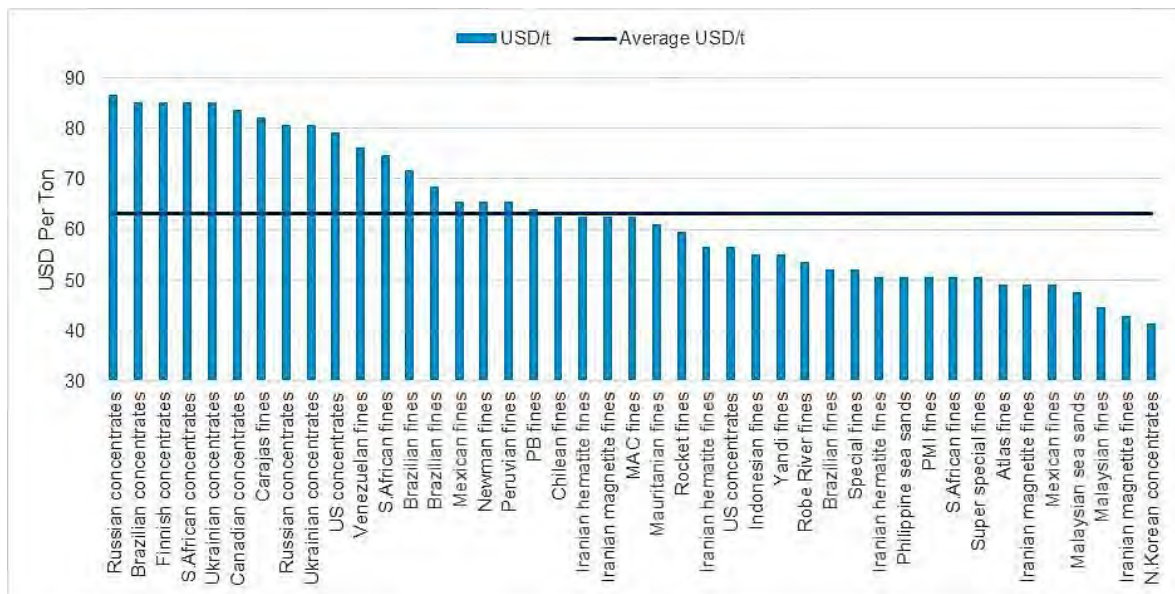


Source: S&P Global Market Intelligence

### Average Price

CFR Tianjin Port, 62% Fe Spot Price serves as an index but import prices actually vary in Chinese ports. As of August 12, 2016, import prices of iron ores fines and concentrates average USD 63.10 per metric ton with an average grade of 61.2%. A condensed version is shown below:

### Price Variation and Average Price Per Metric Ton



Source: Colliers International Report 2017



## Iron Ore Monthly Price - US Dollars per Dry Metric Ton

Range 6m 1y 5y 10y 15y 20y 25y 30y

Jul 2016 - Jun 2021: 157.170 (274.48 %)



Source: [www.indextmundi.com/commodities](http://www.indextmundi.com/commodities)

### COVID-19 impacts

The coronavirus pandemic has triggered mixed fortunes for iron ore and steel in Asia. Sustained by the removal of lockdown measures, Chinese demand for iron ore has been rising again in the past few months. The Chinese restocking boom has driven benchmark iron ore prices to US\$107 per tonne as of June 8, 2020 as steel production expands to meet pent-up demand. The Chinese recovery contrasts with almost everywhere else, however; steel production in ex-China Asia has been scaled back in response to the global pandemic's recessionary impacts on local demand and wider global trade.

Asia has fared somewhat better than Europe and the U.S. regarding the spread of COVID-19 and resulting mortality rates, at least for now. Lockdown measures have mostly been lifted across Northeast Asia, prompting a healthy recovery in Chinese economic activity in April and May. April saw Chinese crude steel production ramped up 7.7% month over month to reach 85 Mt. Operating rates at Chinese blast furnaces are currently averaging 91%, up from 80% in April and between 70% and 75% in March. The positive sentiment is also reflected in the record production of Chinese pig iron, with 2.4 million tonnes per day in April, which continued through the early weeks of May.

## REGULATION

### Regulation of Mining and Foreign Investments

#### The Philippine Constitution

Under Section 2, Article XII of the Constitution of the Philippines, all lands of the public domain, waters, minerals, coal, petroleum and other mineral oils, all forces of potential energy, fisheries, forests or timber, wildlife, flora and fauna and other natural resources are owned by the Government. The Constitution gives the Government full control and supervision over the exploration, development and utilization of natural resources. In exercising its powers with respect to natural resources, the Government may enter into MPSAs, co-production agreements and joint venture agreements with Filipino citizens, or corporations or associations at least 60.0% of whose capital is owned by such citizens. These agreements may be for a term of up to 25 years, renewable for another term of up to 25 years with the consent of the Government, and on such other terms and conditions as may be permitted by law. On June 21, 2016, the term of the MPSA for the Cagdianao Mine has been extended for another 25 years from its initial term ending in 2017. We also plan to extend the term of the MPSA for the INC Mine at the appropriate time. In addition, the President of the Philippines may enter into agreements with foreign owned corporations involving financial or technical assistance for large-scale exploration, development and utilization of mineral resources.

#### Philippine Nationality Requirements

The exploration for and exploitation of minerals in the Philippines under mineral and operating agreements with the Government may only be conducted by Philippine nationals. Under Section 3 of Republic Act No. 7942, otherwise known as the "Philippine Mining Act of 1995," consistent with the above-mentioned constitutional requirement for MPSAs, a qualified person is defined as "any citizen of the Philippines with capacity to contract, or a corporation, partnership, association, or cooperative organized or authorized for the purpose of engaging in mining, with technical and financial capability to undertake mineral resources development and duly registered in accordance with law at least 60.0% of the capital of which is owned by citizens of the Philippines; provided, that a legally organized foreign-owned corporation shall be deemed a qualified person for purposes of granting an exploration permit, FTAA or mineral processing permit."

Under the Foreign Investments Act of 1991, a Philippine national includes: (a) a citizen of the Philippines; (b) a domestic partnership or association wholly owned by citizens of the Philippines; (c) a corporation organized under the laws of the Philippines, at least 60.0% of whose capital stock outstanding and entitled to vote in all circumstances is owned and held by citizens of the Philippines; or (d) a corporation organized outside the Philippines and registered as doing business in the Philippines under the Corporation Code, 100.0% of whose capital stock outstanding and entitled to vote in all circumstances is owned by Philippine nationals or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least sixty per cent (60.0%) of the fund will accrue to the benefit of Philippine nationals.

#### Forms of mining tenure

##### Mining lease contracts and operating contracts

Prior to the enactment of the Mining Act, all rights to explore, develop and utilize mineral resources in the Philippines were granted pursuant to Presidential Decree No. 463, which authorized the Government to

enter into mining lease contracts (“Mining Lease Contracts”) or operating contracts (“Operating Contracts”) with qualified independent contractors who were Philippine nationals. The rights of contractors under either of these forms of contract were substantially similar. A Mining Lease Contract or an Operating Contract was valid for a maximum of 25 years, renewable by the contractor with the consent of the Government for a further period of up to 25 years, and was assignable. The contractor was required to pay royalties, rental fees and national taxes but was not required to pay provincial or municipal district royalties or taxes.

### Mining Act

The Mining Act was enacted in 1995 to implement the provisions of the Constitution relating to the exploration, development and utilization of mineral resources. The Mining Act repealed Presidential Decree No. 463 and replaced the system of Mining Lease Contracts and Operating Contracts with the exploration permit and mineral agreement system described below under “Tenure under the Mining Act.” Mining Lease Contracts and Operating Contracts granted under Presidential Decree No. 463 continued in effect for the remainder of their terms, before the expiry of which the contractor must apply for a form of mineral agreement under the Mining Act.

### Tenure under the Mining Act

Under the Mining Act, the Government may grant exploration permits to qualified applicants and enter into mineral agreements with qualified independent contractors who are Philippine nationals and FTAAAs (defined below) with qualified corporations that need not be “Philippine nationals.” The Government’s activities under the Mining Act are administered by the MGB of the DENR.

(a) Exploration permit. An exploration permit grants the permit holder the right to enter, occupy and explore for minerals in a specified area. It shall be valid for a period of two (2) years, subject to annual review and relinquishment or renewal upon the recommendation of the Director of the MGB.

(b) Mineral agreement. A mineral agreement shall grant to the contractor the exclusive right to conduct mining operations and to extract all mineral resources found in the Contract Area. The most common form of mineral agreement is the MPSA, which shall have a term not exceeding 25 years, and may be renewable for a period not exceeding 25 years, as prescribed by the Philippine Constitution. There are three (3) types of mineral agreement:

i. MPSA - an agreement where the Government grants to the contractor the exclusive right to conduct mining operations within a Contract Area and shares in the gross output from the operations. The contractor shall provide the financing technology, management and personnel necessary for the implementation of the agreement. A qualified person may enter into an MPSA with the government for the exploration, development and utilization of mineral resources. Only citizens of the Philippines or corporations at least 60.0% of the capital of which is owned by citizens of the Philippines are qualified. Moreover, in case the applicant has been in the mining industry for any length of time, he/she should possess a satisfactory environmental track record as determined by the MGB and in consultation with the Environmental Management Bureau of the DENR. The Government’s share consists of an excise tax of 2.0% of the “gross revenue from mining” which would increase to 4% of the “gross revenue from mining” based on the TRAIN Act (see “Philippine Taxation” below). In addition, if an MPSA covers an area that lies within a mineral reservation, the contractor is required to pay the Government a further royalty of not less than 5.0% of gross revenues from the sales of minerals from the properties. The contractor under an MPSA is required to provide all the necessary financing, technology, management and personnel. An application for an MPSA generally takes eight (8) to 12 months to process.

ii. Co-production agreement—A co-production agreement is similar to an MPSA except that the Government makes an agreed contribution to the mining operations conducted by the contractor.

iii. Joint venture agreement—Under a joint venture agreement, the Government and the contractor form a joint venture company, with both parties having equity shares, and the Government grants to the company the exclusive right to conduct mining operations within a Contract Area. In addition to its equity participation, the Government is entitled to an agreed share of the gross revenues from the sales of minerals from the properties.

(c) FTAA – an agreement between the Government and the contractor involving financial or technical assistance for large-scale exploration, development and utilization of mineral resources. Any qualified person with technical and financial capability to undertake these activities in the Philippines may enter into a FTAA directly with the Government through the DENR.

Compared to an MPSA, an FTAA is entered into to cover a wider area. Moreover, the contractor is allowed a maximum of five (5) years to recover pre-operating expenses; the five (5) -year period is reckoned from the date of commencement of commercial production. Government share in an FTAA consists of excise tax on minerals and other taxes, duties and fees levied by existing laws, and additional government share agreed upon with the contractor in accordance with the formula selected among those indicated in DENR Administrative Order No. 99-56, as amended.

An exploration permit or a mineral agreement may be assigned to another qualified person subject to the approval of the Secretary of the DENR upon the recommendation of the Director of the MGB. An FTAA may be assigned to another qualified person subject to the approval of the President of the Philippines upon recommendation of the Secretary of the DENR and the Director of the MGB.

The Mining Act provides for the annual mandatory relinquishment of areas granted to the permit holder or contractor under an exploration permit, mineral agreement or FTAA such that, following the exploration stage, unless otherwise approved by the Government, the final mining area is generally limited to 5,000 hectares for metals and 2,000 hectares for non-metals.

An MPSA cannot co-exist with an FTAA over the same area. However, a contractor may be allowed to convert his/her mineral agreement into any of the modes of mineral agreements or FTAA covering the remaining period of the original agreement by filing a letter of intent to the MGB and subject to the approval of the Secretary of the DENR. Conversely, a contractor may also convert totally or partially its FTAA into an MPSA or any mineral agreement if the economic viability of the mineral resources in the Contract Area is found to be inadequate to justify large-scale mining operations. Such conversion may be effected by filing a similar letter of intent to the DENR, copy furnished the MGB Central Office and the relevant regional office.

Before an MPSA or FTAA is granted, an applicant already has vested rights over the area covered by his application. The applicant has priority rights in the event that the government approves the application and allows the applicant to enter the area and conduct mining operations. Because of this vested right, applications for mineral agreements cannot cover the same or overlapping areas. Since the applicant has priority and vested rights over the area covered by his application, he can assign certain rights even before the MPSA or FTAA is granted but such assignment shall only take effect upon the grant of the MPSA or FTAA.

No mining rights may be granted in relation to ancestral lands claimed or occupied by indigenous cultural communities under a claim of time immemorial possession, except with the prior consent of such communities. If such consent is obtained, the holder of the mining rights must pay a negotiated royalty to

the affected communities of not less than 1.0% of the gross revenue from sales of mineral products extracted from the lands.

The Mining Act grants the contractor certain easement rights to enter and occupy lands owned, occupied or leased by other persons for purposes of conducting mining operations or installing or building structures required for such operations, upon payment of just compensation and subject to compliance with certain requirements under the Mining Act. In addition to the Government's share under the mineral agreements described above, each permit holder and contractor is required to pay an annual occupation fee payable to the local government where the onshore mining area is located or to the MGB for offshore areas, computed as follows: (a) for areas outside a mineral reservation, ₱50.0 per hectare under an exploration permit and ₱50.0 per hectare under a mineral agreement or FTAA, and (b) for areas inside a mineral reservation, ₱100.0 per hectare under any exploration permit, mineral agreement or FTAA.

On July 06, 2012 President Benigno S. Aquino III issued Executive Order No. 79 ("EO 79") implementing reforms in the mining sector to ensure environmental protection and responsible mining.

Pursuant to EO 79, applications for mineral contracts, concessions, and agreements are disallowed in areas closed to mining. However, existing mining operations will be allowed to continue but the granting of new mineral agreements are suspended until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect. This means that the processing of pending applications for mineral agreements such as MPSAs and FTAA's are suspended until Congress passes a law rationalizing the revenue sharing schemes in the mining sector. The DENR may, however, continue to grant and issue EPs under existing laws, rules, and guidelines.

EO 79 likewise mandates the DENR to undertake a review of existing mining contracts and agreements for possible renegotiation of their terms and conditions, which shall, in all cases, be mutually acceptable to the Government and the mining contractor.

Further, according to the Section 9 of DENR Administrative Order No. 2012-07 or the Implementing Rules of Executive Order No. 79, in case the mining agreement is renewed, it shall be subject to new terms and conditions pursuant to the laws, and rules and regulations that are existing at the time of renewal.

Moreover, pursuant to DENR Memorandum Order No. 2013-01, the minimum authorized and paid-up capital requirements for applicants for mineral agreements, such as MPSAs, have been increased to ₱100,000,000.00 authorized capital stock and ₱6,250,000.00 paid-up capital.

### **Mining and Geosciences Bureau Memorandum Circular 2016 - 05**

On May 16, 2016, the MGB issued Guidelines on Offshore Mining as embodied in the above Memorandum Circular. Section 3 of Memorandum Circular 2016-05 provides:

#### **Section 3. General Provisions**

- 3.1 Offshore mining operations shall be conducted in a manner that will not adversely affect the safety of navigation at sea and other marine activity(ies).
- 3.2 Offshore mining operation within a permit/contract area shall be systematically clustered to minimize the extent of disturbance.

- 3.3 The permit/contract area shall be properly delineated by buoys marked with basic information, such as: the name of the Permittee/Contractor, permit/contract number, validity period, geographical coordinates of the marker and the average water depth.
- 3.4 No permanent structure(s) shall be constructed within the permit/contract area.
- 3.5 Prior to the use of any vessel and/or installation of any temporary structure in offshore mining, the Permittee/Contractor shall submit to the Bureau the name, basic description and expected period of arrival/installation of vessel(s)/structure(s), and secure the appropriate permit(s) and/or clearance(s) from other agencies concerned, such as, but not limited to, MARINA, PCG and PPA.
- 3.6 The Permittee/Contractor shall provide a schedule of its activities to the PCG and NAMRIA prior to its implementation, in connection with their publication of the "Notice to Mariners."
- 3.7 Officials and duly authorized representative(s) of the Department/Bureau/Regional Office concerned shall have full access to the Permittee's/Contractor's structure(s), record(s) and vessel(s) within the Philippine territorial sea, exclusive economic zone and extended continental shelf at any reasonable time to conduct inspections/investigations and/or research works.
- 3.8 The Permittee/Contractor shall have a contingency plan for emergencies, such as oil spills, fire, and/or disaster.
- 3.9 The disposal of industrial, domestic and nuclear wastes, fuels, oils, and other hazardous/chemicals/substances shall be governed by the applicable laws, rules and regulations.
- 3.10 The Permittee/Contractor shall immediately report to the Regional Office concerned, the Environmental Management Bureau and the PCG any spillage of fuel or oil and/or other hazardous chemicals/substances with potential to cause marine pollution.
- 3.11 The Permittee/Contractor shall notify the Bureau in writing at least 30 days prior to removal of any temporary structure(s), equipment and apparatus within the permit/contract area.

Compliance with the said Memorandum Circular is monitored by the MGB by requiring covered entities to comply with the necessary reportorial requirements.

### **Mineral Processing and Ore Transport Permits**

A mineral processing permit is required to process minerals, except when an approved work program under an MPSA already includes such processing. Likewise, an ore transport permit is required to transport mineral products.

### **Final Mine Rehabilitation/Decommissioning Plan**

Five (5) years before the final decommissioning of a Contract Area, the holder of a mineral agreement or FTAA must submit FMRDPs, including details of its financial requirements up to post-decommissioning over a 10-year period for monitoring purposes.

As of the date of this Prospectus, the FMRDF amounted to ₱17,735,475.000 which has been deposited by the Company in full to implement the FMRDP of the Company, as approved by MGB.

## **Local Communities**

The holder of a mineral agreement or FTAA is required to assist in: (a) the development of the local communities to promote the general welfare of the local inhabitants; and (b) in the development of mining technology and geosciences as well as manpower training and development. The holder of a mineral agreement or FTAA is also required to allot annually a minimum of 1.0% of its direct milling and mining costs for such purposes.

All applicants for exploration permits, mineral agreements and FTAA's are required to obtain the support of local barangays. A "barangay" is the smallest local government unit in the Philippines. This support usually consists of an endorsement or approval of the project in the form of a resolution.

## **Environmental Regulation**

Any entity doing business in the Philippines is subject to the environmental laws of the Philippines. These laws seek to attain a balance between socio-economic growth and environmental conservation and protection. The DENR is the Government agency primarily responsible for implementing the environmental policy of the Government.

## **Environmental Impact Statement System and Environmental Compliance Certificates**

The environmental impact statement ("EIS") system in force in the Philippines classifies projects and areas into those that are environmentally critical (being those that have high potential for negative impact to the environment) and those that are not. A person is prohibited from operating any project that is classified as environmentally critical or located within an environmentally critical area without first securing an ECC from the DENR. An ECC certifies that, in the DENR's view, the proposed project will not cause a significant negative environmental impact and that the applicant has complied with all the requirements of the EIS system.

The Mining Act specifically requires an ECC to be obtained based on an environmental impact assessment and procedure, except during the exploration period. It also requires the submission of an EPEP as described below.

ECCs set out requirements on mining activities, including the development of strategies to mitigate or rehabilitate environmental impact, creation of a social development and management program, monitoring and compliance with air and water quality standards and noise levels and the establishment of a contingent liability and rehabilitation fund, which is broken down into three (3) types.

The first type of fund is a mine rehabilitation fund, which is further broken down into a monitoring trust fund and a rehabilitation cash fund. The monitoring trust fund is a fund to be set aside by the mine operator so that it has sufficient cash reserves to comply with its maintenance and operating obligations under its EPEP. The monitoring trust fund must be replenished monthly to cover any amounts spent during the preceding month. The rehabilitation cash fund is a trust fund to be established by the mine operator to ensure compliance with its EPEP. The amount to be set aside is the lesser of 10.0% of the total amount required to implement the EPEP and ₱5.0 million. Any amounts withdrawn are to be replenished annually, and the rehabilitation cash fund is required to be maintained for the entire decommissioning period as set out in the ECC.

The second type of fund is a mine waste and tailing fees reserve fund, which consists of semi-annual collections from the contractor in varying amounts based on the mine waste and tailings generated for the preceding period. This fund is mainly used for compensation for any damages caused by mining operations.

The third type of fund is the FMRDF to finance the implementation of a project's FMRDP, and the amount required to be set aside in the fund will depend on the underlying plan.

### **Environmental Protection and Enhancement Program**

An EPEP is a comprehensive and strategic environmental management plan for the life of the mining project. EPEPs are prepared pursuant to the provisions of the Mining Act and DENR Administrative Order No. 96-40 and cover the environmental programs necessary for the development and mining of the deposits in the approved MPSA Contract Area for the next 25 years. An EPEP must provide a description of the expected and considered acceptable impact and should set out life-of-mine environmental protection and enhancement strategies based on best practices in environmental management in mining. It must include a statement on post-mining land use potential for various types of disturbed land (including, among other things, pits, waste dumps and infrastructure sites) and extend to the completion of the commitments in the rehabilitation of the disturbed land in a technically, socially and environmentally competent manner. The program must be based on practical and achievable options and demonstrated practice. Finally, the program must include implementation schedules, environmental compliance guarantees, monitoring, reporting and cost provisions. Where proposed practices are unproven, a research program to prove the impact control and rehabilitation technology is required.

In addition, an annual EPEP must be prepared based on the approved EPEP and must be implemented during the year for which it is submitted. It must address, among other things, exploration, development, utilization, rehabilitation, regeneration, revegetation and reforestation of mineralized areas, slope stabilization of mined-out areas, waste dumps (including acid mine drainage control), aquaculture, watershed development, water conservation and socio-economic development. Annual obligations under the approved overall EPEP include: (a) the submission of an annual EPEP to the Mine Rehabilitation Fund Committee created pursuant to the implementing rules of the Mining Act in the relevant area; and (b) the submission of an annual social development and management program to the MGB.

### **Other Environmental Legislation**

In addition to the ECC and EPEP requirements described above, the Philippines has a comprehensive set of environmental laws, regulations, decrees and codes of general application. In the course of its business, the Company is required to comply with a number of such laws relating to, among other things: the protection of fresh and marine water and the discharge of waste and other harmful substances therein from land or water; the safeguarding of domestic and municipal water supplies; erosion control; the protection of forests and regulations regarding tree cutting; the protection of wildlife and restoration of the natural environment affected by industrial activities; the prevention of air pollution, including from dust generated by mining activities; and the handling, use, transportation and disposal of toxic substances.

### **PHILIPPINE COAST GUARD**

Pursuant to Republic Act No. 9993, the PCG shall have the following powers and functions:

- To enforce regulations in accordance with all relevant maritime international conventions, treaties or instruments and national laws for the promotion of safety of life and property at sea within the maritime jurisdiction of the Philippines and conduct port state control implementation;
- To conduct inspections on all merchant ships and vessels, including but shall not be limited to inspections prior to departure, to ensure and enforce compliance with safety standards, rules and regulations;



- To detain, stop or prevent a ship or vessel which does not comply with safety standards, rules and regulations from sailing or leaving port;
- To conduct emergency readiness evaluation on merchant marine vessels;
- Subject to the approval of the Secretary of the DOTC, to issue and enforce rules and regulations for the promotion of safety and life and property at sea on all maritime-related activities;
- To coordinate, develop, establish, maintain and operate aids to navigation, vessel traffic system, maritime communications and search and rescue facilities within the maritime jurisdiction of the Philippines;
- To remove, destroy or tow to port, sunken or floating hazards to navigation, including illegal fish traps and vessels, at or close to sea lanes which may cause hazards to the marine environment;
- To issue permits for the salvage of vessels and to supervise all marine salvage operations, as well as prescribe and enforce rules and regulations governing the same; To render aid to persons and vessels in distress and conduct search and rescue in marine accidents within the maritime jurisdiction of the Philippines, including the high seas, in accordance with applicable international conventions. In the performance of this function, the PCG may enlist the services of other government agencies and the merchant marine fleet;
- To investigate the inquire into the causes of all maritime accidents involving death, casualties and damage to properties;
- To assist in the enforcement of laws on fisheries, immigration, tariff and customs, forestry, firearms and explosives, human trafficking, dangerous drugs and controlled chemicals, transnational crimes and other applicable laws within the maritime jurisdiction of the Philippines;
- To board and inspect all types of merchant ships and watercrafts in the performance of its functions;
- To enforce laws and promulgate and administer rules and regulations for the protection of marine environment and resources from offshore sources of pollution within the maritime jurisdiction of the Philippines;
- To develop oil spill response, containment and recovery capabilities against ship-based pollution;
- To grant, within its capabilities and consistent with its mandate, requests for assistance of other government agencies in the performance of their functions;
- To organize, train and supervise the PCG Auxiliary (PCGA) for the purpose of assisting the PCG in carrying out its mandated functions; and to perform such other functions that may be necessary in the attainment of the objectives of Republic Act No. 9993<sup>1</sup>.

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<sup>1</sup> Section 3 of Republic Act No. 9993, “Philippine Coast Guard Law of 2009”.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers cooperate with the Company's Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review. Pursuant to the Company's latest amended articles of incorporation, approved by the SEC on December 22, 2014, the Board shall consist of 10 members, of which two (2) are independent directors. Except for Mr. Noel Lazaro who was elected by the Board of Directors on March 14, 2018, all of the directors were elected at the Company's annual shareholders' meeting on June 28, 2017 and will hold office until their successors have been duly elected and qualified.

The table sets forth each member of the Company's Board of Directors and the Group's executive officers as of the date of this Prospectus.

### Directors and Executive Officers of the Company

Name	Age	Nationality	Position
Salvador Araneta Santos-Ocampo	49	Filipino	Chairman of the Board
Vittorio Paulo P. Lim	35	Filipino	Director/President
Edwin T. Lim	45	Filipino	Director/Treasurer
Christopher C. Go	51	Filipino	Director/Chief Financial Officer
Bernadette Herrera-Dy	44	Filipino	Director
David M. De La Cruz	53	Filipino	Director
Norman L. De Leon	28	Filipino	Director
Lloyd Reagan C. Taboso	39	Filipino	Director
John Oliver L. Pascual	50	Filipino	Director
Edward William Sy Tan	49	Filipino	Independent Director
George O. Chua Cham	73	Filipino	Independent Director
Kristina Joyce C. Caro-Gañgan	38	Filipino	Corporate Secretary
Lucky T. Uy	37	Filipino	Compliance Officer

The following is a brief write-up of the Board of Directors and Executive Officers.

**Mr. Salvador Araneta Santos-Ocampo (Chairman of the Board)** has been the President of Victoneta Rentals Corporation since 2014. He is also the President of SAMI Food and Beverage Specialist Corporation since 2013 and the Treasurer of Salvador Araneta Memorial Institute since 2001. He obtained his degree in Business Management from the International Management and Economics I/AME.

**Mr. Vittorio Paulo P. Lim (Director/President)** is the President of V2S Property Developer Co., Inc. He is also the Corporate Secretary of B and P Realty, Inc., Champaca Development Corporation, PX2

Enterprises Co., Inc., VNP Properties Development Inc., Zelle Dev't Corporation, Tarlac Centerpoint, Panlilio Centerpoint. Likewise he is the Treasurer of Vini Agro Products, Inc. He holds a degree in Interdisciplinary Studies from the Ateneo de Manila.

**Mr. Edwin Lim (Director)** has been the General Manager of BLIM's Textile Manufacturing Industries, Inc. since 2000. He obtained his Bachelor of Science in Civil Engineering from the Mapua Institute of Technology in 1997.

**Mr. Christopher C. Go (Director/Chief Finance Officer)** is a Certified Public Accountant and currently is the CEO and President of Moderno Citihomes Dev't Corporation, Perfectspot Development Incorporated, Nation Builders Global Logistics Corp. and Sky Builders Dev't Corporation. He obtained his Bachelor of Science in Accountancy degree from De La Salle University in 1988.

**Atty. Kristina Joyce C. Caro-Gañgan (Corporate Secretary)** is a Partner at Picazo Buyco Tan Fider & Santos Law Offices. She graduated cum laude with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2002, and with the degree of Bachelor of Laws also from the University of the Philippines in 2006.

**Mr. Lucky T. Uy (Compliance Officer)** is a stock broker at SB Equities since October 2017. Prior to his current position, he was a stock broker at Venture Securities from 2013 to September 2017. He obtained his Bachelor of Science in Chemical Engineering degree from the De La Salle University in 2005.

**Ms. Bernadette Herrera-Dy (Director)** is a member of the 18<sup>th</sup> Congress of the House of Representatives representing Bagong Henerasyon Partylist. She presently holds the position in the 18<sup>th</sup> Congress as Deputy Majority Leader, which is the fourth rank in the hierarchy of officers in the House of Representatives. As such, she is a Ex-Officio Member in all the Committees in the 18<sup>th</sup> Congress. She graduated from the University of the Philippines with a degree in B.S. Business Economics and M.S. Finance.

**Mr. David M. De La Cruz (Director)** is a director of the Company since February 2017. He has been the EVP and CFO of Sta. Lucia Land, Inc. since 2012. He obtained his Bachelor of Arts in Economics and BSC Accounting and Masters from the De La Salle University in 1986 and 2001, respectively.

**Mr. Norman De Leon (Director)** is the President and Authorized Managing Officer of MVW Construction and Trading Corporation since 2015. He obtained his Bachelor of Science in Information and Communications Technology degree from San Beda College Manila in 2013.

**Mr. Lloyd Reagan Taboso (Director)** is the vice president and co-founder of Cignus Philippines Inc. He is also the current vice president of Cagayan Blue Ocean Offshore Aquamarine Services Corp. He took up Bachelor of Arts in Multimedia Arts at De La Salle - College of Saint Benilde.

**Mr. John Oliver L. Pascual (Director)** is currently a director of Level Up Gastronomy Inc., and WLCL Manpower Solutions Inc. He is also the Treasurer and Managing Director of Philippines International Life Insurance Co., Inc. and a manager and director in Filipino Loan and Credit Corporation. Mr. Pascual graduated from the De La Salle University with a degree in AB Economics.

**Mr. Edward William Sy Tan (Independent Director)** is the President/CEO of Brent Group of Companies since 2014. President/CEO of Liquigaz Corporation since 2019; President/CEO of Federal Brent Retail Corporation since 2002; Chairman of Brenton International Venture Mfg. Corporation since 1997 until present; Chairman of Eco Savers Group Ventures Incorporated since 2018 til present; Chairman of Inland

Quality Gaz Ventures Incorporated since 2020 up to present; Director of BMF Gas Corporation since 1995 until present; Director of EWT Corporation since 2005 until present; Director of Albert Smith Signs Corporation since 1997 until present; and Director of Maysun Realty Development Corporation since 2002 until present. Mr. Tan graduated from De La Salle University with a degree in BS Management of Financial Institution.

**George O. Chua Cham (Independent Director)** is a Board Member of Federation of Filipino Chinese Chambers of Commerce and Industry (FFCCCII) since 1999; Chairman of FFCCCII Belt and Road Initiative Committee since 2019; President of Unique Lumber Inc., Dagupan City and Aztec Construction and Equipment Inc.; Former Chairman of FFCCCII Education Committee and FFCCCII External Affairs Office; Former President of Pangasinan Filipino Chinese Chamber of Commerce; Former Chairman of Pangasinan Universal Institute Board of Trustees, PEDPFI Pangasinan, Pangasinan Skill Competition Foundation (TESDA), Dagupan Chinese Baptist Church and North Philippines Business Council; Former Dist. Commodore of 7<sup>th</sup> Coast Guard District, PCGA; Former President of UP Filipino-Chinese Student Association; Member of YMCA Gideons Red Cross. Mr. Cham graduated from UP Diliman with a degree in BS Civil Engineering.

#### **Family relationships among Directors:**

There are no significant employees and no family relationships among the current directors and officers, as well as the nominated directors and officers.

#### **Corporate Governance**

The Company submitted its Manual on Corporate Governance (the “Manual”) to the SEC on May 31, 2017. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance. The Board of Directors should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. This self-assessment should be supported by an external facilitator every three (3) years.

The Board of Directors are primarily responsible for the governance of the Company. In addition to setting the policies for the accomplishment of corporate objectives, it has the duty to provide an independent check on the Management. The Board is mandated to attend its regular and special meetings in person or through teleconferencing. The Company’s board’s independent directors are aware of their duties as such under the Manual. These independent directors are expected to look after the interests of minority shareholders as well as other APL stakeholders.

In adopting the Manual, the Company understands the responsibilities of the Board and its members, in governing the conduct of the business of the Company and the Board Committees, in focusing on specific board functions to aid in the optimal performance of its roles and responsibilities, and the officers, in ensuring adherence to corporate principles and best practices.

To date there has been no reported deviation from the Manual and the Company continually endeavours to comply with the Manual. The Board of Directors are continually assessing policies that could further improve the corporate governance of the Company.

## **Independent Directors**

Mr. Edward William Sy Tan and George O. Chua Cham were elected as Independent Directors of the Company in compliance with the requirements of Rule 38 of the Securities Regulation Code.

## **Committees Of The Board**

To aid in complying with the principles of good governance, the Manual provides that the Board shall create and appoint Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

### **Audit Committee**

The Audit Committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director and shall be the Chairman thereof. Preferably, the members shall have accounting and finance backgrounds, and at least one (1) member shall have audit experience. Each member shall have adequate understanding at least, or competence at most, of the Corporation's financial management systems and environment.

The Audit Committee shall have the following duties and responsibilities:

- i. Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- ii. Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Corporation; This function shall include regular receipt from Management of information on risk exposures and risk management activities.
- iii. Perform oversight functions over the Corporation's Internal and External Auditors; It should ensure that the Internal and External Auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- iv. Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (CAE). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
- v. Review that annual internal audit plan to ensure its conformity with the objectives of the Corporation; The plan shall include the audit scope, resources and budget necessary to implement it.
- vi. Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- vii. Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;

- viii. Monitor and evaluate the adequacy and effectiveness of the Corporation's internal control system including financial reporting control and information technology security;
- ix. Review the reports submitted by the Internal and External Auditors;
- x. Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - Any change/s in accounting policies and practices
  - Major judgmental areas
  - Significant adjustments resulting from the audit
  - Going concern assumptions
  - Compliance with accounting standards
  - Compliance with tax, legal and regulatory requirements
- xi. Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- xii. Evaluate and determine the non-audit work, if any, of the External Auditor, and review periodically the non-audit fees paid to the External Auditor in relation to their significance to the total annual income of the External Auditor and to the Corporation's overall consultancy expenses; The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Corporation's annual report.
- xiii. Establish and identify the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities;
- xiv. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.

### **Nomination Committee**

The Nomination Committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director.

The Nomination Committee shall have the following duties and responsibilities:

- i. Pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications under the Corporation Code, the Securities Regulation Code, this Manual and pertinent rules and regulations, as well as those qualifications and disqualifications set by the Board; and
- ii. Re-define the role, duties and responsibilities of the Chief Executive Officer (CEO) by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance.

The Nomination Committee shall consider the following guidelines in the determination of the number of directorships that may be held by a director:

- i. The nature of the business of the corporations which he is a director;
- ii. Age of director;
- iii. Number of directorships active memberships and officerships in other corporations or organizations; and
- iv. Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently.

### **Compensation and Remuneration Committee**

The Compensation and Remuneration Committee shall be composed of at least three (3) members of the Board, one (1) of whom shall be an independent director. The Compensation and Remuneration Committee shall have the following duties and responsibilities:

- i. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel to ensure that the compensation levels are consistent with the Corporation's culture, strategy and control environment;
- ii. Determine the amount of remuneration for the Corporation's directors and officers, which shall be in a sufficient level to attract and retain personnel who are needed to run the Corporation successfully;
- iii. Insure that all incoming officers and directors disclose fully their existing business interests or shareholdings that may directly or indirectly conflict with the performance of their intended duties and responsibilities, under the penalty of perjury;
- iv. Disallow any director to decide his or her own remuneration;
- v. Provide Management with a clear, concise and understandable disclosure of the compensation of the Corporation's directors and top four (4) management officers for the previous fiscal year and the current year, which shall be incorporated in the Corporation's annual reports, information and proxy statements; and
- vi. Review the existing Human Resources Development or Personnel Handbook or its equivalent, to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement, directives and compliance of personnel concerned with all statutory requirements. In the absence of such Personnel Handbook or its equivalent, the Committee, in coordination with the Human Resources Department, shall develop such a handbook which shall cover the same parameters of governance stated above

### **Involvement in Certain Legal Proceedings**

The Company is not aware of: (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time; (ii) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign,

excluding traffic violations and other minor offenses; (iii) any of the directors and executive officers being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and (iv) any of the directors and executive officers being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated, occurring during the past five (5) years up to the latest date that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the Company.

In addition, based on the records of the Company as of the date of this Prospectus, there are no pending material legal cases in which the Company is a party or has interest in before any judicial, quasi-judicial, administrative or regulatory body/entity.

### **Significant Employees**

No employee is expected by the Company to make significant contribution to the business.

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## PRINCIPAL SHAREHOLDERS

### Security Ownership of Certain Record and Beneficial Owners and Management

As of May 31, 2021, the following persons or groups are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5.0%) of the Company's voting securities:

#### Beneficial Owners of more than 5.0% of the Company's Voting Securities

Title of Class	Name of Beneficial Owner	Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Hyung Rae Doo	Direct	Korean	109,065,080,064	38.905%
Common	Lloyd Reagan C. Taboso	Direct	Filipino	46,471,972,000	16.577%
Common	Napoleon M. De Leon, Jr.	Direct	Filipino	46,224,979,304	16.489%
Common	Daniel Chua Go	Direct	Filipino	45,634,040,152	16.278%
Common	PCD Nominee Corp – Filipino	Direct	Filipino	26,880,986,928	9.589%

As of May 31, 2021, the following persons or groups are known to the Company as top twenty (20) directly or indirectly the record or beneficial owners of the Company's voting securities:

#### Top Twenty (20) Stockholders

Title of Class	Name of Beneficial Owner	Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Hyung Rae Doo	Direct	Korean	109,065,080,064	38.905%
Common	Lloyd Reagan C. Taboso	Direct	Filipino	46,471,972,000	16.577%
Common	Napoleon M. De Leon, Jr.	Direct	Filipino	46,224,979,304	16.489%
Common	Daniel Chua Go	Direct	Filipino	45,634,040,152	16.278%
Common	PCD Nominee Corp – Filipino	Direct	Filipino	26,349,416,029	9.399%
Common	Joanna B. Co.	Direct	Filipino	5,140,277,777	1.834%
Common	PCD Nominee Corporation (Non-Filipino)	Direct	Filipino	1,000,430,772	0.357%
Common	Juan G. Chua	Direct	Filipino	94,040,000	0.034%
Common	East Pacific Investors Corporation	Direct	Filipino	49,095,000	0.018%
Common	Cygnat Development Corporation	Direct	Filipino	43,125,000	0.015%
Common	Alistair E.A. Israel	Direct	Filipino	27,720,000	0.010%
Common	David Q. Quitariano	Direct	Filipino	24,200,000	0.009%
Common	Century Securities Corp.	Direct	Filipino	6,025,000	0.002%
Common	Ricardo L. Ng	Direct	Filipino	5,847,700	0.002%

Common	Campos, Lanuza & Co., Inc.	Direct	Filipino	5,807,500	0.002%
Common	Suzanne Lim	Direct	Filipino	5,175,000	0.002%
Common	Jerry Tiu	Direct	Filipino	4,916,200	0.002%
Common	Susana Ang Chua	Direct	Filipino	4,191,700	0.001%
Common	R. Coyiuto Securities, Inc	Direct	Filipino	3,350,000	0.001%
Common	Avesco Marketing Corporation	Direct	Filipino	2,875,000	0.001%

***PCD Nominee Participants with more than 5.0% of the Company's Outstanding Capital***

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Wealth Securities Inc.	Direct	Filipino	15,552,095,201	5.55%

**Voluntary Lock-Up**

The Company and the following shareholders: (i) Hyung Rae Doo, (ii) Lloyd Reagan C. Taboso, (iii) Napoleon M. De Leon, Jr., (iv) Daniel Chua Go and (v) Joanna B. Co, have agreed with the Underwriter that they will not, without the prior written consent of the Underwriter, sell, assign or in any manner dispose of their Shares for a minimum period of 180 days after the Listing of the Swap Shares and Conversion Shares on August 11, 2021.

**The following shareholders are covered by the aforesaid 180-day Voluntary lock-up:**

Shareholder	No. of Shares Subject to 180-day Lock-up Period	% Total of Shareholding before the Offer	% Total of Shareholding after the Offer
Hyung Rae Doo	109,065,080,064	38.91	37.26
Lloyd Reagan C. Taboso	46,471,972,000	16.58	15.88
Napoleon M. De Leon, Jr.	46,224,979,304	16.49	15.79
Daniel Chua Go	45,634,040,152	16.28	15.59
Joanna B. Co	5,140,277,777	1.83	1.76

To implement the lock-up requirement, the Company and the foregoing shareholders entered into an escrow agreement with Rizal Commercial Banking Corporation.

## Security Ownership of Directors and Officers as of May 31, 2021

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	No. of Shares Held	Percentage of Ownership
Common	Lloyd Reagan C. Taboso	Direct	Filipino	46,471,972,000	16.58%
Common	Norman De Leon	Direct	Filipino	1,702,000	0.00%
Common	John Oliver L. Pascual	Direct	Filipino	1,060,000	0.00%
Common	Edwin T. Lim	Direct	Filipino	258,700	0.00%
Common	David M. De La Cruz	Direct	Filipino	100,000	0.00%
Common	Christopher C. Go	Direct	Filipino	100,000	0.00%
Common	Lucky T. Uy	Direct	Filipino	10,000	0.00%
Common	Edward William Sy Tan	Direct	Filipino	10,000	0.00%
Common	Vittorio P. Lim	Direct	Filipino	9,100	0.00%
Common	George O. Chua Cham	Direct	Filipino	1,000	0.00%
Common	Salvador Araneta Santos-Ocampo	Direct	Filipino	100	0.00%
Common	Bernadette Herrera-Dy	Direct	Filipino	1	0.00%
Common	Kristina Joyce C. Caro-Gañgan	Direct	Filipino	0	0.00%

### ***Voting Trust Holders of 5.0% or More***

There were no persons holding more than 5.0% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

### ***Change in Control***

As of the date of this Prospectus, there are no arrangements that may result in a change in control of the Company and its subsidiary, JDVC.

After the Follow-on Offering (FOO), the Company will acquire 49% ownership of Poet Blue Ocean Co Ltd. (PBO) from the proceeds of the FOO.

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## RELATED PARTY TRANSACTIONS

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

The summary of significant transactions and account balances with related parties are as follows:

- (a.) Accrued interest on advances to a stockholder during the year amounted to ₱2.2 million.
- (b.) The Company has non-interest-bearing advances from a stockholder amounting to ₱1.6 million intended for administrative expenses of the Company.
- (c.) In 2017, the Company's subsidiary had advanced the payment of the filing fees and documentary stamp tax incurred by the Company amounting to ₱23.3 million.

Name of related party	Relationship	Country of Incorporation
Cagayan Ore Metal Mining Exploration Corporation	With common shareholders	Philippines
Catagayan Iron Sand Mining Resources Corporation	With common shareholders	Philippines
Catagayan Mining Resources (Phils.) Inc.	With common shareholders	Philippines
Individuals	Key management personnel/shareholders	

The Company, in the normal course of business, has significant transactions with related parties pertaining to granting and availing of advances for operational expenses.

The table below shows the cross-ownership structure between the Company and related parties:

Name	Apollo Global Capital, Inc.		Cagayan Ore Metal Mining Exploration Corporation		Catagayan Iron Sand Mining Resources Corp.		Catagayan Mining Resources (Phils.), Inc.	
	Position	Ownership	Position	Ownership	Position	Ownership	Position	Ownership
Vittorio Paulo P. Lim	President	0.0%	Shareholder	5.0%	n/a	0.0%	n/a	0.0%
Lloyd Reagan C. Taboso	Director/Shareholder	16.6%	Corporate Secretary	0.4%	Corporate Secretary	0.0%	Corporate Secretary	0.0%
Bernadette Herrera-Dy	Director	0.0%	Shareholder	4.0%	Shareholder	4.0%	n/a	4.0%
Napoleon M. De Leon Jr.	Shareholder	16.5%	President	9.8%	President	15.0%	President	15.0%
Daniel C. Go	Shareholder	16.3%	Shareholder	5.4%	Shareholder	5.0%	Shareholder	5.0%

## Acquisition of 49% of Poet Blue Ocean

Most of the Proceeds of the Follow-on Offering will be used to purchase 49% equity from Poet Blue Ocean which owns MB Siphon I Vessel. The selling shareholders of PBO are as follows:

<b>Name of Shareholder</b>	<b>% Ownership in PBO</b>
Mark Ulric Go Chan	32.67%
Alex Bernard R. Cruz-Herrera	16.33%
<b>TOTAL</b>	<b>49%</b>

The Company's related party transaction committee has reviewed subject transaction and has found the following:

- The transaction is on an arm's length basis.
- The transaction is fair for all parties.
- The transaction is beneficial to the Company taking into consideration the substantial discount given by PBO as well as the short amount of time to recover the amount paid for said acquisition.

Furthermore, in compliance with SEC Memorandum Circular No. 10, Series of 2019, and consistent with the Company's Related Party Transaction Policy, the Company engaged the services of a third-party SEC Class A Accredited External Auditor to review the fairness of the terms of subject acquisition and also to ensure that the transaction was conducted on an arm's length basis.

## Related Party Transaction Policy

The Company enters into transactions with affiliates and other related parties on an arm's length basis. Aligned with this thrust, the Company, in dealing with affiliates and other related parties, ensures above-board transactions and fairness and equity among all parties.

The Company exerts efforts to obtain the most beneficial terms and conditions for the Company, taking into consideration various factors including pricing and quality.

For this purpose, the Company determines the prevailing and applicable price in the market. In the process, it also gathers quotes and/or proposals from other parties engaged in similar or the same undertaking. Based on these, a comparable summary is presented to ascertain a fair price for the applicable related party transaction.

Moving forward, the related party transaction committee shall review all related party transactions of the Company.

## DESCRIPTION OF THE SHARES

*The following is general information relating to the Company's capital stock but does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of our Articles of Incorporation and By-Laws.*

The Offer Shares will be offered at a price of ₱0.08 per Offer Share. The "Determination of the Offer Price" is further discussed on page 69 of this Prospectus. A total of 292,686,349,297 common shares will be outstanding after the Offer. The Offer Shares will comprise of 4.22% of the outstanding Shares after the Offer.

### **Object and Purpose**

The Company in its articles of incorporation state that its primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; provided it shall not engage as a stock broker or dealer of securities.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by a majority of the board of directors of such corporation and ratified by the shareholders representing at least two-thirds (2/3) of the outstanding capital shares, at a shareholders' meeting duly called for the purpose. However, where the investment by the corporation is reasonably necessary to accomplish its primary purpose, the approval of the shareholders shall not be necessary.

### **Share Capital Information**

Philippine corporations may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the common shares currently issued have a par value of ₱0.01 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds (2/3) of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has unrestricted retained earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below) and the

collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

As of the date of this Prospectus, the Company has an authorized capital stock of of ₱6,000,000,000 divided into 600,000,000,000 Shares with a par value of ₱0.01 per share. As of the date of this Prospectus, it has 280,336,349,297 common shares issued and outstanding. The Company has no shares held in treasury. The Offer Shares will consist of 12,350,000,000 unissued shares to be offered and issued by way of primary offer.

## **Rights Relating to the Shares**

### **Voting Rights of Shares**

Under the Company's articles of incorporation, the owners or holders of common shares have full voting, rights. However, the Philippine Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal as discussed below.

### **Pre-Emptive Rights**

The Philippine Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation, which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The articles of incorporation of the Company deny the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

### **Derivative Rights**

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrong committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

## **Appraisal Rights**

The Philippine Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his/her shares in certain circumstances where he/she has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation that has the effect of adversely affecting the rights attached to his/her shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- the extension of the term of corporate existence;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- a merger or consolidation; and
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three (3) disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has unrestricted retained earnings sufficient to support the purchase of the shares of the dissenting shareholders.

## **Right of Inspection**

It is a recognized right of a shareholder to inspect the corporate books, records of all business transactions of the corporation and the minutes of any meeting of the Board and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. On the other hand, the corporation may refuse such inspection if the shareholder demanding to examine or copy the records of the corporation has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

## **Right to Financial Statements**

Another recognized right of a shareholder is the right to be furnished with the most recent financial statement of the corporation, which shall include a balance sheet as of the end of the last taxable year and a profit and loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certified by an independent certified public accountant.

## **Change in Control**

There are no existing provisions in our Articles of Incorporation or the By-Laws which will delay, defer or in any manner prevent a change in control of the Company.



## **Shareholders' Meetings**

### **Annual or Regular Shareholders' Meetings**

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The by-laws of the Company as of November 07, 2016 provide for annual meetings the second Tuesday of December of each year to be held at the principal office of the Corporation and at such hour as specified in the notice.

### **Special Shareholders' Meeting**

Special meetings of shareholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of shareholders representing a majority of the outstanding capital stock, (b) President.

### **Notice of Shareholders' Meeting**

Notices for regular or special meetings of shareholders may be sent by the Secretary, by personal delivery, or by mail at least two (2) weeks prior to the date of the meeting to each shareholder of record at his last known post office address or by publication in a newspaper of general circulation. The notice shall state the place, date, and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting.

### **Quorum**

Unless otherwise provided by law or an existing shareholders' agreement, shareholders who own or hold a majority of the outstanding capital shares must be present or represented in all regular or special meeting of shareholders in order to constitute a quorum, except in cases where the Revised Corporation Code provides a greater percentage vis-à-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until shareholders who own or hold the requisite number of shares shall be present or represented.

### **Voting**

The shareholders may vote at all meetings the corresponding number of shares registered in their respective names, either in person or by proxy duly appointed as discussed herein below.

### **Fixing Record Dates**

Pursuant to the SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than ten and not more than 30 days from the date of declaration of cash dividends. As to stock dividends, the record date shall not be less than ten nor more than 30 days from the date of shareholder approval.

In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date shall be fixed by the SEC and shall be indicated in the SEC order which shall not be less than 10 days nor more than 30 days after all clearances and approvals by the SEC shall have been secured. Regardless of the kind of dividends, the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of the dividend.

## **Proxies**

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy. A proxy shall be in writing and duly presented to and received by the Corporate Secretary for inspection and recording within five business days prior to the scheduled meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary. No proxy shall be valid and effective for a period longer than five years at any one time.

No member of the PSE and no broker/dealer shall give any proxy, consent or authorization, in respect of any securities carried for the account of a customer to a person other than the customer, without the express written authorization of such customer. The proxy executed by the broker shall be accompanied by a certification under oath stating that before the proxy was given by the broker, he had duly obtained the written consent of the persons in whose account the shares are held. There shall be a presumption of regularity in the execution of proxies and proxies shall be accepted if they have the appearance of prima facie authenticity in the absence of a timely and valid challenge. Proxies are required to comply with the relevant provisions of the Revised Corporation Code, the SRC, the Implementing Rules and Regulations of the SRC (as amended), and SEC Memorandum Circular No. 5 (series of 1996) issued by the SEC.

## **Issue Of Shares**

Subject to otherwise applicable limitations, the Company may issue additional shares to any individual for consideration deemed fair by its Board, provided said consideration shall not be less than the par value of the issued shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to APL's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

## **Transfer Of Common Shares**

All transfer of shares on the PSE shall be done by means of a book-entry system. Pursuant to this system of trading and settlement, a registered shareholder transfers legal title over the shares to such nominee, but retains beneficial ownership over the shares. A shareholder transfers legal title by surrendering the stock certificate representing his shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee. A shareholder may request his shares to be uplifted from the PDTC, in which case a certificate of stock is issued to the shareholder and the shares are registered in the name of the shareholder. See "The Philippine Stock Market" on page 188 of this Prospectus.

Under Philippine law, transfer of the Shares is not required to be effected on the PSE, but any off exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the stock transfer tax applicable to transfers effected on an exchange. See "Philippine Taxation" on page 196 of this Prospectus. All transfers of Shares on the PSE must be effected through a licensed stockbroker in the Philippines.

## **Share Register**

The Company's share register is maintained at the principal office of APL's share transfer agent, BDO Unibank, Inc. Transaction Banking Group located at the 15/F South Tower, BDO Corporate Center, 7899 Makati Ave., Makati City .

## Share Certificates

Certificates representing the Shares will be issued in such denominations as shareholders may request, except that certificates will not be issued for fractional shares. For Shareholders who wish to split their certificates, they may do so through application to our stock transfer agent. Shares may also be lodged and maintained under the book-entry system of the PDTC. See “The Philippine Stock Market” beginning on page 188 of this Prospectus.

## Mandatory Tender Offer

Pursuant to the SRC and its implementing rules and regulations, it is mandatory for any person or group of persons acting in concert to make a tender offer to all the shareholders of the target corporation before the intended acquisition of:

- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company in one or more transactions within a period of 12 months;
- 35% of the outstanding voting shares or such outstanding voting shares that are sufficient to gain control of the board in a public company directly from one or more stockholders; or
- equity which would result in ownership of over 50% of the outstanding equity securities of a public company.

Pertaining to the first instance, when the securities tendered pursuant to such an offer exceed the number of shares that the acquiring person or group of persons is willing to acquire, the securities shall be purchased from each tendering shareholder on a pro rata basis according to the number of securities tendered by each security holder. In the event that the tender offer is oversubscribed, the aggregate amount of securities to be acquired at the close of such tender offer shall be proportionately distributed to both the selling shareholders with whom the acquirer may have been in private negotiations with and the minority shareholders.

Pertaining to the second instance, the tender offer shall be made for all the outstanding voting shares. The sale of shares pursuant to the private transaction with the stockholders shall not be completed prior to the closing and completion of the tender offer.

Pertaining to the third instance, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining stockholders of the company at a price supported by a fairness opinion provided by an independent financial advisor or equivalent third party. The acquirer shall be required to accept all securities tendered.

On 17 February 2017, APL and the shareholders of JDVC Resources Corporation (“JDVC”) entered into a Deed of Exchange of Shares (the “Deed”) where APL issued Two Hundred Forty Seven Billion Three Hundred Ninety Six Million Seventy One Thousand Five Hundred Twenty 247,396,071,520 shares (at par value of ₱0.01 per share) to JDVC’s shareholders in exchange for Four Million One Hundred Thirty Three Thousand Seven Hundred Forty (4,133,740) JDVC shares (at par value of ₱100 per share) at an exchange price of ₱598.48. The Deed covering the transaction was approved by SEC on 09 October 2017. As a result of this transaction, the Company now owns 82.67% of JDVC.

In December 2019, APL purchased additional Three Hundred Eighty-Nine Thousand Five Hundred Thirty (389,530) shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in APL’s ownership of JDVC to 90.47%.

On September 9, 2015, the selling shareholder filed a tender offer report with the SEC and the PSE offering to purchase the shares held by the minority stockholders. The tender offer period expired on October 6, 2015 at 12:00pm.

Further, no mandatory tender is required in:

- purchases of shares from unissued capital shares unless such purchases will result in a 50% or more ownership of shares by the purchaser or such percentage that is sufficient to gain control of the Board;
- purchases from an increase in the authorized capital shares of the target company;
- purchases in connection with a foreclosure proceeding involving a pledge or security where the acquisition is made by a debtor or creditor;
- purchases in connection with a privatization undertaken by the government of the Philippines;
- purchases in connection with corporate rehabilitation under court supervision;
- purchases through an open market at the prevailing market price; or
- purchases resulting from a merger or consolidation.

### **Change in Control**

There are no existing provisions in the Company's Articles of Incorporation or the By-Laws which will delay, defer, or in any manner prevent a change in control of APL.

### **Fundamental Matters**

The Revised Corporation Code provides that the following acts of the corporation require the approval of shareholders representing at least two-thirds of the issued and outstanding capital stock of the corporation: (i) amendment of the articles of incorporation; (ii) removal of directors; (iii) sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of the assets of the corporation; (iv) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized; (v) delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws; (vi) merger or consolidation; (vii) an increase or decrease in capital stock; (viii) dissolution; (ix) extension or shortening of the corporate term; (x) creation or increase of bonded indebtedness; (xi) declaration of stock dividends; (xii) management contracts with related parties; and (xiii) ratification of contracts between the corporation and a director or officer.

Further, the approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting shares, is required for the adoption or amendment of the by-laws of such corporation.

### **Accounting And Auditing Requirements**

Philippine stock corporations are required to file copies of their annual financial statements with the SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of APL's operations for the preceding year. This report is required to include audited financial statements.

## Market Information

The PSE is the principal market for the Company's shares. On December 2, 2020, the closing price of the shares on the PSE was ₱0.052 per share.

The high and low sale prices of the shares of stock of the Company for each quarter during the latest three (3) calendar years are as follows:

### APL Stock Price Performance

Year	Q1		Q2		Q3		Q4	
	High	Low	High	Low	High	Low	High	Low
2018	0.067	0.046	0.047	0.042	0.048	0.042	0.043	0.037
2019	0.048	0.042	0.045	0.041	0.053	0.045	0.045	0.039
2020	0.041	0.032	0.042	0.06	0.042	0.051	0.128	0.051
2021	0.430	0.163	0.235	0.173	0.180 <sup>2</sup>	0.109 <sup>3</sup>	-	-

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<sup>2</sup> From July 1, 2021 up to August 5, 2021

<sup>3</sup> From July 1, 2021 up to August 5, 2021

## THE PHILIPPINE STOCK MARKET

*The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by the Company, the Underwriter, or any of the Company's respective subsidiaries, associates or advisors in connection with listing of the Subject Shares.*

### **Brief History**

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids and quotations from the bourses.

In June 1998, the SEC granted Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC. The PSE had an authorized capital stock of ₱120,000,000.00, of which ₱73,500,000.00 was subscribed and fully paid-up as of September 30, 2017. Each of the 184 member-brokers was granted 50,000 Common Shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. In 2013, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board, or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated June 6, 2013, revisions to the PSE Listing Rules were made, including the removal of the Second Board listing and the requirement that lock-up rules be embodied in a company's articles of incorporation. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. On July 26, 2010, the PSE launched its current trading system, PSE Trade.

The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and is based on internationally recognized corporate governance codes and best practices.

With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public. In December 2013, the PSE replaced its online disclosure System (“OdiSy”) with a new disclosure system, the PSE Electronic Disclosure Generation Technology (“EDGE”). EDGE was acquired from the Korea Exchange and is a fully automated system, equipped with a variety of features to (i) further standardize the disclosure reporting process of listed companies on the PSE, (ii) improve investors’ disclosure searching and viewing experience, and (iii) enhance overall issuer transparency in the market.

In January 2018, the PSE transferred to its new office located at the PSE Tower, Bonifacio Global City, Taguig City, which currently houses the unified trading floors in Makati City and Pasig City.

On March 22, 2018, the PSE completed a stock rights offering of 11,500,000 Common Shares which were offered at the price of ₱252.00 per share, or a total of ₱2,898,000,000. The proceeds of the stock rights offering were to be used to fund the acquisition of PDS and capital expenditure requirements of the PSE. As of the date of this Prospectus, the PSE has an authorized capital stock of ₱120 million, of which 85,025,692 shares are issued. Out of this total, 84,925,686 shares are outstanding, and 100,006 are treasury shares.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2019 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

<b>Year</b>	<b>Composite Index at Closing</b>	<b>Number of Listed Companies</b>	<b>Aggregate Market Capitalization (in ₱billions)</b>	<b>Combined Value of Turnover (in ₱billions)</b>
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.3
2014	7,230.6	263	14,251.7	2,160.1
2015	6,952.1	216	13,465.1	2,172.5
2016	6,840.6	265	14,438.8	1,929.5
2017	8,558.4	267	17,583.1	1,960.0
2018	7,466.0	267	16,146.7	1,736.8
2019	7,815.3	270	16,705.4	1,776.2
2020	7,139.7	274	15,888.9	1,770.9

Source: Philippine Stock Exchange, Inc. and PSE Annual Reports

## **Trading**

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid, or ask, prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Equities trading on the PSE starts at 9:30 a.m. and ends at 12:00 noon for the morning session. It resumes at 1:30 p.m. and ends at 3:30 p.m. for the afternoon session, with a ten-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Mondays to Fridays, except legal and special holidays, days when the BSP clearing house is closed and such other days as may be declared by the SEC or the PSE, to be a non-trading day.

Minimum trading lots range from five to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, whenever an order may result in a breach of the trading threshold of a security within a trading day, the trading of that security will be frozen. Orders cannot be posted, modified, or canceled for a security that is frozen. In cases where an order has been partially matched, only the portion of the order that will result in a breach of the trading threshold will be frozen. Where the order results in a breach of the trading threshold, the following procedures shall apply:

- in the event the static threshold is breached, the PSE will accept the order, provided the price is within the allowable percentage price difference under the implementing guidelines of the revised trading rules (i.e., 50% of the previous day's reference or closing price, or the last adjusted closing price). Otherwise, such order will be rejected. In cases where the order is accepted, the PSE will adjust the static threshold to 60%. All orders breaching the 60% static threshold will be rejected by the PSE;
- in the event the dynamic threshold is breached, the PSE will accept the order if the price is within the allowable percentage price difference under the existing regulations (i.e., 20% for security cluster A and newly listed securities, 15% for security cluster B and 10% for security cluster C). Otherwise, such order will be rejected by the PSE.

## **Non-Resident Transactions**

When the purchase or sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within 3 business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.



## Settlement

The Securities Clearing Corporation of the Philippines (“**SCCP**”) is a wholly owned subsidiary of the PSE and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for: (a) synchronizing the settlement of funds and the transfer of securities through delivery versus payment, as well as clearing and settlement of transactions of clearing members, who are also PSE trading participants; (b) guaranteeing the settlement of trades in the event of a PSE trading participant’s default through the implementation of its “Fails Management System” and administration of the Clearing and Trade Guaranty Fund, and; (c) performing risk management and monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three days after the transaction date (T+3). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the Philippine Depository & Trust Corp. (formerly the Philippine Central Depository, Inc.) (“**PDTC**”). Each PSE trading participant maintains a cash settlement account with one of the nine existing settlement banks of SCCP which are BDO Unibank, Inc. (“**BDO Unibank**”), Rizal Commercial Banking Corporation (“**RCBC**”), Metropolitan Bank & Trust Company (“**Metrobank**”), Deutsche Bank AG Manila Branch (“**DB**”), The Union Bank of the Philippines, Inc. (“**Unionbank**”), The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”), Maybank Philippines, Inc. (“**Maybank**”), Asia United Bank, and China Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker-level.

SCCP implemented its Central Clearing and Central Settlement (“**CCCS**”) system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets “buy” and “sell” transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each clearing member. All cash debits and credits are also netted into a single net cash position for each clearing member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the central counterparty to each PSE-eligible trade cleared through it.

## Scripless Trading

In 1995, the PDTC, was organized to establish a central depository in the Philippines and introduce scripless or bookentry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders’ meetings, dividend declarations, and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the bookentry system, while the cash element will be settled through the current settlement banks, BDO Unibank, RCBC, Metrobank, DB, Unionbank, HSBC and Maybank.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but

not beneficial title) over their shares of stock in favor of PCD Nominee Corporation (“**PCD Nominee**”) whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged into the PDTC. On the other hand, immobilization is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares to PCD Nominee will be recorded in the Issuer’s registry. This trust arrangement between the participants and PDTC through PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g., brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades, and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant’s aggregate holdings, in the PDTC system, and with respect to each beneficial owner’s holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must execute the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the CCCS system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities. If a shareholder wishes to withdraw his stockholdings from the PDTC System, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedure of the PDTC for the upliftment of shares lodged under the name of PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are generally on the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of the ownership of the shares in the issuing corporations’ books. In the depository set-up, shares are simply immobilized, wherein customers’ certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee’s name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company’s transfer agents’ books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current “de facto” custodianship role.

### **Amended Rule on Lodgment of Securities**

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate, in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in Article III, Part A of the PSE's Revised Listing Rules.

In addition to the foregoing, the PSE also apprised all listed companies and market participants through Memorandum No. 2010-0246 that the Amended Rule on Lodgment of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the Exchange shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the SEC. For listing applications, the amended rule on lodgment of securities is applicable to:

- the offer shares/securities of the applicant company in the case of an initial public offering;
- the shares/securities that are lodged with the PDTC, or any other entity duly authorized by the SEC in the case of a listing by way of introduction;
- new securities to be offered and applied for listing by an existing listed company; and additional listing of securities of an existing listed company.

Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof, to wit:

- for a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a registry confirmation advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date;
- for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice, the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancelation. The transfer agent shall issue a registry confirmation advice to PCD Nominee evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

### **Issuance of Stock Certificates for Certificated Shares**

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which the PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a registry confirmation advice to the PDTC covering the new number of shares lodged under the PCD Nominee.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

### **Amended Rule on Minimum Public Ownership**

On December 1, 2017, the SEC issued SEC Memorandum Circular No. 13, Series of 2017 ("**SEC MC 13-2017**") on the rules and regulations on minimum public ownership ("**MPO**") on initial public offerings.

Under SEC MC 13-2017, companies filing a registration statement pursuant to Sections 8 and 12 of the SRC and with intention to list their shares for trading in an exchange shall apply for registration with a public float of at least 20% of the companies' issued and outstanding shares. It shall, at all times, maintain an MPO of at least 20%. If the MPO of the company falls below 20% at any time after registration, such company shall bring the public float to at least 20% within a maximum period of 12 months from the date of such fall.

The determination of whether shareholdings are considered public or non-public is based on: (a) the amount of shareholdings and its significance to the total outstanding shares; (b) the purpose of investment; and (c) the extent of involvement in the management of the company.

The shares held by the following are generally considered as held by the public: (i) individuals whose shares are not of significant size and which are non-strategic in nature; (ii) PSE trading participants (such as brokers) whose shareholdings are non-strategic in nature; (iii) investment funds and mutual funds; (iv) pension funds which hold shares in companies other than the employing company or its affiliates; (v) PCD Nominee provided that none of the beneficial owners of the shares has significant holdings (i.e., shareholdings by an owner of 10% or more are excluded and considered non-public); and (vi) Social Security funds.

If an investment in a listed company is meant to partake of sizable shares for the purpose of gaining substantial influence on how the company is being managed, then the shareholdings of such investor are considered non-public. Ownership of 10% or more of the total issued and outstanding shares of a listed company is considered significant holding and therefore non-public.

Listed companies which become non-compliant with the minimum public ownership requirement will be suspended from trading for a period of not more than six months and will be automatically delisted if it remains non-compliant with the said requirement after the lapse of the suspension period.

Notwithstanding the quarterly public ownership report requirement of the PSE, listed companies listed on the PSE are required to required (a) establish and implement an internal policy and procedure to monitor its MPO levels on a continuous basis; and (b) immediately report to the SEC within the next business day if its MPO level has falls below 20%. Listed companies are also required to submit to the SEC a time-bound business plan describing the steps that the company will take to bring the public float to at least 20% within a maximum period of 12 months from, within ten days from knowledge that its MPO has become deficient. Listed companies are also required to submit to the SEC a public ownership report and progress report on

any such submitted business plan within 15 days after end of each month until such time that its MPO reaches the required level. The MPO requirement also forms part of the requirement for the registration of securities. Non-compliance with these

MPO requirements subject publicly listed companies to administrative sanctions, including suspension and revocation of their registration with the SEC.

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## PHILIPPINE TAXATION

*The following is a general description of certain Philippine tax aspects of the investment in APL. The following discussion is based upon laws, regulations, rulings, income tax treaties, administrative practices and judicial decisions in effect at the date of this prospectus and is subject to any changes occurring after such date. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective investor.*

*The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to invest in the shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rates. This discussion does not provide information regarding the tax aspects of acquiring, owning, holding or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequences in light of particular situations of acquiring, owning, holding and disposing of the shares in such other jurisdictions.*

*Each prospective investor should consult its own tax advisor as to the particular tax consequences of the acquisition, ownership, and disposition of the shares, including the applicability and effect of local and national tax laws.*

*As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien engaged in trade or business in the Philippines;" otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business in the Philippines." A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines. The term "non-resident holder" means a holder of the Shares:*

- *who is an individual and is neither a citizen nor a resident of the Philippines, or an entity which is a non-resident foreign corporation; and*
- *should an income tax treaty be applicable, whose ownership of the Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.*

### **Philippine Taxation**

On January 1, 2018, Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion ("TRAIN Law") took effect. The TRAIN Law is the first package of the Philippine Government's Comprehensive Tax Reform Program ("CTRP"). It amended various provisions of the Philippine Tax Code, including those on ordinary income tax of individuals, capital gains tax on the sale and disposition of shares of stock, estate tax, donor's tax, and documentary stamp tax. The corporate income tax portions of the Tax Code have yet to be amended under the TRAIN Law; however, this is expected to be addressed in the second package of the CTRP, which will reportedly aim to gradually lower corporate income taxes from 30% to 20%, and to modernize fiscal incentives in a bid to complement the expected incremental revenues from the first package.

## **Corporate Income Tax**

A domestic corporation is subject to a tax of 30% of its taxable income from all sources within and outside the Philippines. Taxable net income refers to items of income specified under Section 32 (A) of the Philippine Tax Code, less itemized deductions under Section 34 of the Tax Code or those allowed under special laws, or the optional standard deduction (“OSD”) equivalent to an amount not exceeding 40% of the corporation’s gross income.

Passive income of a domestic corporations are taxed as follows: (a) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income.

A minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax.

Any excess of the minimum corporate income tax, however, over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Likewise, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, or (2) because of force majeure, or (3) because of legitimate business reverses.

## **Sale, Exchange or Disposition of Shares**

### ***Capital Gains Tax***

Pursuant to the TRAIN Law, net capital gains realized by an individual taxpayer or domestic corporation other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at and effected outside of the facilities of the local stock exchange, are subject to a final tax at the rate of 15% beginning January 1, 2018. Net capital gains realized by resident and non-resident foreign corporations during each taxable year from the sale, exchange or disposition of shares of stock in a Philippine corporation listed at but effected outside of the facilities of the local stock exchange, are subject to a final tax as follows: 5% on net capital gains not exceeding ₱100,000.00 and 10% on net capital gains over ₱100,000.00.

Gains from such sale or disposition of shares in a Philippine corporation may be exempt from capital gains tax or subject to a preferential rate under a tax treaty. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain a confirmation of exemption or preferential tax rate under a tax treaty. Such application must be filed before the deadline for the filing of the documentary stamp tax return. An Eligible Shareholder and Institutional Investor should consult its own tax advisor with respect to the applicable rates under the relevant tax treaty.

Furthermore, if the fair market value of the shares of stock in a Philippine corporation sold outside the facilities of the local stock exchange is greater than the consideration received by the seller or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a

gift that is subject to donor's tax under Section 100 of the Tax Code; provided, however, that a sale, exchange or other transfer of such shares outside the facilities of the local stock exchange made in the ordinary course of business (a transaction which is bona fide, at arm's length and free from donative intent) will be considered as made for an adequate and full consideration in money or money's worth and will not be subject to donor's tax.

The transfer of shares shall not be recorded in the books of APL unless the BIR certifies that the capital gains tax, documentary stamp tax, and other internal revenue taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

### **Taxes on Transfer of Shares Listed and Traded at the Philippine Stock Exchange**

Beginning 1 January 2018, a sale, barter, exchange or other disposition of shares of stock listed at and effected through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in cash of the shares of stock sold, bartered, exchanged or otherwise disposed, unless an applicable treaty exempts such sale from the said tax. The stock transaction tax is classified as a percentage tax and is paid in lieu of the capital gains tax. In addition, a value added tax of 12% is imposed on the commission earned by the PSE-registered broker who facilitated the sale, barter, exchange or disposition through the PSE, and is generally passed on to the client.

On November 7, 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO requirement (*i.e.* the rule that requires listed companies to maintain a minimum percentage of listed securities held by the public or "public float" at 10% of such companies' issued and outstanding shares, exclusive of treasury shares, at all times) after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter. The PSE gave non-compliant companies until 31 December 2012 to comply with the said requirement. Immediately after that grace period, listed companies which fail to maintain, at all times, a minimum percentage of listed securities held by the public at 20% of the listed companies' issued and outstanding shares shall be subject to a trading suspension for a period of not more than six months. After the lapse of the suspension period, a listed company that remains non-compliant with the MPO shall be automatically be delisted. The sale, barter, transfer and/or assignment of shares of listed companies that fail to meet the MPO requirement will be subject to capital gains tax and documentary stamp tax.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax.

### **Tax on Dividends**

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to a final withholding tax at the rate of 10%, which shall be withheld by APL. Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% final withholding tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to a final withholding tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals.



Cash and property dividends received from a domestic corporation by another domestic corporation or by a resident foreign corporation are not subject to income tax, while those received by a non-resident foreign corporation are generally subject to income tax at a final withholding tax rate of 30%. If the non-resident foreign corporation is a resident of a country with which the Philippines has an existing tax treaty in force, the dividends will be subject to the applicable preferential tax rates under income tax treaties (please see discussion on tax treaties below.) However, if the non-resident foreign corporation is a resident of a country with no existing tax treaty with the Philippines, the 30% income tax rate for dividends may be reduced to a lower rate of 15% whenever:

- (1) the country where the non-resident foreign corporation is domiciled imposes no tax on foreign sourced dividends, or
- (2) the country of domicile of the non-resident foreign corporation allows at least 15% credit equivalent for taxes deemed to have been paid in the Philippines.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 (Publishing the Resolution of the Supreme Court dated March 7, 1990 in G.R. No. 76573 entitled "**Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals**" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24 (b)(1) [now Sec. 25(b)(5)(B)] of the Tax Code, as amended dated August 12, 1991) states that the non-resident foreign holder has to submit the following documents to the payor of the cash dividends:

- (1) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation;
- (2) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and
- (3) an authenticated document issued by the foreign tax authority showing that the foreign Government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends.

The income recipient must also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with Revenue Memorandum Order No. 9-2014 (Requests for Rulings with the Law and Legislative Division dated February 6, 2014) and other relevant BIR issuances. The income recipient should thereafter provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

If the regular tax rate is withheld by APL instead of the reduced rates applicable under an income tax treaty, the non-resident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Transfer taxes (e.g. documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends

distributed pro rata to any holder of shares of stock are generally not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the shareholder is subject to stock transaction tax if the transfer is through a local stock exchange; or if the transfer is made outside of the exchange, capital gains tax; and documentary stamp tax.

### Preferential Rates under the Income Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

	Dividends (%)	Stock transaction tax on sale or disposition effected through the PSE (%)	Capital gains tax due on disposition of shares outside the PSE (%)
Canada.....	25 <sup>(1)</sup>	0.6	May be exempt <sup>(13)</sup>
China.....	15 <sup>(2)</sup>	Exempt <sup>(10)</sup>	May be exempt <sup>(13)</sup>
France.....	15 <sup>(3)</sup>	Exempt <sup>(11)</sup>	May be exempt <sup>(13)</sup>
Germany.....	15 <sup>(4)</sup>	Exempt <sup>(12)</sup>	May be exempt <sup>(13)</sup>
Japan.....	15 <sup>(5)</sup>	0.6	May be exempt <sup>(13)</sup>
Singapore.....	25 <sup>(6)</sup>	0.6	May be exempt <sup>(13)</sup>
United Kingdom.....	25 <sup>(7)</sup>	0.6	Exempt <sup>(14)</sup>
United States.....	25 <sup>(8)</sup>	0.6	May be exempt <sup>(13)</sup>

#### Notes:

- (1) 15% if the recipient company which is a resident of Canada controls at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (2) 10% if the beneficial owner is a company which holds directly at least 10% of the capital of the company paying the dividends; 15% in all other cases.
- (3) 10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends; 15% in all other cases.
- (4) 5% if the recipient company (excluding a partnership) holds directly at least 70% of the capital of the company paying the dividends; 10% if the recipient company (excluding a partnership) holds directly at least 25% of the capital of the company paying the dividends.; 15% in all other cases.
- (5) 10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends; 15% in all other cases.
- (6) 15% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company; 25% in all other cases.
- (7) 15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends; 25% in all other cases.
- (8) 20% if during the part of the taxable year of the paying company which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation; 25% in other cases. Notwithstanding the rates provided under the Convention between the Government of the

Republic of the Philippines and the Government of the United States of America with respect to Taxes on Income, corporations which are residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Philippine Tax Code provided certain conditions are met.

- (9) If the stock transaction tax is not expressly included in the tax treaty, the income recipient will be subject to stock transaction tax at the rate of 0.6% of the gross selling price as provided under Section 127 of the Tax Code as amended by the Section 39 of the TRAIN.
- (10) Article 2(1)(b) of the Agreement between the Government of the Republic of the Philippines and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed on November 18, 1999.
- (11) Article 1 of the Protocol to the Tax Convention between the Government of the Republic of the Philippines and the Government of the French Republic Signed on January 9, 1976 was signed in Paris, France on June 26, 1995 signed on June 26, 1995.
- (12) Article 2 (3)(a) of Agreement between the Government of the Republic of the Philippines and the Federal Republic of Germany for the Avoidance of Double Taxation with Respect to Taxes on Income and Capital signed on September 9, 2013.
- (13) Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.
- (14) Under the income tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.

When availing of capital gains tax exemption on the sale of shares of stock under an income tax treaty, a tax treaty exemption ruling from the BIR shall be necessary in order to completely implement the transfer. For sale of shares made outside the PSE, a CAR from the BIR is required before the transfer is registered in the stock and transfer book.

The BIR issues the CAR only after verifying that the applicable taxes have been paid. Thus, in lieu of proof of payment of capital gains tax, the tax treaty relief ruling should be submitted to the BIR office processing the CAR.

The requirements for a tax treaty relief application in respect of capital gains tax or the stock transaction tax on the sale of shares are set out in Revenue Memorandum Order No. 72-2010 (Guidelines on the Processing of Tax Treaty Relief Applications ("TTRA") Pursuant to Existing Philippine Tax Treaties dated August 25, 2010), BIR Form No. 0901-C, and other BIR issuances. These include, among others, proof of residence in the country that is a party to the income tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable income tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

The tax treaty relief application has to be filed with the BIR before the first taxable event as defined under Revenue Memorandum Order No. 72-2010, which is, in respect of capital gains tax, before the deadline for the payment of the documentary stamp tax on the sale of shares, or the fifth day following the end of the month when the document transferring ownership was executed.

With respect to the availment of preferential rates for dividends under an income tax treaty, most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% when the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the

other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 8-2017 (Procedure for Claiming Tax Treaty Benefits for Dividend, Interest and Royalty Income of Nonresident Income Earners, dated October 24, 2016). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, a Certificate of Residence for Tax Treaty Relief ("CORTT") Form that complies with Revenue Memorandum Order No. 8-2017. After the remittance of the withholding tax to the BIR, the withholding agent/income payor shall submit within 30 days an original copy of the duly accomplished CORTT Form.

Despite these procedural requirements, the Philippine Supreme Court in *Deutsche Bank AG Manila Branch v. CIR*,

G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

### **Documentary Stamp Tax**

Beginning January 1, 2018, the original issue of shares is subject to a documentary stamp tax of ₱2.00 for each

₱200.00, or a fractional part thereof, of the par value of the shares issued. The transfer of shares is subject to a documentary stamp tax of ₱1.50 for each ₱200.00, or a fractional part thereof of the par value of the shares transferred. However, the sale, barter or exchange of shares of stock listed and traded through the local stock exchange shall not be subject to documentary stamp tax.

### **Estate and Gift Taxes**

Beginning January 1, 2018, the transfer of shares of stock upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien and regardless of residence, is subject to Philippine tax at the rate of 6% based on the value of the decedent's net estate.

Moreover, beginning January 1, 2018, individual and corporate holders, whether or not citizens or residents of the Philippines, who transfer shares of stock by way of gift or donation are liable to pay Philippine donors' tax on such a transfer of shares at the rate of 6% computed on the basis of the total gifts in excess of ₱250,000.00 made during the calendar year.

Estate and donors' taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the deceased at the time of his death or the donor at the time of his donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (b) if the laws of the foreign country of which the deceased or donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

## **Taxation outside the Philippines**

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is subject to Philippine income tax and capital gains tax and the transfer of such shares by gift (donation) or succession is subject to the donors' or estate taxes stated above. Sales or other dispositions of shares of stock in a domestic corporation through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, are, however, subject to a stock transaction tax at the rate of 0.6% of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

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## **REGULATORY AND ENVIRONMENTAL MATTERS**

*The following description is a summary of certain sector specific laws and regulations in the Philippines, which are applicable to APL. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to substitute for professional legal advice or a detailed review of the relevant laws and regulations.*

### **Foreign Investment Laws and Restrictions**

#### **Philippine Constitution and Mining Law**

Under the 1987 Philippine Constitution, the state can undertake the exploration, development and utilization of the natural resources, or it can enter into agreements with private parties or contractors under revenue-sharing or production-sharing arrangements. The general rule, as stated in the Philippine Constitution, is that contractors, with whom the state can enter into agreements for the exploration, development and utilization of natural resources, must be Filipino citizens or corporations whose capital is at least 60% Filipino-owned. A mineral agreement must be held by a Filipino citizen or by a company that is at least 60% Filipino-owned.

The foreign equity limitation is removed for large-scale exploration, development and utilization of minerals and petroleum, and other mineral oils. This exception is implemented through the Financial or Technical Assistance Agreement (FTAA). Furthermore, an Exploration Permit (EP) and a Mineral Processing Permit (MPP) can be held by a corporation that is up to 100% foreign-owned.

Under the Republic Act No. 7942 or the Philippine Mining Act of 1995 (Mining Act), there are three types of mineral agreements: Mineral Production Sharing Agreement (MPSA), Co-Production Agreement, and Joint Venture Agreement.

Under the Implementing Rules and Regulations of the Mining Act (Mining Act IRR), an applicant that wants to conduct exploration activities over a specific area needs to apply for and obtain an EP. Depending on the exploration results, the EP can be converted into an MPSA or an FTAA.

### **Foreign Ownership Controls**

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them, the exploration, development and utilization of mineral resources and the ownership of private land.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter V of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.0% of whose capital is owned by such citizens.

In connection with the exploration, development and utilization of mineral resources, Article XII, Section 2 of the Philippine Constitution requires that, except for large-scale exploration, development, and utilization

of minerals, petroleum, and other mineral oils, at least 60% of companies engaged in the exploration, development and utilization of mineral resources must be owned by Filipino citizens.

RA 7042, as amended, otherwise known as the Foreign Investments Act of 1991 and the Negative List issued pursuant thereto, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of RA 7042 defines a "Philippine National" as:

- (a) a citizen of the Philippines;
- (b) a domestic partnership or association wholly-owned by citizens of the Philippines;
- (c) a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60.0% of the fund will accrue to the benefit of the Philippine Nationals;
- (d) a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and
- (e) a corporation organized abroad and registered as doing business in the Philippines under the Philippine Corporation Code of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

Considering the foregoing, for as long as our Company or any of its subsidiaries own land in the Philippines or we continue to conduct mining operations in the Philippines and are engaged in the exploration, development and utilization of mineral resources, foreign ownership in our Company is limited to a maximum of 40.0% of our Company's outstanding capital stock entitled to vote. Under Article 10 of the Company's latest amended Articles of Incorporation, approved by the SEC on December 22, 2014, no issuance or transfer of shares of stock of the Corporation, which would reduce the ownership of Filipino citizens to less than the required percentage of the outstanding capital stock required by law to be owned by Filipino citizens, shall be allowed or permitted to be recorded in the proper books of the corporation. This restriction shall be printed or indicated in all the certificates of stocks to be issued by the corporation. Accordingly, we shall disallow the issuance or the transfer of Shares to persons other than Philippine Nationals and shall not record transfers in our books if such issuance or transfer would result in the Company ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership discussed above.

Compliance with the required ownership by Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not, but only such stocks that are generally entitled to vote are considered.

In the Gamboa Case, a case involving a public utility company (which under the Philippine Constitution is also subject to the 60-40 rule on capital ownership), the Philippine Supreme Court sitting *en banc* ruled that the term “capital” as used in Section 11 of Article XII of the Philippine refers only to shares of stock entitled to vote in the election of directors.

Subsequent to the Gamboa Case cited above, in the December 2012 case of *Express Investments v. Bayan Telecommunications, Inc.*, the Philippine Supreme Court discussed the Gamboa ruling, and clarified that “considering that common shares have voting rights which translate to control as opposed to preferred shares which usually have no voting rights, the term “capital” in Section 11, Article XII of the Constitution refers only to common shares.” In the said case, the Supreme Court, however, added that if the preferred shares also have the right to vote in the election of directors, then the term “capital” shall include such preferred shares because the right to participate in the control or management of the corporation is exercised through the right to vote in the election of directors. The Philippine Supreme Court said that “in short, the term “capital” in Section 11, Article XII of the Constitution refers only to shares of stock that can vote in the election of directors.” The recent decisions of the Supreme Court remain consistent with the Foreign Investments Act, which apply the minimum Filipino requirements only to “shares that are generally entitled to vote.”

On May 20, 2013, the SEC issued Memorandum Circular No. 8 or the *Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities* (the “Circular”). The Circular provides that for purposes of determining compliance therewith, the required percentage of Filipino ownership shall be applied to BOTH (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.” A petition for certiorari was filed sometime in June 2013, questioning the constitutionality of the Circular promulgated by the SEC.

In the case of *Roy v. Herbosa (G.R. No. 207246, November 22, 2016)*, the Supreme Court En Banc upheld the constitutionality of the Circular and affirmed that the method of determining compliance with the required Filipino equity as provided in the Circular is in accordance with the pronouncements of the Supreme Court in the *Gamboa* Case. To dispel any doubt, the Supreme Court provided an example on the proper application of the rule. In the example, Company X has 100 common shares, 100 class A preferred share (with right to elect directors), and 100 class B preferred shares (without right to elect directors). To comply with the Circular, at least 180 shares of all the outstanding capital stock of Company X must be owned and controlled by Filipino. In addition, it is required that among those 180 shares, a total of 120 of the common shares and class A preferred share (in any combination) are owned and controlled by Filipinos. The Court clarified that the requirement to separately apply to each class of shares in the *Gamboa* Case is a mere obiter dictum and thus, should not be binding. The Court further clarified both legal title and beneficial ownership over the shares must rest in the hands of the Philippine citizen or Philippine nationals to be deemed compliant.

In the case of *Narra Magnetite Iron Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp (G.R. No. 195580, April 21, 2014)*, the third division of the Supreme Court, in passing upon the nationality of applicants for a MPSA, stated that where foreign equity ownership is in doubt, the Grandfather Rule (making reference to the 1967 SEC Rules and DOJ Opinion No. 020 Series of 2005) shall apply. The Grandfather Rule embodies the method of determining the percentage of Filipino equity in a corporation which is engaged in nationalized or partly nationalized activities and which have corporate shareholders. Under the Grandfather Rule, shares owned by corporate shareholders are attributed either as part of



Filipino or foreign equity by determining the nationality not only of the corporate shareholders but also such corporate shareholders' shareholders and their shareholders (and down the line).

Narra Magnetite iron case appears to expand and/or modify the doctrine laid in the Gamboa Case cited above. Under the Constitution, however, no doctrine or principle of law laid down by the Supreme Court in a decision *en banc* or in division may be modified or reversed except by the court sitting *en banc*.

Subsequently, a motion for reconsideration was filed to challenge the April 21, 2014 Narra Magnetite Iron Decision before the Special Third Division of the Supreme Court. The Supreme Court, in a resolution dated January 28, 2015, denied with finality the motion for reconsideration, thereby upholding the challenged Narra Magnetite Iron Decision.

Each of the Company and the Subsidiaries has at least 60.0% of its outstanding stock owned by Philippine nationals. In addition, the articles of incorporation of each of the Company and the Subsidiaries state that a transfer of shares will not be recorded on the books of either corporation if the result of such transfer would be to reduce the ownership of Philippine nationals to less than the required percentage.

### **Registration of Foreign Investments and Exchange Controls**

Under current BSP regulations, an investment in Philippine securities (such as the Offer Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and/or the remittance of dividends, profits, and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration with the BSP is not required. BSP Circular No. 471 issued on January 24, 2005 subjects foreign exchange dealers and money changers to RA No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed in the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both); (ii) original certificate of inward remittance of foreign exchange and its conversion into Philippine Pesos through an authorized agent bank in the prescribed format; and (iii) authority to disclose ("Authority to Disclose") in the prescribed format. The Authority to Disclose allows the custodian bank to disclose to the BSP any information that may be required to comply with post-audit requirements for the registration of Peso-denominated investments.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document ("BSRD") or BSRD Letter-Advice from the registering custodian bank and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system.

Remittance of dividends is permitted upon presentation of: (1) the BSRD or BSRD Letter-Advice; (2) the cash dividends notice from the PSE and the Philippine Depository and Trust Corporation (formerly the

Philippine Central Depository) showing a printout of cash dividend payment or computation of interest earned; (3) the copy of the corporate secretary's sworn statement attesting to the board resolution covering the dividend declaration and (4) the detailed computation of the amount applied for in the format prescribed by the BSP. For direct foreign equity investments, the latest audited financial statements or interim financial statements of the investee firm covering the dividend declaration period need to be presented in addition to the documents enumerated above. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during a foreign exchange crisis, when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that the foreign exchange regulations issued by the BSP will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor.

## **The Mining Act**

The Mining Act governs the exploration, development, processing and utilization of mineral resources in the Philippines. The Mining Act and the Mining Act IRR define these agreements, delineate the various mining rights recognized in the Philippines, and provide the requirements to acquire these mining rights.

The acquisition of mineral rights is a process that begins with the acquisition of an EP. An EP is a grant from the Philippine government that gives the permit holder the right to conduct exploration for all minerals within a specified area. An EP allows the holder to conduct "exploration," which is defined under the Mining Act as "searching or prospecting for mineral resources by geological, geochemical and/or geophysical surveys, remote sensing, test pitting, trenching, drilling, shaft sinking, tunneling or any other means for the purpose of determining their existence, extent, quality and quantity and the feasibility of mining them for profit."

## **Mineral Agreements**

The three types of mineral agreements are as follows:

1. MPSA, under which the government grants to the MPSA holder the exclusive right to conduct mining operations within a Contract Area; the share of the government is in the form of excise tax equivalent to a percentage of the gross output. The MPSA holder will provide the financing, technology, management and personnel necessary for the implementation of the MPSA.
2. Co-production Agreement, under which the government will provide inputs to the mining operations other than the mineral resource

3. Joint Venture Agreement, under which a joint venture company is organized by the government and the contractor with both parties holding equity shares; in addition to earnings from the equity, the government will be entitled to a share in the gross output.

## **FTAA**

The Philippine Constitution provides that the president may, on behalf of the government, enter into agreements involving either technical or financial assistance for large scale exploration, development and utilization of minerals according to the general terms and conditions provided by law, based on real contributions to the economic growth and general welfare of the Philippines.

To implement this Constitutional provision and to promote investments from both domestic and international sources, the Mining Act authorizes the President to execute and approve on behalf of the government FTAA's to be entered into with qualified entities for large scale exploration, development and commercial utilization of mineral resources. The minimum project for development and construction for an FTAA is USD 50 million.

The FTAA holder is granted the exclusive rights to explore, mine, utilize, process, refine, market, transport, export and dispose of minerals and mineral products and by-products that may be derived or produced from the FTAA area, subject to such permitting requirements that may be applicable under pertinent laws, rules and regulations.

## **MPP**

An MPP refers to the permit granted by the Philippine government to allow the holder thereof to undertake mineral processing. "Mineral processing" refers to the milling, beneficiation, leaching, smelting, cyanidation, calcination or upgrading of ores, minerals, rocks, mill tailings, mine waste and/or other metallurgical by-products or by similar means to convert the same into marketable products.

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## PLAN OF DISTRIBUTION

9,880,000,000 of the Offer Shares, or approximately 80% of the Offer Shares, are (subject to reallocation as described below) being offered for sale to certain institutional and other investors in the Philippines by the Issue Manager and Underwriter. 2,470,000,000 Offer Shares, or approximately 20% of the Firm Shares, are being offered by the Issue Manager and Underwriter at the Offer Price to all of the PSE Trading Participants, subject to final allocation, as may be determined by the Issue Manager and Underwriter which shall be consistent with the applicable rules and guidelines approved by the PSE. The allocation of the Offer Shares between the Trading Participants' Offer and the Underwriter's Offer is subject to further adjustment as agreed by the Company and Underwriter. The Offer Shares will be underwritten on a firm commitment basis by the Issue Manager and Underwriter. There is no arrangement for the Issue Manager and Underwriter to return any of the Trading Participants' Offer Shares or the Underwriter's Offer Shares to the Company.

Considering that the foreign ownership in APL, as of March 31, 2021 is almost 40%, the Follow-on Offering will be restricted to only Filipino nationals and Filipino entities.

### **The Trading Participants' Offer**

The Trading Participants' Offer Shares shall (subject to re-allocation as described below) be offered by the Issue Manager and Underwriter to the PSE Trading Participants. 2,470,000,000 Offer Shares shall be allocated among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 19,760,000 Offer Shares (computed by dividing the Trading Participants' Offer Shares allocated to the PSE Trading Participants among the 125 PSE Trading Participants) and subject to reallocation as may be determined by the Issue Manager and Underwriter. Trading Participants' Offer Shares not taken up by the PSE Trading Participants and which are not reallocated to the Underwriter's Offer, or taken up by the clients of the Issue Manager and Underwriter, retail investors or the general public shall be purchased by the Issue Manager and Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

To facilitate the Trading Participants' Offer, the Company has appointed Investment & Capital Corporation of the Philippines to act as the Issue Manager and Underwriter. The Company and the Issue Manager and Underwriter shall enter into an underwriting agreement to be dated on or about August 12, 2021, whereby the Issue Manager and Underwriter agrees to underwrite the Trading Participants' Offer Shares, subject to agreement on any clawback, clawforward or other such mechanism, on a firm commitment basis.

On or before 12:00 p.m. of August 20, 2021, the PSE Trading Participants shall submit to the designated representative of the Receiving Agent their Applications to purchase the Trading Participants' Offer Shares and the corresponding payments. Trading Participants' Offer Shares not taken up by the PSE Trading Participants may be reallocated to the Underwriter's Offer at the discretion of the Issue Manager and Underwriter.

PSE Trading Participants who take up Trading Participants' Offer Shares shall be entitled to a selling fee of 1.00%, inclusive of VAT, of the Trading Participants' Offer Shares allocated to the relevant PSE Trading Participant. The selling fee, less the applicable withholding tax, will be paid by the Receiving Agent to the PSE Trading Participants starting on the tenth Banking Day from the Listing Date.

## **The Underwriter's Offer**

9,880,000,000 Offer Shares, or approximately 80% of the Firm Shares, will be offered for sale to certain institutional and other investors in the Philippines by the Issue Manager and Underwriter.

The allocation of the Firm Shares between the Trading Participants' Offer and the Underwriter's Offer is subject to further adjustment as may be agreed between the Company and the Issue Manager and Underwriter. In the event of an under-application in the Underwriter's Offer and a corresponding over-application in the Trading Participants' Offer, Underwriter's Offer Shares may be reallocated to the Trading Participants' Offer. If there is an under-application in the Trading Participants' Offer and if there is a corresponding over-application in the Underwriter's Offer, Trading Participants' Offer Shares may be reallocated to the Underwriter's Offer. Unless otherwise agreed by the Issue Manager and Underwriter, the reallocation shall not apply in the event of over-application or under-application in both the Trading Participants' Offer and the Underwriter's Offer.

The Underwriting Agreement is subject to certain conditions and may be subject to termination by the Issue Manager and Underwriter if certain circumstances, including force majeure, occur on or before the Offer Shares are listed on the PSE. Under the terms and conditions of the Underwriting Agreement, the Issue Manager and Underwriter has agreed to purchase the Underwriter's Offer Shares, on a firm commitment basis, subject to agreement on any clawback, clawforward or other such mechanisms relating to reallocation of the Offer Shares between the Underwriter's Offer and the Trading Participants' Offer.

## **The Issue Manager and Underwriter**

### **Investment & Capital Corporation of the Philippines**

ICCP is a leading independent investment house duly licensed and operating in the Philippines. ICCP was established in 1988. Its major shareholders include DBS Bank of Singapore, a group of prominent Filipino business leaders in the Philippines led by Mr. Guillermo D. Luchangco, ICCP's founder.

ICCP offers a spectrum of investment banking services including loan syndications and project finance, bond offerings, private placements, public offering of shares, securitization, financial advisory and mergers & acquisitions. ICCP obtained its license from the SEC to operate as an investment house in the Philippines and is licensed to engage in underwriting and distribution of securities to the public.

The Underwriter is currently engaged by APL as Issue Manager and Underwriter. APL, its subsidiary and affiliates may from time to time in the future engage the services of the Underwriter again. However, all services provided by the Underwriter, including the Offer, have been provided as an independent contractor and not as a fiduciary to APL. The Underwriter does not have any right to designate or nominate a member of the Board. The Underwriter has no direct relationship with APL in terms of share ownership and, other than as Underwriter for the Offer, does not have any material relationship with APL.

The Underwriter does not have direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, it does not have any relationship with the Company other than as the Underwriter and Issue Manager for the Offer. The Underwriter also has no direct relations with the Company in terms of ownership by either their respective major stockholders and has no right to designate or nominate any member of the Board of Directors.

There is no contract or arrangement existing between the Company and the Underwriter, or any other third party whereby the Underwriter may return any unsold securities from the Offer.

### **The Underwriting Commitment**

The Offer will be underwritten on a firm commitment basis at the Offer Price. The Underwriter and the Issuer will enter into, before the start of the Offer Period, an Underwriting Agreement wherein the Underwriter will agree to subscribe for or procure subscribers for the Offer Shares.

The Underwriting Agreement is subject to certain conditions and is subject to termination by Underwriter if certain circumstances, including force majeure, occur on or before the time the Shares are listed on the PSE. In addition, the obligations of the Underwriter under the Underwriting Agreement is conditional on the Offer Shares being listed on the PSE on or before the stipulated Listing Date, or at such other date as Underwriter and the Company may agree on. Under the terms and conditions of the Underwriting Agreement, the Company has agreed to indemnify Underwriter in respect of any breach of warranty or representations by the Company as contained therein.

### **Transaction Fees**

On or before 12:00 p.m. of August 20, 2021, the PSE Trading Participants shall submit to the designated representatives of the Underwriter their respective firm orders and commitments to purchase Trading Participants and Retail Offer Shares.

The Underwriter shall receive from the Company an Issue Management and Underwriting fee equivalent to 1.00% of the gross proceeds of the Offer with a cap of ₱8,000,000. The underwriting fees shall be withheld by the Underwriter from the proceeds of the Offer. All of the Offer Shares are or shall be lodged with the PDTC and shall be issued to the PSE Trading Participants in scripless form. They may maintain the Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the Shares are listed and electronically lodged with PDTC. All costs or fees relating to such upliftment shall be for the account of the purchaser.

PSE Trading Participants who take up Trading Participants and Retail Offer Shares shall be entitled to a selling fee of 1.00%, inclusive of VAT, of the Trading Participants and Retail Offer Shares taken up and purchased by the relevant PSE Trading Participant. The selling fee, less the applicable withholding tax, will be paid by the Receiving Agent to the PSE Trading Participants within ten banking days from the Listing Date.

### **Sale and Distribution**

The distribution and sale of the Offer Shares shall be undertaken by the Underwriter who shall sell and distribute the Offer Shares to third party buyers/investors. The Underwriter reserves the right to organize a syndicate of underwriters, sub-underwriters, soliciting dealers and/or selling agents for the purpose of the domestic Offer. As of the date of this Prospectus, the Underwriter has not appointed any sub-underwriter.

There is no private placement tranche involved in the Offering. All of the Offer Shares will be subject to a book-building process.

## **Selling Restrictions**

The distribution of this Prospectus or any offering material and the offer, sale or delivery of the Offer Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Prospectus or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Prospectus may not be used for the purpose of an offer or invitation in any circumstance in which such offer or invitation is not authorized.

Considering that the foreign ownership in APL, as of March 31, 2021 is almost 40%, the Follow-on Offering will be restricted to only Filipino nationals and Filipino entities.

### ***Philippines***

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

## LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer has been passed upon by Atty. Ronnie Ray F. Paraiso for the Company.

Said legal counsel has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. Atty. Paraiso will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

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## INDEPENDENT AUDITORS

### Audit Committees Approval Policies and Procedures for Audit, Tax and Other Accounting Services

#### Independent Auditors

The financial statements of APL as of 2018 was audited by BDO Roxas Cruz Tagle and Co. and for the year ended December 31, 2019 was audited by Reyes Tacandong & Co., independent auditors, as stated in their report attached to this Prospectus. Valdes Abad & Company has audited and rendered an unqualified audit report on the Company's audited financial statements for the year December 31, 2020

BDO Roxas Cruz Tagle & Co., Reyes Tacandong & Co. and Valdes Abad & Company have neither shareholding in APL nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of APL. BDO Roxas Cruz Tagle & Co., Reyes Tacandong & Co. and Valdes Abad & Company will not receive any direct or indirect interest in APL or its securities (including options, warrants, or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees paid to BDO Roxas Cruz Tagle & Co., Reyes Tacandong & Co. and Valdes Abad & Company correspondingly for professional service rendered in respect of the audit of the Company's historical financial statements, excluding out-of-pocket expenses incidental to such services and excluding fees directly related to the Offer:

	2018	2019	2020
Audit and Audit Related Fees (in ₱)	938,500	400,000	400,000

There is no arrangement that experts will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

In relation to the audit of the Company's annual financial statements, the Issuer's Manual on Corporate Governance, which was approved by the Board of Directors on May 31, 2017, provides that the audit committee shall, among other activities (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; and (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors. (iii) ensure the compliance of our Company with acceptable auditing and accounting standards and regulations.

#### Tax Fees

This category includes professional services covering tax accounting, compliance, advice, planning and any other forms of tax services.

The Company has not engaged an external auditor for professional services covering tax accounting, compliance, advice, planning and any other form of tax services.

**All Other Fees**

This category includes transaction advisory engagements.

In each of the last two (2) fiscal years, APL has not engaged an external auditor for products and services other than the services reported above.

**Change in Auditors**

There are no matters of disagreement with previous accountants on any accounting & financial disclosures for the last two (2) most recent fiscal years.

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## **THE ISSUER**

Apollo Global Capital, Inc.  
Unit 504, Galleria Corporate Center  
EDSA corner Ortigas Ave.  
Brgy. Ugong Norte, Quezon City

## **ISSUE MANAGER AND UNDERWRITER**

Investment & Capital Corporation of the Philippines  
17/F Robinsons Summit Center  
6783 Ayala Avenue  
1226 Makati City,  
Philippines

## **LEGAL ADVISORS**

*To the Issuer*

**ATTY. RONNIE RAY F. PARAISO**  
Embassy Terrace Homes Phase 1  
TM Kalaw Street, Congressional  
Avenue Extension, Brgy.  
Pasong Tamo, Quezon City

*To the Issuer Manager and Underwriter*

**ATTY. LYRA GRACIA Y. LIPAE-FABELLA**  
1060-A Clamor Compound  
Novaliches Caloocan City

## **RECEIVING AGENT**

Professional Stock Transfer Inc.  
10th Fl., Telecom Plaza 1200, 316  
Sen. Gil J. Puyat Ave, Makati,  
Kalakhang Maynila

## **STOCK AND TRANSFER AGENT**

BDO Unibank, Inc.-Trust and Investments Group  
15/F, BDO Corporate Center –  
South Tower 7899 Makati Avenue,  
Makati City, 0726

## **ESCROW AGENT**

Rizal Commercial Banking Corporation – Trust and Investments Group  
Yuchengco Tower  
RCBC Plaza 6819 Ayala Avenue  
Makati City 0727  
Philippines

## **INDEPENDENT AUDITORS**

Valdes Abad & Company  
CJV Building 108 Aguirre  
Street, Legaspi Village,  
Makati City, Philippines

# **ANNEX A**

## **Supplemental Report**

### **Results of Exploration and Mineral Resource Estimates**

#### **JDVC Resources Corporation**

Offshore Magnetite Mining Project

(MPSA-338-010-II-OMR Amended A)

May 6, 2021

**SUPPLEMENTAL REPORT**

**on**

**the Results of Exploration and Mineral Resource Estimates  
for JDVC Resources Corporation  
prepared by CP Rafael R. Liwanag  
dated 15 August 2015**

**covering 1,897.0242 hectares of offshore area  
denominated as MPSA 338-010-II-OMR Amended A  
located at Municipalities of Buguey and Gonzaga, Province of Cagayan**

**Prepared for  
JDVC Resources Corporation**

**By Ramon N. Santos  
Accredited Competent Person in Geology**

**6 May 2021**

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## Executive Summary

This technical report was commissioned by JDVC Resources Corporation (JDVC) to provide more detailed description and estimation of the mineral resource of the magnetite sand deposits within the 1,897.0242 hectares defined as MPSA 338-2010-II-OMR-Amended A as supplement to the PMRC Report prepared in August 2015 by ACP Rafael R. Liwanag, which covered 4,999.2358 hectares of explored portion of the original 14,240 hectares held by JDVC under MPSA 338-2010-II-OMR. Due to the approval of the parcelation and relinquishment of certain portion of the original mining tenement, MPSA 338-2010-II-OMR-Amended A was finally defined in the official records of the MGB-DENR to cover an area of 1,897.0242 hectares.

MPSA 338-2010-II-OMR-Amended A is located at least 15 kilometers offshore near the boundaries of the municipal waters of Buguey, Gonzaga and Sta Ana, Cagayan Province. Upon acquisition of the property in 2011, JDVC implemented a systematic exploration program consisting of geophysical surveys involving magnetic anomaly mapping, seismic reflection profiling and bathymetric survey followed by confirmatory diamond drilling at 2,000m spacing.

The seismic reflection survey involved 270 survey points along the generally North-South traverse lines which are 500m apart and East-West traverses at 1,000m spacing. The data obtained were used to establish the profiles of the underlying seabed and determine the consistency of the magnetite bearing horizons.

The bathymetric survey using a dual frequency Teledyne Echotrac MK-III high precision echo sounder consisted of 452 line-kilometers traverse, supplemented by additional discrete bathymetric measurements. The bathymetric contours and 3-D rendering of the seabed were obtained using Surfer V.11 software.

The diamond drilling program completed eleven (11) drill holes with depth ranging from 5m to 22 m but only six (6) are located inside MPSA 338-2010-II-OMR Amended A. The estimation of the Minerals Resource used the physical analysis of the cores from these six drill holes conducted at the Petrolab facility of the Mines and Geosciences Bureau (MGB) using Dings David Tube (DDT) to separate the magnetic fraction.

The conventional polygon method was used in the recalculation of the minerals resources as it is deemed as the most practical and applicable in the given situation where the data are derived only from six (6) drill holes. This is also the method used in the PMRC Report of ACP Raffy Liwanag and by the Validation Team of MGB, thus using the same method will enable the comparison of the three estimates of the Mineral Resource.

The indicated Mineral Resource was estimated by constructing polygons around drill holes to measure the amount of ore within the area of influence of the samples. The polygons boundaries were defined by straight lines representing the perpendicular bisector between drill hole pairs, boundary lines of the tenement, and arc segment limiting the area of influence of the samples to 1,500m. However, in one instance, contour lines were used to clip the boundaries of the polygon in the area that is steeply dipping.

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The estimate of the volume of the Indicated Mineral Resource in this study is about 1% higher than the estimate of the MGB Validating Team and 5% lower than the estimate of ACP Liwanag. Thus the estimated Indicated Mineral Resource reported in this study is in conformity with the previous estimations done by ACP Liwanag and the MGB Validating Team. The differences are acceptable considering that all these are only estimates that have inherent variability. In addition, the variance could be attributable to the dissimilarity in the design of the polygons, differences in the software used to measure the areas of influence and assumptions applied. For instance, ACP Liwanag did not apply any cut-off grade on the premise that selective mining is not feasible while the MGB validating Team applied a 5%MF cut off grade and 90% recovery.

The implementing rules and regulation of PMRC 2007 provides that zero cut off grade is not allowed in the estimation of mineral resources; hence this writer supports the use of the 5%MF cut-off grade. However, the application of a recovery factor should be based on mining plan and operational parameters and more suitable in the estimation of the Ore/Mineral Reserves rather than Mineral Resource that relies mainly on geologic information and confidence.

Applying the same specific gravity of ore of 1.69 on the volume of magnetite sand deposits derived from the conventional polygon method, this study arrived at an estimated Indicated Mineral Resource of 527 Million DMT of magnetite deposits containing an average of 26% Magnetic Fraction. Some of the mineral resource previously included as Indicated Mineral Resource in the PMRC report of ACP Liwanag but have been determined as beyond a maximum 'area of influence' of samples at 1,500m radius, have been re-classified as Inferred Mineral Resource in this report on the basis of the interpreted seismic profiles that consistently indicate the continuity of the magnetite bearing horizons. The estimated Inferred Mineral Resource is 26 Million metric tons with average grade of 23% MF.

Based on the foregoing, it is the conclusion in this report that the estimated Indicated Mineral Resource of magnetite sand deposits within the 1,897.0242 hectares covered MPSA 338-2010-II-OMR-Amended A amounts to 575 Million DMT containing an average grade of 26% MF. The Inferred Mineral Resource is estimated at 23 Million DMT with average grade of 23%MF.

It is worth mentioning that the available drill holes data did not provide any indication on the bottom limit of the magnetite deposits. It is therefore recommended that in the succeeding exploration works intended to upgrade the current estimated Indicated and Inferred Mineral Resource either into Measured Mineral Resource or Ore/Mineral Reserves, the in-fill drilling program should be designed to reach the deeper horizons, possibly down to the acoustic basement.



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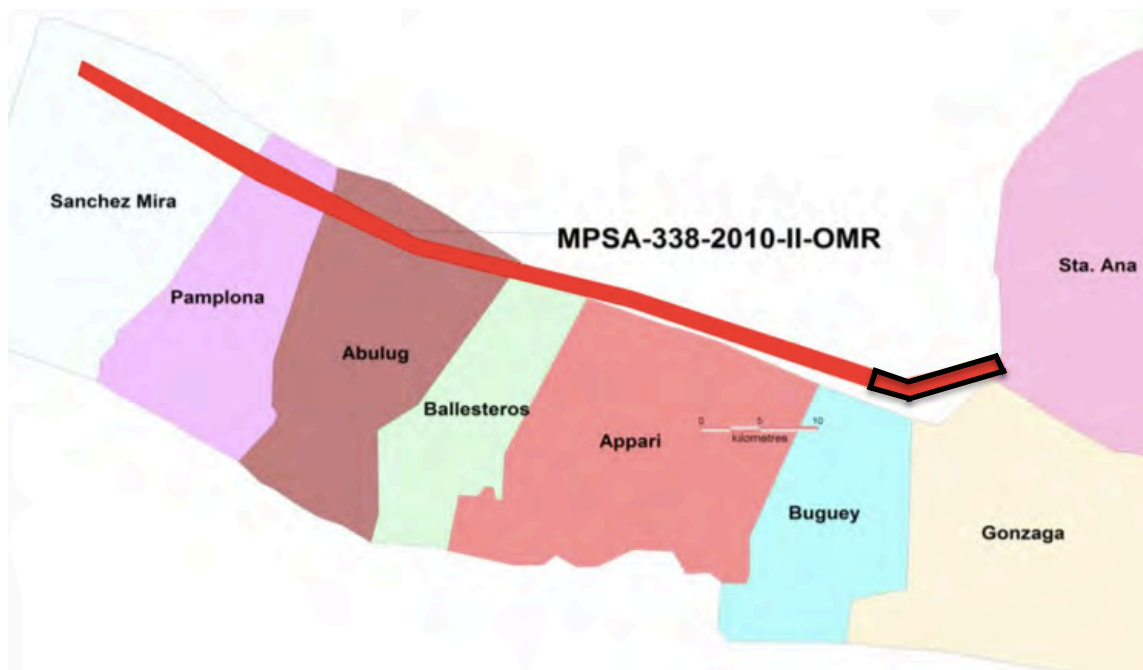
# 1. INTRODUCTION

## 1.1. Purpose for which this Report was Prepared

This technical report was commissioned by JDVC Resources Corporation (JDVC) as represented by Mr. Alejandro Cruz-Herrera to provide more detailed description and estimation of the mineral resource of the magnetite sand deposits within the 1,897.0242 hectares defined as MPSA 338-2010-II-OMR-Amended A. This Report is not intended to supersede the report on the results of explorations and mineral resources estimation prepared in August 2015 by Mr. Rafael R. Liwanag, an accredited Competent Person in Geology, which covered 4,999.2358 hectares of explored portion of the original 14,240 hectares held by JDVC under MPSA 338-2010-II-OMR. However, due to the parcelasation of the whole PMSA area and relinquishment of certain portion of the mining tenement, the holdings of JDVC was reduced to MPSA 338-2010-II-OMR-Amended A that has an area of 1,897.0242 hectares. The purpose of this report is to clarify and validate the Mineral Resources contained within this smaller area of MPSA 338-2010-II-OMR-Amended A.

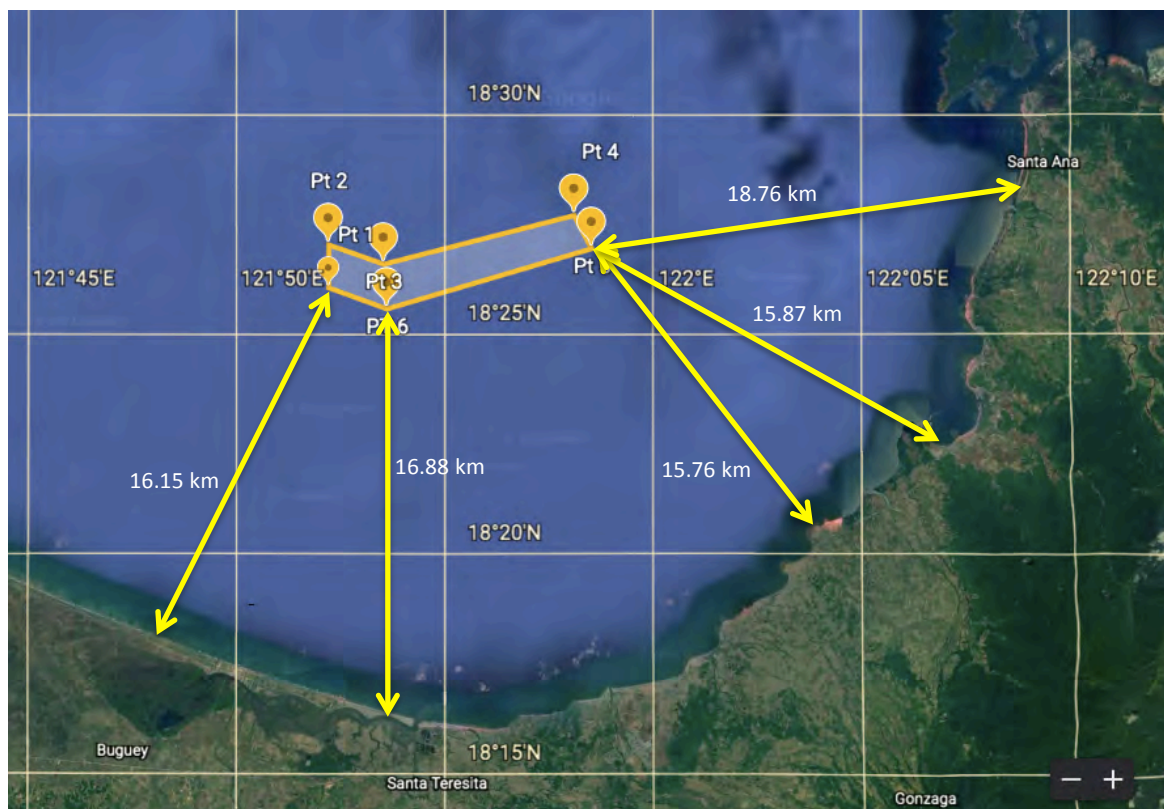
## 1.2. Location and Accessibility of the Project Area

The area covered by MPSA 338-2010-II-OMR-Amended A is the eastern segment of the original MPSA 338-2010-II-OMR. **Figure 1** shows the location of the original MPSA with respect to the municipal waters of the closest municipalities. MPSA 338-2010-II-OMR-Amended A is indicated by the dark boundaries located near the municipal waters of Buguey, Gonzaga and Sta Ana.



**Figure 1.** Location Map of MPSA 338-2010-II-OMR.

With respect to the nearest coastlines and major landmarks such as Port Sta Ana, the distances as measured by Google Earth are provided in Figure 2. As can be seen, the tenement area is at least 15km away from the nearest coastline of Cagayan Province.



**Figure 2.** Proximity of the Tenement area to the coastline.

Motorized boat or any marine vessel can reach the tenement area. Travel to the portion of the tenement area directly from the nearest coastline usually takes 1.5 hours. Aparri and the adjacent municipalities of Buguey and Gonzaga are accessible from Manila via commercial airlines to Tuguegarao City and thence by land via private cars, express utility vans (EUV) or buses. Travel time from Tuguegarao is 2 to 3 hours. Tuguegarao is 483 kilometers from Manila and is connected through the Maharlika Highway, also known as the Cagayan Valley Road that runs parallel to Cagayan River. There are commercial buses that travel directly from Manila to Aparri on a regular basis. Travel by land either by commercial buses or private car from Manila usually takes 12 to 14 hours.

### 1.3. Disclaimers and Limitation of the Technical Report

Although this report involves the re-assessment of the estimated mineral resources within the modified MPSA 338-2010-II-OMR-Amended A, it is not the coverage to this study to re-check and validate the integrity and accuracy of the available exploration data. Both ACP Liwanag and the Validating Team of MGB have already accomplished that.

In the course of reviewing the previous reports, diligent efforts were made to search for additional data pertaining to the tenement. Unfortunately no additional data was found that could augment the limited exploration data, hence this assessment is constrained to use same data set used by ACP Liwanag and the MGB Validation Team.

The quality of the information, conclusions and estimates contained herein is consistent with the intended level of accuracy as set out in this report, as well as the circumstances and constraints under which this report was prepared.

This report contains the professional opinion of the consultant as to the matters set out herein, using his professional judgment and acting in accordance with the standard of care and skill normally exercised by professional consultants providing similar services in similar circumstances and comparable locations. No other expressed or implied warranty is made as to the professional advice contained in this report.

In addition, it is recognised that the passage of time affects the information and assessment provided in this Document. The opinions expressed herein are based upon information that existed at the time of the production of the Document. It should be understood that opinions on the actual conditions at the time of the study couldn't be used to assess the effect of any subsequent changes in the quality of the site, or its surroundings, or any laws or regulations.

This Document was prepared for sole use by JDVC and is confidential to it and its professional advisers. Any use which a third party makes of this Document, or any reliance on or decisions to be made based on it, is the responsibility of such third parties. The writer of this report accepts no responsibility for damages, if any, suffered by any third party as a result of decisions made or actions based on this Document.

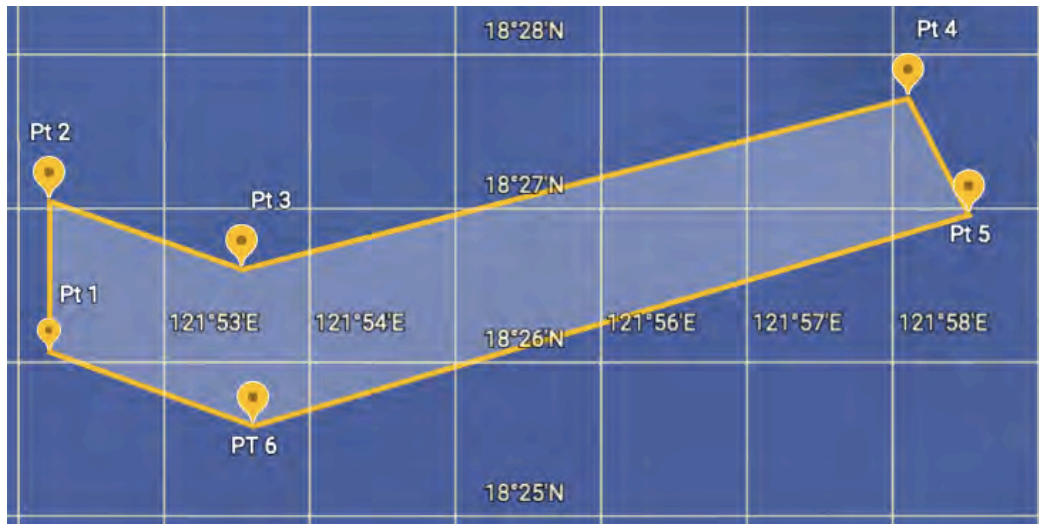
## 2. TENEMENT AND MINERAL RIGHTS

### 2.1. Description of Mineral Rights

The mining tenement currently held by JDVC Resources Corporation is a Mining Production Sharing Agreement (MPSA) with the Republic of the Philippines denominated as MPSA No. 338-2010-II-OMR-Amended A covering an area of 1,897.0242 hectares. The MPSA (exploration) was approved on June 9, 2010 and has a validity period of 25-years, renewable for a like period. The technical descriptions of the corner points bounding the MPSA area are shown in **Table 1** while the plot using Google Earth is shown in **Figure 3**.

**Table 1** –Corner Points of MPSA No. 338-2010-II-OMR-Amended A.

Corner Points	Latitude	Longitude
1	18° 26' 03.97"	121° 52' 12.97"
2	18° 27' 02.73"	121° 52' 13.07"
3	18° 26' 36.24"	121° 53' 32.28"
4	18° 27' 42.84"	121° 58' 06.24"
5	18° 26' 57.48"	121° 58' 31.44"



**Figure 3.** Plot of the corners defining the MPSA area.

The Tenement area is about 11 kilometers in length with average width of 1.7 kilometers. The distances between the corner points of the MPSA 338-2010-II-OMR-Amended A are summarized in **Table 2**.

**Table 2.** Dimensions of the MPSA boundaries

Boundary Segment	Distance, meters
Pt 1 to Pt 2	1,800
Pt 2 to Pt 3	2,463
Pt 3 to Pt 4	8,306
Pt 4 to Pt 5	1,579
Pt 5 to Pt 6	8,990
Pt 6 to Pt 1	2,620
Pt 3 to Pt 6	1,892

## 2.2. History of Mineral Rights

On 9 June 2010, MPSA 338-2010-II-OMR covering an area of 14,240 hectares located in Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, Province of Cagayan was issued to Bo Go Resources Mining Corporation (BGRMC).

By virtue of a Deed of Assignment (DOA), the MPSA was transferred to JDVC Resources Corporation (JDVC) on 25 November 2011. The DOA was registered at MGB Regional Office II on 27 January 2012 and approved by the then DENR Secretary Ramon Paje on 25 January 2013.

On 2 May 2016, JDVC issued a DOA over a portion of the PMSA area containing 2,400 hectares to San Lorenzo Mines, Incorporated. The DENR approved the DOA on 20 May 2016

and naming that portion as MPSA No. 338-2010-II-OMR-Amended B. The remaining area was renamed as MPSA No. 338-2010-II-OMR-Amended A.

Shortly thereafter, on 25 May 2016, JDVC filed a partial Declaration of Mining Project Feasibility (DMPF) over 4,999.2358 hectares within MPSA No. 338-2010-II-OMR-Amended A. The partial DMPF is based on the Report on the Results of Mineral Exploration and Mineral Resources Estimates prepared by accredited Competent Person in Geology, Mr. Rafael R. Liwanag dated 15 August 2015.

Then on 29 June 2016, JDVC issued a DOA in favor of Catagayan Iron Sand Mining Resources Corporation (CISMRC) over 3,263 hectares, another DOA for Catagayan Mining Resources (Phils.), Incorporated (CMRPI) over 1,453 hectares, and another DOA for Cagayan Ore Metal Mining Exploration Corporation (COMMEC) for 2,173 hectares, all within MPSA No. 338-2010-II-OMR-Amended A. MGB Regional Office No. II forwarded the three DOAs to MGB Central Office on 20 December 2016.

In the meantime, on 14 March 2017, JDVC relinquished 3,161.8392 hectares to the government.

On 1 August 2017, MGB CO returned the three (3) DOAs to MGB Regional Office NO. II for revision. Consequently on 9 August 2017, the area coverage of the DOAs were changed from 3,263 hectares to 3,182.7840 hectares for Catagayan Iron Sand Mining Resources Corporation; from 1,453 hectares to 1,448.5057 hectares for Catagayan Mining Resources (Phils.), Incorporated; and from 2,173 hectares to 2,149.8469 hectares for Cagayan Ore Metal Mining Exploration Corporation. The three DOAs were duly registered with the MGB R-II on 2 April 2018.

The partial declaration of Mining Project Feasibility was finally approved on 6 August 2019.

The MGB R-II then forwarded the DOAs to MGB CO on 23 June 2020 and on 14 July 2020, MGB Director Moncano recommended to DENR Secretary the approval of the three DOAs. Finally, the DENR Secretary approved the DOAs on 25 November 2020 and redefined and subdivided MPSA 338-2010-II-OMR-Amended A into:

<b>Holder</b>	<b>MPSA No.</b>	<b>Area, has.</b>
JDVC Res. Corp.	MPSA 338-2010-II-OMR-Amended A	1,897.0242
CISMRC	MPSA 338-2010-II-OMR-Amended C	3,182.7840
CMR(Phils.), Inc.	MPSA 338-2010-II-OMR-Amended D	1,448.5057
COMMEC	MPSA 338-2010-II-OMR-Amended E	2,149.8469

Thus, effective on 25 November 2020, the area coverage of MPSA 338-2010-II-OMR-Amended A has been reduced officially to 1,897.0242 hectares.

### 3. MINERAL EXPLORATION

#### 3.1. Previous Exploration Works

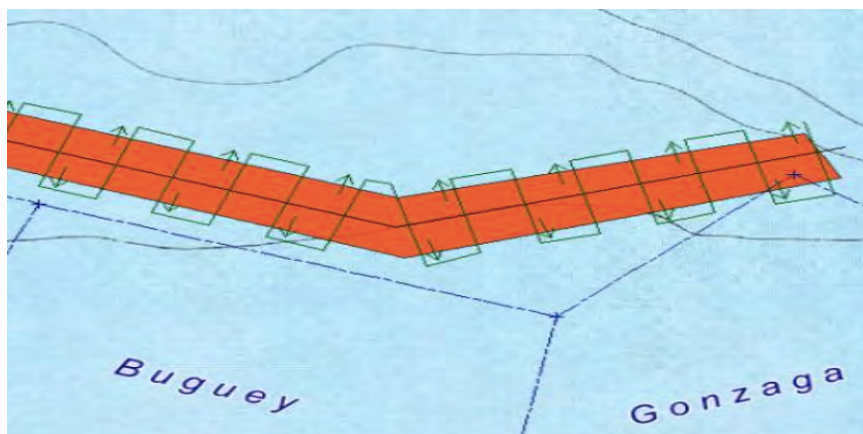
As cited by ACP Raffy Liwanag in his Comprehensive Report (2015), various entities have undertaken exploration works over the area and vicinities. The first documented exploration activity was an offshore survey undertaken in 1969 by Anglo-Philippine Oil and Mining Corporation that resulted in the confirmation of the presence of magnetite sand deposits. From 1971 to 1979 the Mines and Geosciences Bureau (MGB) conducted mineral verification surveys of Sanchez Mira, Ballesteros and Gonzaga. The studies resulted in the verification of the occurrence of magnetite deposits, characterization of the profile, determination of the thickness of the magnetite-bearing layers and delineation of the potential magnetite sand accumulations.

When BGRMC was granted the original Exploration Permit under MPSA 338-2010-II-OMR, the initial geological exploration it conducted consisted of underwater sampling by scuba divers that obtained samples of the seabed surface by manual digging using shovel. The company also undertook random sampling at the beaches and reportedly diamond drilling. Unfortunately the results of such exploration program cannot be found in the available literature. Apparently the activities produced favorable results that motivated BGRMC to proceed in converting the EP to an MPSA.

#### 3.2. Exploration Works by JDVC

After the property was transferred to JDVC in 2011, a more systematic exploration program was implemented that consisted of geophysical surveys involving magnetic anomaly mapping, seismic reflection profiling and bathymetric survey; exploratory diamond drilling at 4,000m spacing and confirmatory drilling at 2000m spacing.

The seismic reflection survey involved 270 survey points along the generally North-South traverse lines which are 500m apart and East-West traverses at 1,000m spacing (**Figure 4**). The data obtained were used to establish the profiles of the underlying seabed and project the possible consistency of the magnetite bearing horizons.

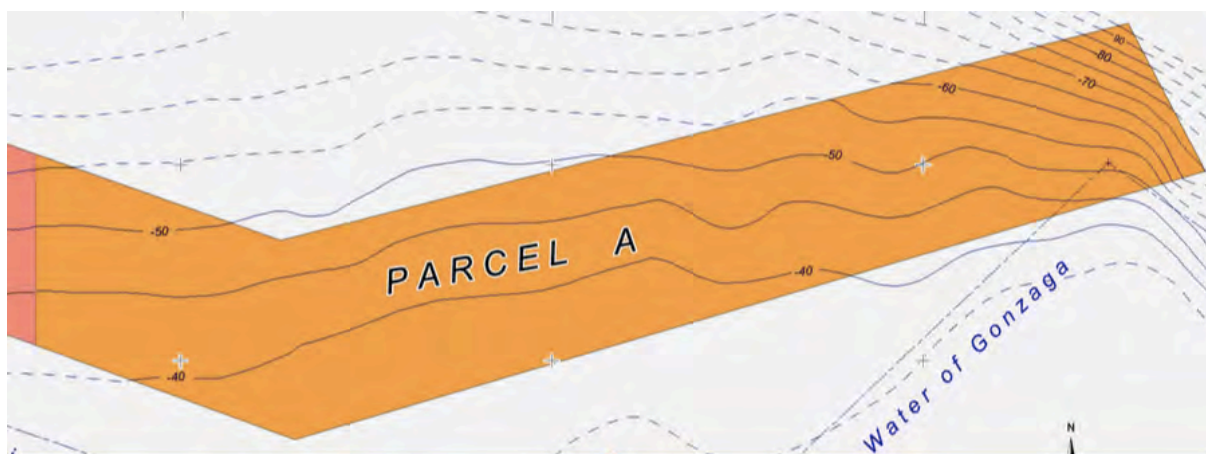


**Figure 4.** Traverse lines of the Seismic Reflection and Bathymetric surveys.



The bathymetric survey was conducted using a dual frequency Teledyne EchoTrac MK-III high precision echo sounder set at frequencies of 200 KHz and 33 KHz. The traverse consisted of 452 line-kilometers that were supplemented by additional discrete bathymetric measurements. The bathymetric contours and 3-D rendering of the seabed were obtained using Surfer V.11 software. **Figure 5** shows the submarine topography of the area covered by MPSA 338-2010-II-OMR Amend A.

The diamond drilling program was designed based on the results of the geophysical surveys. A total of eleven (11) drill holes were completed with depth ranging from 5m to 22 m. Only six (6) of the drill holes are located inside the 1,897 hectares of MPSA 338-2010-II-OMR Amended A. The other five (5) shallow holes are located outside the 1897-hectare property of JDVC but inside the original 4,999-hectare exploration area.

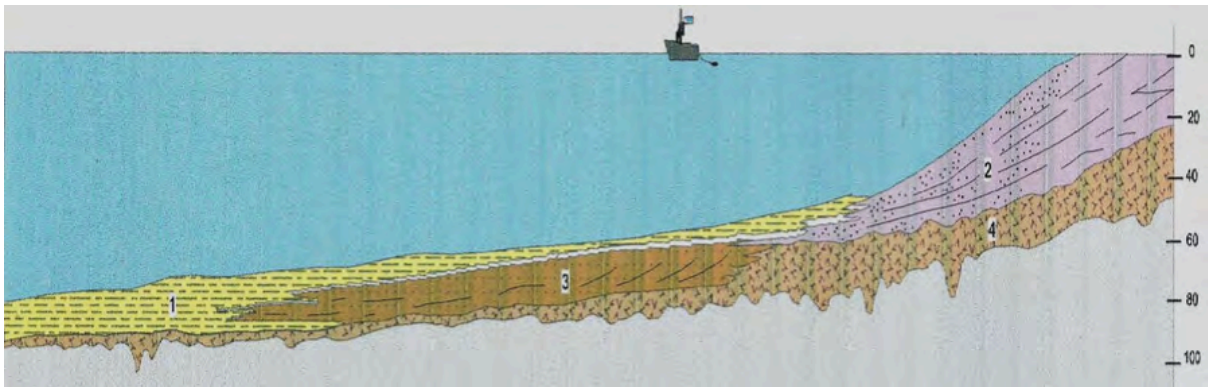


**Figure 5.** Bathymetric map of MPSA 338-2010-II-OMR Amended A.

## **4. MINERAL DEPOSIT DATA AND INTERPRETATION**

### **4.1. Interpretation of Seismic Reflection Data**

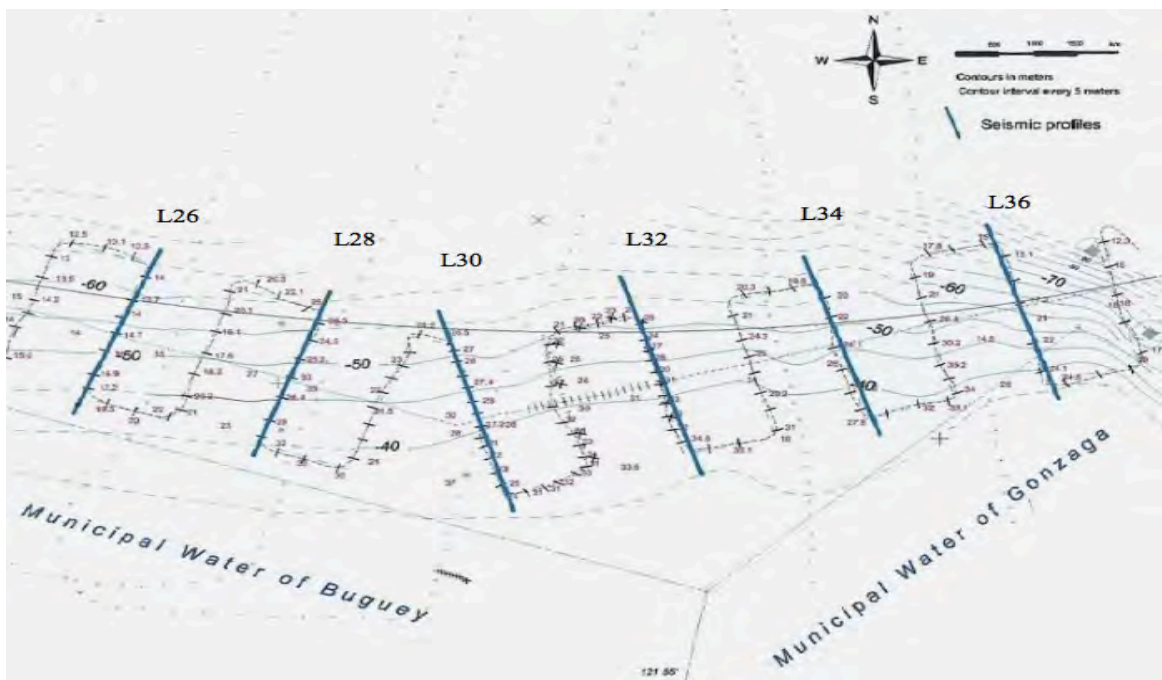
The interpretation of the seismic reflection data showed that the unconsolidated sediments deposited over the tenement area could be subdivided into four (4) units designated as Unit 1, Unit 2, Unit 3 and Unit 4. Unit 1 is the topmost layer and therefore the youngest unit, which is still subjected to sea current that results to dispersal farther away from the shoreline. Units 2, 3 and 4 are remnants of older layers that have undergone winnowing in the geologic past that may have resulted concentration of heavy minerals thus enrichment of the mineral content. Unit 4 is the lowest unit that overlays the acoustic basement surface. It was deduced in the seismic interpretation that the most promising seismo-stratigraphic units for magnetite sand accumulation are Unit 2 and Unit 3. An Idealized profile of the seabed is shown in **Figure 6**.



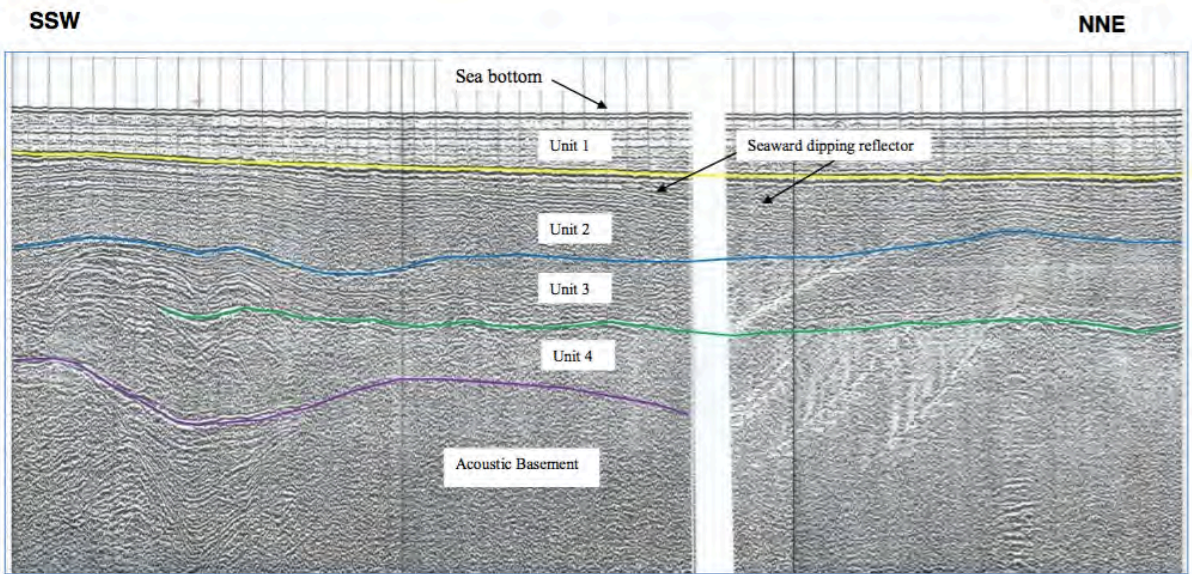
**Figure 6.** Idealized profile of the seabed showing the seismo-stratigraphic layers.

The seismo-stratigraphic interpretation also not only identified and delineated the potential exploration target, but it also yielded the thickness of the potential magnetite bearing layers. Based on the mathematical computation of the vertical extent or thickness of the units, it was estimated that the average thickness of Unit 1 is 6.8m while the combined Units 2 and 3 have average vertical extent of 19.0m for a total of 25.8 m. Unfortunately the diamond drilling did not reached this projected depth. The deepest hole is only 22m.

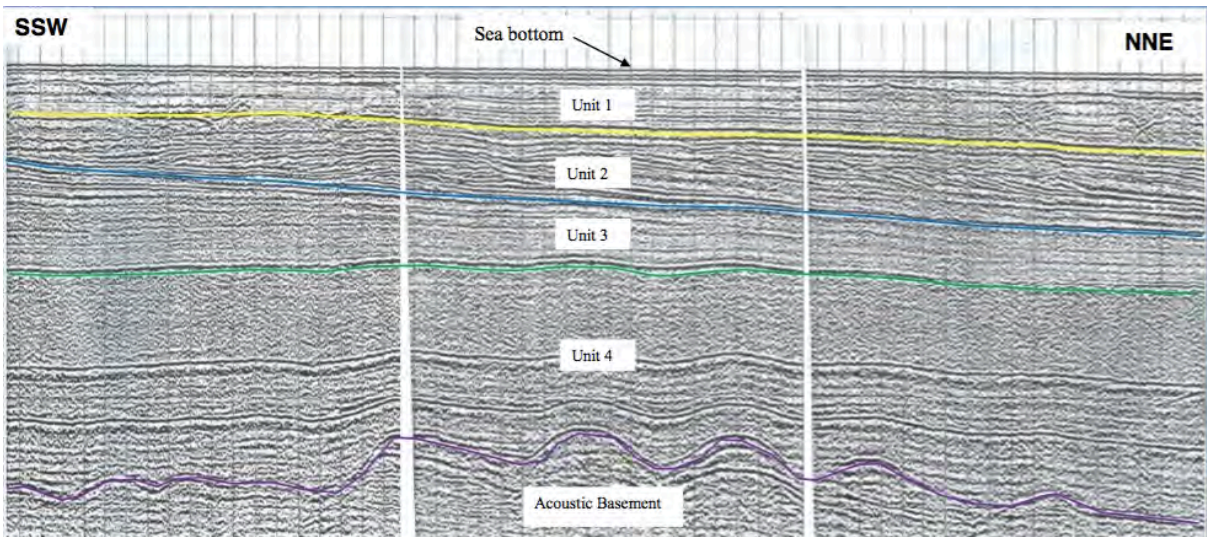
Perhaps the more important information derived from the seismic reflections survey are the interpreted seismic profiles that demonstrate the continuity of the seismo-strata. These are useful basis in predicting the continuity of the layers and will boost the confidence in the estimation of the mineral resource. Based on **Figure 7** that shows the profile lines, Seismic Profiles on Lines 26, 28, 30, 32 and 34 can be used to project the lateral extent of the magnetite bearing horizons within MPSA 338-2010-II-OMR Amended A.



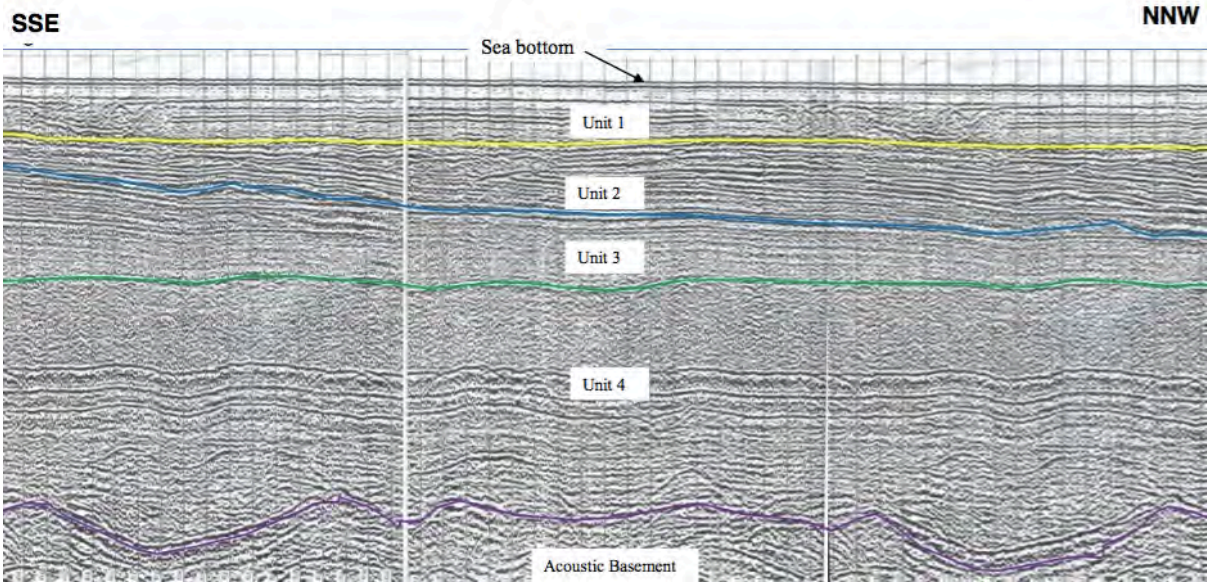
**Figure 7.** Plot of the seismic profile lines.



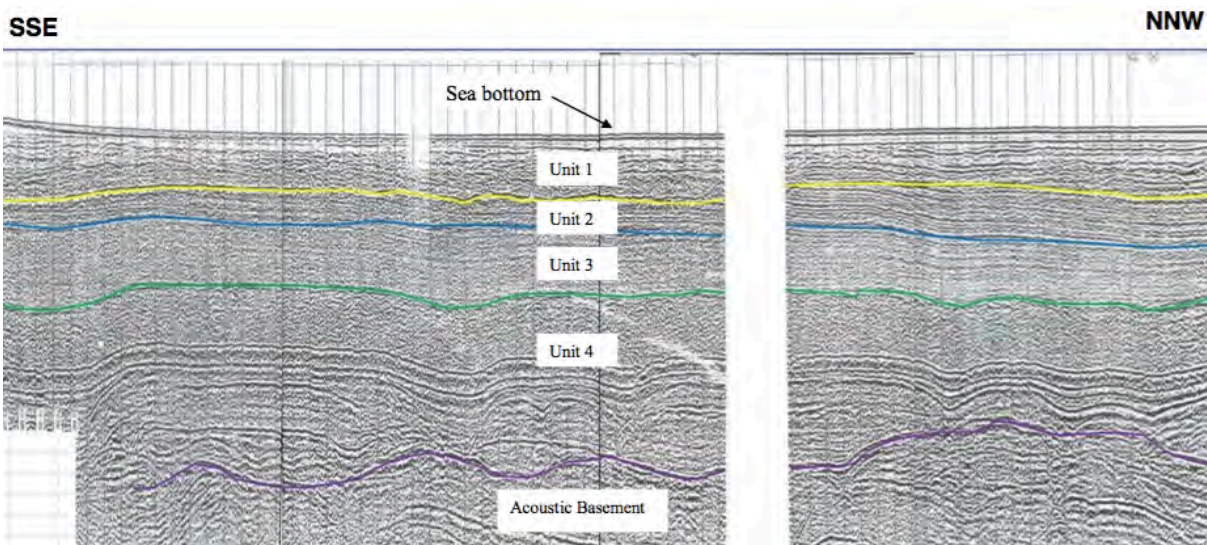
**Figure 8.** Seismic Profile Line 26.



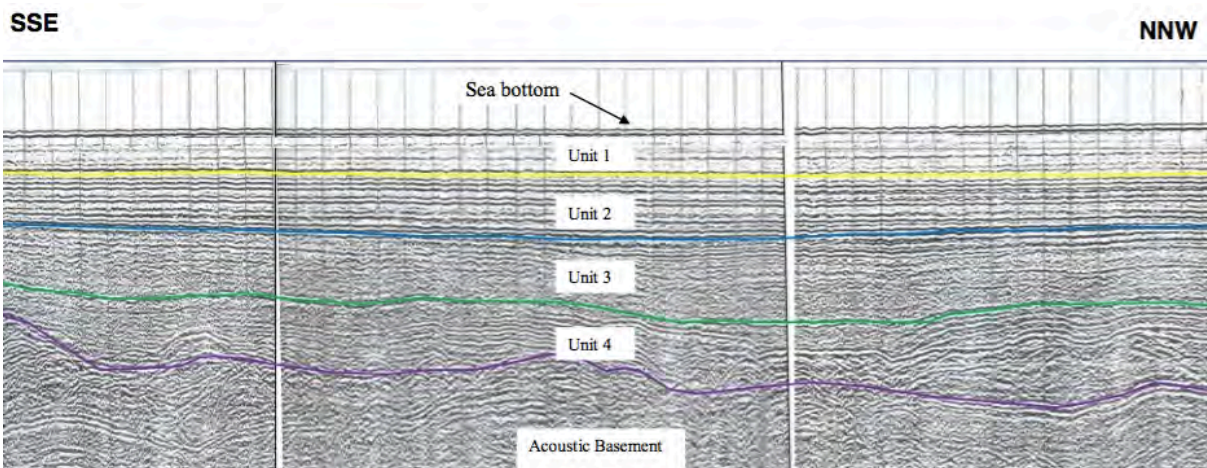
**Figure 9.** Seismic Profile Line 28.



**Figure 10.** Seismic Profile Line 30.



**Figure 11.** Seismic Profile Line 32.

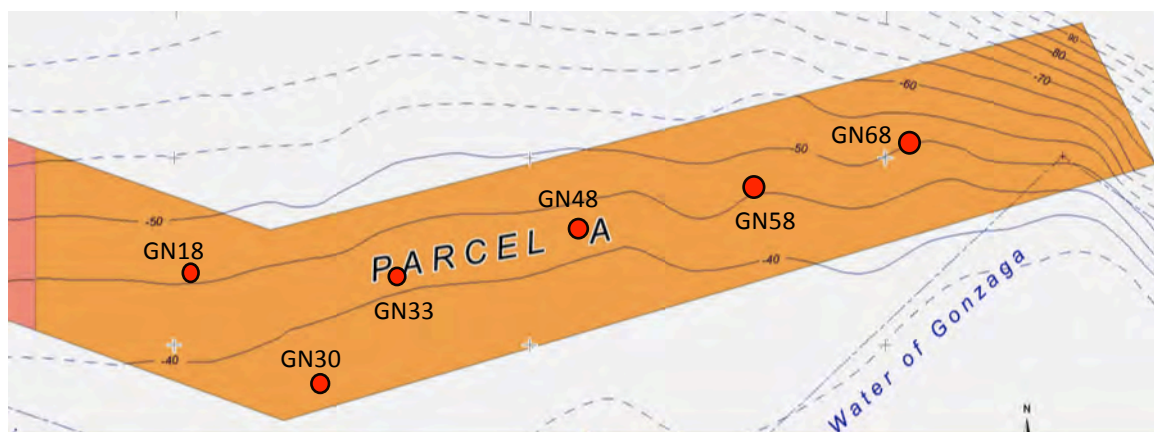


**Figure 12.** Seismic Profile Line 34.

The seismic profiles in Lines 26, 28, 30 32 and 34 provide clear indications that Unit 1 is almost uniformly spread throughout the whole tenement. Units 2 and 3 have more variable thickness but nevertheless continuous over the whole area.

#### 4.2. Results and Interpretation of Diamond Drilling Data

Six drill holes were driven within the area coverage of MPSA 338-2010-II-OMR Amended A, namely: GN18, GN30, GN33, GN48, GN58 and GN68. The locations of the drill holes are shown in **Figure 13**. GN18 is 1,765m from GN 30, and GN 30 is 1,340m from GN 33. The distance between GN 33 and GN 48 is 1,947m. GN 58 is 1,729m from GN 48 and 1,724m to GN 68. These confirm that the spacing between the drill holes are less than 2,000 m, hence the mineral resource that will be computed within the polygons at each drill holes can be classified as Indicated Mineral Resource in conformity with the assumptions of ACP Liwanag and MGB Validating Team and supported by the seismic reflection data.



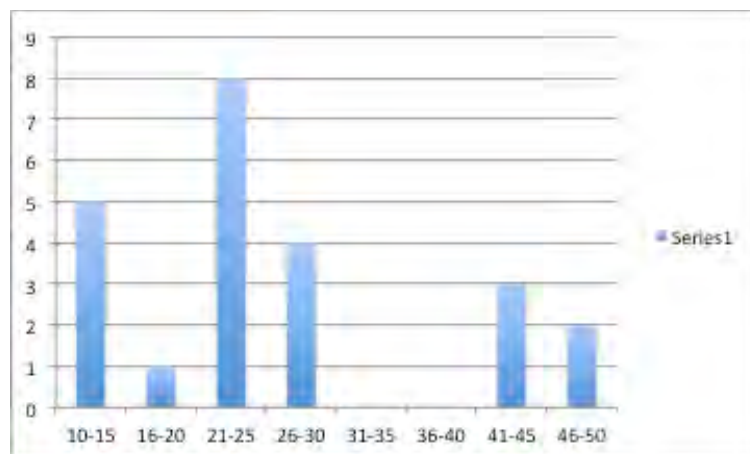
**Figure 13.** Plot of the six drill holes.

The drill cores consisting mostly of sand and silt were composited at 5m intervals to produce each sample. The samples were sent to the laboratory of Intertek Testing Services Philippines, Inc. (Intertek) for sample preparation and chemical analysis using Panalytical Axios Wavelength Disperse X-ray Fluorescence (WDXRF). After the sample preparation, the samples are homogenized and quartered. A quarter was used for the chemical analysis of 24 elements and compounds using XRF. The other splits were saved for Mines and Geosciences Bureau (MGB) for physical analysis using Dings David Tube (DDT) to separate the magnetic fraction and analysis of Fe content and for JDVC's safekeeping for future reference. The results of the laboratory analyses relevant to the estimation of the mineral resource are summarized below.

**Table 3.** Results of the analysis of drill core samples

Drill hole	Interval	% MF	% Fe
GN18	0-5	26.58	62.05
	5-10	43.87	61.53
	10-15	24.89	60.45
	15-20	12.58	62.58
GN30	0-5	3.23	59.69
	5-10	21.01	61.80
	10-15	20.71	61.38
GN33	0-5	22.56	62.53
	5-10	41.89	61.52
	10-15	23.63	61.23
	15-20	11.65	62.03
GN48	0-5	24.87	60.58
	5-10	46.55	62.12
	10-15	25.41	62.35
	15-20	12.66	60.09
GN58	0-5	24.94	60.50
	5-10	47.29	61.49
	10-15	27.89	60.37
	15-20	10.24	61.78
GN68	0-5	26.98	60.38
	5-10	43.15	62.58
	10-15	23.89	61.06
	15-20	13.56	61.74
	20-22	18.86	60.53

After applying the cut off grade of 5%MF, the drilling data set useful for the estimation of the mineral resource consists of only 23 sample values, which is not sufficient (statistically significant) to make a meaningful statistical analysis. Nevertheless the plot of the sample values grouped at 5%MF intervals is shown in **Figure 14** while the basic statistical parameters are provided in **Table 4**.



**Figure 14.** Plot of drilling data/sample values (i.e. %MF)

If the data set will be subjected to univariate analysis, the descriptive statistics are as follows:

**Table 4.** Descriptive Statistics of the whole data set

Statistical Parameters	All data
Number of Samples	23
Min. Value	10.24
Max. Value	47.29
Mean	25.90
Median	24.87
Variance	129.23
Standard Deviation	11.37
Range	37.05

The graph appears to show two populations – one ranging from 10%MF to 30% MF and the other group ranging from 40%MF to 50%MF with a break in between. This may mean two distinct geologic domains within the magnetite sand deposits. However, this is inconclusive and may simply be due to insufficient data. The parameters for central tendency – **Mean** and **Median** values indicate normal distribution. The indicators of Dispersion are **Range** and **Standard Deviation**.

The drill hole data were re-arranged and displayed side by side to provide a crude depiction of the spatial (horizontal and vertical) relations among the drill holes (**Table 5**). GN18 is the westernmost drill hole while GN68 is located farthest to the east.

**Table 5.** Drill hole logs showing % MF.

Drill Hole No and approximate collar elevation					
GN18 -45m	GN30 -38m	GN33 -41m	GN48 -42m	GN58 -45m	GN68 -50m
	3.23				
26.58	21.01	22.56	24.87	24.94	
43.87	20.71	41.89	46.55	47.29	26.98
24.89	???	23.63	25.41	27.89	43.15
12.58		11.65	12.66	10.24	23.89
					13.56
					18.86

**Table 5** shows perceptible mineralization domains - the top layer (shaded in yellow) may correspond to the interpreted seismo-stratigraphic Unit 1 and the underlying layer (shaded in pink) may correspond to Units 2 and 3. Following that interpretation, it is very noticeable that the lateral consistency of the grade is remarkable. Statistical analysis of each layers reveal the following characteristics:

**Table 6.** Basic Statistical parameters of each layer/domains.

<b>Statistical Parameters</b>	<b>Top layer</b>	<b>Mid Layer</b>	<b>Lower layer</b>
Number of Samples	7	10	6
Min. Value	20.71	23.63	10.24
Max. Value	26.98	47.29	18.86
Mean	23.95	34.85	13.26
Median	24.87	34.89	12.62
Variance	6.50	108.25	8.80
Standard Deviation	2.55	10.40	2.97
Range	6.27	23.66	8.62

Each domain yielded narrower range and smaller standard deviation. The Mean and Median are very close indicating good central tendency, hence normal distributions. Again, as a word of caution, there is insufficient data at the moment to support the conclusions.

## **5. ESTIMATION OF MINERAL RESOURCES**

### **5.1. Estimation of Indicated Mineral Resource using the Polygon Method**

The conventional polygon method was used in the recalculation of the minerals resources as it is deemed as the most practical and applicable in the given situation where the data are derived only from six (6) drill holes (**Figure 13**). This is also the method used in the PMRC Report of ACP Raffy Liwanag and by the Validation Team of MGB, thus using the same method will enable the comparison of the three estimates of the Mineral Resource.

#### **5.1.1 Construction of the Polygons**

The following limitations/parameters were used to define the sides of the polygons:

1. Although the seismic profiles indicate the continuity of the subsurface strata below the seabed within and beyond the tenement area, the area of influence of the samples was assumed at 1,500m for the purpose of estimating Indicated Mineral Resource. Beyond the 1,500m radius, the Mineral Resource is considered as Inferred.
2. The area of influence of the samples is also considered as halfway to the nearest samples or drill holes if the shortest distance between these sample pairs is less than 3,000m. All the six (6) drill holes have distances less than 2,000m, hence some of the sides of the polygons are defined by the perpendicular bisector of the straight line connecting nearby pairs of drill holes.
3. Since the estimation of the mineral resource is confined within the MPSA area, the boundary lines of the tenement were also used clip the polygons.



4. In areas where the extent of the tenement boundaries are more than 1,500m from the nearest drill hole, the side of the polygon is configured as an arc defined by a radius of 1,500m from the collar of the drill holes.
5. Except in the steeply dipping portion of the seabed (such as in the northeastern end of the MPSA area), the effect of the marine topography is disregarded. This is similar to the 'unfolding' or 'unwarping' methods used by modern specialized computer applications such as Gemcom and Surpac in estimating mineral resources and ore reserves. However in this study, the topography at the steep northeastern edge of the property has to be accounted in consideration of the mineability of the deposit and/or possible truncation of the magnetite bearing beds. Thus the polygon defined around drill hole GN68 is partly bounded by contour lines.

In summary the polygons boundaries are defined by straight lines representing the perpendicular bisector between drill hole pairs, boundary lines of the tenement, and arc segment limiting the area of influence of the samples to 1,500m. However, in one instance, contour lines were used to clip the boundaries of the polygon in the area that is steeply dipping.

### 5.1.2 Construction of the Polygons

Drill hole GN18 is located in the western portion of the tenement. Its exact location is defined by coordinates is 18° 26' 19.9572" Latitude and 121° 53' 0.4992" Longitude. The sides of the polygon consist of the perpendicular bisector with GN 30 and GN33, boundaries of the tenement and the arc defined by a radius of 1,500m. The area is estimated at 3.81 sq. km. or 3.81 M sq.m.



Figure 15. Polygon construction at GN 18.

### 5.1.3 Polygon surrounding GN30

The perpendicular bisector with GN 33 and GN 18 and the two southern boundaries of the tenement bound the polygon for drill hole GN30. The estimated area of this polygon is 1.24 sq. km. or 1.24M sq.m.



Figure 16. Polygon construction at GN 30.

### 5.1.4 Polygon surrounding GN33

For drill hole GN33, the perpendicular bisectors with GN18, GN30 and GN48 and segments of the property boundaries define the polygon representing the area on influence of the samples in this hole. The plane area is estimated at 3.0 sq km or 3.0M sq m.



Figure 17. Polygon construction at GN 33.

### 5.1.5 Polygon surrounding GN48

The polygon around drill hole GN48 has four (4) sides – two are perpendicular bisectors with GN33 and GN58, and the other two sides are boundaries of the tenement. The estimated area is 3.21 sq km or 3.21 M sq m.

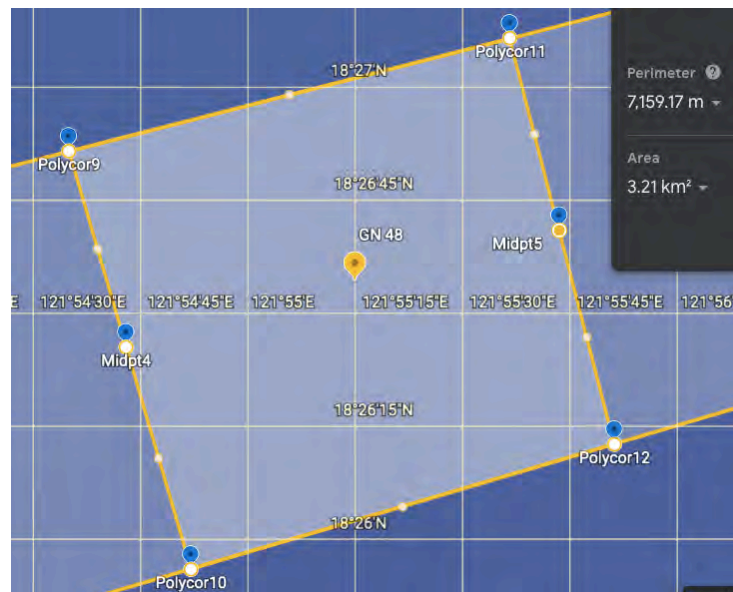


Figure 18. Polygon construction at GN 48.

### 5.1.6 Polygon surrounding GN58

Similarly the polygon for drill hole GN58 is four-sided. The sides are perpendicular bisector with GN48 and GN68, northern and southern boundaries of the MPSA area. The calculated area is 2.91 sq km or 2.91M sq m.

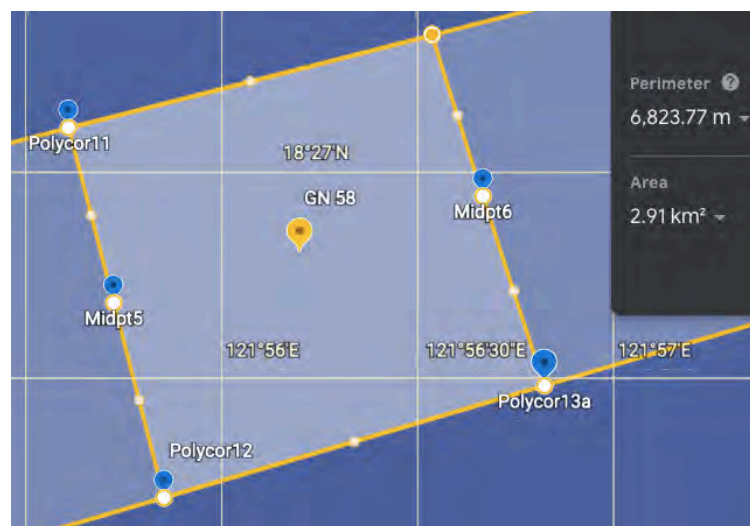


Figure 19. Polygon construction at GN 58.

### 5.1.7 Polygon surrounding GN68

GN68 is the easternmost drill hole located near the steeply dipping seabed at the edge of the tenement area. The assumption of unfolding may no longer be tenable hence the polygon for each layer is delimited by the contour lines. The sides of the polygons are the perpendicular bisector with GN58, boundaries of the tenement, the arc segment based on 1,500m radius, and the contour lines at 5m intervals from the hole collar elevation.



**Figure 20.** Polygon construction at GN 68 at Level -55m.

The area of the top polygon bounded by contour line at approximately 55m depth is 2.49 sq km or 2.49M sq m.



**Figure 21.** Polygon construction at GN 68 at Level -60m.

The underlying polygon defined partly by 60m-depth contour line has an area of 3.05 sq km or 3.05M sq m.



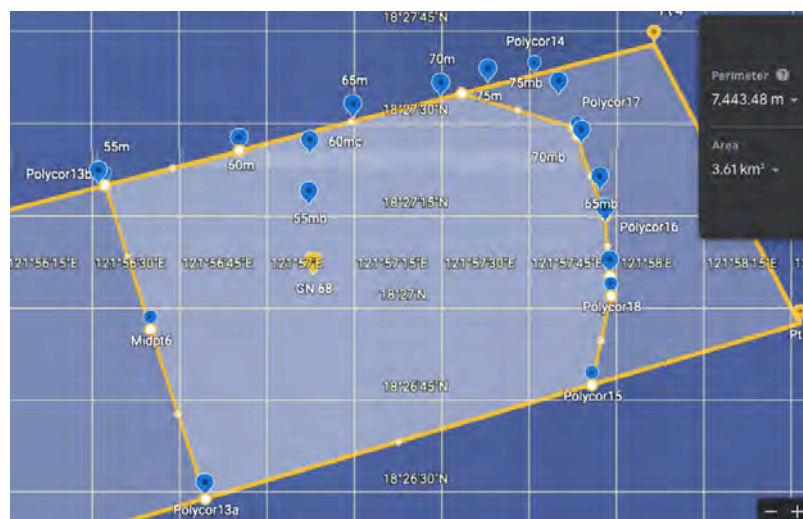
**Figure 22.** Polygon construction at GN 68 at Level -65m.

The polygon at 65m contour line has an area of 3.35 sq km or 3.35M sq m.



**Figure 23.** Polygon construction at GN 68 at Level -70m.

At depth of 70m, the polygon has an area of 3.56 sq km equivalent to 3.56M sq m.



**Figure 24.** Polygon construction at GN 68 at Level -72m.

The polygon at approximately 72m depth contain an area of 3.61 sq km equal to 3.61M sq m.

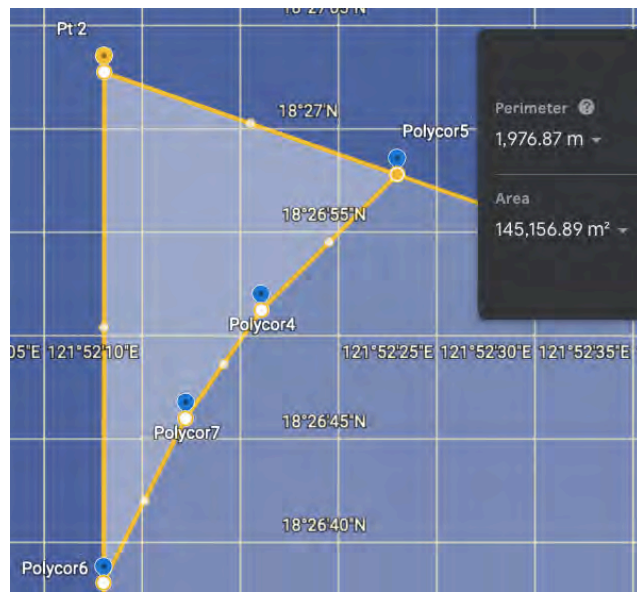
In summary, the volume of the Indicated Mineral Resource can be computed as follows:

**Table 7.** Volume calculation of the Indicated Mineral Resource

<b>Drill hole</b>	<b>Interval</b>	<b>Area, sq km</b>	<b>Volume, cu m</b>
GN18	0-5	3.82	19,100,000
	5-10	3.82	19,100,000
	10-15	3.82	19,100,000
	15-20	3.82	19,100,000
GN30	0-5	Below cut off grade	
	5-10	1.24	6,200,000
	10-15	1.24	6,200,000
GN33	0-5	3.00	15,000,000
	5-10	3.00	15,000,000
	10-15	3.00	15,000,000
	15-20	3.00	15,000,000
GN48	0-5	3.21	16,050,000
	5-10	3.21	16,050,000
	10-15	3.21	16,050,000
	15-20	3.21	16,050,000
GN58	0-5	2.91	14,550,000
	5-10	2.91	14,550,000
	10-15	2.91	14,550,000
	15-20	2.91	14,550,000
GN68	0-5	2.49	12,450,000
	5-10	3.05	15,250,000
	10-15	3.35	16,750,000
	15-20	3.56	17,800,000
	20-22	3.61	7,220,000
		<b>Total</b>	<b>340,670,000</b>

## 5.2. Estimation of the volume of Inferred Mineral Resource

The potential mineral resource in areas within the tenement but outside the polygons are classified in this report as Inferred Mineral Resource for being beyond the 1,500m area of influence of samples used in estimating Indicated Mineral Resources. These areas occur in the northwestern edge (more than 1,500m away from GN18) and northeastern end of the tenement area (beyond 1,500m from GN68). These are illustrated in **Figures 25 to 26**.



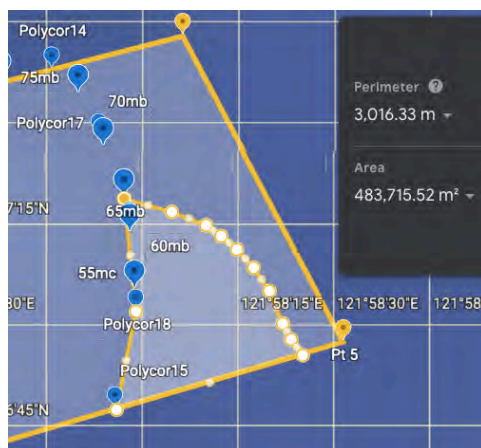
**Figure 25.** Area of Inferred Mineral Resource from GN18.



(a)



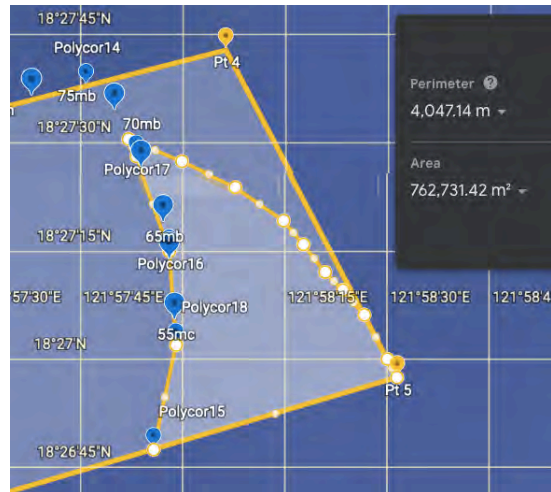
(b)



(c)



(d)



(e)

**Figure 26.** Areas of Inferred Mineral Resource in relation to GN68 at various elevations i.e. (a). -55m, (b) -60m, (c). -65m, (d). -70m and (e). -72m.

The summary of the estimated volume of Inferred Mineral Resources is given in the following table.

**Table 8.** Estimation of the volume of Inferred Mineral Resource

Drill hole	Interval	Area, sq m	Volume, cu m
GN18	0-5	145,157	725,784
	5-10	145,157	725,784
	10-15	145,157	725,784
	15-20	145,157	725,784
GN68	0-5	216,157	1,080,787
	5-10	333,180	1,665,902
	10-15	483,716	2,418,578
	15-20	695,057	3,475,285
	20-22	762,731	3,813,657
<b>Total Volume =</b>			<b>15,357,346</b>

### 5.3. Comparison of the Volume Calculations

It would be interesting to compare the basic results of three independent estimations of the Mineral Resource over the same area using the same methodology. This can provide a very strong confirmation of the estimated mineral resource. The various estimations of the Indicated Mineral Resource are presented in **Table 9** for comparison.



**Table 9.** Comparison of the Volume Estimation of the Indicated Mineral Resource

Drill hole	Interval m	ACP RNSantos	ACP RRLiwanag	MGB
		Volume Calculations, cu m		
GN18	0-5	19,100,000	14,134,499	25,410,145
	5-10	19,100,000	21,167,829	25,410,145
	10-15	19,100,000	22,232,822	25,410,145
	15-20	19,100,000	13,339,693	25,410,145
GN30	0-5	below cut-off	6,260,619	below cut-off
	5-10	6,200,000	11,600,679	6,262,075
	10-15	6,200,000	7,183,350	6,262,075
GN33	0-5	15,000,000	11,977,837	12,067,221
	5-10	15,000,000	16,404,741	12,067,221
	10-15	15,000,000	18,130,900	12,067,221
	15-20	15,000,000	19,433,900	12,067,221
GN48	0-5	16,050,000	13,066,734	15,734,912
	5-10	16,050,000	15,073,203	15,734,912
	10-15	16,050,000	15,950,498	15,734,912
	15-20	16,050,000	17,519,498	15,734,912
GN58	0-5	14,550,000	11,252,573	14,360,439
	5-10	14,550,000	14,792,032	14,360,439
	10-15	14,550,000	14,510,689	14,360,439
	15-20	14,550,000	18,284,781	14,360,439
GN68	0-5	12,450,000	10,862,507	12,373,778
	5-10	15,250,000	14,539,174	12,373,778
	10-15	16,750,000	19,498,537	12,373,778
	15-20	17,800,000	22,483,264	12,373,778
	20-22	7,220,000	9,150,511	4,949,511
<b>Total Volume, cu m</b>		<b>340,670,000</b>	<b>358,850,871</b>	<b>337,259,644</b>

As can be deduced in the table, the estimate of the volume of the Indicated Mineral Resource in this study is about 1% higher than the estimate of the MGB Validating Team and 5% lower than the estimate of ACP Liwanag. It should be noted that the MGB Validation team actually calculated **569,968,798.83 DMT** with average grade of **26.51%MF** from the volume measurement but applied a 90% recovery in the final reporting of the “total raw offshore magnetite sand resource of **512,971,918.94 DMT** with weighted average grade of **26.51%MF**”.

#### 5.4. Estimated Mineral Resources

Using the conventional polygon method of estimating mineral resources and applying the same specific gravity of ore at 1.69, this study arrived at an estimated Indicated Mineral Resource of 527 Million DMT of magnetite deposit containing an average of 26% Magnetic Fraction. The detailed estimation is presented in **Table 10**. By applying a maximum ‘area of influence’ of samples at 1,500m radius, some of the mineral resource previously included as Indicated Mineral Resource in the PMRC report of ACP Liwanag, have been re-classified as

Inferred Mineral Resource in this report on the basis of the interpreted seismic profiles that consistently indicate the continuity of the magnetite bearing horizons. The estimated Inferred Mineral Resource is 26 Million metric tons with average grade of 23% MF. Detailed breakdown of the estimates is given in **Table 11**.

**Table 10.** Estimated Indicated Mineral Resource

<b>Drill hole</b>	<b>Interval</b>	<b>Area, sq km</b>	<b>Volume, cu m</b>	<b>% MF</b>
GN18	0-5	3.82	19,100,000	26.58
	5-10	3.82	19,100,000	43.87
	10-15	3.82	19,100,000	24.89
	15-20	3.82	19,100,000	12.58
GN30	0-5	Below cut off grade		3.23
	5-10	1.24	6,200,000	21.01
	10-15	1.24	6,200,000	20.71
GN33	0-5	3.00	15,000,000	22.56
	5-10	3.00	15,000,000	41.89
	10-15	3.00	15,000,000	23.63
	15-20	3.00	15,000,000	11.65
GN48	0-5	3.21	16,050,000	24.87
	5-10	3.21	16,050,000	46.55
	10-15	3.21	16,050,000	25.41
	15-20	3.21	16,050,000	12.66
GN58	0-5	2.91	14,550,000	24.94
	5-10	2.91	14,550,000	47.29
	10-15	2.91	14,550,000	27.89
	15-20	2.91	14,550,000	10.24
GN68	0-5	2.49	12,450,000	26.98
	5-10	3.05	15,250,000	43.15
	10-15	3.35	16,750,000	23.89
	15-20	3.56	17,800,000	13.56
	20-22	3.61	7,220,000	18.86
<b>Total Volume, cu m =</b>			<b>340,670,000</b>	<b>26.27</b>
<b>Tonnage, DMT =</b>			<b>575,732,300</b>	<b>26.27</b>

**Table 11.** Estimated Inferred Mineral Resource

<b>Drill hole</b>	<b>Interval</b>	<b>Area, sq m</b>	<b>Volume, cu m</b>	<b>% MF</b>
GN18	0-5	145,157	725,784	26.58
	5-10	145,157	725,784	43.87
	10-15	145,157	725,784	24.89
	15-20	145,157	725,784	12.58
GN68	0-5	216,157	1,080,787	26.98
	5-10	333,180	1,665,902	43.15
	10-15	483,716	2,418,578	23.89

15-20	695,057	3,475,285	13.56
20-22	762,731	3,813,657	18.86
<b>Total Volume =</b>		<b>15,357,346</b>	<b>23.19</b>
<b>Tonnage, DMT =</b>		<b>25,953,915</b>	<b>23.19</b>

## 6. INTERPRETATION AND CONCLUSIONS

The estimated Indicated Mineral Resource reported in this study is in conformity with the previous estimations done by ACP Liwanag and the MGB Validating Team. The differences are acceptable considering that all these are only estimates that have inherent variability. In addition, the variance could be attributable in the dissimilarity in the design of the polygons, differences in the software used to measure the areas of influence and assumptions applied. For instance, ACP Liwanag did not apply any cut-off grade on the premise that selective mining is not possible while the MGB validating Team applied a 5%MF cut off grade and 90% recovery.

The implementing rules and regulation of PMRC 2007 provides that zero cut off grade is not allowed in the estimation of mineral resources; hence this writer supports the use of the 5%MF cut-off grade. However, the application of a recovery factor should be based on mining plan and operational parameters and more suitable in the estimation of the Mineral Reserves rather than Mineral Resource that relies mainly on geologic information and confidence.

Based on the foregoing, it is the conclusion in this report that the estimated Indicated Mineral Resource of magnetite sand deposits within the 1,897.0242 hectares covered MPSA 338-2010-II-OMR-Amended A amounts to 575 Million DMT containing an average grade of 26% MF. The Inferred Mineral Resource is estimated at 23 Million DMT with average grade of 23%MF.

It is worth mentioning that the available drill holes data did not provide any indication on the bottom limit of the magnetite deposits. It is therefore recommended that in the succeeding exploration works intended to upgrade the current estimated Indicated and Inferred Mineral Resource either into Measured Mineral Resource or Ore/Mineral Reserves, the in-fill drilling program should be designed to reach the deeper horizons, possibly down to the acoustic basement.

Prepared by:



**Ramon N. Santos**

Accredited Competent Person in Geology  
 ACP Accreditation No. 14-05-02  
 PRC Registration No. 00834

## REFERENCES

Advanced Technology Resources Mining and Business Process Technology Provider Corporation, 2014; *Preliminary Resource Estimate for Offshore Magnetite Iron Sand Project Town of Gonzaga, Province of Cagayan, Philippines*, unpublished company report.

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Liwanag, Rafael R. 15 August 2015; *Comprehensive Report on the Results of Exploration and Mineral Resource Estimates for the Proposed Offshore Magnetite Mining Project of JDVC Resources Corporation Denominated as MPSA-338-2010-II-OMR Located in the Offshore areas of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, Province of Cagayan*, a PMRC Compliant Report.

Lands Geological Survey Division-Economic Geology Section, Mines and Geosciences Bureau Central Office (MGB-CO) July 2018. *Mineral Resource Validation Report for the Evaluation of Declaration of Mining Project Feasibility of JDVC Resources Corporation's Offshore Magnetite Sand Mining Project covered by Mineral Production Sharing Agreement denominated as MPSA No. 338-2010-II-OMR, Offshore Areas of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, Cagayan Province*.

# **ANNEX B**

**PMRC – Competent Person’s Report**

**Mineral Resource Evaluation**

**JDVC Resources Corporation**

Offshore Magnetite Mining Project (MPSA-338-2010-II-OMR)

August 15, 2015

**COMPREHENSIVE REPORT ON THE RESULTS OF EXPLORATION  
AND MINERAL RESOURCE ESTIMATES  
FOR THE PROPOSED OFFSHORE MAGNETITE MINING PROJECT  
OF JDVC RESOURCES CORPORATION  
DENOMINATED AS MPSA-338-2010-II-OMR  
LOCATED IN THE OFFSHORE AREAS OF THE MUNICIPALITIES  
OF SANCHEZ MIRA, PAMPLONA, ABULUG, BALLESTEROS, APARRI, BUGUEY  
AND GONZAGA, PROVINCE OF CAGAYAN**

**Prepared for JDVC Resources Corporation by:**

**RAFAEL R. LIWANAG**

PMRC Competent Person on Exploration Results  
and Mineral Resource Reporting

**August 15, 2015**

## 1.0 CERTIFICATES AND CONSENTS OF CPs FOR TECHNICAL REPORTS

### 2.1 Certificates and Consents of CPs for Technical Reports

CERTIFICATE AND CONSENT OF COMPETENT PERSON  
FOR PUBLICATION OF EXCERPT OF REPORT  
AND COMPLIANCE STATEMENT  
WITH THE PHILIPPINE MINERAL REPORTING CODE

The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by **MR. RAFAEL R. LIWANAG**, who is a member of the Geological Society of the Philippines.

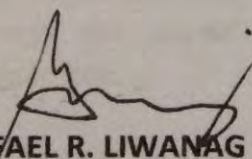
Mr. Rafael R. Liwanag has sufficient experience which is relevant to the style of mineralization and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2007 edition of the Philippine Mineral Reporting Code (PMRC) for Reporting Exploration Results, Mineral Resources and Ore Reserves. The CP accreditation is valid at the time of filing of this certificate.

Mr. Rafael R. Liwanag consents to the inclusion of the report on matters based on his information in the form and context which it appears. Mr. Rafael R. Liwanag certifies that at the time of the report and to the best of his knowledge, all technical information that is required to make the report not misleading has been included.

Mr. Rafael R. Liwanag consents to the public filing of this report, extracts here from, or a summary of this report in the Environmental Impact Statement and/or Partial Declaration of Mining Project Feasibility being filed in the context in which it was reported.

This certificate applies to the *“Comprehensive Report on the Results of Exploration and Mineral Resource Estimate for the Proposed Offshore Magnetite Mining Project of JDVC Resources Corporation Denominated as MPSA-338-2010-II-OMR Located in the Offshore Areas of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, Province of Cagayan”* prepared on August 15, 2015.

Issued this 15<sup>th</sup> day of August 2015 in Quezon City, Metro Manila.



**RAFAEL R. LIWANAG**

PMRC Competent Person on Exploration Results and Mineral Resource Reporting  
CP Accreditation Number 11-08-01  
PRC Geologist No. 512  
PTR No. A-2389213, Issued on 21 January 2015 in Taguig City

## **2.2 Scope of Work of Competent Person**

Mr. Rafael R. Liwanag has been engaged by JDVC Resources Corporation (JDVCRC) as the Competent Person (CP) to make an estimate of the Magnetite Sand mineral resources contained within certain portions of MPSA-338-2010-II-OMR based on the information provided by JDVCRC in conformity with the Philippine Mineral Reporting Code.

Mr. Liwanag also is tasked to document the procedures used in handling the data, and the manner which the magnetite sand mineral resource estimate has been calculated, as well as the results of exploration within the said area.

The scope of this work is focused, among others, in estimating the mineral resources of magnetite within the explored areas of the said MPSA. The estimates in this report include the geological, physical and chemical analysis of all samples available as of July 31, 2015. While being consistent with the outline of PMRC reporting, this report does not consider the completeness, veracity, accuracy, suitability of the legal, permitting, commercial, social and other non-technical aspects of the project area; thus this report focuses chiefly on the exploration, sampling, and assay data only.

## **2.3 Reliance on Other Experts or Competent Persons**

The quality of information, conclusions, and estimates contained herein is consistent with the level of effort involved in Mr. Liwanag's services, based on: i) information available at the time of preparation; ii) data supplied by JDVCRC; and iii) the assumptions, conditions, limitations and qualifications set forth in this report.

Mr. Liwanag understands that the collection of geological, exploration and sample data and the compilation of the assay database and geological interpretation have been undertaken either directly or under the supervision of Registered Professional Geologists and/or Mining Engineers of the Republic of the Philippines and in accordance with industry-accepted practices.

Mr. Liwanag has taken reasonable efforts to confirm that the data are reliable for the purpose of reporting exploration results and for resource modeling prior to estimation; however it was not possible to confirm the collection of data first-hand for the earlier exploration phases, but is attested to by JDVCRC staff as to the veracity and general accuracy of documentation of the previous work. Regardless, Mr. Liwanag has been able to witness the actual sampling, preparation and analysis of the most recent drilling programme.

Mr. Liwanag has not undertaken any legal due diligence into the status of the tenements, commercial agreements, environmental or permitting matters, as well as any areas encompassed/subject to Indigenous Peoples' interests nor of endorsements from the Barangay, Municipal and Provincial Local Government Units, and other relevant National Government agencies. Mr. Liwanag has accepted the tenement information as supplied by JDVCRC.

While Mr. Liwanag himself is a Au pioneer in the use of Gemcom modeling software, he still

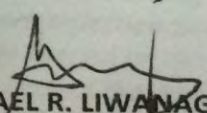


engaged the services of Mr. Melogyn Largo in the geological modeling and resource estimation and Mr. Edgardo Gonzales in the interpretation of the seismic refraction survey. Mr. Largo is an expert in mining software application. He trained under the Gemcom distributors while still working at the Carmen Copper Project of Carmen Copper Corporation (formerly Atlas Consolidated Mining and Development Corporation) in Don Andres Soriano, Toledo City, Cebu. He then worked with Mr. Liwanag at the Leyte Magnetite Project of Nicua Corporation, which later became the Leyte Ironsand Corporation, and then at Yinyi Philippines Mining Incorporated handling the GIS and geological modeling software.

Mr. Gonzales, on the other hand is an expert in marine geology and seismic reflection survey, having worked also at the Mines and Geosciences Bureau's Marine Geology Division for more than twenty years. He has conducted this type of survey as well as coastal monitoring all over the Philippines. Mr. Gonzales is responsible for the geological interpretation of the results of the seismic reflection survey.

While Messrs. Largo and Gonzales are not CP's in their professions, they have sufficient experience and expertise and Mr. Liwanag attests to their credibility. Mr. Liwanag assumes that the information they supplied in the resource estimates and refraction survey interpretation, respectively are accurate after detailed and lengthy discussions with them.

#### **2.4 Signature of Competent Person:**



**RAFAEL R. LIWANAG**  
PMRC CP No. 11-08-01  
PRC Geologist No. 512  
PTR No. A-2389213  
Issued in Taguig City  
on 21 January 2015

### 3.0 EXECUTIVE SUMMARY

*This is a comprehensive PMRC-compliant report on the Exploration Results and Mineral Resource Estimate for the Partial Declaration of Mining Project Feasibility in the Cagayan Offshore Magnetite Mining Project of JDVC Resources Corporation under MPSA-338-2010-II-OMR located in the municipal waters of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, all in the province of Cagayan. Using a data cutoff of July 31, 2015, the company has completed an exploration programme over an area of 4,999.2358 hectares of the 14,240-hectare MPSA area, consisting of geophysical surveys involving seismic reflection profiling and bathymetric surveys and diamond drilling and core sampling that employed a boat-mounted Longyear 38 Wireline drill with modified "Jar drill" core recovery system to ensure an acceptable high core recovery; using bathymetric points and drill collars surveyed by GPS using WGS 84 projection that enabled the delineation of an ore envelope using the conventional Polygon Method of resource estimation*

*Within this ore envelope, 11 vertical confirmation drillholes with an average of 90% recovery, amounting to more than 140 meters, with the collection of 142 samples, which were all analyzed by XRF for %Fe, %Al<sub>2</sub>O<sub>3</sub>, %CaO, %Cr<sub>2</sub>O<sub>3</sub>, %K<sub>2</sub>O, %MgO, %P<sub>2</sub>O<sub>5</sub>, %SiO<sub>2</sub>, %V<sub>2</sub>O<sub>5</sub>, %As, %BaO, %Cl, %Co, %Cu, %MnO, %Na<sub>2</sub>O, %Ni, %Pb, %SO<sub>3</sub>, %Sn, %Sr, %TiO<sub>2</sub>, %Zn, %Zr and Per cent loss-on-ignition (LOI) and Sieve Test at Intertek Testing Services Philippines, Inc., and analyzed for Magnetic Fraction (MF) using a Dings Davies Tube (DDT) which segregates the magnetite through magnetism at the Petrochemical Laboratory of the Mines and Geosciences Bureau.*

*The confirmation holes were drilled using 2,000 and 4,000-meter interval spacings which were based on the result of the interpretation of the seismic reflection data of the area. It was established in this survey that the sand horizon which contains the economic values of magnetite sand ranges in thickness of about 25 meters on the easternmost portion of the tenement, tapering towards the west to about 10 meters. The seismic reflection survey generated about 270 points that are spaced at a maximum of 500-meter interval on the N-S direction and a maximum of 1,000-meter interval on the E-W direction. Each of these points has its own coordinates, elevation, and the individual thicknesses of the sand horizons (Stratigraphic Units). These data were used to establish the consistency of the possible magnetite sand-bearing horizons accurately. Based on the data gathered from the seismic reflection survey, the drillhole spacing programmed for Parcel A is 2,000 meters with an average drilling depth of 20 meters; while for Parcel B-1, it is 4,000 meters, with an average drilling depth of 5 meters.*

*On the average, the thicknesses of the sediments per Unit are as mathematically computed follows:*

	Unit 1 (meters)	Unit 2 (meters)	Total (meters)
Parcel A	6.8	19.0	25.8
Parcel B-1	3.0	6.8	9.80

*While the company implemented QA/QC protocols during the drilling operation, they were limited to core recovery, sampling, logging, labeling and chain of custody. Field duplicates*

and standards were not inserted in the samples. Data accuracy was therefore measured from the results of analysis of laboratory replicates and standards. To test the accuracy of the methods of sampling and physical (DDT) and chemical (XRF) analyses, the results of analyses of the field standards, laboratory replicates were tabulated and compared and the result shows that the standards and the laboratory replicates gave very low absolute relative differences between the known (expected) and the assayed values for Fe; and consequently, very low percentage of error (0.1% and 0.35%, respectively).

To determine the tonnage, the average specific gravity of 1.69 DMT/m<sup>3</sup> was used. This was determined at the petrochemical laboratory of the Mines and Geosciences Bureau. The resource polygons were constructed based on the topographic map produced from the bathymetric survey. The radii of influence used were 1,500 meters for indicated resource (Parcel A) area and 1,500 meters for the inferred resource (Parcel B-1) area based on the results of the seismic reflection profiling discussed above and as agreed with the proponents.

The estimation of the mineral resource using the polygon method shows an indicated resource of 606,458,000 DMT with an average grade of 25.47% MF, which will yield more than 150,000,000 DMT of magnetite concentrate which is about 60% Fe. The inferred resources consist of additional 63,000,000 DMT with an average of 47% MF content that can yield about 30,000,000 DMT of magnetite concentrate. Considering the unique contemplated method of mining which is by dredging, it was agreed with the proponent that a zero cut-off grade will be used in the resource computation. Based on this assumption, and based on the agreed parameters on resource categorization, the resulting details of the computed resource by level and categories are therefore tabulated as follows:

Level	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>INDICATED RESOURCE</b>			
0-5 meters	114,167,560.95	23.16	26,445,391.99
5-10 meters	158,146,240.41	41.55	65,708,816.19
10-15 meters	164,786,486.19	24.68	40,668,170.45
15-20 meters	153,893,321.90	12.17	18,727,301.51
20-25 meters	15,464,363.07	18.86	2,916,578.87
<b>Total</b>	<b>606,457,972.52</b>	<b>25.47</b>	<b>154,466,259.02</b>
<b>INFERRED RESOURCE</b>			
<b>0-5 meters</b>	<b>63,179,310.69</b>	<b>47.71</b>	<b>30,140,910.80</b>

The polygon method of computation enabled the classification of the resources within the ore envelope to be in conformity to PMRC classification of indicated, and inferred resources which correspond to the level of confidence and certainty of estimate related to each class. The result of the computation can be validated by fill-in holes which can be drilled as time and weather will permit; although the best way to validate the accuracy of the computation is through ore reconciliation during the actual mining operation.

*The estimates provide a firm basis for transforming resources into reserves, hence eventual mineral production, lasting many years, depending on the production rate and mine plan that can be set and designed by a PMRC CP Mining Engineer. Optimization of the resultant block model will provide basis for proper mine planning and scheduling that will maximize the value of the resources and reserves. The block model from this estimation also provides the basis for grade control, reconciliation, to meet customer specifications.*

*A substantial portion of the tenement is still not drill tested. The project's total resources can be significantly upgraded; additional resources can be determined by deeper drilling by closer spaced drill holes, implementing a stricter compliance to QA/QC protocols.*

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## **5.0 INTRODUCTION**

### **5.1 Report Commission and Submission**

This report on the results of exploration and mineral resource estimates in the magnetite sand property of JDVC Resources Corporation (JDVCRC) within its Cagayan Offshore Magnetite Mining Project has been prepared primarily by Mr. Rafael R. Liwanag as the Philippine Mineral Reporting Code (PMRC) Competent Person (CP) on Exploration Results and Mineral Resource Reporting as commissioned by JDVCRC, to support the public reporting in connection with its partial Declaration of Mining Project Feasibility (DMPF) that it is now preparing. While the discussion on the exploration methodologies and the general description of the project as to the physical features, geology and mineralization cover the whole MPSA-338-2010-II-OMR, the mineral resources being reported cover only those areas that are covered by the influence of the drill holes, which is the coverage of the DMPF.

Unless otherwise stated, information and data contained in this report or used in its preparation have been provided by PRMC. The data cutoff was information available as of July 31, 2015.

### **5.2 Purpose for which the Report was Prepared**

This report mainly relates to the exploration results and resource estimate reporting for the JDVCRC's Cagayan Offshore Magnetite Mining Project. A PMRC-compliant comprehensive report on the results of exploration and mineral resource estimates is required for the processing of the DMPF for all mining entities on their mineral resource contents.

Among others, the resource estimate and resultant model form the principal basis for a PMRC Mining CP for subsequent transformation of resources into reserves, which can be valued and mined. Subsequent optimization would likewise maximize the value of the resources/reserves, enabling sensible mine planning and scheduling.

The resource block model also provides the means for reconciliation of the estimate versus actual values realized upon subsequent mining, enabling efficient grade control during production.

### **5.3 Duration of the Preparation, including Field Visits and Verification**

The preparation of this report commenced on June 17, 2015. Upon handover of the data, the undersigned CP checked its completeness and validity upon rigid verification. Missing overburden intervals, encoding errors in the assays, sample intervals, absence of lithology/matrix classification, and other possible sources of error were checked. The clean database was then used in the statistical and geostatistical processing, and eventually, geological modeling to derive the resource estimate.

Field verifications were conducted by Mr. Liwanag and Ms. Florence Mamungay on August 6 to 8, 2015. Mr. Liwanag is well-acquainted with field procedures of surveying, mapping, sampling by drilling, geological logging, sample preparation, and analysis; including QAQC procedures and geological modeling and mineral resource estimation of magnetite sand,

having worked as Chief Geologist of Nicua Corporation and Leyte Ironsand Corporation in their Leyte Magnetite Sand Project in MacArthur, Leyte, from 2007 to 2012 and was responsible for the exploration and development of the said project.

#### **5.4 Members of the Technical Report Preparation Team**

The following JDVCRC staff members contributed immensely in the preparation of this report:

Ms. Florence Mamungay and Mr. Louie Santos, the technical Consultants of JDVCRC, provided all the technical data used in this report. These include field procedures, analytical results, matrix classifications, coordinates, tenement boundaries and densities, among others.

Mr. Alejandro G. Cruz Herrera, Chairman of Advanced Technology Resources Mining and Business Process Technology Provider Corporation, the principal consultant of JDVCRC provided the legal documents such as the MPSA, Operating Agreements, Deeds of Assignment and periodic reports on the MPSA.

Mr. Joseph R. Barce provided the assay records and actual physical samples of cores and core boxes in the Quezon City office of JDVCRC.

The non-PRMC members of the report preparation team are Messrs. Edgardo V. Gonzales and Mr. Melogyn Largo. Mr. Gonzales, who retired as Chief of the Marine Geology Division of the Mines and Geosciences Bureau and is now working as a Consultant of Isla Verde Mining Corporation and Green Process, Incorporated provided the analysis and interpretation of the seismic reflection data and correlation of the same with the drilling data, the results of which activities were used in the modeling of the sand horizons. On the other hand, Mr. Largo, who currently works as a free-lance software consultant provided his services in data processing, geostatistics and resource estimation using Mapinfo and GEMS.

#### **5.5 Host Company Representative**

As discussed above, Messrs. Alejandro G. Cruz-Herrera and Joseph R. Barce and Ms. Florence Mamungay of JDVCRC are the host company representatives that helped in the preparation of this report.

On the day-to-day aspects of the production of this report, Mr. Liwanag interacted mainly and directly with Ms. Mamungay.

#### **5.6 Compliance of Report with PMRC**

This report complies with the guidelines and format of the PMRC which emphasizes transparency, materiality and competence. As will be evident, this report comprehensively documents the detailed steps undertaken to produce the mineral resource estimate. The relevant details of significance to arrive at the resource estimate are considered, and all the applicable sections of the PMRC, especially its Table 1 have been considered in the resource estimation. Other relevant tests consistent with current best practices can be gleaned from

the report, to provide any interested party, or his advisers, to check the adequacy and acceptability of the estimates herein.

## **6.0 RELIANCE ON OTHER EXPERTS OR CPs**

Mr. Liwanag does not warrant the veracity, completeness, suitability and the like of all matters not relating to assays, geological information utilized in this report, including commercial, legal, sales and marketing, corporate and other matters. All other information is provided by JDVCRC “as is.” Mr. Liwanag’s scope of work is primarily on the reporting of exploration results and mineral resource estimates only. The company may at anytime subject the report to review by other competent persons.

While Mr. Liwanag himself is a pioneer in the use of Gemcom modeling software, he still engaged the services of Mr. Melogyn Largo in the geological modeling and resource estimation and Mr. Edgardo Gonzales in the interpretation of the seismic refraction survey. Mr. Largo is an expert in mining software application. He trained under the Gemcom distributors while still working at the Carmen Copper Project of Carmen Copper Corporation (formerly Atlas Consolidated Mining and Development Corporation) in Don Andres Soriano, Toledo City, Cebu. He then worked with Mr. Liwanag at the Leyte Magnetite Project of Nicua Corporation, which later became the Leyte Ironsand Corporation, and then at Yinyi Philippines Mining Incorporated handling the GIS and geological modeling software.

Mr. Gonzales, on the other hand, is an expert in marine geology and seismic reflection survey, having worked also at the Mines and Geosciences Bureau’s Marine Geology Division for more than twenty years. He has conducted this type of survey as well as coastal monitoring all over the Philippines. Mr. Gonzales is responsible for the geological interpretation of the results of the seismic reflection survey.

While Messrs. Largo and Gonzales are not CP’s in their professions, they have sufficient experience and expertise and Mr. Liwanag attests to their credibility. Mr. Liwanag assumes that the information they supplied in the resource estimates and refraction survey interpretation, respectively are accurate after detailed and lengthy discussions with them.

## **7.0 TENEMENT AND MINERAL RIGHTS**

### **7.1 Description of Mineral Rights**

The property was originally covered by MPSA No. 338-2010-II-OMR, a Mineral Production Sharing Agreement between the Republic of the Philippines and Bo Go Resources Mining Corporation (BGRMC) entered into on June 9, 2010. The contract area covers a total area of 14,240 hectares situated within or partly within the municipal waters of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, Cagayan. The tenement area is shown in Figures 7.1.1. (General Location Map of Cagayan Province) and 7.1.2 (Google Map Showing the Location of the MPSA Area).

The MPSA has a term of twenty-five (25) years, or until June 8, 2035, renewable for another 25 years. The contract grants BGRMC the exclusive rights to explore and develop the magnetite resources within the MPSA area, subject to the terms and conditions of the MPSA, and subject to compliance to the rules and regulations of other government agencies.



Figure 7.1.1: General Location Map of Cagayan Province

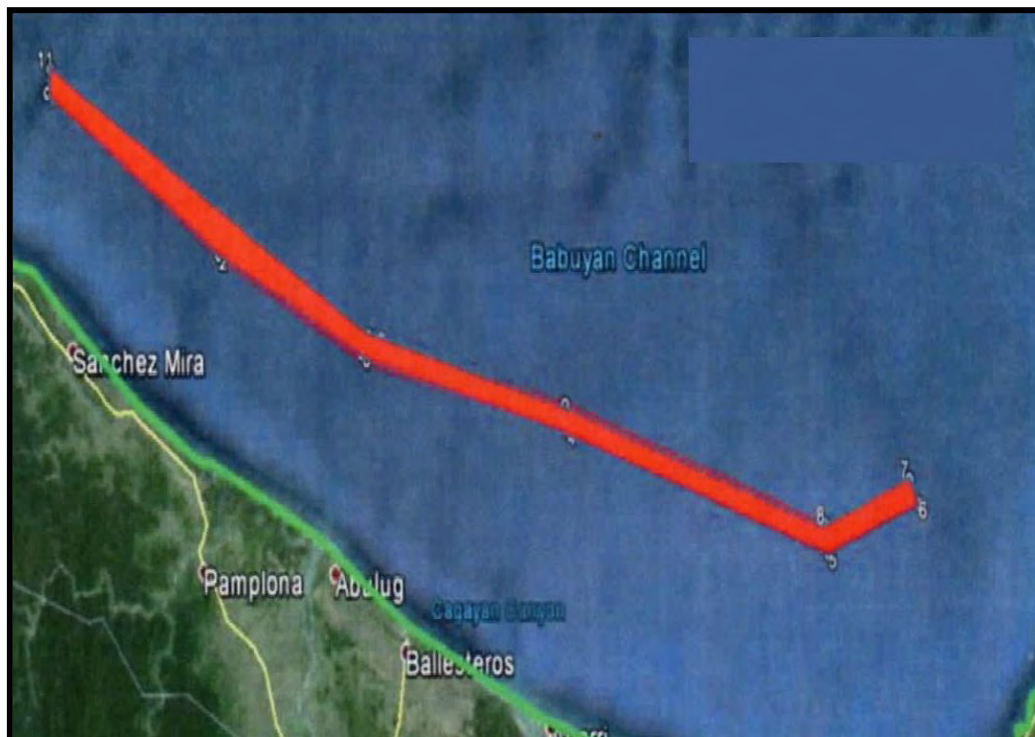


Figure 7.1.2: Google Map Showing the Location of the MPSA Area

The MPSA also provides for a two-year exploration period within which BGRMC has to conduct exploration and evaluation of the resources and determine if the deposit is economically mineable. If the deposit is economically mineable, the Company is required to submit a DMPF along with other mandatory requirements before the MPSA is converted into a Commercial MPSA, after which mining operation can commence. However, if the first two-year exploration period is not sufficient to prove an economically mineable deposit to put the tenement area in operation, the exploration period can be renewed or extended only twice for a total exploration period of six (6) years.

#### 7.1.1 Location of Area, Barangay, Municipality, Province

The contract area is situated within the municipal waters of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga in the Province of Cagayan covering approximately 14,240 hectares. The areas covered by each municipality are shown in Figure 7.1.1.1.

#### 7.1.2 Coordinate locations as per MGB

The contract area is situated within the municipal waters of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga in the Province of Cagayan. The area is bounded by the following geographic coordinates:

**Table 7.1.1: Technical Description of MPSA Area**

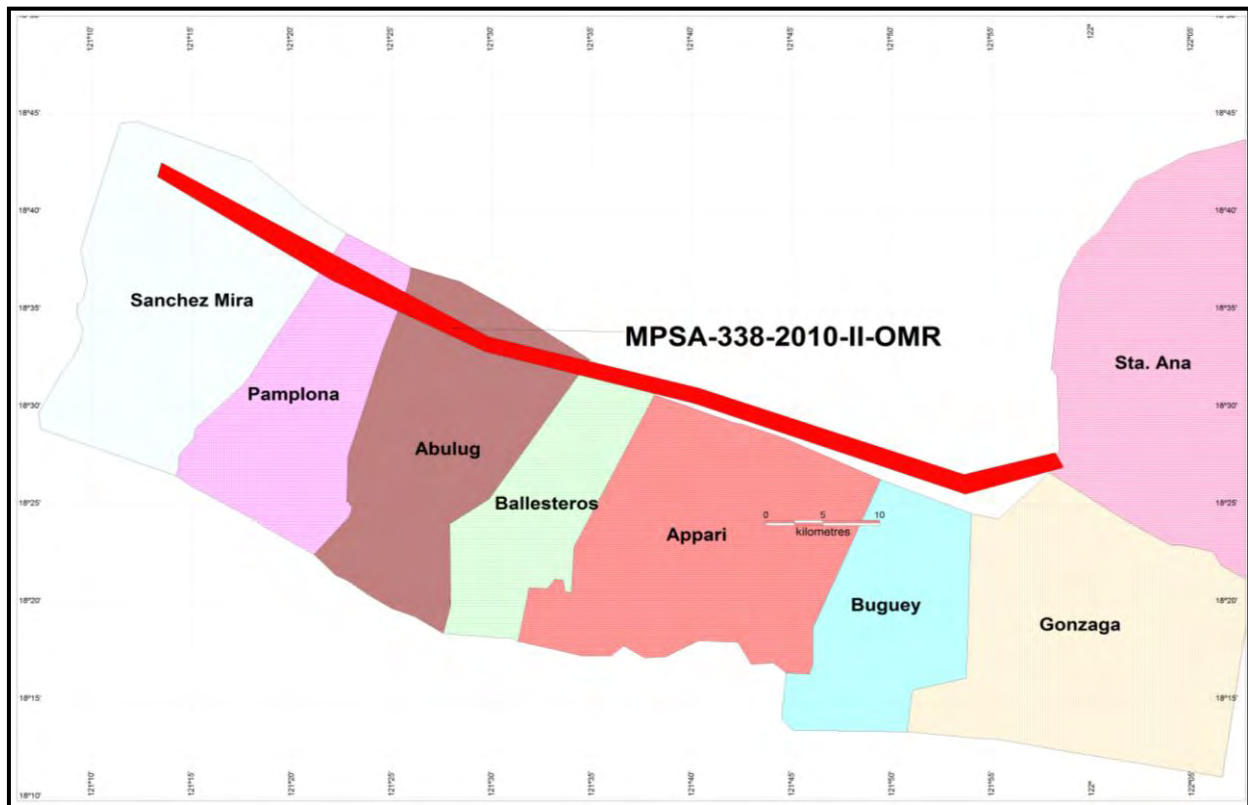
Corner	North Latitude	East Latitude
1	18° 42' 34.56"	121° 13' 26.76"
2	18° 33' 39.60"	121° 29' 45.96"
3	18° 31' 01.20"	121° 40' 18.48"
4	18° 26' 36.24"	121° 53' 32.28"
5	18° 27' 42.84"	121° 58' 06.24"
6	18° 26' 57.48"	121° 58' 31.44"
7	18° 25' 35.04"	121° 53' 36.96"
8	18° 30' 14.40"	121° 40' 04.44"
9	18° 32' 53.16"	121° 29' 37.68"
10	18° 36' 30.96"	121° 22' 01.20"
11	18° 41' 51.36"	121° 13' 14.52"

**Area = 14, 240.0000 hectares**

The general location of the province is shown in Figure 7.1.1; while the MPSA area is shown in the Google Earth Map in Figure 7.1.2.

#### 7.1.3 Number of claims and hectares covered by EP/MPSA/FTAA mode of agreement

MPSA-338-2010-II-OMR - 14,240 hectares



**Figure 7.1.1.1: Political Map Showing the Areas Covered by the Tenement by Municipality**

#### 7.1.4 Type of permit or agreement with government

Mineral Production Sharing Agreement (Exploration) issued on June 9, 2010.

## 7.2 History of mineral rights

MPSA-338-2010-II-OMR was approved on June 9, 2010 as a contract between the Republic of the Philippines and BGRMC.

The MPSA Contract ownership was transferred to JDVCR by BGRMC on November 25, 2011 by virtue of a Deed of Assignment duly approved and confirmed by both company's Board of Directors Resolutions and Corporate Secretary's Certifications. The same Deed of Assignment was duly registered with the DENR-MGB Region II, Tuguegarao City, Cagayan on 27, January 2012. It was duly approved on January 25, 2013 by the DENR Secretary Ramon J. P. Paje as recommended by MGB Director Leo L. Jasareno.

The Deed of Assignment as approved carries with it the responsibility to implement the Exploration Work Programs and the Environmental Work Program, which were eventually undertaken by JDVCR, as well as the submission of the regular Technical/Progress Reports. The Environmental Impact Assessment (EIA) has likewise been completed and presented to the various Municipalities and stake holders in the Province of Cagayan.

The first renewal of the Exploration Period of MPSA No. 338-2010-II-OMR was granted on June 17, 2013.

### **7.3 Current owners of mineral rights**

MPSA-338-2010-II-OMR - JDVC Resources Corporation

### **7.4 Validity of Current Mineral Rights**

MPSA-338-2010-II-OMR - MPSA (exploration) approved on June 9, 2010; 25-year term, renewable for a like period. The Two (2)-Year Exploration Period was renewed on June 17, 2013.

### **7.5 Agreements with Respect to Mineral Rights.**

MPSA No. 338-2010-II-OMR - Mineral Production Sharing Agreement dated June 9, 2010 by and between BGRMC and the Republic of the Philippines represented by the Secretary of the Department of Environment and Natural Resources;

Deed of Assignment between BGRMC and JDVCRC transferring the ownership of the MPSA Contract to JDVCRC on November 25, 2011; duly approved and confirmed by both company's Board of Directors Resolutions and Corporate Secretary's Certifications. The same Deed of Assignment was duly registered with the DENR-MGB Region II, Tuguegarao City, Cagayan on 27, January 2012. It was duly approved on January 25, 2013 by the DENR Secretary Ramon J. P. Paje as recommended by MGB Director Leo L. Jasareno.

### **7.6 Net Revenue That May be Derived from the Project**

7.6.1 Royalties, taxes, advances and similar payments paid or to be paid by the company to the mineral rights holder, joint venture partner(s), government, indigenous people, local government, and others;

- The company has a yearly obligation to pay the occupational fee amounting to P100/hectare or a total of P1, 424,000.00 per year;
- During the commercial operation, the company is obliged to pay 2% of the gross sales to the BIR in the form of excise tax and 1% of the gross sale to Indigenous People (IP's) in the area if there are any,



income taxes based on net income, business taxes and other applicable local and national taxes.

7.6.2 Receivables and Payable Sums to the Company and Mineral Rights Holder:

- Payment for Concentrate - \$90 to \$120/DMT at 60% Fe (varies depending on world metal prices)

7.6.3 The Preliminary Financial Evaluation presented and the Offshore Extraction Equipment Designs done by the experts and the specialists of JDVCRC seem to match the technical validation of the Resource Estimates herewith, as well as the Environmentally Safe and Effective Extraction and Magnetic Separation that have been used already for several decades by Arc Countries that started ahead the Offshore Mining of Magnetite Iron Sand respectively.

## 8.0 GEOGRAPHIC FEATURES

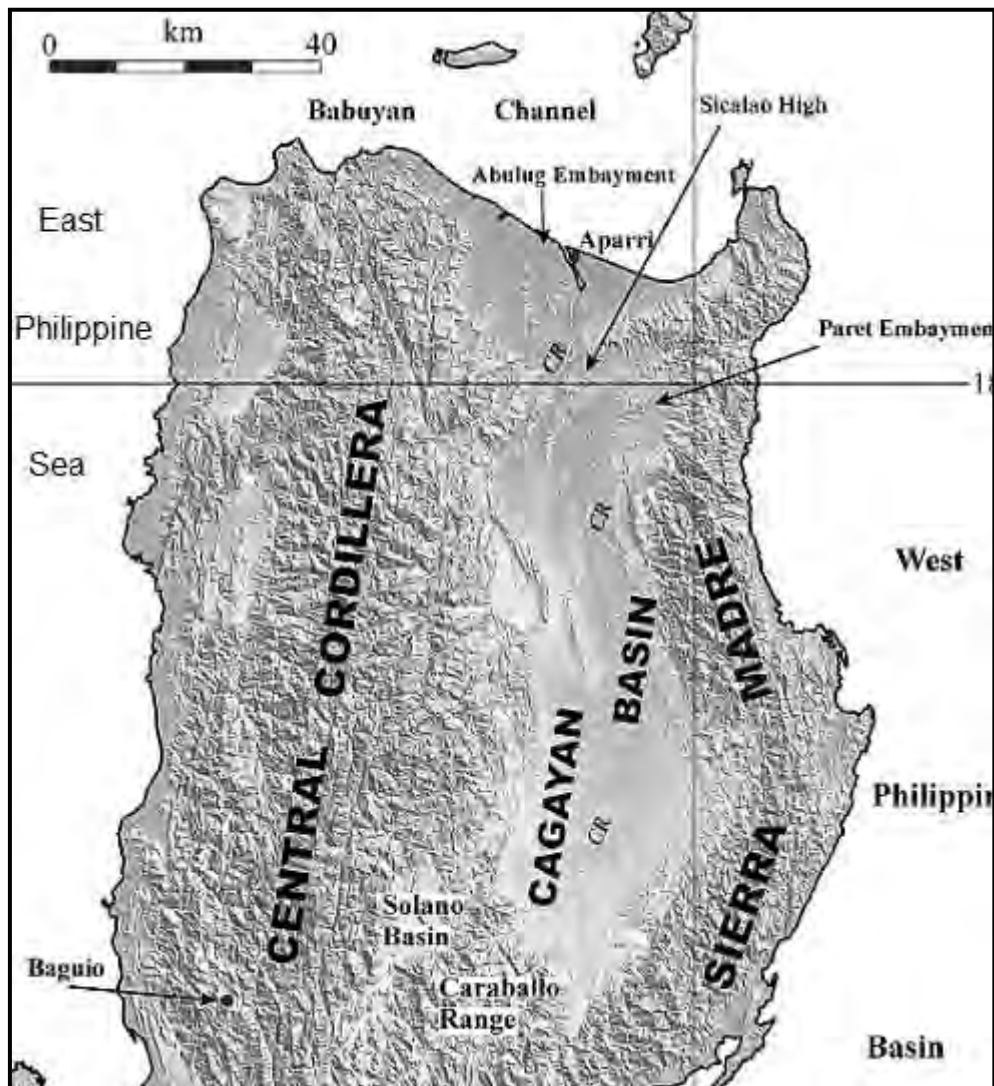
### 8.1 Location and accessibility

The tenement area is located about 14 kilometers off and parallel to the coast of the said coastal municipalities. It can be reached by motorized boat (*banca*) or any marine vessel. Travel to the portion of the tenement area directly north of the Cagayan River mouth using a motorized boat usually takes 1.5 hours. The camp site in Aparri is accessible from Manila via commercial airlines to Tuguegarao City and by land travel via private cars or buses (2-3 hours) thereafter. Public buses also travel directly from Manila to Aparri on a regular basis. Land travel from Manila usually takes 12 to 14 hours.

### 8.2 Topography, physiography, drainage and vegetation

The Cagayan Province is characterized by a vast expanse of plains and valleys, bordered by mountain ranges to the east by the Sierra Madre Range and to the west and south by the Cordillera Mountains. Of the Province's total area of about 900,110 hectares, 28.2% or 253,830 hectares are classified as flat to nearly level land. The larger part of the Province are categorized as rolling terrain, moderately steep, steep and very steep topography. Figure 8.2.1 presents the terrain map of Cagayan Province consisting dominantly of flat to level terrain, steep to very steep slopes forming the cores of the Sierra Madre Range, Cordillera Mountains and Caraballo.

Northeast Luzon is the area encompassing Cagayan Valley, the Northern Sierra Madre Mountain Range and the eastern part of the Cordillera Mountains. Cagayan River is the biggest river system of the Philippines. Originating in the highlands of the Sierra Madre in the East, the Cordillera in the West and the Caraballo Mountains in the South, it flows North through the broad Cagayan Valley ending in the Babuyan Channel.



**Figure 8.2.1: Terrain Map of the Cagayan Valley Region**

The Sierra Madre Mountain Range is situated on the eastern side of Cagayan Valley and extends south from the extreme tip of Northeast Luzon to Central Luzon. The highest peaks of the Sierra Madre are about 2,000 meters. The Cordillera is situated on the western side of Cagayan Valley and covers the entire central part of northern Luzon. The highest peaks here are nearly 3,000 meters. The Caraballo Mountains in the South form the natural barrier between the Central Luzon plains (in which Manila is situated) and the Cagayan Valley. Numerous rivers from the Cordillera and Sierra Madre Mountains feed the Cagayan River.

About 28.2% of the total area of Cagayan Province is flat to nearly level land consisting of alluvial plains, river delta, wetlands, mangrove areas, and beaches. Contiguous with the flat to level lands are the gentle to moderate slopes forming the plains of meandering rivers and creeks. Steep to very steep land comprises flanks and peaks of the Sierra Madre and Cordillera Mountains which accounts for about 35% of the total area. Table 8.2.1 summarizes the slope classification of Cagayan Province.

**Table 8.2.1: Slope Classification of Cagayan Province**

Description	Slope Range	Area in Hectares	Percent
Flat, nearly level land	0 - 3%	253,831	28.19%
Gently sloping land to undulating	3 - 8%	54,763	6.08%
Moderately sloping land to rolling	8 - 18%	121,386	13.48%
Rolling land to moderately steep	18 - 30%	153,665	17.07%
Steep land	30 - 50%	94,030	10.44%
Very steep land	> 50%	222,595	24.73%
TOTAL		900,270	00.00%

Source: ALMED, Bureau of Soils and Water Management, DA

The Province of Cagayan is crisscrossed by numerous rivers and creeks, the largest of which is the Cagayan River, considered as the lifeline of the province, where most of the towns of the Province are situated along its banks and plains. It originates from Quirino and traverses Cagayan from south to north. The larger tributaries of Cagayan River are the Pinacanauan, Chico, Magat, Malig, Ilagan, Dummun and Pared Rivers. The River headwaters are at Caraballo Mountains.

Cagayan River flows north for about 505 kilometers to its mouth at Aparri, Cagayan toward the Babuyan Channel. It has a total drainage area of about 27,300 sq. kilometers with an estimated annual discharge rate of 53,943 m<sup>3</sup>. Figure 8.2.2 shows the Cagayan River Basin Map.

The other major river systems in the Province are the Abulug River and the Pata River, both situated in the northwest portion. The Abulug River is the second largest river system in Cagayan Province and holds historic and cultural values. Don Juan Salcedo set foot on the mouth of Abulug River in 1572. The Abulug River, which has 3,372 sq. kilometers drainage area, ranks number 9 among the country's major river systems, in terms of the size of drainage area (Table 8.2.2 and Figure 8.2.3).

The Abulug River receives fresh water laden with suspended and bed-load sediments from Apayao River and tributaries from the western part of the Cordillera (Fig. 5) The twin Abulug and Apayao River systems has a total drainage area of 44,500 hectares (DENR-RBCO, 2010).

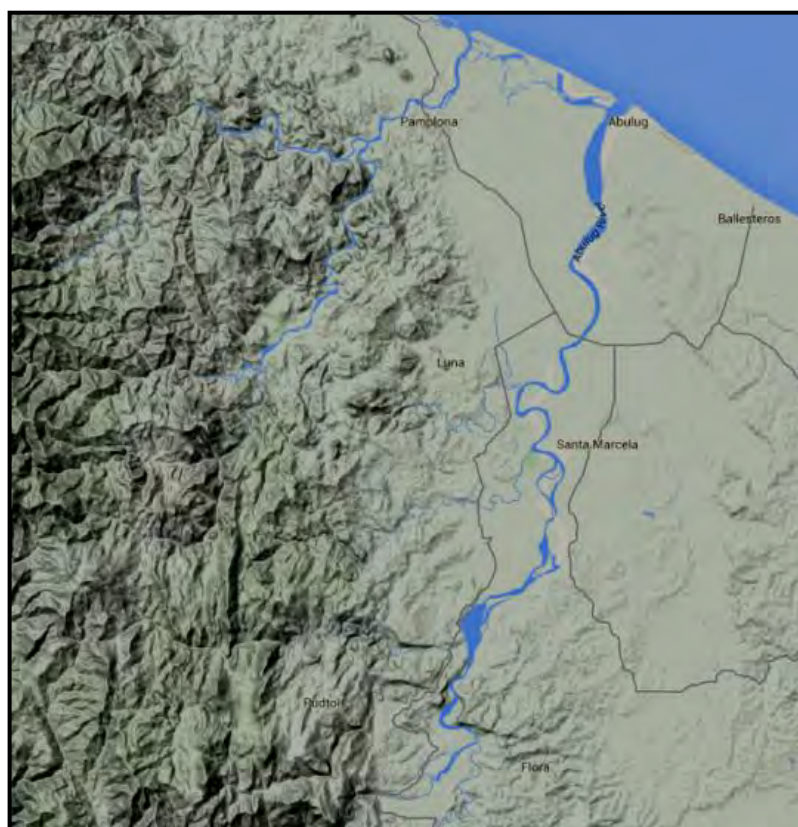


**Figure 8.2.2: Cagayan River Basin Map Showing Its Drainage Area**

The low-lying, flat floodplains of the Cagayan Valley are intensively cultivated. The main crops are corn, irrigated rice and tobacco. Towards the Sierra Madre Mountain Range, the landscape becomes hilly. The main crops here are corn, upland (rain fed) rice and banana. The Sierra Madre is steep and still mostly covered with forest. The portion of the Sierra Madre within Isabela Province has been declared a protected area: the Northern Sierra Madre Natural Park.

***Table 8.2.2: Major river basins of the Philippines (DENR: RBCO)***

River Basin	Region	Drainage Area (sq km)
Cagayan River	Cagayan Valley	25,649
Mindanao River	Southern Mindanao	23,169
Agusan River	Northern Mindanao	10,921
Pampanga River	Central Luzon	9,759
Agno River	Central Luzon	5,952
Abra River	Ilocos	5,125
Pasig-Laguna Lake	Southern Luzon	4,678
Bicol River	Bicol Region	3,771
Abulug River	Cagayan Valley	3,372
Tagum-Libuganon River	Southeastern Mindanao	3,064
Ilog Hilabangan	Western Visayas	1,945
Panay River	Western Visayas	1,843
Tagoloan River	Northern Mindanao	1,704
Agus River	Southern Mindanao	1,645
Davao River	Southeastern Mindanao	1,623
Cagayan River	Northern Mindanao	1,521
Jalaud River	Western Visayas	1,503
Buayan-Malungun River	Southern Mindanao	1,434



**Figure 8.2.3: Abulug River System Situated on the Northwestern Portion of Cagayan**

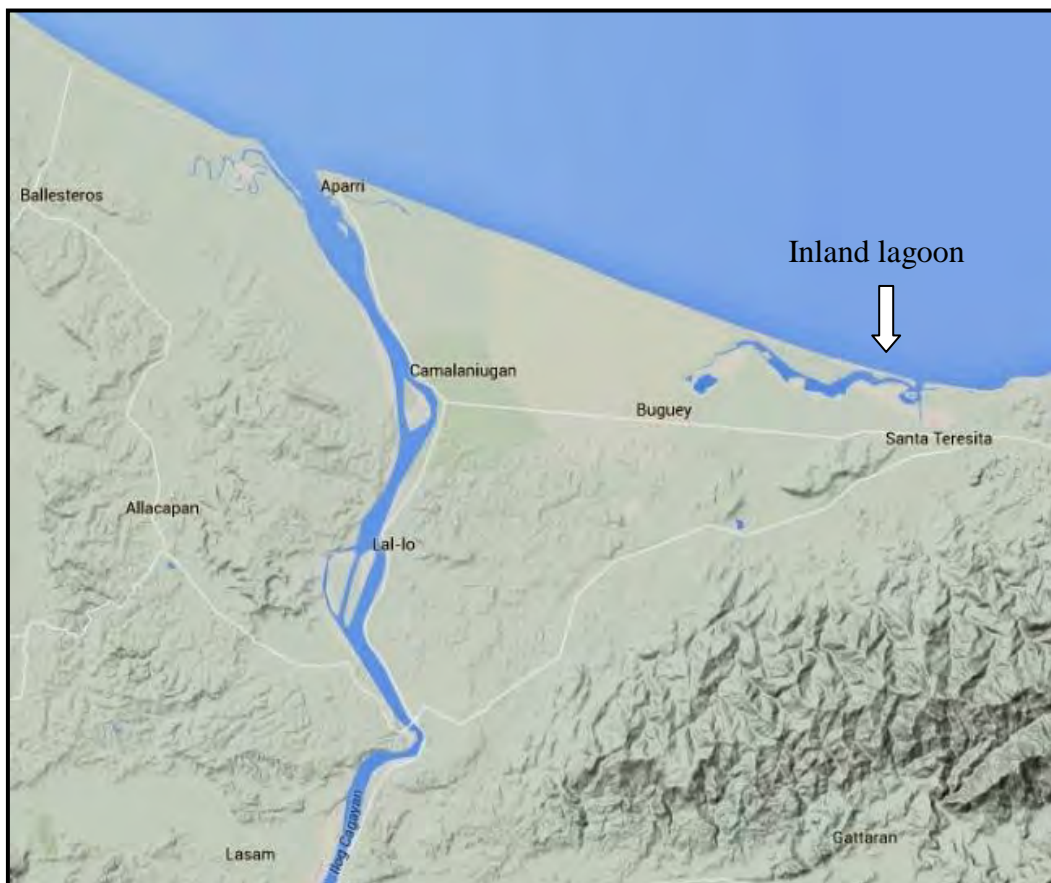
The eastern portion of the Tenement area is generally characterized by shallower (~35 meters to 75 meters water depth) water and gently sloping seabed while its western portion is characterized by deep to very deep water (water depth ranging from 100 meters to more than 300 meters) and steeply sloping landscape. The two different physiographic settings are separated by what seems to be a submarine canyon.

### 8.3 Coastal Geomorphology and Seabottom Topography

#### 8.3.1 Coastal Geomorphology

The coastal areas of Cagayan are overlain predominantly by recent alluvium, beach dunes, and sands containing magnetite in varying proportions. Mountainous terrains occur along the eastern (Sierra Madre Mountains) and western borders (Cordillera Mountains) of Cagayan Valley. The northern border of the valley is flanked by the Caraballo Mountains.

Where the sediment-laden river meets the sea, barrier dunes have formed with inland lagoons (Figure 8.3.1.1). More resistant sedimentary rocks at the flank of Sierra Madre Range form points and coves along the eastern portion of Cagayan Province.



**Figure 8.3.1.1: Geomorphological Features of Cagayan Coastal Area**

The Province of Cagayan covers an area of about 900,270 hectares that includes the Babuyan Island Group and the mainland Luzon. The northern coast of Cagayan mainland is characterized by a level and almost straight shoreline facing the Babuyan Channel except its

eastern part, west of the town of Gonzaga, where the Sierra Madre Range forms its rugged and mountainous coast with numerous coves and islets.

The coast from the Municipality of Buguey toward Claveria is characterized by a straight shoreline that trends WNW with wide expanse of sandy beaches containing appreciable amount of magnetite. The straight shoreline is sporadically interrupted by mouths of several rivers that drain into the Babuyan Channel. Figure 8.3.1.2 shows the terrain map of Cagayan mainland showing the straight and level nature of the shoreline and sporadic topographic highs outcropping on Cagayan Valley.

The wide expanse of the Cagayan Valley plain is broken by numerous topographic highs and hills comprising of Pleistocene to Pliocene folded sequence of sedimentary rocks.



**Figure 8.3.1.2: Terrain map of Cagayan Mainland**

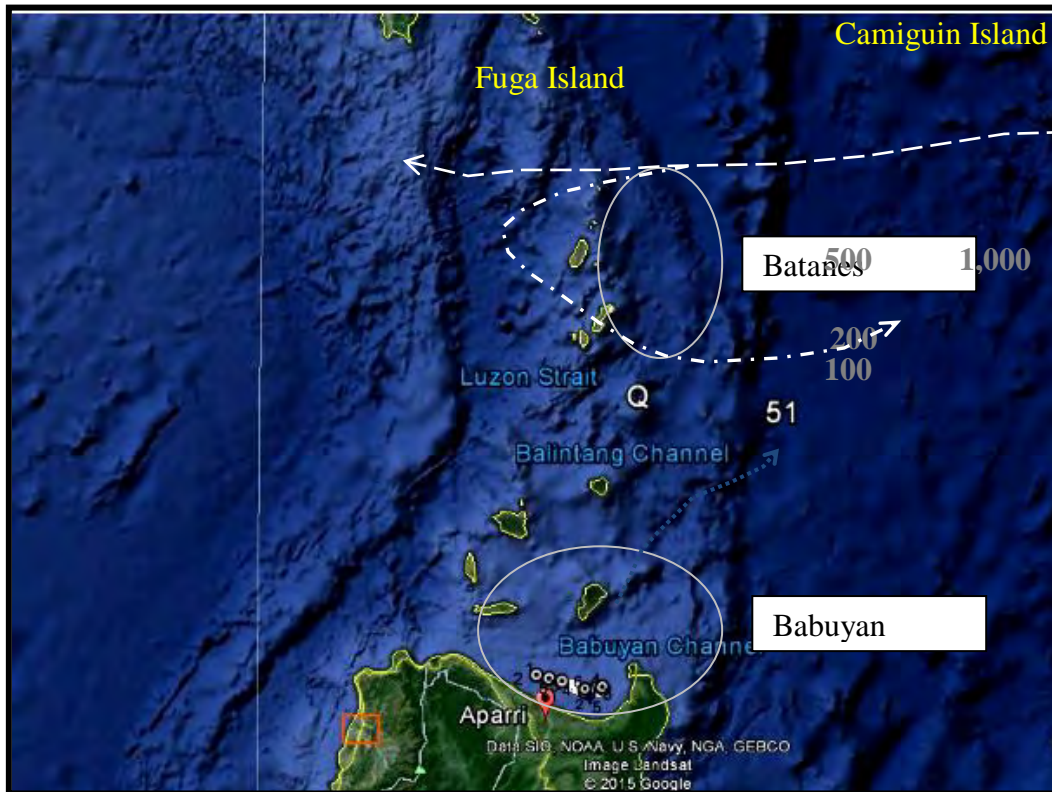
### 8.3.2 Sea Bottom Topography

The Luzon Strait is approximately 250-kilometer wide span of body of water that connects the East Philippine Sea and the Pacific Ocean with the West Philippine Sea and the South China Sea (Fig. 8.3.2.1). The Strait is subdivided into three smaller channels. The Babuyan Channel separates mainland Luzon with Babuyan Islands, which is separated from the Batanes Islands by the Balintang Channel. The Bashi Channel separates Batanes Islands with Taiwan.

Based on the NAMRIA nautical chart and from satellite images, the bathymetry of the Babuyan Channel ranges from a few meters to more than 1,000 meter depth.

The prominent sea bottom topographic features of the Babuyan Channel are the westward trending trough that passes through the northernmost tip of northern Luzon in Sta. Ana Cagayan and the Camiguin and Fuga Islands of Babuyan Group of Islands. The peculiar delta built up is present northeast of the mouth of Cagayan River in Aparri, Cagayan (Fig. 8.3.2.1).

The sediment built-up is influenced by the supply of sediments coming from the Cagayan River and the Kuroshio Current.



**Figure 8.3.2.1: Location of Luzon Strait, Balintang and the Babuyan Channel**

The Cagayan River is the largest river system in the Philippines with an estimated annual discharge rate of 53,943 million cubic meters (Wikipedia, 2010). The sediment transport capacity of the river in its lower segment near its mouth is estimated to be about 5 million cubic meters /year.

There are indications that Cagayan River had meandered through time as suggested by the relict lakes and marsh lands in the Buguey, Cagayan. The blue colored arrow in Figure 8.3.2.2 is presumed to be the former river path and the submerged channel. The blue dotted line is inferred to be the relict river path of Cagayan River; the white dash arrow represents the trajectory of the Kuroshio current deflected from its northward direction. As will be shown later, the submarine channel has been identified and traced during the bathymetric survey in the project area.

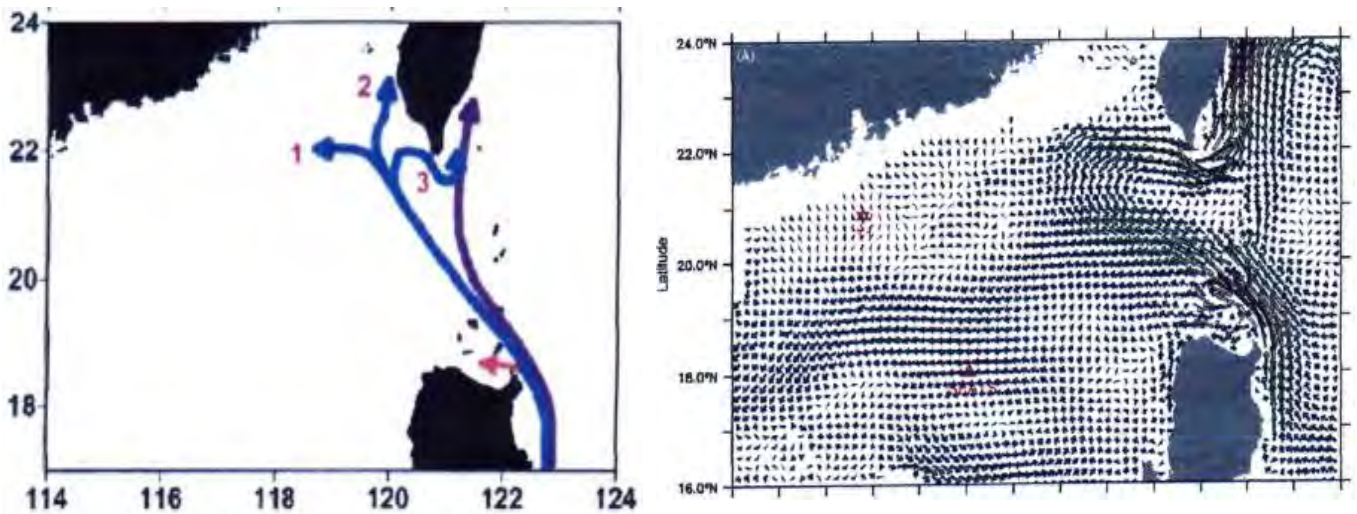




**Figure 8.3.2.2: Sea bottom topography and submarine features of Babuyan Channel**

The Kuroshio Current is a northward flowing ocean current induced by West Pacific Current in the North Pacific Ocean and intrudes into the West Philippine Sea and South China Sea through the Luzon Strait. The Kuroshio current flows from the east coast of Luzon through Taiwan and thence to Japan as illustrated in Figure 8.3.2.3. The effects of the northeast monsoon cause the deflection of the Kuroshio current towards the deeper portion of the Babuyan Channel.

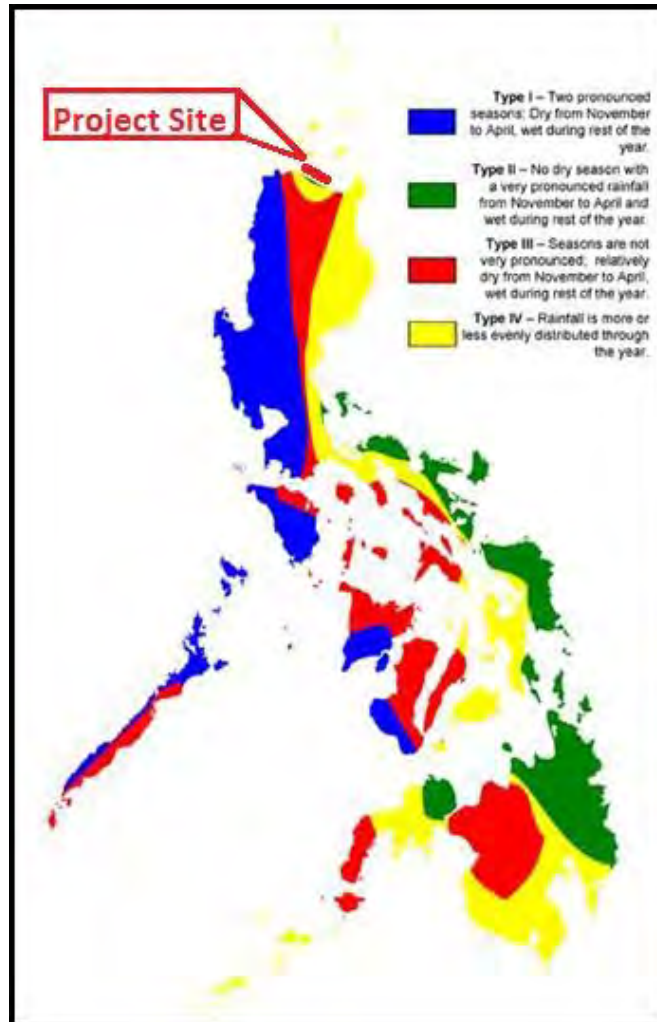
The Kuroshio Current contributes significantly to the dispersal pattern and accumulation of sediments in the Babuyan Channel including the delta built-up in northeast of Appari.



**Figure 8.3.2.3: Paths of Kuroshio Current in Luzon Strait through Babuyan, Balintang and Bashi Channels**

## 8.4 Climate, population

The province of Cagayan has three types of climate based on the Modified Coronas Classification (Figure 8.4.1). Type I, which prevails in the areas of Sta. Prexedes and Western Claveria has two (2) pronounced seasons: dry from November to April and wet the rest of the year. Only a small portion of the province has this type of climate.



**Figure 8.4.1: Climate Map of the Philippines showing the type of climate prevailing at Cagayan Province**

Type II climate, which is characterized by the absence of a dry season, but with a very pronounced maximum rainy period from November to January, is predominant from Claveria to Buguey and Sta. Teresita towards the east, then to the general direction of Tuao in the southwest.

Type III climate, on the other hand, where the seasons are not very pronounced but are relatively dry from November to April and wet during the rest of the year, covers the general area in the Sierra Madre Mountain Range and its foothills in the east and the towns of Gonzaga and Sta. Ana in the north.

Cagayan Province lies on the lee side or the sheltered side of both the Sierra Madre and the Cordillera Mountains, hence it receives smaller amount of rainfall compared to the Ilocos

coast on the west and the Pacific coast in the east. Incidentally, the highest temperature recorded in the country occurred in Tuguegarao, Cagayan on April 29, 1912, with a temperature of 42.2°C.

Based on records of climatological normals from 1951 to 1985 from a station in Tuguegarao, average rainy days totaled 128 a year with an annual rainfall of 1,771.8 millimeters. August has the most number of rainy days, sixteen (16) days, while February has the least, four (4) rainy days. Annual rainfall ranges from 16.5 mm in February to 246.5 mm in August. Yearly mean temperature is 27.5°C. The coolest month is January with an average temperature of 19.3°C, and the hottest month is May with an average temperature of 36.7°C.

The province of Cagayan, including the Babuyan Island Group has a total land area of 9,295.75 square kilometers. It is composed of twenty-eight (28) municipalities and one (1) component city, Tuguegarao which is the provincial capital. It is composed of three (3) congressional districts; the municipalities of Aparri, Gonzaga and Buguey belong to the first district while Abulug, Pamplona, Ballesteros and Sanchez Mira belong to the second district.

The 2010 Census of Population and Housing placed the population of Cagayan at 1,124,773 with an annual growth of 1.74%. Table 8.4.1 shows the population statistics of the municipalities covered by the project with comparative figures for the province of Cagayan.

The table shows that while the municipality of Gonzaga is the largest in terms of total land area, it has the least population density of only 64 persons per square kilometer compared to 120 for the whole province; while Ballesteros has the highest density of 270 persons per square kilometer. Aparri, the most populous municipality has the second highest population density of 210 persons per square kilometer.

***Table 8.4.1: Population Statistics for Project-Affected Municipalities***

	Sanchez Mira	Pamplona	Abulug	Ballesteros	Aparri	Buguey	Gonzaga	Cagayan
Total Land Area, km <sup>2</sup>	198.80	173.30	162.60	120.00	286.64	164.50	567.43	9,295.75
Population as of 2010 Census	23,257	23,236	30,675	32,215	61,199	28,455	36,303	1,124,773
Population Density, per km <sup>2</sup>	120	130	190	270	210	170	64	120
Annual Population Growth (% p.a.)	0.34	2.20	2.36	1.36	0.10	0.42	0.90	1.74
Number of Barangays	18	18	20	19	42	30	25	820

## 8.5 Land use

While Cagayan province and the municipalities covering the tenement are basically suited for agriculture, the areas actually covered by the JDVCR property are basically suited for Offshore Magnetite Iron Mining. In a scientific and expert report by Dr. Felipe P. Calderon, Dr. of Science and Engineering, Reg. EM. Reg. E., MScE, Pr, Geol., Pr. Phy. Sc in a book entitled "Environmentally Safe and Effective Offshore Mining for Magnetite Iron Sand Operation at the Province of Cagayan", the herewith PMRC Competent Person on Exploration Results and Mineral Resource Reporting quote some portions as follows: *"ON FISHING- Magnetite Black Sand of high grade is toxic to aquatic life. Hence, history will tell us that for the last several hundred years, there has been a continuing decline of aquamarine products like fish within the area where the magnetite black sand is highly concentrated. Fisher folks have to resort to using their motorized bancas up to about 20 kilometers or more from the shore before they can catch fish, or, other fishing livelihood products."* Hence, the highest and best use of the JDVCR Offshore Mining Tenement of 14,240 hectares as well as its nearby offshore areas are for offshore Commercial Extraction of its Mineral Resources for the benefit of the community, country and its people, as well as the proponent as one of its stakeholders.

The fishing facilities presently in use by fisher folks both inland and marine fishing are small to large fishing boats with inboard or outboard motors and equipped with assorted fishing gears. The sapioa, beach seine (locally called dakils) and ring seine (locally called sirot) are used for deep sea fishing. The grill net and the hook and line are used for both marine and inland fishing, while tangar and bubo are exclusively used for inland fishing. So far, there are 284 gill nets, 2,177 hook and line, 80 tangars and 19 bubos.

Generally, the municipalities are best suited to agriculture (rice, corn, high value commercial crops, vegetables, etc.), forestry (protection and production of forestlands), livestock production and swine and; brackish fish production – considering the mangroves along the coastal areas of the municipalities.

## 8.6 Socio-Economic Environment

The province is bounded by the Pacific Ocean on the east; on the south by Isabela province; on the west by the Cordillera Mountains; and on the north by the Balintang Channel and the Babuyan Group of Islands. About two kilometers from the northeastern tip of the province is the island of Palau; a few kilometers to the west is Fuga Island. The Babuyan Group of Islands, which includes Calayan, Dalupiri, Camiguin, and Babuyan Claro, is about 60 nautical miles (110 km) north of Luzon mainland. The province comprises an aggregate land area of 9,002.70 square kilometers, which constitutes three percent of the total land area of the country, making it the second largest province in the region. . Cagayan has 28 municipalities and one city divided into three congressional districts. It has 820 barangays. Tuguegarao City (as of December 18, 1999) is the provincial capital, regional seat, and center of business, trade, and education. It has a land area of 9,295.75 square kilometers and a population of 1,124,773 as of 2010 census.

The majority of the people in Cagayan are of Ilocano descent, mostly from migrants coming from the Ilocos Region. Originally, the more numerous group were the Ibanags, who were first sighted by the Spanish explorers and converted to Christianity by missionaries. This is why the Ibanag language spread throughout the area prior to the arrival of Ilocanos.

Agricultural products are rice, corn, peanut, beans, and fruits. Livestock products include cattle, hogs, carabaos, and poultry. Fishing various species of fish from the coastal towns is also undertaken. Woodcraft furniture made of hardwood, rattan, bamboo, and other indigenous materials are also available in the province. The Northern Cagayan International Airport is a planned airport in Lal-lo, Cagayan. The airport will be built to support the Cagayan Special Economic Zone in northern Cagayan, which also serves seaborne traffic through Port Irene. The airport project will involve the construction of a 2,200-meter runway, with a width of 45 meters, following the standards of the International Civil Aviation Organization. Once completed, the planned international airport can accommodate large aircraft such as the Airbus A319-100 and Boeing regional jets of comparable size. SM City Aparri will soon be built once the towns of Aparri, Santa Ana and Lal-lo attained their cityhood.

## **8.7 Environmental Features**

The shoreline fronting Cagayan Province is fairly uniform and the beaches are relatively wide. Along the shoreline stretch, the seashore is characterized by gradually dropping bathymetric profile which allows giant waves from the rough sea to break continuously into the beaches. Waves are most turbulent during storms and northeast monsoon periods.

The direction of maximum fetch of the wave is northeast. This is a long narrow corridor bounded by Fuga Island and Camiguin Island and may run up to more than 200 kilometers. From the east, the fetch is only about 100 kilometers. Based on the above-mentioned fetch lengths that may control wave heights within the study area, the significant wave heights were calculated using nomograms of deep water significant wave prediction curves as functions of wind speed fetch length and wind duration.

The shoreline from Sanchez Mira on the west to Abulug and Ballesteros on the east presents a uniform, continuous and almost straight strip occasionally cut by intervening (sic) drainage (Cesar V. Ramos, BMG, 1971). Highly elevated sand bars of about 15 meters high characterize the land form along the beaches. The beach deposit mostly of black sand materials extends further inland merging with the alluvial deposits of major waterways.

## **9.0 PREVIOUS WORK**

### **9.1 History of Previous Work**

The exploration history in the MPSA area and its vicinity dates back to the late 1960's. Researches made at the Mines and Geosciences Bureau in Manila indicate that most of the literature on magnetite sand covers investigations of Placer claims along the beaches from Sanchez Mira down south to Sta. Ana. The sub-sections that follow present a brief discussion of the activities conducted during the different exploration periods

### **9.2 Brief Description of Essential Work Done by Previous Workers**

Site investigations previously undertaken by various workers in the area were noted between 1969 and 1979. Table 9.2.1 presents a summary of relevant findings by previous companies or organizations:

**Table 9.2.1: Field Investigation Activities Conducted Between 1969 and 1979**

Year	Organization	Activities	Findings
1969	Anglo-Philippine oil and Mining Corporation	Offshore Survey	Presence of magnetite sand deposit
1971	Mines and Geosciences Bureau	Mineral verification from Sanchez Mira to Ballesteros	Occurrence, character, and thickness of the deposit
1974	Mines and Geosciences Bureau	Mineral verification in Gonzaga	Occurrence, character, and thickness of the deposit
1974	Mines and Geosciences Bureau	Mineral verification of the magnetite sand deposits in Sanchez Mira	Sediment profile and thickness
1978-1979	Mines and Geosciences Bureau	Beach and near-shore sediment sampling	Delineation of potential magnetite sand accumulations

### **9.3 Conclusions of Each of the Previous Workers**

The previous workers that conducted field investigations in the area have established the presence of magnetite sand deposits within the beaches and near-shore areas within the coastal areas from Sanchez Mira to Gonzaga, their character, thickness, sedimentary profile, and have also delineated the economic potential of the magnetite accumulation.

## **10.0 HISTORY OF PRODUCTION**

### **10.1 Production History of the District and Area**

Black sand mining in the municipal waters and beaches of the seven municipalities of northern Cagayan has been a very hot issue lately because of the rampant illegal mining conducted by several companies in the beaches within the 200-meter buffer zone from the mean low tide sea level landward. Some companies, disguising as legitimate operators with contracts from the local government of Aparri and the Department of Public Works and Highways (DPWH) to desilt the river, are reported to be dredging the Cagayan River to recover magnetite sand instead, but dumping the non-magnetic wastes back to the river. These mining activities date back to as early as the early 1970's.

However, the Department of Environment and Natural Resources (DENR) was forced to take action and ordered the closure of these illegal mining activities since last year due to insistent complaints, coming mostly from organized non-government organizations (NGO's), environmentalist, civic and religious groups (e. g., *Gonzaga Alliance for Environmental Protection and Preservation (GAEPP)*, *the Federation of Environmental Advocates of Cagayan (FEAC)*, *Save Sierra Madre Network Alliance, Inc., etc.*) backed up by the tri-media.

## 10.2 Areas Which Were Mined Within the Subject Tenement Area

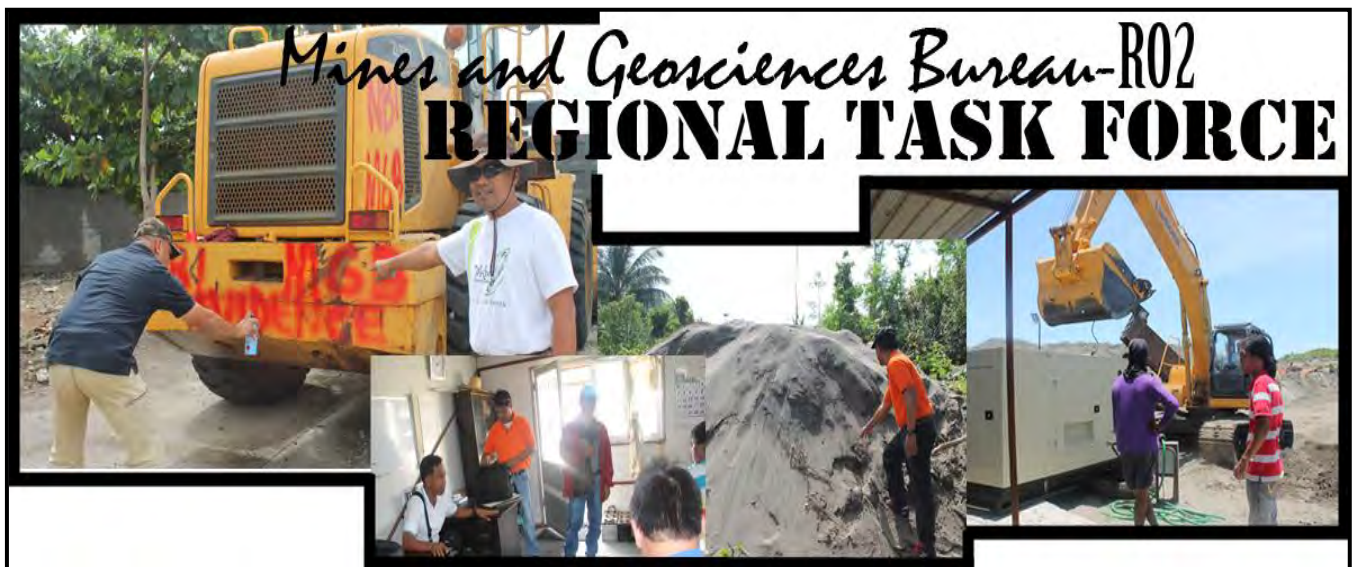
The reported mining activities however are very far from the subject tenement area. In fact, no offshore mining within the Babuyan Channel has been reported yet. The mining activities are confined to the near beach areas and in the mouth of Cagayan River in Aparri. Beach or near beach mining has been reported in the municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Gonzaga and Sta. Ana.

## 10.3 General Description of Mining, Beneficiation, Concentrate, Mineral Product Market

In the beaches and near-beach areas, simple open pit mining is done using backhoe excavators to dig and load the raw sand to hauling trucks that deliver the ore to magnetic separator plants also located in the beach area. The open pit is usually very shallow, 3-4 meters, which is the maximum vertical reach of the digging equipment.

The beneficiation process consists of simply separating the magnetite fraction of the sand by a series of magnetic separators. The separated magnetite concentrate is discharged in the ore bin where the water separates by means of gravity; while the non-magnetic waste coming out is usually hauled back to the mined-out pit or used to construct barrier dikes as part of the rehabilitation activities.

Figure 10.3.1 shows some pictures of the alleged illegal mining operations in Cagayan.



**Figure 10.3.1: Pictures showing the facilities of magnetite sand mining companies in Cagayan (from MGB-2 website)**

## **10.4 Tonnage Mined and Sold**

While black sand mining has been very rampant in the northern Cagayan area, it is ironic that no record of iron sand mined and sold is reflected in the statistics of the Mines and Geosciences Bureau (MGB). In the Mining Industry Statistics (Release Date: 6 November 2013) covering the years 1997 to 2012, the only reported companies operating iron mines are those producing lumpy iron ores in Bulacan, Zamboanga and Bicol, while the only company reported to be producing magnetite sand is the ironsand mine in Leyte. However, the NGO's cited previously report that a single Chinese mining company has produced and shipped to China at least "200,000 metric tons since their operation in 2006."

## **11.0 REGIONAL AND DISTRICT GEOLOGY**

### **11.1 Regional Geologic Setting**

A prominent aspect of the country's physiography is the presence of opposite facing trenches and troughs on the eastern and western borders of the Philippine physiographic region. Philippine tectonics is one of the most active in the world as manifested by the devastating Luzon 1990 Earthquake and the catastrophic 1991 eruption of Mount Pinatubo. The tectonic activity is the result of interactions of 3 major tectonic plates, namely: the Pacific, the Eurasian and the Indo-Australian Plates

The Philippines is composed of a series of mobile belts and stable blocks as shown in Figure 11.1.1. The mobile belts are characterized by the frequent activities of earthquakes and volcanic eruptions. The stable or the continental block is represented by northern Palawan, southern Mindoro, Romblon Island Group and Buruanga Peninsula in Panay Island. Rock suites in this block include schists that are characteristically rich in quartz and chert formations that have been dated Late Permian to Jurassic.

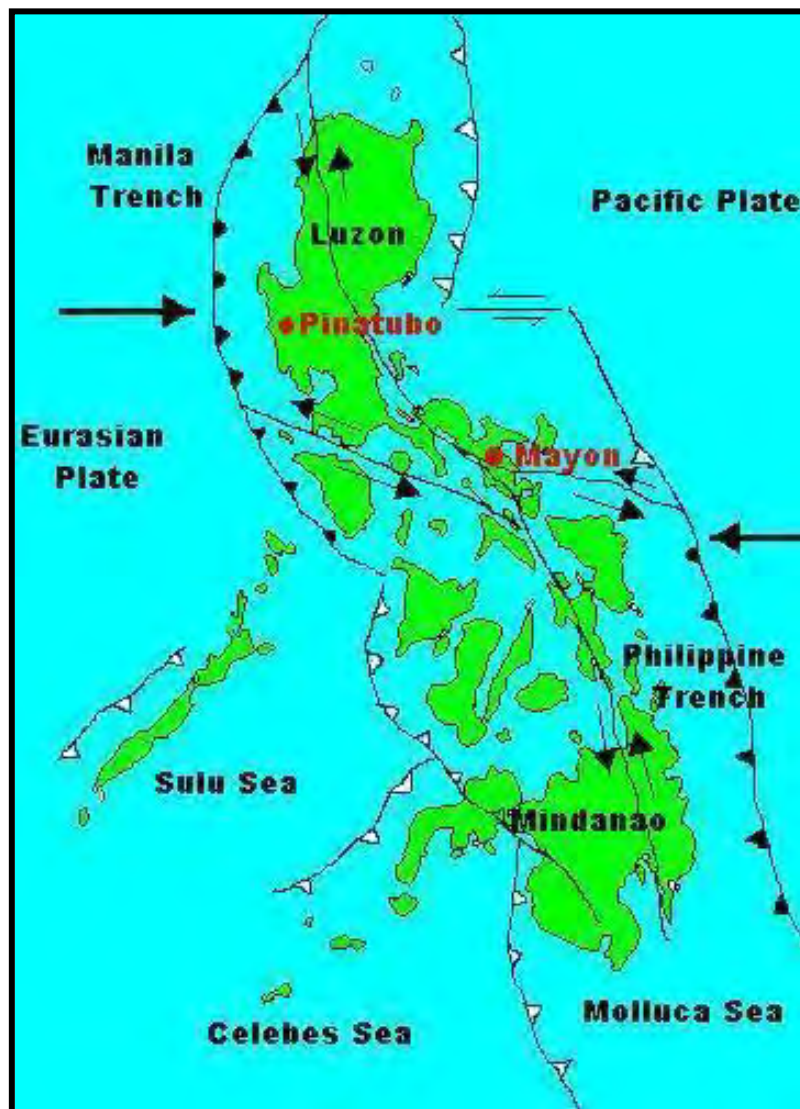
The N-S trending Cordillera Central, a 300 km-long and 90 km wide, is one of the major tectonic unit of Northern Luzon. Acid plutonic rocks form the core of the mountain chain, the outer shell of which consists of shallow to deep sea sedimentary rock formations with intercalated volcanics. The uplift of the Central Cordillera batholith started during the Miocene. The Sierra Madre Range likewise consists of the acidic plutonic intrusive bodies. The third morpho-tectonic unit is the Caraballo Mountains, which serve as the connection of the southern segment of the Central Cordillera and the Sierra Madre.

These three morpho-tectonic units form the catchment basin of the N-S oriented Cagayan River Valley. The fault-bounded Cagayan Valley, 200 km long and about 50 km wide, is surrounded by these mountains, except on the northern side.

The rest of the Archipelago is considered as the Philippine mobile belt. Many areas of the mobile belt are underlain by ophiolitic complexes. Ultramafic rocks of these ophiolites are hosts to significant deposits of chromite and nickel. Massive sulphide and manganese deposits are associated with the volcanic and sedimentary carapace of the ophiolite. Ancient magmatic arcs in the mobile belt are characterized by thick volcanic flows intercalated with pyroclastic and sedimentary rocks and intrusions of diorite, quartz diorite

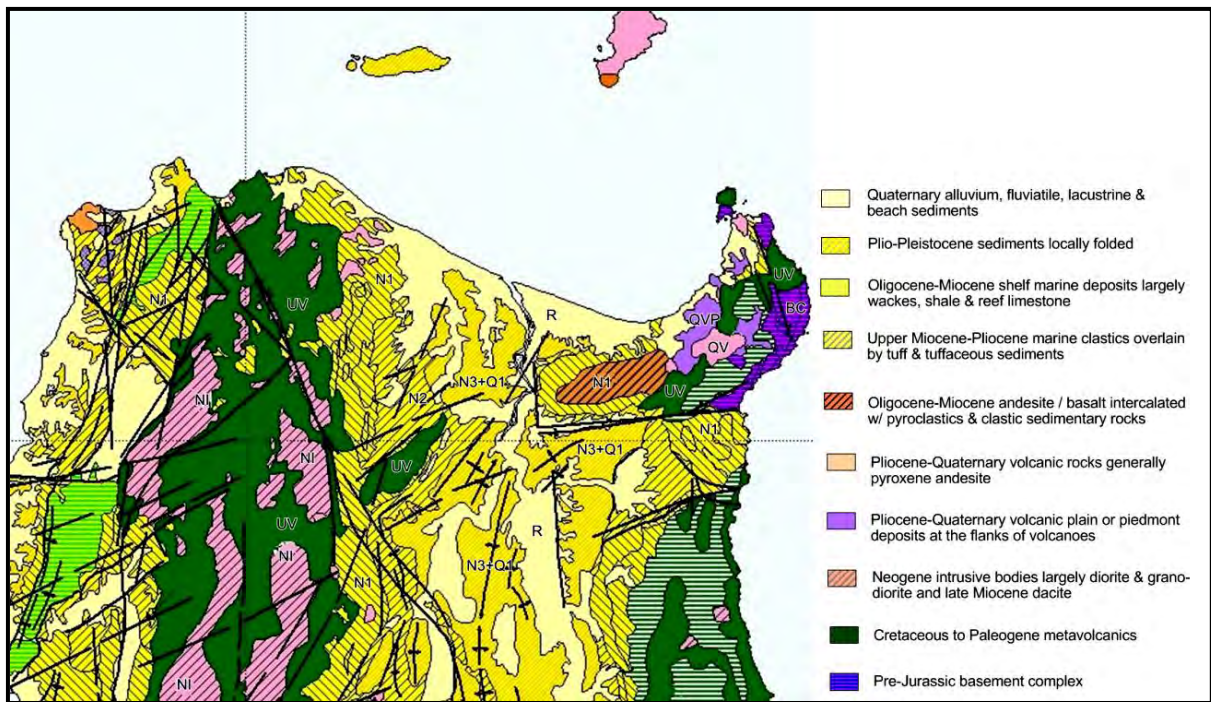


and andesitic to dacitic rocks. Younger volcanic rocks, occurring as flows, intrusions and volcanic edifices disposed in linear belts are associated with active subduction zones, best exemplified by the Negros Volcanic belt, Bataan volcanic belt and Bicol volcanic chain. These volcanic flows intercalated with pyroclastic and sedimentary rocks and intrusions of diorite, quartz diorite and andesitic to dacitic rocks commonly have specks of magnetite that were disintegrated from the host rocks during weathering process and eventually transported and concentrated through river systems and through the winnowing actions of waves tides and currents.



**Figure 11.1.1: Major Tectonic Features of the Philippines**

Structural and physiographic elements of northern Luzon include (from east to west) the Sierra Madre Range and the Central Cordillera mountains. The Sierra Madre Range is a volcanic arc composed of sialic basement (DeBoer et al., 1980) intermediate (andesitic) igneous rocks, diorite intrusives, metavolcanics, metasediments, and ophiolites that consist of spilite and associated chert (Caagusan, N., 1980). Figure 11.1.2 shows the geologic map of Northern Luzon.



**Figure 11.1.2: Regional Geologic Map of Northern Luzon** (Geology of the Philippines vol. 1, 2004)

The Neogene Central Cordillera mountains borders the Cagayan Basin to the west and is a volcanic arc composed of mafic to intermediate plutonic rocks, basalt, andesite, metasediments and silicic intrusives and extrusives.

The Cagayan valley is a major intermontane structural basin containing folded and faulted late Tertiary eugeosynclinal deposits measuring 250 kilometers long and 80 kilometers wide. The oldest sedimentary rock in the basin is the Oligocene to Miocene marine sediments consisting of shale, chalk, turbidites and limestone. Regional uplift in the Plio-Pleistocene resulted in the deposition of transitional marine and fluvial sediments of the Ilagan and Awidon Mesa Formations. The latter is a thick sequence of pyroclastic and fluvial sediments that conformably overlies the Ilagan Formation but unconformably overlies the folded Miocene and Pliocene strata in the foothills of the Cordillera.

The coastal municipalities of Cagayan are part of the so called Aparri Basin. It consists mainly of recent beach deposits that had been formed and reworked by a continuous wave action along the coastline fronting Babuyan Channel. According to M.C. Liggayu, BMG, 1966, *“these sandy deposits overlie and veneer (sic) yellow brown, slightly consolidated and roughly bedded magnetite-bearing sandstone which is similar mineralogically and physically to the sandstone interbeds of a formation that contains iron deposits in Camalaniugan. His report also indicated that “in Paddaya, Buguey in the same coastline but southeast of the claims towards Gonzaga, this sandstone is exposed at the base of the beach ridge. It is believed that the sandstone underlies and seemingly constitutes the floor and part of the marshy ground, swamps and the alluvial plain.”*

## 11.2 Stratigraphy

The area of interest has a good potential for magnetite mineralization due to the presence of rock units/lithology that are good source of heavy minerals such as magnetite which are of products of continuous weathering and erosion from the mountains particularly at the northern Sierra Madre. Below are the geologic rock formations in the area and their position in the stratigraphic column as shown in Figure 11.2.1.

### 11.2.1 Abuan Formation

The Abuan Formation, which was named as Abuan River Formation by MMAJ-JICA (1989), is the oldest formation in the western part of the Northern Sierra Madre and presumably comprises part of the basement of the Cagayan Valley sedimentary sequence. It is a heterogeneous mixture of basaltic to andesitic flows, pyroclastics and sedimentary rocks widely distributed in the southwest part of Divilaca River and northern and western part of Maconacon River. The age deposition of the Abuan formation is inferred to be before Early Oligocene, probably Eocene. The thickness of this formation was not indicated by MMAJ-JICA (1989).

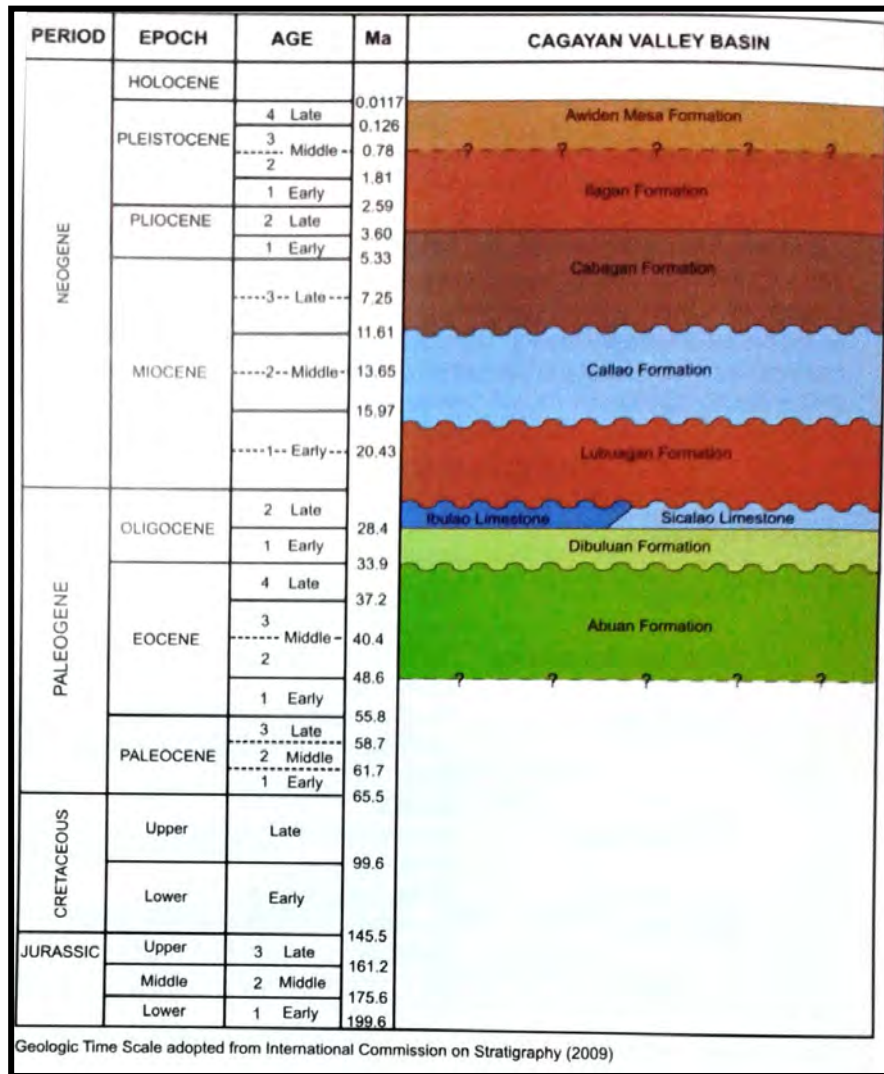
The Abuan Formation is probably partly equivalent to the Caraballo Group, which was named by MMAJ-JICA (1977) for the volcanic and sedimentary rocks comprising the basement of northern Sierra Madre. This was later renamed by Ringenbach (1992) as Caraballo Formation. Its age was previously presumed by MMAJ-JICA (1977) to be Cretaceous-Eocene, but it was later found to be Middle – Late Eocene (Ringenbach, 1992).

The Abuan Formation may be correlated with the Mt. Cresta Formation, which is exposed typically on the slopes of Mt. Cresta and lies scattered on the ridges of the Northern Sierra Madre Range, as mapped by MMAJ-JICA (1989). It is a dacitic complex of lava flows, intrusive rocks, pyroclastic rocks and sedimentary deposits, conformably overlain by the well-bedded Oligocene Masipi Green Tuff of Northern Sierra Madre.

The Dumatata Formation of Huth (1962), which was considered as the basement of the Cagayan Valley sedimentary sequence in BMG (1981), may be regarded as partly equivalent to the Abuan Formation. The Dumatata Formation is composed of an alternation of basic lava flows, partly metamorphosed pyroclastic breccias and tuffaceous sandstones and siltstone. It is about 500 m thick.

### 11.2.2 Dibuluan Formation

This formation, named by MMAJ-JICA (1989) as Dibuluan River Formation, is found along the western flanks of the Northern Sierra Madre Range. It embodies the principal position of the westward-dipping monoclinical structure of the Cagayan Basin. It unconformably overlies the Abuan Formation and is unconformably overlain by the Ibulao Limestone along Dibuluan River and elsewhere in the southeastern end of the Cagayan Valley Basin (Aurelio and Billedo, 1987). The Dibuluan Formation consists mainly of basic volcanic flows, volcanic breccias and pyroclastic rocks, with interbeds of clastic rocks.



**Figure 11.2.1: Stratigraphic Column for Cagayan Valley Basin**  
*(Geology of the Philippines, 2<sup>nd</sup> Edition, 2010)*

The clastic rocks in the lower portions generally consists of well-indurated brownish gray to greenish gray feldspathic wacke with minor intercalated intraformational conglomerate, while the upper portions are marked by thin to medium beds of green siltstone and light green to red, well-indurated mudstone. Radiometric K-Ar dating of a sample of basic lava flow of the Dibulan Formation gave an age of 29 Ma, equivalent to late Early Oligocene (Billedo, 1994).

This formation is partly equivalent to the Dumatata Formation of Huth (1962) in the southwestern part of the Cagayan Valley basin (see description above). The Dibulan could also be correlated with the Oligocene Masipi Green Tuff of MMAJ-JICA (1989) in Northern Sierra Madre. The Masipi Green Tuff represents a sequence of parallel-bedded greenish tuff, tuffaceous sandstone and some pyroclastic rocks found at the type of locality, Masipi River, in Cabagan, Isabela. The nannofossils contained in tuffaceous sandstone indicate a Middle to Late Oligocene age (MMAJ-JICA, 1987). Likewise, it could be correlated with the Mamparang Formation of MMAJ-JICA (1977) in the eastern fringe of the Northern Sierra Madre Range. The Dibulan Formation may also be considered as partly equivalent to the

Lower Zigzag Formation of BED (1986a) and Caagusan (1978), which is estimated to be around 1,800 meters thick.

### 11.2.3 Quaternary Alluvium

The Cagayan Valley basin is overlain by various assemblages of Quaternary alluvium resulting from weathering and erosion of the older rocks and natural transport of minerals by rivers, wind and current. These are accumulations of detrital minerals or placer minerals that compose most of the Quaternary alluvium within the Cagayan River Valley and the Cagayan Basin.

## 11.3 Structural Geology

The structural pattern in Cagayan Province is dominated by folded structures in the Plio-Pleistocene sedimentary rocks and numerous parallel faults in the older formations principally the basement rocks and the Cretaceous-Paleogene assemblages. The fold axes in the young sedimentary rocks generally trend north-south and plunge to the north. The faults in the older rocks maybe grouped to two (2) sets according to the general trend. The first set trends N20 - 30°W, and the second set trends N60 – 80°W. Based from their relatively straight configuration, the dips may not vary much from the vertical. The folding and faulting in the area might have arisen in response to the widespread orogenic event that occurred during and after the Tertiary period (Antonio, 1974).

## 11.4 Mineralization Location(s) and General Description

Generally, the beach sands are the product of weathering, erosion, transportation, and deposition. The heavy minerals in the parent rocks are liberated when the rocks break down by differential weathering. The streams and rivers that cut the highlands carry the stable, heavy minerals down slope and build up the alluvial deposits along the valleys. These deposits are then eventually reworked and sorted by the action of strong ocean currents, winnowed by the wind and the waves, and are laid down in parallel terraces, spits, and sand bars. As the coastline retreats, the parallel terraces, spits and sand bars are left as remnants of the retreating shoreline.

## 12.0 MINERAL PROPERTY GEOLOGY

### 12.1 Geological Work Undertaken by the Company in the Property

The early geological work conducted by BGRMC after it acquired the property consisted only of underwater sampling by scuba divers doing shovel diggings at the surface of the sea bed and random sampling at the beaches within the municipalities covered by the original EP application area and initial diamond drilling. These activities yielded good results that prompted BGRMC to convert the EP to MPSA.

After JDVCRG acquired the property from BGRMC, JDVCRG conducted the following exploration activities:

- Geophysical surveys involving magnetic anomaly mapping, seismic reflection profiling, and bathymetry;
- Confirmation drilling at 2,000 meters and additional exploratory drilling at 4,000 meters; and
- On-going mine planning.

These activities shall be discussed in detail in the following sections.

## **12.2 Rock Types and their Geological Relationships**

The lithology of Cagayan is dominated by a broad expanse of sedimentary rocks that range in age from Oligocene to Pliocene-Pleistocene. The rocks overlap and unconformably overlie the Cretaceous-Paleogene rocks on the east and western part of the province. The boundaries of the different rock formations were taken from the Geological map of the Philippines which is the basis of the geological map presented in Figure 12.2.1.

### **12.2.1 Basement Complex**

This rock formation that consists of undifferentiated schist and quartzite are exposed on the northeastern part of the province. The rocks are usually overlain by the Lower Miocene sedimentary rocks. There is very limited information that can be gathered regarding the occurrence of this rock assemblage. It has been observed by recent investigators that the rock formation might be actually a part of the Cretaceous-Paleogene formation.

### **12.2.2 Cretaceous Paleogene Rocks (NPg-UV)**

The rock formations are disposed dominantly at the eastern part of the province with limited occurrence near the boundaries of Ilocos Norte and Apayao-Kalinga province. The rocks consist dominantly of submarine flows, largely of basaltic and andesitic compositions and intercalated with graywackes, metamorphosed shale and occasional conglomerate and chert. The metamorphosed sedimentary-volcanic rocks are generally chloritized and partly silicified. Portions of the formation are pyritized and weakly mineralized.

### **12.2.3 Oligocene-Miocene Sedimentary Rocks (N<sub>1</sub>)**

The rock formation is extensively exposed in the eastern highlands unconformably overlying the Cretaceous-Paleogene rock assemblage. A similar extensive occurrence is at the western part outside of the province and extends into the province up to Sanchez Mira-San Jose area. The eastern section shows dominant occurrence of the non-detrital units together with extensive basalt flows possibly intercalated with the sedimentary unit. The extensive basalt flows are exposed from Gonzaga at the northeast and extends to Lal-lo at the central part of the province. The sedimentary sequence is composed of sandstone, shale, limestone and lenses of conglomerate. Coal bands also occur within the sequence. The rock formation is reported to be as thick as 1,500 meters.

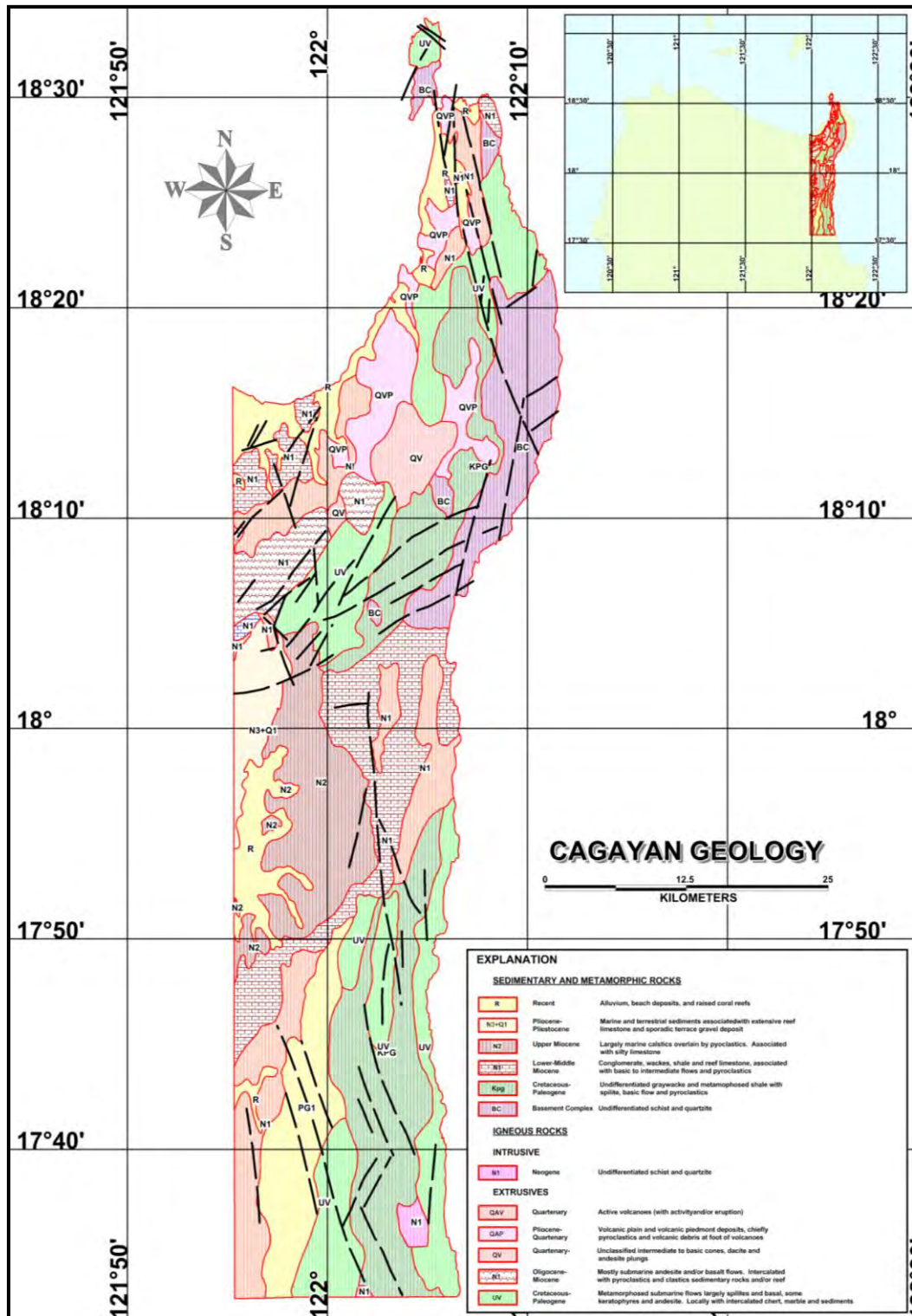


Figure 12.2.1: Geology and Mineral Resources Map of Cagayan (L. R. Antonio, 1974)

#### 12.2.4 Neogene Intrusives (NI)

The intrusive rocks occur in limited exposures at the southeastern boundary of the province with Isabela and at the northwestern boundary with Ilocos Norte. The exposures at the northwestern part probably represent the northern extension of the Agno Batholith that

underlies the core of the Central Cordillera. The plutonic complex consists principally of quartz diorite and its related phases.

#### 12.2.5 Upper Miocene Sedimentary Rocks (N<sub>2</sub>)

The rock formation is made up mostly of shale and mudstone which grade to limy fossiliferous sandstone. The rock series overlies the limestone member of the Lower Miocene sedimentary rocks. The rocks are exposed in limited extent east of Tuguegarao and in some portions of Tuao. Vergara et al., estimated that the thickness of the formation ranges from 420 to about 1,200 meters.

#### 12.2.6 Pliocene-Pleistocene Sedimentary Rocks (N<sub>3</sub> + Q<sub>1</sub>)

The formation is the youngest sedimentary formation and the most extensive in the province. It consists dominantly of sandstone with thin interbeds of shale and lenses of conglomerate.

The formation generally strikes to the north with low to moderate dips. It was reported that the thickness of the formation ranges from 500 to 1,400 meters.

#### 12.2.7 Quaternary Volcanics (QV)

The rock constitutes the basaltic and andesitic cones and/or plugs that underlie most of the volcanic islands of Calayan and Camiguin. They are considered non-active volcanic cones.

#### 12.2.8 Quaternary Volcanic Plain (QVP)

The rock formation is exposed at the northeastern part of the province unconformably overlying the older rock series. They usually surround the volcanic plugs or cones and consist mostly of volcanic (including pyroclastic) materials interbedded with tuffaceous sediments. Perlite and clay deposits are usually associated with the volcanic rocks.

#### 12.2.9 Quaternary Active Volcano (QAV)

The rock is represented by the Camiguin Volcano located at the southern tip of Camiguin Island. The volcano has been known to be active and is the site of most recent explosions.

#### 12.2.10 Alluvium (R)

The quaternary alluvium constitutes one of the most widespread deposits in the province. The deposit consists mainly of unconsolidated gravel, sand and soil along rivers and derived mainly from rock debris of older rock formations in the area.

### **12.3 Description of Various Geological Structures and their Trends**

The structural pattern in Cagayan Province is dominated by folded structures in the Plio-Pleistocene sedimentary rocks and numerous parallel faults in the older formations, principally the basement rocks and the Cretaceous-Paleogene assemblages. The fold axes in



the young sedimentary rocks generally trend north-south and plunge to the north. The faults in the older rocks maybe grouped to two (2) sets according to the general trend. The first set trends N20 - 30°W, and the second set trends N60 – 80°W. Based on their relatively straight configuration, the dips may not vary much from the vertical. The folding and faulting in the area might have arisen in response to the widespread orogenic event that occurred during and after the Tertiary period (Antonio, 1974).

## **13.0 MINERALIZATION IN THE MINERAL PROPERTY**

### **13.1 Overview of the Mineralization**

The type of mineralize in the mineral property is iron mineralization consisting of magnetite ( $\text{Fe}_3\text{O}_4$ ) concentration in beach and alluvial sand in the seabed of Babuyan Channel. Economic deposits generally contain 15 to 30 percent magnetite or magnetic fraction (MF) which can be concentrated by magnetic separation to yield about 55 to 62 % Fe. The magnetite concentrate usually contains impurities of titanium and vanadium which interfere with the smelting process, thus lowering the quality of the iron ore; however, the value of the magnetite concentrate is however enhanced when the titanium and/or vanadium content are high enough to produce special steel.

### **13.2 Type of Mineralization as Mapped**

The beach sands are the product of weathering, erosion, transportation, and deposition. When the parent rocks break down by weathering, the heavy minerals therein are liberated. The creeks and rivers carry the liberated heavy minerals downslope and build up the alluvial deposits along the valleys. These deposits are then eventually reworked and sorted by the action of strong ocean currents, winnowed by the wind and the waves, and are laid down in parallel terraces, spits, and sand bars. As the coastline retreats, the parallel terraces, spits and sand bars are left as remnants of the retreating shoreline. In the offshore deposits, the heavy minerals are carried by the current along the channel and deposited in the more silent and stable portions of the channel.

### **13.3 Style of Mineralization**

Mineralization is generally an accumulation of the heavy minerals, the deposition of which is directly related to the prevailing conditions of current and sediment load (nature of materials in the water). Alternating periods of changing current and sediment loads may result to alternating bands of magnetic sand deposits. The sediments, whether sand-sized or mud-sized, are generally dark gray when wet. There are some very well sorted very fine sand samples which have a greenish tinge, which may be due to the presence of chlorite or chloritic alteration in the lithic fragments. The roundness of the sediments is noted to be related to grain size as coarser grains, which are usually lithic fragments, are more rounded while liberated minute grains are commonly sub-angular to sub-rounded. Very fine sand is made up of approximately 25-30% lithic fragments while medium sand is composed of approximately 40-60% lithic fragments. Coarse sand is rarely observed in the cores.

When present, coarse sand fragments usually occur in a subtle mixture with medium sand components. Among the minerals identified include magnetite, pyrite, plagioclase, quartz, chlorite, pyroxene, olivine, amphibole, mica ± hematite and calcite. The presence of magnetic components was initially determined using a magnet pen.

Sorting ranges from very well sorted to very poorly sorted. Sections of moderate to very poorly sorted sediment sizes usually contain relatively higher percentage of shells and/or shell fragments. Mollusk shell fragments and foraminifera are the most common biogenic matter discerned, regardless of the grain size of sediments and core depth. In several cores, bivalve beds are consistently present. Mud (silt and/or clay), and even muddy sand, sections appear to be more consolidated. When well-sorted, coarser grains result to higher permeability and loose compaction. The amount of material with a longitudinal diameter of more than 2 mm, whether gravel or biogenic matter, are also estimated.

#### **13.4 Wall Rock Alteration, Paragenesis**

Considering the type of deposition of the magnetite sand which is alluvial in nature and considering the stable nature of the magnetite mineral, no distinct alteration is observed in the associated sand deposit. The only observable trace of iron in the ground is the reddish rusty deposit that develops over time in containers used in bailing out water from the shallow wells dug within the sand deposit in the coastal communities in the municipalities within the northern and eastern Cagayan or in concrete surfaces where water from these wells flow.

Beach and offshore placer mineral deposits are formed and concentrated through the winnowing action of waves, tides and currents. Placer minerals should have high density, mechanical durability and chemically resistant in order for them to accumulate on high energy depositional environment. Heavy mineral deposits accumulate within the beach face and further inland during unusually high wave energy as in during typhoons.

As the waves, tides and currents approach the shore, they bring with them both the heavy and light minerals. Upon their retreat, they leave behind denser materials while carrying lighter ones. This process continues for years and decades and results in the natural accumulation of placer heavy minerals including magnetite sand. The rock formations that may have contributed as source of magnetite and other associated placer minerals include the volcanic, diorite intrusive and sedimentary derivatives of Abuan Formation and Dibulan Formation.

These volcanic flows intercalated with pyroclastic and sedimentary rocks and intrusions of diorite and andesitic commonly have specks of magnetite that were disintegrated from the host rocks during weathering process and eventually transported and concentrated through river systems and through the winnowing actions of waves, tides and currents. The magnetite sand may also have been derived from younger sedimentary rocks as reworked derivatives. The rivers that bring down detritus from upstream may also deposit their load within the river mouths where their velocity is considerably reduced.

### **13.5 Geological Structures**

The observable dominant geologic structure in the tenement area is the submarine canyon that seems to separate the two different physiographic settings observed from the bathymetric survey conducted in the area. These physiographic feature consists of the eastern portion of the project area which is generally characterized by shallower (~35 meters to 75 meters water depth) water and gently sloping seabed and the western portion which is characterized by deep to very deep water (water depth ranging from 100 meters to more than 300 meters) and steeply sloping landscape.

### **13.6 Localization of the Deposit**

The accretion of non-consolidated sediments in and around the concession tenements of JDVCR results from the occurrence of various depositional environments. Foremost are the interplays of fluvial, marine and coastal environments. These depositional environments have been discussed in the preceding discussions on the paragenesis of the magnetite sand.

### **13.7 Length, Width, Depth of Mineralization**

The drainage system which has the most significant influence on the project area is the Cagayan River. The Cagayan River, meandering in a generally north-south direction, originates in the Caraballo Mountain Range and discharges its load into the Babuyan Channel of the Luzon Strait. Being the longest river in the Philippines and having the largest catchment area, its downstream portion has an annual sediment transport capacity of approximately 5 million cubic meters (Oosterberg, 1997). These sediments carry the magnetite minerals which are then carried by the current and deposited in the Babuyan Channel up northwest towards Sanchez Mira and beyond and up northeast towards Sta. Ana and Palui Island.

The analysis of the seabed topography based on seismic reflection profiling has indicated thicker sediment sequences in the offshore area east of the mouth of the Aparri River. This inference is substantiated by the results of the seismo-stratigraphic examination of the seismic profiles as will be discussed in Section 14.5. As graphically illustrated in the profiles, the total thickness of sediments runs up to approximately 26 meters consisting of four (4) distinct units that will be discussed in later sections of this report. The total sediment thickness of magnetite bearing horizons comprising of Unit 1, Unit 2 and Unit 3 range from 10 to 26 meters. Unit 4, which is overlying the basement rock is composed of very fine-grained mud. The deeper seabed on the western portion of the area resulted in the faint reflections due to decay of seismic signal as they travel longer distances.

### **13.8 Element Grade Levels and Patterns**

The physical and chemical properties of the black sand are largely dependent on the mineral composition and size of the grain particles that make up the sand. The amount of quartz, feldspar, limestone, corals and other light colored particles may render the sand shades of gray color; the abundance of clay particles may give it shades of brown color, while the predominance of magnetite, hornblende and other dark-colored minerals may render it black or gray or even greenish.

To be able to establish the grade levels and patterns, JDVCRD dispatched selected core samples from the confirmation sampling activities to the Intertek Testing Services Philippines, Inc. (Intertek) for homogenization, X-ray fluorescence (XRF) analysis, and particle size distribution (PSD).

Without processing, the raw samples from 0 to 20 meters, sampled at 5-meter intervals returned only 10% to 25% Fe; however, after manual separation of the magnetic from the non-magnetic materials, the same samples returned up to 61% Fe on the average. The results of the test is tabulated in Table 13.8.1 which shows also the results for 24 other minerals including Loss on Ignition (LOI) and additional data on grain size analysis. The same increasing trend was also observed for other minerals such as Cao, Co, MnO, TiO<sub>2</sub>, V<sub>2</sub>O<sub>5</sub>, Zn and LOI; however, inverse pattern has been observed on Al<sub>2</sub>O<sub>3</sub>, Ci, K<sub>2</sub>O, MgO, Na<sub>2</sub>O, SO<sub>3</sub>, SiO<sub>2</sub> and Zr. No appreciable changes were observed on As, BaO, Cr<sub>2</sub>O<sub>3</sub>, Cu, Ni, P<sub>2</sub>O<sub>5</sub>, Pb and Sn.

This test also shows that the samples are dominantly made up of the coarser sand components; with most of the liberated grains recovered being within the +75 µm fraction (93% for the raw sand and 88% for the magnetite concentrate). The pictures of the samples showing the relative grain sizes are shown in Figure 13.8.1.

The actual Report of Analysis for this test is attached in this report as Appendix-2.



**Figure 13.8.1: Pictures Showing the Raw Sand and Magnetite Concentrate Samples**

**Table 13.8.1: Summary of Chemical and Sieve Analysis of Selected JDVCR Core Samples**

		Raw Sand, Stage 1, 0-5M.	Raw Sand, Stage 1, 5-10M.	Raw Sand, Stage 1, 10-15M.	Raw Sand, Stage 1, 15-20M.	Magnetite Concentraate, Stage 2, 0-5M.	Magnetite Concentraate, Stage 2, 5-10M.	Magnetite Concentraate, Stage 2, 10-15M.	Magnetite Concentraate, Stage 2, 15-20M.	Magnetite Concentraate, Stage 2, 0-5M.®	Coarse Sand	Fine Sand	
<b>CHEMICAL ANALYSIS (XRF)</b>	<b>Fe</b>	24.94	47.29	27.89	10.24	60.50	61.49	60.37	61.78	60.71			
	<b>Al<sub>2</sub>O<sub>3</sub></b>	10.01	4.37	9.25	11.14	2.42	2.00	2.35	2.00	2.42			
	<b>As</b>	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005		
	<b>BaO</b>	0.024	0.029	0.022	0.020	0.025	0.025	0.023	0.023	0.024			
	<b>CaO</b>	4.39	3.23	4.97	13.05	0.69	0.65	0.69	0.64	0.69			
	<b>Cl</b>	0.101	0.076	0.226	0.249	0.023	0.011	0.017	0.011	0.019			
	<b>Co</b>	0.006	0.009	0.005	<0.005	0.011	0.011	0.012	0.012	0.012			
	<b>Cr<sub>2</sub>O<sub>3</sub></b>	0.055	0.109	0.052	0.016	0.052	0.047	0.050	0.045	0.055			
	<b>Cu</b>	0.005	0.007	0.007	0.005	0.008	0.007	0.008	0.007	0.008			
	<b>K<sub>2</sub>O</b>	0.69	0.16	0.62	0.83	0.07	0.04	0.07	0.04	0.07			
	<b>MgO</b>	3.02	2.58	2.93	2.92	1.52	1.35	1.47	1.36	1.51			
	<b>MnO</b>	0.37	0.64	0.41	0.24	0.67	0.70	0.68	0.70	0.67			
	<b>Na<sub>2</sub>O</b>	1.98	0.53	1.96	2.58	0.13	0.06	0.13	0.07	0.13			
	<b>Ni</b>	0.008	0.006	<0.005	<0.005	0.006	<0.005	0.008	0.006	0.006			
	<b>P<sub>2</sub>O<sub>5</sub></b>	0.158	0.270	0.152	0.105	0.208	0.298	0.238	0.300	0.210			
	<b>Pb</b>	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005		
	<b>SO<sub>3</sub></b>	0.126	0.026	0.168	0.259	0.012	0.011	0.021	0.011	0.012			
	<b>SiO<sub>2</sub></b>	37.92	13.28	34.25	43.54	2.92	1.59	2.79	1.58	2.91			
	<b>Sn</b>	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005		
	<b>Sr</b>	0.024	0.008	0.026	0.055	<0.005	<0.005	<0.005	<0.005	<0.005	<0.005		
<b>Ti<sub>2</sub>O</b>	3.48	7.36	3.79	1.26	6.61	7.03	6.52	7.07	6.63				
<b>V<sub>2</sub>O<sub>5</sub></b>	0.225	0.413	0.255	0.083	0.575	0.558	0.550	0.561	0.574				
<b>Zn</b>	0.029	0.053	0.032	0.012	0.068	0.068	0.069	0.070	0.067				
<b>Zr</b>	0.030	0.064	0.028	0.007	0.010	0.010	0.008	0.010	0.010				
<b>LOI</b>	1.34	-1.47	1.87	9.51	-2.22	-2.58	-2.55	-2.56	-2.31				
<b>SIEVE ANALYSIS</b>	<b>+75µm</b>										92.97	87.9	
	<b>+53µm</b>										4.08	5.04	
	<b>+38µm</b>										1.26	2.7	
	<b>-38µm</b>										1.69	4.39	

### **13.9 Development of “Ore Shoots”**

Strictly speaking, the term “ore shoots” is more appropriate for vein-type deposits and not applicable to layered deposits such as magnetite sand.

### **13.10 Continuity of Mineralization**

Geologically, the continuity of mineralization of magnetite sand in fluvial-marine depositional settings is determined by the action of currents and waves. Basically, in fluvial settings, the magnetite will be of stringer type following the stream channels; in marine settings, the magnetite sand is developed over wide areas along a general specific direction parallel to the coast/ strand line.

As blanket deposits, there will be a highly continuous trend in a specific direction and a similar, but intermediate range in the perpendicular direction. Expectedly, the vertical direction will be of the shortest range.

## **14.0 EXPLORATION**

### **14.1 Geological Work (by issuer)**

The exploration activities conducted in the area consisted mainly of bathymetric survey/seabed profiling, seismic reflection survey, initial diamond drilling and sampling, physical and chemical analysis of core samples, initial resource estimation and confirmation/infill drilling. These activities are discussed in the following sections.

#### **14.1.1 Geological Data Generated from Mapping and Surface Sampling**

There are no records of data generated from mapping and surface sampling either from BGRMC, or the new owners of the property which is JDVCRC. While surface sampling of the sea bed was conducted simultaneous with the seabed profiling, no results of analysis nor sampling maps were provided by JDVCRC.

#### **14.1.2 Geological map and sections**

The construction of geological map is not practical considering the project is located offshore and surface mapping is nearly impossible. However, as will be discussed later, geophysical methods of exploration were conducted consisting of bathymetric survey and seismic reflection profiling, which have established the profile of the sand deposit. The interpreted sand profiles are shown as sections and discussed in detail in Section 14.5.

#### **14.1.3 Samples location map**

As already stated in 14.1.1, no samples location map was provided by JDVCRC; however, drillhole location maps were produced and presented in the following sections.

## **14.2 Surface sampling**

### **14.2.1 Outcrop sampling (Confirmation Sampling)**

No outcrop sampling of hard rocks was conducted inasmuch as virtually all magnetite sand is in the near surface and subsurface, below the soil and overburden.

### **14.2.2 Trench Sampling**

No trench sampling was conducted as the area is offshore and under water wherein water will inundate any excavations made; thus trenches were never used. Trenching of subhorizontal accumulations of magnetite sand is inappropriate.

### **14.2.3 Test Pit Sampling**

For the same reasons cited in 14.2.2, test pitting was not used as the main exploration method during the actual detailed exploration.

## **14.3 Drilling and Sampling**

### **14.3.1 Type of Drilling Program**

Considering the impracticability of surface exploration methods such as surface sampling, test pitting and trenching, JDVCRC resorted to diamond drilling to be able to get samples for analysis to serve as basis for an accurate evaluation of the mineral resources in the tenement area.

The plan of JDVCRC was to drill holes on the offshore waters covering the project area in order to validate the presence of magnetite at depth and to locate the magnetite occurrences which are of economic value for commercial mining operations in future. Earth Moving and Drilling Machinery Corporation, the drilling contractor engaged by JDVCRC, used three (3) motorized boats connected together by marine wood provided at the center with a space where a small rotary diamond drill rig (Longyear-38 Model) is installed as shown in Figure 14.3.1.1. The drilling operation was duly supervised by a licensed geologist Mr. Louis T. Santos of JDVCRC.

Generally, the holes were initially laid out on 300-meter x 300 meter-grid at a consistent vertical depth of 110 meters to determine the general profile of the seabed that extends through the sand horizon to the bedrock.

The core recovery ranged from a low of 68% to a high of 95% at a 5-meter vertical interval. The notable result highlighted in all the 83 drilled holes was the homogenous character of the magnetite iron sand mineral within the 4,998.2358-hectare area drilled, both vertically and horizontally. While the water depth ranges from 36 to 68 meters, with an average of 52 meters, the observed thickness of the magnetite sand or black sand horizon is about 20 meters. The rest of the horizon consists of the coarser materials underlain by the basement rock formations.



**Figure 14.3.1.1: A Longyear 38 Rotary Drill mounted in 3 interconnected boats**

Strict protocols in drilling, core logging, sampling and physical and chemical analyses were observed during the drilling operation to ensure that the highest QA/QC controls were maintained.

Cores were transported from Offshore to On Shore Site facility in Aparri, Cagayan of Earth Moving and Drilling Machinery Corp. for picture taking, logging, tagging and core box numbering, prior to shipment to Quezon City administrative office of JDVCRC.

Properly labeled and logged core samples were taken at five (5) meters interval, then, dried under the sun prior to sending to Intertek laboratory for the first stage raw grade test and manual process magnetic separation for the second stage chemical analysis.

Core Boxes with respective tags, meter log, hole depth labels are stored in JDVCRC's administrative office for Inspection by third party appraiser.

JDVCRC engaged the services of Earth Moving and Drilling Machinery Corporation to conduct a confirmatory drilling inside the 4,999.23-hectare portion of the MPSA contract area for the initial offshore mining development. The same drilling protocols are being followed, except for the drilling depth, which is now maintained at 20 to 25 meters, just immediately after the sand horizon. A total of 11 drill holes were completed and located in the contract area within the municipal waters of Gonzaga, Buguey and Aparri (portion). The initial results of the completed holes are presented below in Table 14.3.1.1. They will be shown graphically later in Chapter 15. The geographic coordinates of the said 4,999.23-hectare portion of the MPSA contract area are shown in the attached Appendix 1 (Table 14.3.1.2).



**Table 14.3.1.1: Summary of Drillhole Data**

ID	From (m)	To (m)	%MF	%Fe
GN18	0	5	26.58	62.05
GN18	5	10	43.87	61.53
GN18	10	15	24.89	60.45
GN18	15	20	12.58	62.58
GN33	0	5	22.56	62.53
GN33	5	10	41.89	61.52
GN33	10	15	23.63	61.23
GN33	15	20	11.65	62.03
GN48	0	5	24.87	60.58
GN48	5	10	46.55	62.12
GN48	10	15	25.41	62.35
GN48	15	20	12.66	60.09
GN58	0	5	24.94	60.50
GN58	5	10	47.29	61.49
GN58	10	15	27.89	60.37
GN58	15	20	10.24	61.78
GN68	0	5	26.98	60.38
GN68	5	10	43.15	62.58
GN68	10	15	23.89	61.06
GN68	15	20	13.56	61.74
GN68	20	22	18.86	60.53
GN30	0	5	3.23	59.69
GN30	5	10	21.01	61.80
GN30	10	15	20.71	61.38
GN01	0	5	59.3	
GN02	0	5	45.2	
GN03	0	5	46.7	
GN04	0	5	45.4	
GN05	0	5	39.7	

#### 14.3.2 Drill Site Spacing, Depth of Drilling

The main constraint for a detailed or close-interval drilling program in the offshore environment is the problem on the difficulty of establishing the stability of the drilling platform due to big waves in the area most of the time of the year. The only window available for a stable drilling platform is during October where the sea is relatively calm. To be able therefore to drill as much holes as possible, the drill spacing should be optimized or be kept as long as possible. This can only be attained if the consistency of the sand horizon can be established. This was made possible by the conduct of the seismic reflection survey which is discussed in a separate section. It was established in this survey that the sand horizon which contains the economic values of magnetite sand ranges in thickness of about 25 meters on the easternmost portion of the tenement, tapering towards the west to about 10 meters. The seismic reflection survey, as explained in Section 14.5, generated about 270 points that are spaced at a maximum of 500-meter interval on the N-S direction and a

maximum of 1,000-meter interval on the E-W direction. Each of these points has its own coordinates, elevation, and the individual thicknesses of the sand horizons (Stratigraphic Units). These data were used to establish the consistency of the possible magnetite sand-bearing horizons accurately.

Based on the data gathered from the seismic reflection survey, the drillhole spacing programmed for Parcel A is 2,000 meters with an average drilling depth of 20 meters; while for Parcel B-1, it is 4,000 meters, with an average drilling depth of 5 meters.

### 14.3.3 Core Logging

The cores recovered from the core barrel are put on the core boxes and labeled accordingly in the field. Core logging is conducted by the assigned geologist after the cores are inspected and prepared for sampling and core photography as will be explained in the following section. The samples are logged in accordance with the details required, as indicated in the geologic log sheet: color, dominant grain size, roundness, sorting, % lithic fragments, % biogenic matter, minerals visible, % oversize, and other comments (e.g. compaction, relative hardness, etc.).

After the core log is finalized, it is immediately encoded to preserve the record for merging with the assay analysis results later.

### 14.3.4 Drill core sampling method and interval

#### 14.3.4.1 Core Sampling

The sealed core boxes are delivered to the core shed in Aparri, along with the diamond drilling monitoring sheets every time the vessel docks (ideally, every 3 to 4 days unless in cases of interruptions such as unfavorable sea conditions, equipment breakdown, etc.). At least one geologist is in-charge of logging and supervision at the vessel. Core processing steps are described in detail below and shown graphically in Figure 14.3.4.1.1.

- **Retrieval of Cores from the Core Barrel:** Upon retrieval of the cores from the core barrel, the core is placed in a core tray 1-meter long. The core is measured and photographed with the proper label immediately. The geologist on board the drill platform immediately logs the core, taking note of the color, dominant grain size, roundness, sorting, % lithic fragments, % biogenic matter, minerals visible, % oversize, and other comments (e.g. compaction, relative hardness, etc.)
- **Core Bagging, Labeling, Packing:** After Core logging and photography, each 1-meter interval core is placed in a pre-labeled polyethylene bags and then sealed. Once all the samples for one hole is completed, all the samples are packed together, covered with sample transmittal and chain of custody form for shipment to Intertek-Manila through the Aparri Office of JDVCR.
- **Sample Preparation at Intertek-Manila:** At Intertek-Manila, the shipment of sample is checked for completeness against the transmittal and chain of custody form. If everything is complete, the samples are dried, weighed and mixed thoroughly. An appropriate amount of sample is taken for XRF, sieve and density analyses are taken and an equal amount is also taken, labeled and packed separately for delivery to Mines and Geosciences Bureau-Manila. The Intertek samples are analyzed accordingly.

- The MGB samples are picked up by JDVCRC personnel and delivered to MGB-Quezon City for Magnetic Fraction (MF) determination and metallurgical tests when needed. The excess samples are also retrieved by JDVCRC from Intertek. They are then arranged in core boxes and properly labeled for storage and safekeeping.

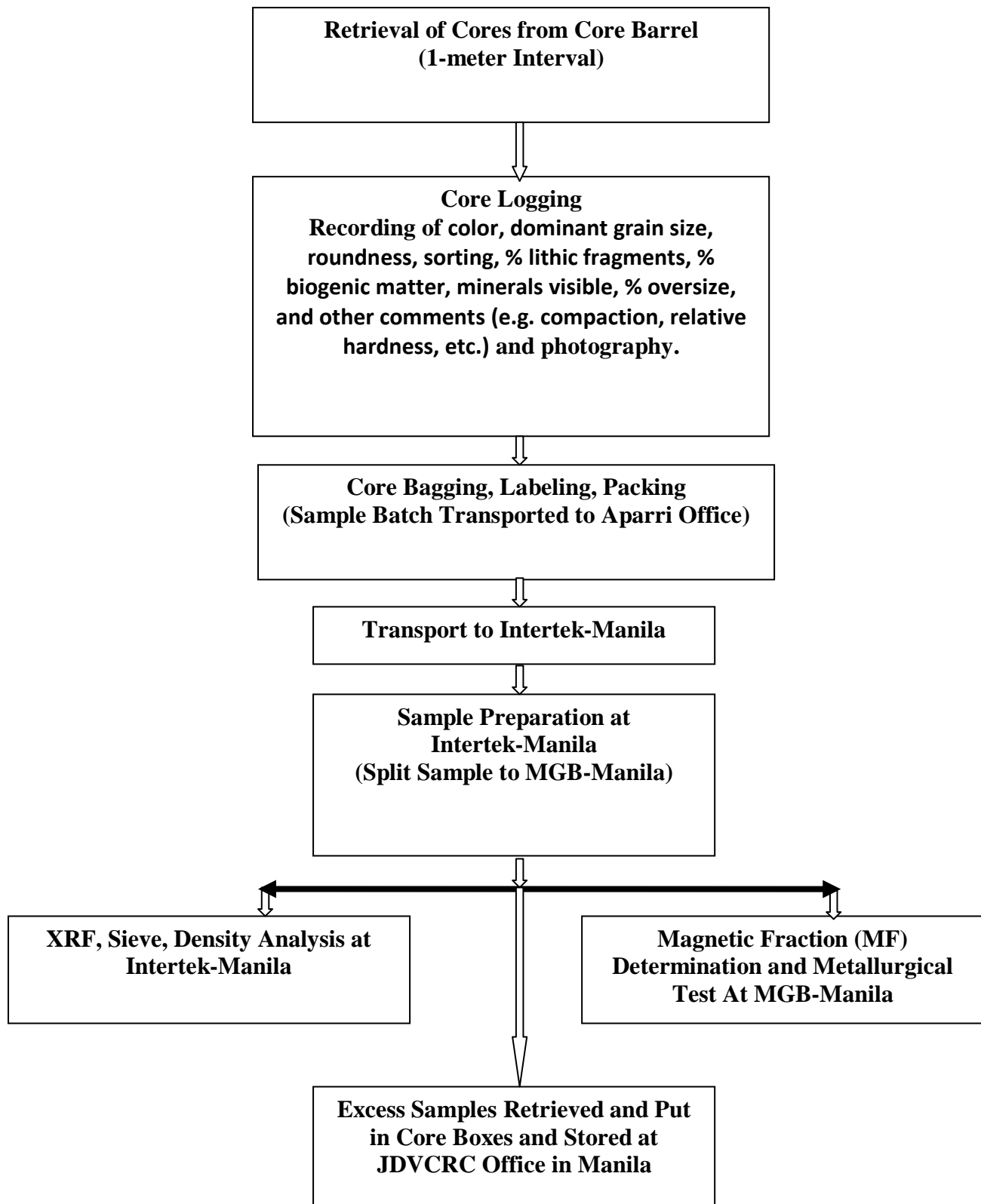


Figure 14.3.4.1.1: Core Processing Flowsheet

#### 14.3.4.2 Drill Hole Surveying and Topographic Surveying

The holes are laid out using a hand-held GPS of the drilling contractor, which is subscribed to a satellite network in the USA.

The topographic surveying, as will be discussed later was conducted through bathymetric survey. The bathymetric survey was carried out using a dual frequency Teledyne Echotrac MK-III high precision echo sounder set at frequencies of 200 KHz and 33 KHz. A total of 452 line-kilometers of bathymetric traverses were accomplished to produce a more detailed and precise bathymetric map in the area. Figure 14.5.3.2 shows the actual traverse lines within the eastern segment of the JDVCR tenement area. The dotted gray lines represent the additional bathymetric measurements.

Surfer V.11 software was used in constructing bathymetric contours and 3-D representation of the seabed. An example of the contours generated from the bathymetric survey is shown later in Section 14.5.5.

#### 14.3.4.3 Core Recovery

To ensure 100% core recovery, a slight modification was introduced in the conventional rotary drilling method. Instead of using the split-spoon sampler or the conventional core lifter, a fabricated flapper was attached to the end of the inner tube of the core barrel. This flapper was used in combination with a jar weight which drives down the drill stem instead of rotating the rod through the drill head. The flapper opens to ensure that the sand sample goes inside the core barrel as the stem is driven down; and it closes to prevent the content of the inner tube when the stem is pulled out.

Using the method discussed above, and using the conventional formula for determining the core recovery, the resulting average computed core recovery is 90%, which is highly acceptable enough considering the difficulty in recovering cores in sandy formation.

### 14.4 Exploration Geochemistry (by issuer or previous work)

#### 14.4.1 Geochemical Survey Type

Aside from the sampling methods described earlier (diamond drilling), no other geochemical methods were conducted in the project. Even the previous works conducted by previous Bureau of Mines and Geosciences workers used only onshore geochemical sampling methods of exploration.

#### 14.4.2 Sampling and Analytical Methods Employed

Drillcore sampling has been described in the preceding sections. All analytical methods (XRF, Sieve analysis, Density measurement, etc, are done on 5-meter composite samples instead of the 1-meter original samples to save on costs. The analytical method used in determining the magnetic fraction (MF, in %) is through the use of a Dings Davies Tube (DT); chemical analysis for Fe and 14 other minerals including loss in ignition are done using the X-ray

fluorescence (XRF) analyzer, while particle size distribution (PSD) is done using a root 2 series of sieve sizes.

For the Davis Tube test, a magnetic intensity of 3,200 Gauss was used and the glass tube was inclined at an angle of approximately 35°C. Unless insufficient in weight, a 500-gram split was taken for DT wash. Prior to XRF analysis, samples had to be pulverized to 75 µm (95% passing) and fused with the aid of lithium borates at 1050°C. A wavelength dispersive XRF spectrometer was used to analyze absolute concentrations of iron (Fe) and other major and minor elements. A certified reference material (standard) was inserted after every 25 samples analyzed and a replicate analysis was completed for every 10 samples analyzed. Elements and oxides analyzed under Intertek's iron sand package included: Fe, Al<sub>2</sub>O<sub>3</sub>, CaO, Cr<sub>2</sub>O<sub>3</sub>, K<sub>2</sub>O, MgO, MnO, Na<sub>2</sub>O, P, SO<sub>3</sub>, SiO<sub>2</sub>, TiO<sub>2</sub>, V<sub>2</sub>O<sub>5</sub>. Per cent loss-on-ignition (LOI) was determined by subjecting the samples to a temperature of 1000°C. XRF analysis was conducted on the composite sample as well as on the magnetic and non-magnetic fractions where the weights were sufficient for analysis. The pulp reject of the composite sample was submitted to MGB for DT Recovery (DTR).

Particle Size Distribution analysis was conducted on the composite sample. For the PSD, a root 2 series of sieve sizes was preferred. This consisted of 12 sieves with a maximum opening size of 1,700 µm and a minimum of 53 µm.

#### 14.4.3 Background, Threshold, and Anomaly Levels for the Elements Determined

Offshore mining of magnetite sand, which is the mining method to be employed in the project, is rather unique because it is done underwater by mechanical dredging where all materials that can be extracted and pumped up from the sea bed are fed to the magnetic separators. Thus, practically the entire volume of material is magnetically segregated; thus, it is not entirely appropriate that background, threshold, and anomaly levels are determined. However, considering the industry restrictions in the marketing of the expected iron fine products, it is important that the said levels in the important minerals such as Iron, Titanium, Vanadium, and even rare earth minerals are considered. It is for this reason that the company opted to have the samples analyzed by XRF method wherein simultaneous determination of %Fe, %Al<sub>2</sub>O<sub>3</sub>, %CaO, %Cr<sub>2</sub>O<sub>3</sub>, %K<sub>2</sub>O, %MgO, %P<sub>2</sub>O<sub>5</sub>, %SiO<sub>2</sub>, %V<sub>2</sub>O<sub>5</sub>, %As, %BaO, %Cl, %Co, %Cu, %MnO, %Na<sub>2</sub>O, %Ni, %Pb, %SO<sub>3</sub>, %Sn, %Sr, %TiO<sub>2</sub>, %Zn, %Zr and Per cent loss-on-ignition (LOI) is possible on a single run.

#### 14.4.4 Synthesis and Interpretative Techniques

This report is the synthesis of all the geochemical assays available in the project, and the interpretation approach is statistical/geostatistical based on the geological domains assigned.

#### 14.4.5 Geochemical Anomalies Detected

Drilling confirmed the presence of high valued intervals of magnetite in most holes driven. These high values, together with the rest of the data, were modeled conventionally using the polygon method for resource estimation.

#### 14.4.6 Relationship of Geochemical Findings to Geology and Mineralization

It will be shown later in resource estimation that the Fe grades are almost consistent horizontally in the raw sand deposit, however, certain portions of the area drilled are either enriched or relatively low in magnetite.

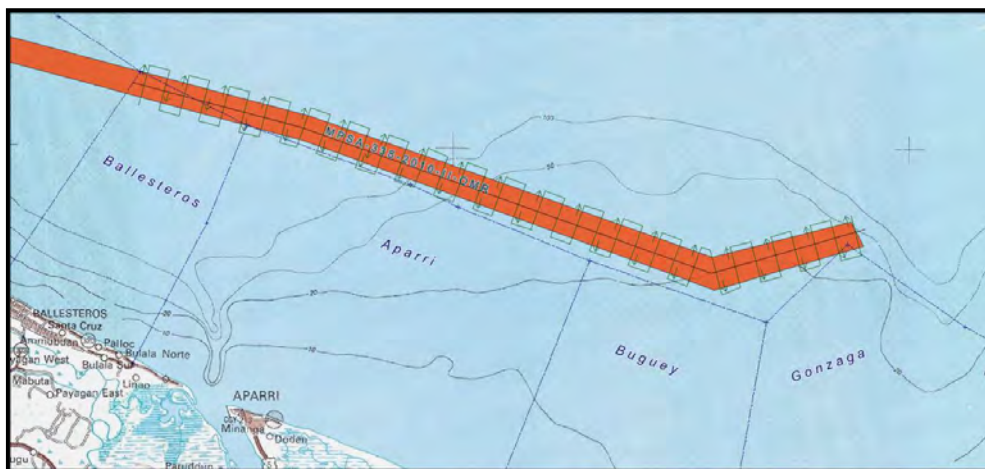
### 14.5 Applied Geophysics (by issuer or previous work)

#### 14.5.1 Geophysical Methods Used

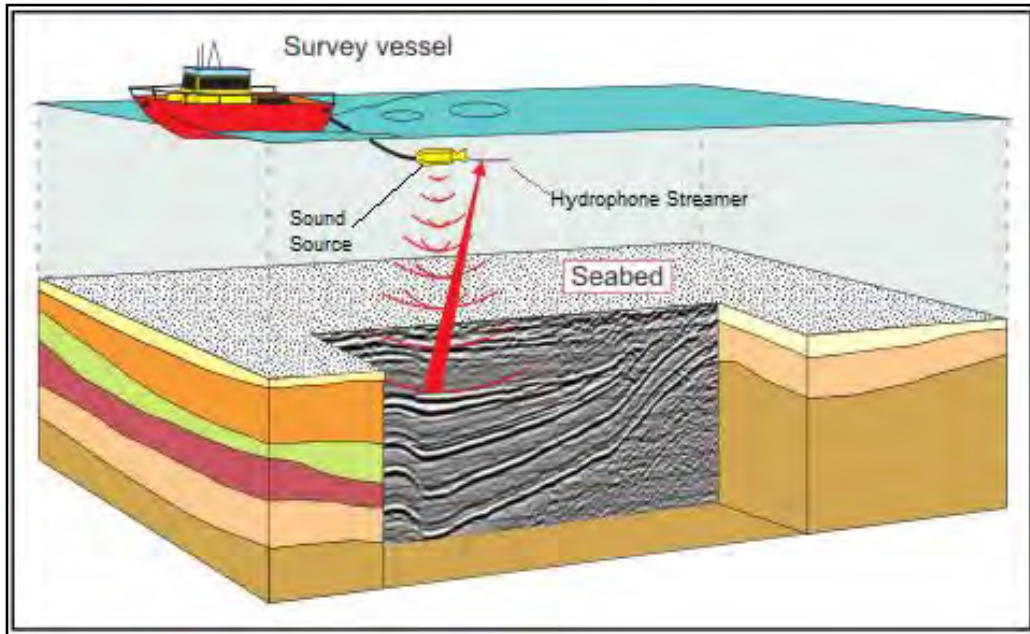
A marine geophysical survey was carried out within Parcels A and B-1 of the MPSA contract area in April 2015 located in Gonzaga, Buguey and Aparri (portion), Cagayan to provide sub-surface information on the stratigraphy, character and structure of unconsolidated sediments. The survey consisting of high-resolution seismic reflection profiling and continuous bathymetric measurements was undertaken primarily to precisely map water depths, characterize submarine topographic features, subsurface stratigraphy of consolidated sediments and to identify, delineate and map areas with potential economic occurrences of magnetite bearing sand bodies in the area.

High-resolution seismic profiling was carried out simultaneous with bathymetric measurements along pre-determined survey tracklines. Traverse lines were oriented almost perpendicular to the general trend of the shoreline and spaced at 500 to 1,000 meters interval. Figure 14.5.1.1 shows the proposed traverse lines within the eastern segment of the mineral tenement of JDVCR covering/adjoining the municipal waters of Ballesteros, Aparri, Buguey and Gonzaga, Cagayan. The traverse lines running NNE-SSW and NNW-SSE were spaced at 1 km interval with the option of using a closer interval (i.e. 500-meter) in areas where on-site preliminary analysis of the data indicates promising sites.

The high-resolution seismic reflection profiling and bathymetric measurements were run simultaneously at ship's speed of 4 to 5 knots (7.2 to 9 kilometers per hour). The picture in Figure 14.5.1.2 shows a schematic representation of the seismic reflection and bathymetric surveys.



**Figure 14.5.1.1: Pre-determined Tracklines Along the Eastern Segment of the JDVCR Tenement**



**Figure 14.5.1.2: Schematic Representation of Seismic Reflection and Bathymetric Surveys**

#### 14.5.2 Geophysical Contractor

The complete set of the seismic reflection survey equipment was sourced from Hydronav Services (Singapore) Pte Ltd on contract rental basis including the assignment of field technician during the course of the survey.

#### 14.5.3 Equipment Used, its Limitation and Survey Parameters

Seismic reflection profiling is accomplished by towing a sound source that emits acoustic energy in timed intervals behind the ship. The transmitted acoustic energy is reflected from the boundaries between various layers with different acoustic impedances (e.g. water-sediment interface or between stratigraphic units). Acoustic impedance is defined by the density of the medium and the sound velocity within that medium. The reflected acoustic signal is then received by the ship hydrophone streamer. The receiver amplifies and converts the reflected signal to analog signal. The analog signal is digitized, displayed and logged with a high-speed computer and plotted on a paper.

Seismic data can be used to identify variations in the subsurface materials, their character and extents. By measuring the two-way travel times for the seismic waves to travel to the various lithological units and back to the receiver, the depth of the horizons can be precisely estimated using appropriate sound velocities. Figure 14.5.1.2 illustrates the principle of seismic reflection survey.

The seismic reflection survey within the mineral property of JDVCR was carried out using the Applied Acoustics sparker seismic equipment consisting of the following components as shown in Figure 14.5.3.1:

Sound source	:	Squid 2000 multi-tip electrodes mounted on Catamaran; HVC-2000 power cable; RMK
Energy Source	:	CSP-D 1200 switchable output energy, 50 to 1200 joules per second
Hydrophone	:	Streamer cable (AH-250) with 12 element Hydrophones with pre-amplifier
Data Acquisition	:	Seismic data acquisition and processing System

The complete set of the seismic reflection survey equipment was sourced from Hydronav Services (Singapore) Pte Ltd on contract rental basis including the assignment of field technician during the course of the survey.

The Delph Seismic Analog Acquisition Unit was used as central control and signal processing module.



a) Squid 2000 sparker array



b) HVC-2000 high power cable



c) CSP-D2000 capacitor bank



d) 12-element hydrophone streamer

**Figure 14.5.3.1: Seismic Reflection Survey Equipment**

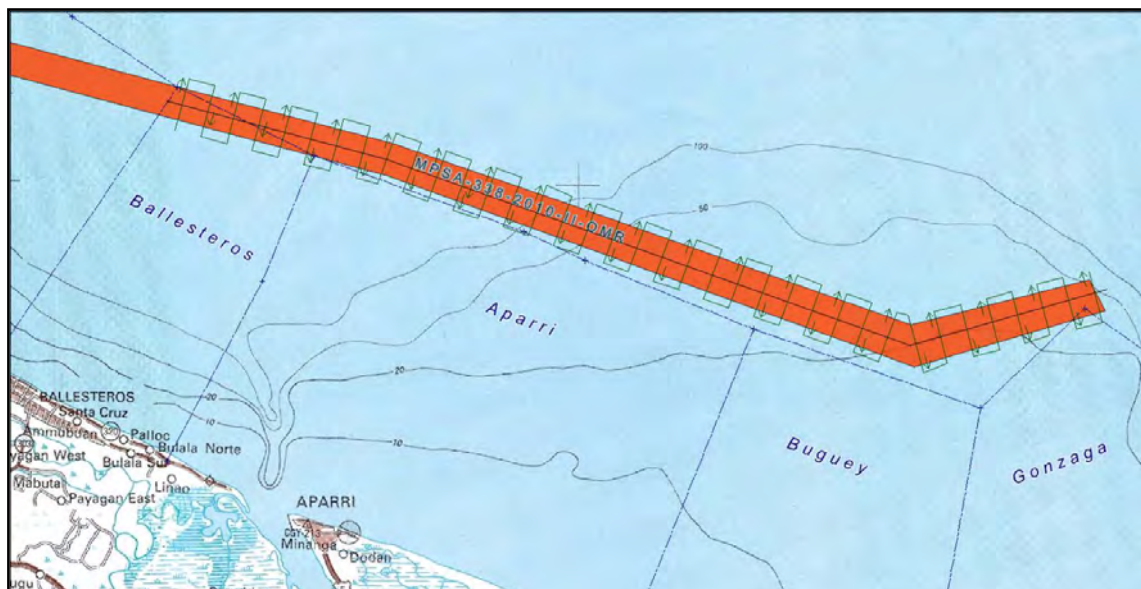
The bathymetric survey was carried out using a dual frequency Teledyne Echotrac MK-III high precision echo sounder set at frequencies of 200 KHz and 33 KHz. A total of 452 line-



kilometers of bathymetric traverses were accomplished to produce a more detailed and precise bathymetric map in the area. Figure 14.5.3.2 shows the actual traverse lines within the eastern segment of the JDVCRC tenement area. The dotted gray lines represent the additional bathymetric measurements.

Surfer V.11 software was used in constructing bathymetric contours and 3-D representation of the seabed.

In summary, the marine geophysical survey undertaken in the JDVCRC property and its immediate surroundings consisted of high-resolution seismic survey, magnetic profiling and bathymetric measurements. The survey was undertaken primarily to map and characterize the seabed topographic features, subsurface stratigraphy of unconsolidated sediments and delineate potential economic occurrences of magnetite sand and other associated minerals in the area. The interpretations deduced in these studies also served in the interpretation of the drilling results which later resulted in the formulation of the parameters use in the classification of mineral resources.



**Figure 14.5.3.2: Location of Actual Traverse lines Within the Eastern Segment of the JDVCRC Tenement**

#### 14.5.4 Methodology

As explained in 14.5.1, a high-resolution seismic profiling was carried out simultaneous with bathymetric measurements along pre-determined survey tracklines. Traverse lines were oriented almost perpendicular to the general trend of the shoreline and spaced at 500 to 1,000 meters interval. Figure 14.5.1.1 shows the proposed traverse lines within the eastern segment of the mineral tenement of JDVCRC covering/adjoining the municipal waters of Ballesteros, Aparri, Buguey and Gonzaga, Cagayan. The traverse lines running NNE-SSW and NNW-SSE were spaced at 1 km interval with the option of using a closer interval (i.e. 500-meter) in areas where on-site preliminary analysis of the data indicates promising sites.

The high-resolution seismic reflection profiling and bathymetric measurements were run simultaneously at ship's speed of 4 to 5 knots (7.2 to 9 kilometers per hour).

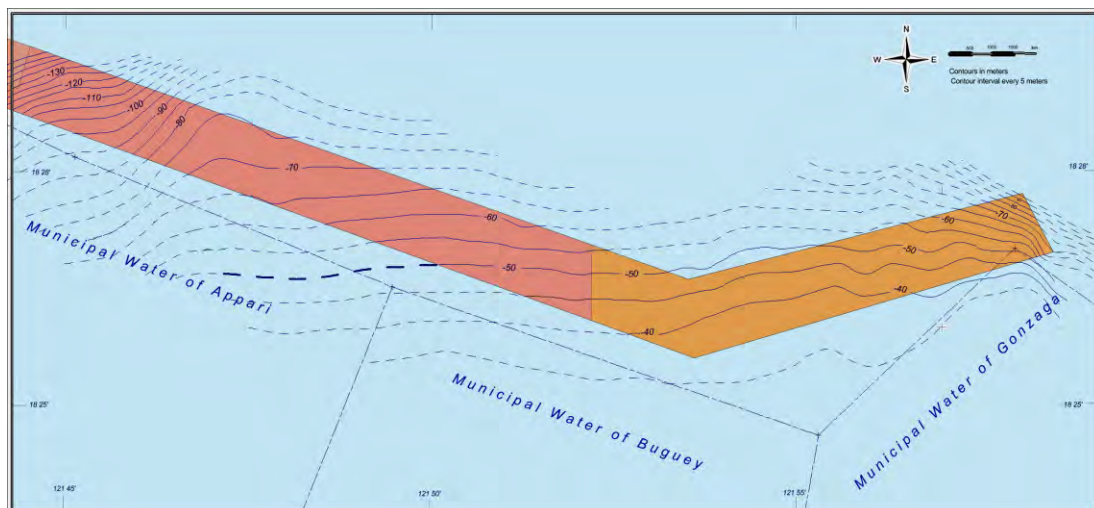
#### 14.5.5 Results with Respect to the Objective

The marine geophysical survey undertaken in the study area generated a total of 187.3 line-kilometers of high-resolution seismic reflection data and a total of 377.3 line-kilometers of bathymetric data. The additional echosounder measurements of about 190 kilometers were accomplished in order to get a more precise seabottom topographic configuration of the submarine delta within and adjacent to the municipal waters of Aparri, Buguey and Gonzaga, Cagayan. Figure 14.5.3.2 shows the actual traverse lines within the study area.

The deltaic sediment sequence is believed to compose largely of progradational sediments that potentially host possible economic occurrences of magnetite and other associated minerals.

Analysis of the bathymetric contours shown in the NAMRIA 1:250,000 topographic map (Figure 14.5.1.1) indicates contrasting submarine topography of the seabed east and west of the mouth of Cagayan River. A gentler slope of the seabed prevails on the eastern side of offshore Cagayan from the mouth of Cagayan River towards the town of Santa Ana. In contrast, the seabed west of Cagayan River shows a moderate slope of about -1.4% slope from the shoreline of the town of Ballesteros to a distance of 3,600 meters (where the -50 meter contour is encountered) seaward. The slope of the seabed from the Town of Buguey to a distance of 24,500 meters (up to -50 meter contour line) has a relatively gentler slope of about -0.2%.

Result of the bathymetric survey of the eastern segment of MPSA-338-2010-II-OMR is shown in Figures 14.5.5.1 and 14.5.5.2. The bathymetric contours are presented at 5-meter interval.



**Figure 14.5.5.1: Bathymetry of the Eastern Segment of MPSA-338-2010-II-OMR**

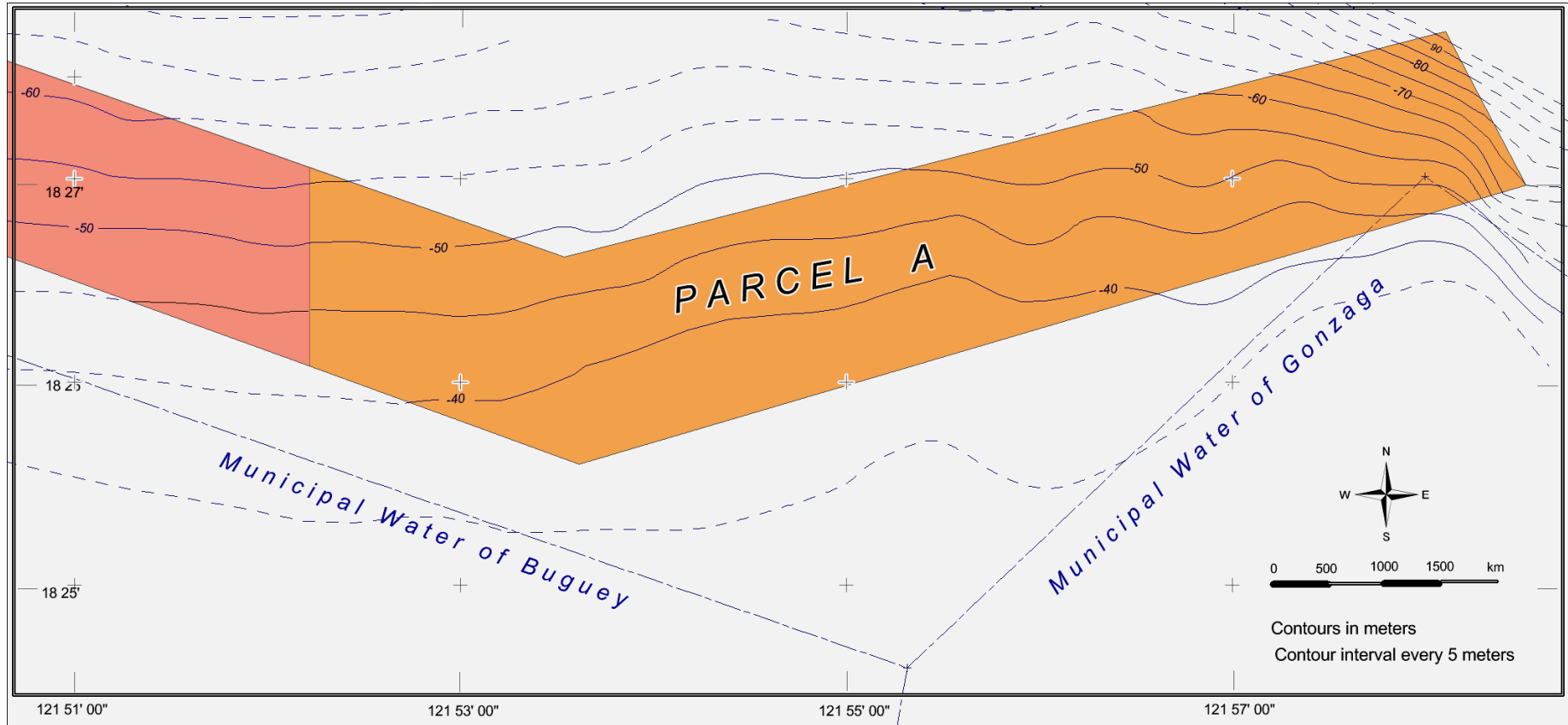
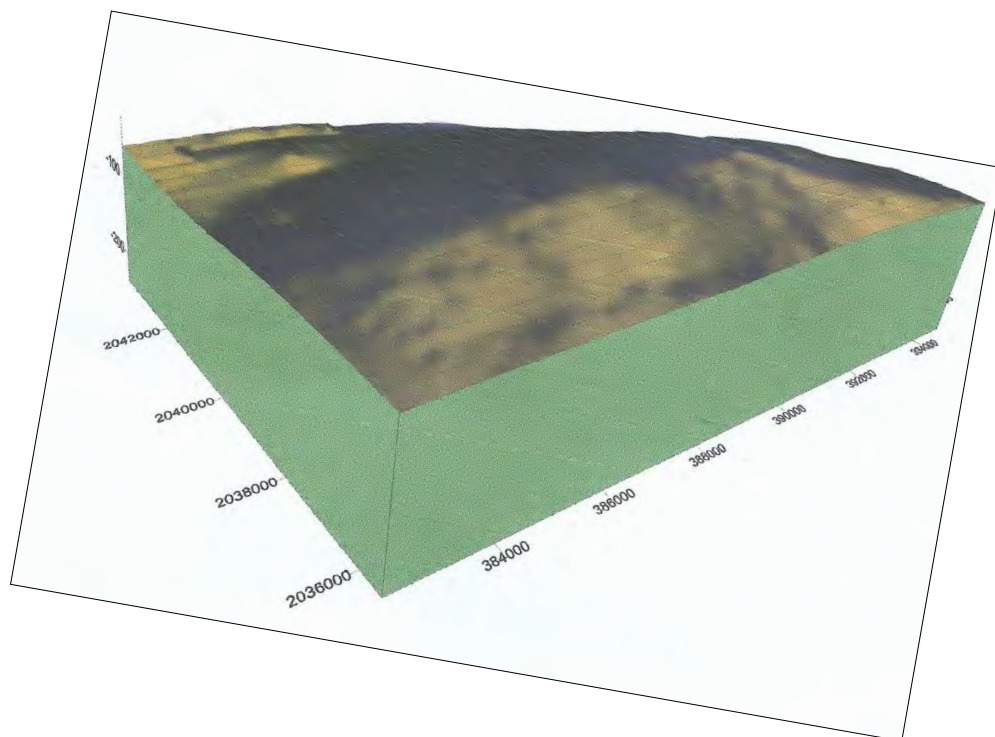
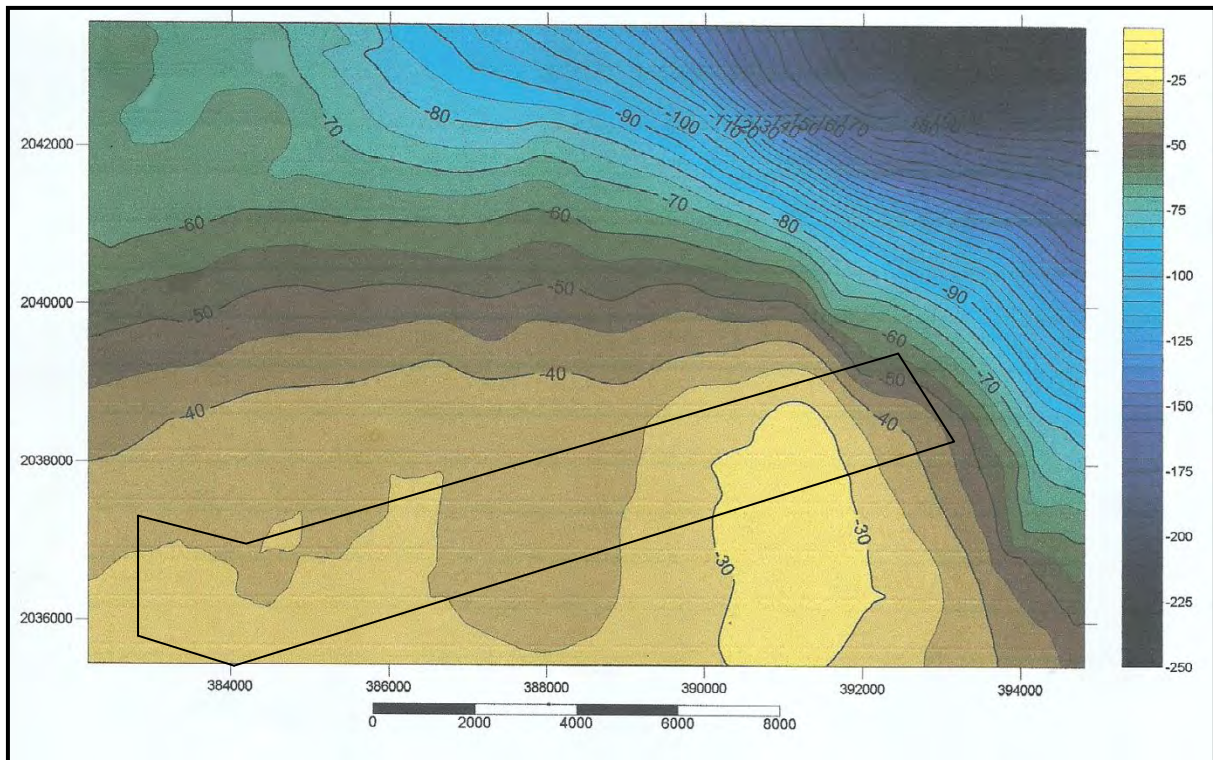
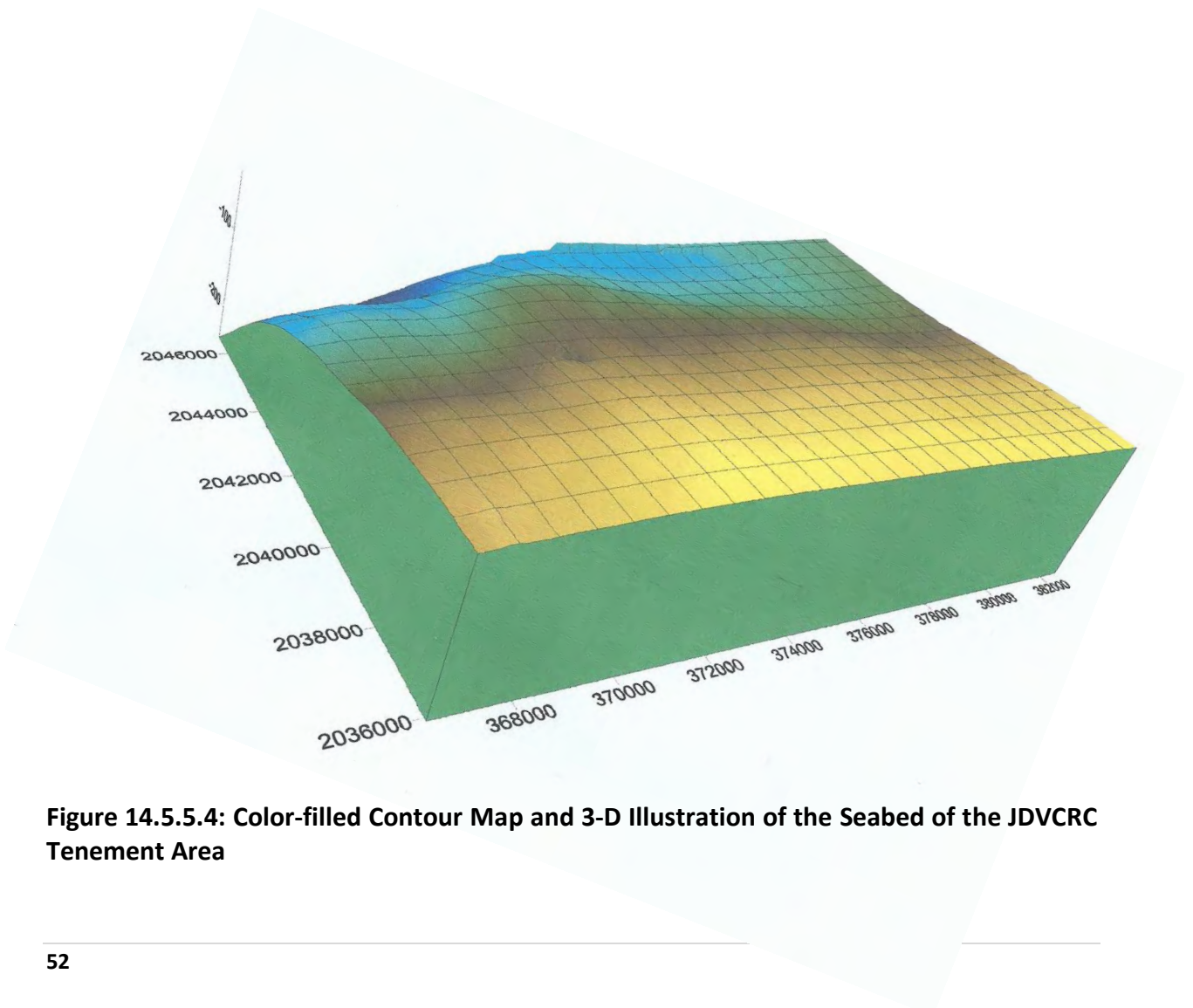
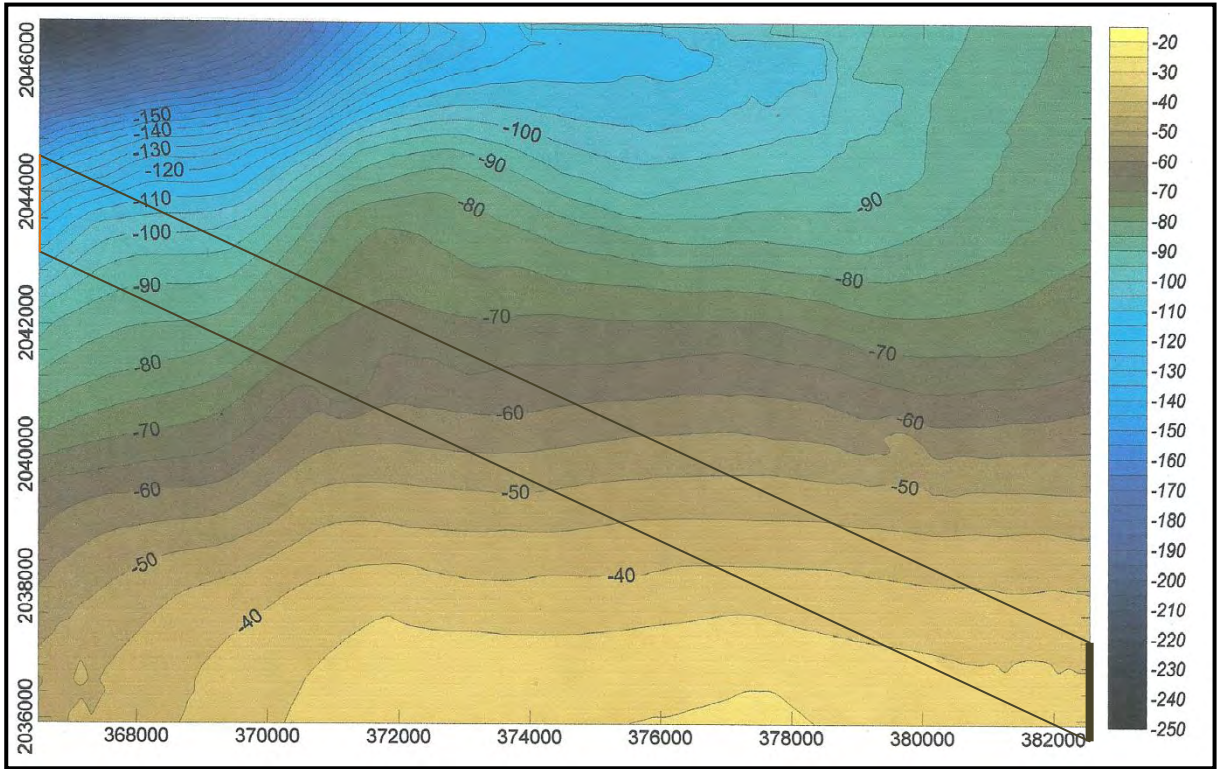


Figure 14.5.5.2: A More Detailed View of the Bathymetry of the Eastern Segment of the Tenement Area.

Figures 14.5.5.3 and 14.5.5.4 graphically present the color-filled contour maps and 3-D presentations of the seabed of the eastern portion of MPSA-338-2010-II-OMR.



**Figure 14.5.5.3: Color-filled Bathymetric Map of the Easternmost Segment of the JDVCR Tenement Area**



**Figure 14.5.5.4: Color-filled Contour Map and 3-D Illustration of the Seabed of the JDVCR Tenement Area**

The most prominent seabottom topographic feature of offshore Cagayan is the submarine delta situated east of the mouth of the Cagayan River. As illustrated in Figures 14.5.5.3 and 14.5.5.4, the seabottom from the coast of Buguey and vicinity gently slopes toward the north to about 100-meter isobath but becomes steeper further offshore. The latter defines the flanks of the delta.

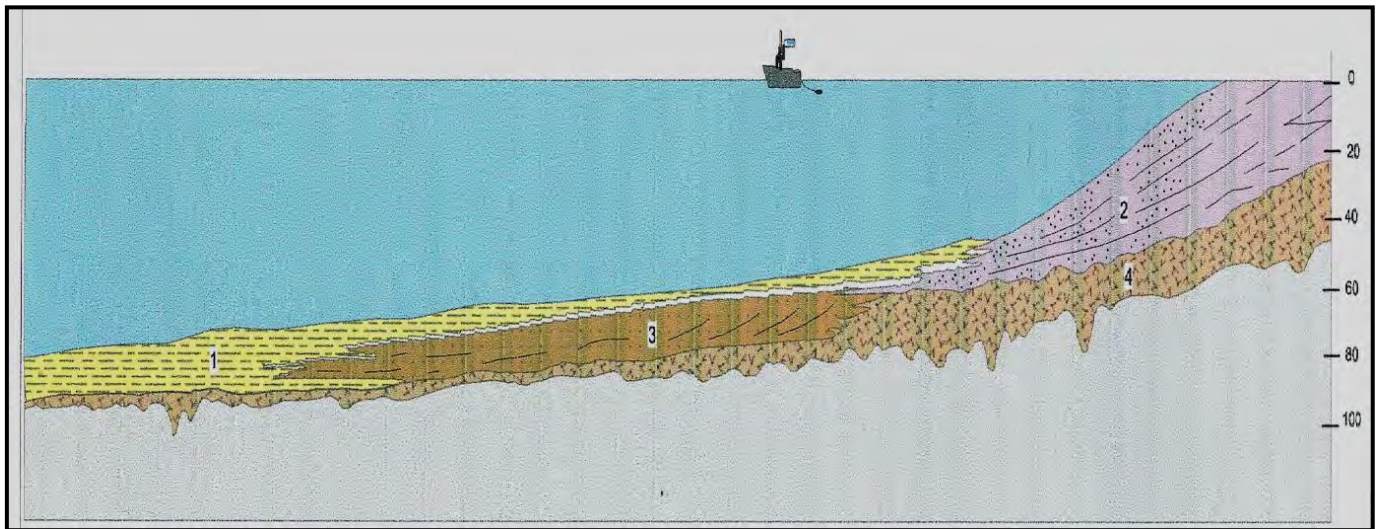
Huge quantity of riverine sediments transported by Cagayan River to Babuyan Channel is believed to have caused the delta built up. The deflection of part of Kuroshio Current towards the Babuyan Channel coupled by the constriction on its exit as well as the opposing northeasterly current from the West Philippine Sea and South China Sea have caused the clockwise circulation toward the delta area. Subsequently, the resulting strong undercurrent could have also caused the migration of very fine sediments towards the deeper part of Babuyan Channel.

In the seismic reflection profiling method, sound pulses are continuously emitted by the seismic source (multi-electrode sparker) towed behind the survey vessel. As the pulses reach the sea floor, some signals are reflected back towards the sea surface (so called as direct arrivals) while the rest are refracted down towards the sub-bottom. The refracted pulses are again partially reflected and further refracted as these encounter surfaces of high density contrast (or more precisely, varying acoustic impedance). Most of the reflected sound waves are then received by the hydrophones contained in a streamer likewise towed about 15 meters behind the survey platform and a few centimetres (ideally +/- 10 cms.) below the water surface. Electrical signals are then created in response to the pressure changes caused by the arriving pulses. These are transmitted into the onboard noise/wave band pass filtering system to eliminate unwanted signals. The "sound images" of the sub-bottom profiles are then printed on a continuous roll of thermal paper through a graphic recorder. The horizontal scale is in meters, i.e. numbered fix marks every 50 m., while the vertical scale is in milliseconds. The travel time are converted to depth using the velocity of sound waves in marine sediments of 1,540 meters/sec. Using these values, sections showing the various sediment units and the probable acoustic basement surface can be delineated.

Analysis and interpretation of marine geophysical data gathered in the tenement area led to the identification and mapping of seismo-stratigraphic units and subsequently led to the delineation of areas that may potentially contain economic concentrations of magnetite sand, particularly along the eastern segment of the tenement area. These areas predominantly consist of layers or horizons with progradational characteristics of sediments exhibiting sigmoidal to oblique reflection characteristics.

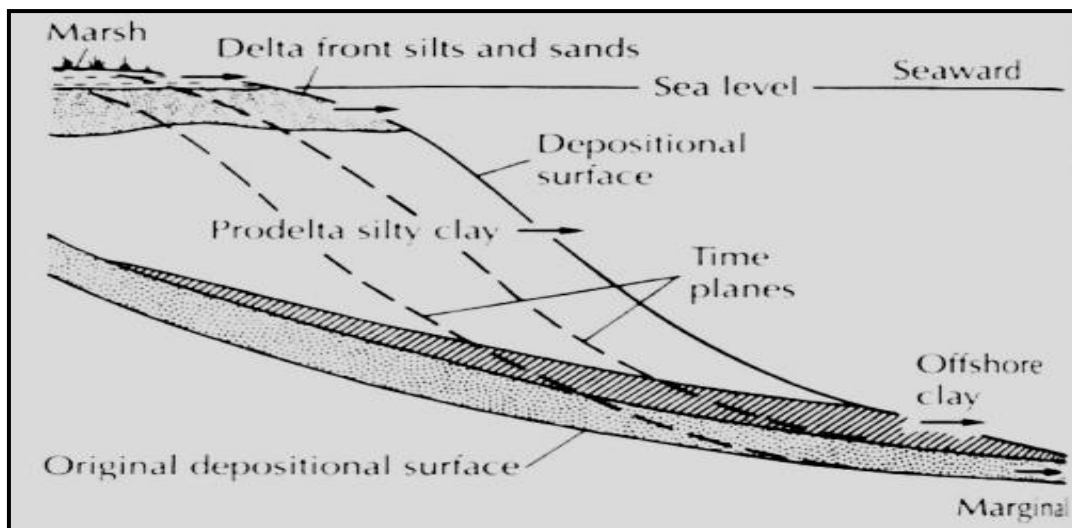
In most instances, these layers are overlain by fluvial to shallow marine sediment sequences. Figure 14.5.5.5 shows the generalized seismo-stratigraphy of nearshore sedimentary sequences, showing the several progradational sediments (Units 2 and 3) representing stages of delta build up along coastal environment. The progradational sequences consisting of mostly of fine to coarse grained sand grade into finer sediments (clay and silt) seaward (Unit 1). The latter unit in offshore Cagayan generally consist of silty fine sand as the fine sediments are washed away by the circulating under current in the Channel.

In some instances, the most recent prograded sediments lie on top of the previously formed sequence giving rise to thick deposits of sand bearing horizons.



**Figure 14.5.5.5: Generalized Seismo-stratigraphy of Coastal and Nearshore Sediments**

The Cagayan River, as it flows into the Babuyan Channel considerably loses its velocity causing the deposition of its bedload and suspended load. The delta deposits progrades or advance its edges into the Channel. Figure 14.5.5.6 graphically illustrates the delta deposition.



**Figure 14.5.5.6: Schematic Diagram of Sediment Progradation in Deltas**

The progradational sequences serve as a good target for magnetite sand deposits. Prospective areas were identified based on seismic reflection patterns and internal reflection characteristics. The following reflection characteristics were considered in the assessment:

- ✚ Parallel to sub-parallel reflection pattern – Fine-grained horizontally layered marine sediments consisting mostly of silt to silty fine grained sand. This unit is interpreted to correspond to the Holocene mud sequence. Nevertheless, the finer component of this sequence appears to have been washed away due to the influence of the Kuroshio Current.
- ✚ Oblique to sigmoidal reflection pattern - Prograded sediments consisting chiefly of sand derived from delta building and wave concentrated deposits;
- ✚ Chaotic reflection characteristics – channel filled sediments deposited in fluvial environment;

Results of data interpretation reveal that the unconsolidated sediment section underlying the contract area was deduced to be divided into four (4) distinct units characterized by their different internal seismic reflection patterns and separated by distinct reflection horizons. For purposes of identification, these units have been designated as **Unit 1, Unit 2, Unit 3 and Unit 4** (from top to bottom).

Unit 1:

Unit 1 generally consists of recent sediments of beach deposits along the shore grading into finer sediments offshore. It is characterized by parallel to divergent reflection patterns. Due to the influence of the Kuroshio Current flowing from the East Philippine Sea and deflected towards the Babuyan Channel, the finer sediments particularly on the eastern part of the area are transported towards the west. This unit generally consists of silt to fine grained sand with variable amounts of magnetite sand.

Unit 2:

This unit is inferred to generally comprise of fine to medium sand of fluvial to shallow marine origin. The internal reflection pattern consists of sigmoidal to chaotic patterns. There appears to be a gradational change to Unit 1 sediments which are characterized by a weak parallel reflection pattern with some oblique reflections nearer “shore”. This unit is inferred to consist of shallow marine sediments deposited nearshore or at the shoreline.

Unit 3:

Characterized by parallel to seaward dipping/sigmoidal reflections and consists of the prograded shoreline deposits characterizing the eastern part of the contract area. It is deduced to consist essentially of fine to medium – grained sand materials.



This Unit together with Unit 2 is believed to host valuable detrital mineral deposits particularly magnetite sand accumulations. Representative seismic profiles in the eastern and western parts of the area are shown in Figures.

Unit 4:

The oldest unconsolidated sediment sequence in the area is Unit 4 that generally shows parallel to divergent and in some places hummocky reflection patterns. It is inferred to consist predominantly of older mud to silty sediment sequences. Underlying this unit is the acoustic basement which in, some instances coincide with the bedrock. In seismology, the term acoustic basement is generally referred to as the surface, below which strata cannot be penetrated by seismic signals or cannot be imaged by seismic data. The acoustic basement surface covered by the survey, so far, is interpreted to be a relatively strong and irregular reflector.

Based on the analysis and interpretation of seismic reflection data gathered in the area, the seismo-stratigraphic units that can be considered as the most promising targets for magnetite sand exploration are Units 2 and 3.

The exploration targets considered for the boring operation are the submerged prograded sediment sequence. The prograded sediments are characterized by inclined beddings that result from the deposition and accumulation of relatively coarse and heavy materials along the shore in a high-energy environment such as those in deltaic environment. The winnowing action of waves and tides bring forth concentration of comparatively heavy sediment grains along the shore and wash away the lighter and often fine grained factions of sediments. They are also affected by longshore currents which cause deposition of magnetite sand parallel to the shoreline. It is characterized by oblique to sigmoidal reflection character and often has a high amplitude signal indicating sharp impedance contrast owing to the high density and sound velocity variations between the sediment types. The fluvial and shallow marine sediment sequence was also included in the exploration target based on the internal reflection characteristics.

A comprehensive analysis of the bathymetric and high-resolution seismic data led to a broader understanding of the geological and mineralization setting of the JDVCR tenement area. More importantly, prospective sites were identified and delineated based on seismic reflection characteristics and internal reflection patterns. The priority exploration targets that were identified consist of areas where prograded sediment sequences have been identified.

The prograded sediments are characterized by inclined beddings that result from the deposition and accumulation of relatively coarse and heavy materials along the shore in a high-energy environment such as those in deltaic environment. The winnowing action of waves and tides bring forth concentration of comparatively heavy sediment grains along the shore and wash away the lighter and often fine grained factions of sediments. They are also affected by longshore currents which cause deposition of magnetite sand parallel to the shoreline. It is characterized by oblique to sigmoidal reflection character and often has a

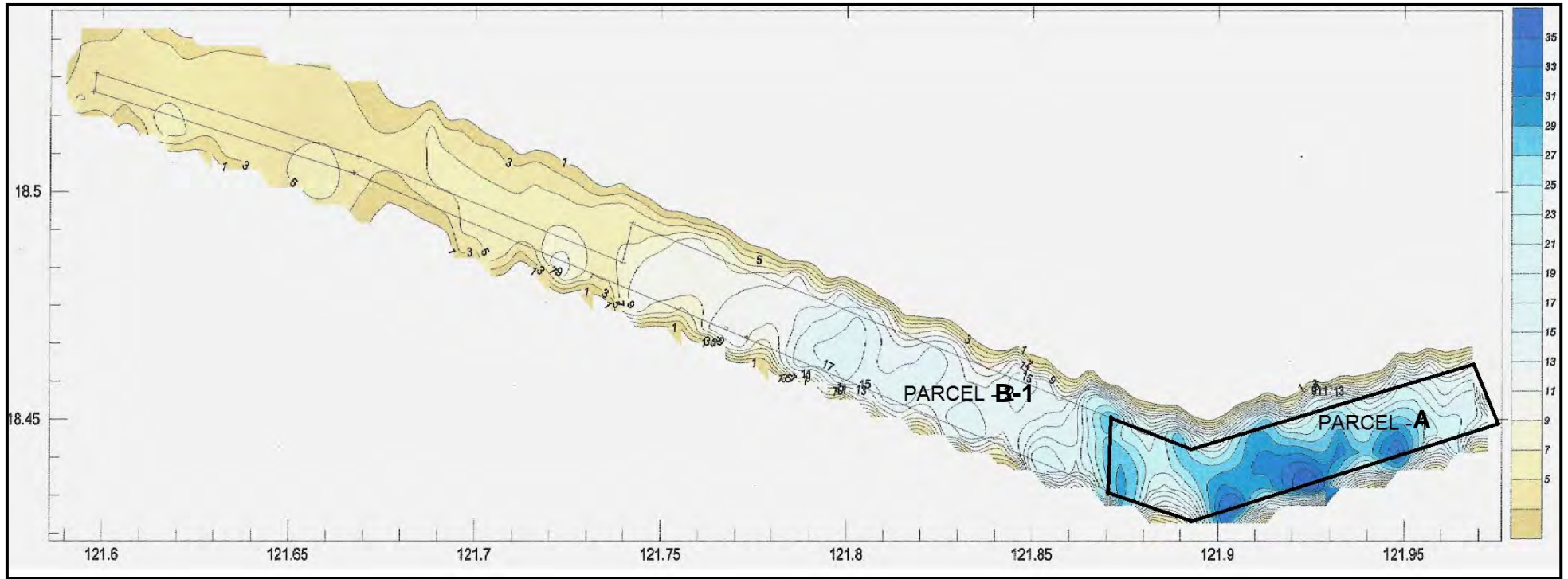
high amplitude signal indicating sharp impedance contrast owing to the high density and sound velocity variations between the sediment types.

Aside from identifying and delineating potential exploration targets, the thickness of potential sand bearing sediments were obtained from the seismo-stratigraphic interpretation. The vertical extents or thicknesses of potential sand-bearing horizons within tenement area are presented in Figure 14.5.5.7.

Table 14.5.5.1 shows the tabulation of the individual thicknesses of Unit 1 and the combined Units 2 and 3. It will be observed in the tabulation and in the contour map in Figure 14.5.5.7 that the sediments are thicker in the eastern portion of the tenement, which is identified here as Parcel A. The area to the west is called Parcel B-1. The sediments are observed to be thinning out going westward to Parcel B-1. On the average, the thicknesses of the sediments per Unit are as mathematically computed follows:

	<b>Unit 1 (meters)</b>	<b>Unit 2 (meters)</b>	<b>Total (meters)</b>
<b>Parcel A</b>	6.8	19.0	25.8
<b>Parcel B-1</b>	3.0	6.8	9.80

These thicknesses were determined from the meticulous interpretation of the seismic reflection profiles of the seismic reflection survey lines shown in Appendix 3.



**Figure 14.5.5.7: Color-filled Contour Map Showing the Various Thicknesses of Identified Sand-bearing Horizons Consisting of Seismo-stratigraphic Units 1, 2 and 3.**

**Table 14.5.5.1: Thickness of sand bodies in the eastern segment of MPSA-338-2010-II-OMR**

Point No.	Longitude	Latitude	Water depth (colar elev)	Unit 1	Unit 2 & Unit 3	Total sand thickness	Location
901	121.678745	18.508683	180	1.0	3.8	4.8	Parcel B-1
902	121.681433	18.513528	190	0.9	3.7	4.6	Parcel B-1
903	121.682125	18.51704	195	0.7	3.3	4.0	Parcel B-1
904	121.674991	18.521238	197	0.7	2.5	3.2	Parcel B-1
905	121.670545	18.519224	187	0.8	3.6	4.4	Parcel B-1
906	121.670051	18.515851	178	0.9	3.7	4.6	Parcel B-1
907	121.667705	18.510204	169	1.0	4.1	5.1	Parcel B-1
908	121.667136	18.507325	165	1.1	4.4	5.5	Parcel B-1
909	121.666372	18.50393	160	1.2	4.6	5.8	Parcel B-1
910	121.601676	18.522564	166	0.8	3.0	3.8	Parcel B-1
1000	121.612249	18.519739	171	1.1	2.9	4.0	Parcel B-1
1003	121.588355	18.52116	165	1.1	3.2	4.3	Parcel B-1
1004	121.589128	18.518147	169	1.1	3.7	4.8	Parcel B-1
1005	121.590033	18.529024	170	1.0	2.5	3.5	Parcel B-1
1007	121.591289	18.532933	172	0.8	2.2	3.0	Parcel B-1
1010	121.592826	18.536579	176	0.7	2.1	2.8	Parcel B-1
1015	121.599909	18.516571	163	1.1	3.7	4.8	Parcel B-1
1017	121.600935	18.519318	169	0.9	3.3	4.2	Parcel B-1
1018	121.601676	18.525408	173	0.7	2.7	3.4	Parcel B-1
1020	121.603702	18.531405	176	0.9	2.3	3.2	Parcel B-1
1021	121.6046	18.535861	183	0.7	2.6	3.3	Parcel B-1
1024	121.610767	18.536979	188	0.8	2.5	3.3	Parcel B-1
1025	121.611217	18.516946	168	1.1	3.2	4.3	Parcel B-1
1026	121.612402	18.523079	177	1.0	2.8	3.8	Parcel B-1
1027	121.6136328	18.512712	166	1.2	3.8	5.0	Parcel B-1
1030	121.6164978	18.52939	182	0.8	2.7	3.5	Parcel B-1
1031	121.616498	18.533091	178	0.7	2.7	3.4	Parcel B-1
1033	121.621833	18.511749	168	1.3	3.7	5.0	Parcel B-1
1036	121.6235608	18.517274	176	1.2	3.0	4.2	Parcel B-1
1037	121.624746	18.523688	182	1.1	2.6	3.7	Parcel B-1
1038	121.62603	18.529493	180	1.0	2.6	3.6	Parcel B-1
1049	121.639149	18.505016	150	1.3	4.1	5.4	Parcel B-1
1051	121.644251	18.506318	155	1.1	3.9	5.0	Parcel B-1
1052	121.645003	18.50873	156	1.1	3.5	4.6	Parcel B-1
1053	121.645398	18.512399	158	1.1	2.9	4.0	Parcel B-1
1054	121.646782	18.51824	166	1.0	2.9	3.9	Parcel B-1
1055	121.648152	18.52116	169	0.8	2.9	3.7	Parcel B-1
1056	121.648808	18.524939	179	0.7	2.9	3.6	Parcel B-1
1057	121.652448	18.527855	175	0.7	2.3	3.0	Parcel B-1

1058	121.654719	18.504305	165	1.2	4.4	5.6	Parcel B-1
1059	121.656465	18.501891	156	1.4	4.4	5.8	Parcel B-1
1060	121.656744	18.509221	165	1.0	4.2	5.2	Parcel B-1
1061	121.657997	18.515757	168	0.9	3.5	4.4	Parcel B-1
1062	121.658324	18.526591	185	0.6	2.5	3.1	Parcel B-1
1063	121.659931	18.5018	156	1.3	4.7	6.0	Parcel B-1
1064	121.660269	18.521238	175	0.8	3.6	4.4	Parcel B-1
1065	121.66101	18.523205	178	0.7	3.2	3.9	Parcel B-1
1066	121.676783	18.49515	138	1.1	5.4	6.5	Parcel B-1
1067	121.67945	18.521138	185	1.0	2.3	3.3	Parcel B-1
1068	121.675831	18.500439	168	1.2	4.9	6.1	Parcel B-1
1069	121.67694	18.503368	177	1.3	4.7	6.0	Parcel B-1
1070	121.677736	18.506021	168	1.1	3.9	5.0	Parcel B-1
1071	121.688417	18.491051	140	1.5	4.5	6.0	Parcel B-1
1072	121.689037	18.502058	169	1.3	4.2	5.5	Parcel B-1
1073	121.690716	18.507514	178	1.1	4.0	5.1	Parcel B-1
1075	121.688279	18.499081	172	1.4	4.3	5.7	Parcel B-1
1077	121.697371	18.492148	150	1.4	4.9	6.3	Parcel B-1
1080	121.698753	18.495801	155	1.7	4.1	5.8	Parcel B-1
1081	121.701173	18.501704	166	1.6	3.6	5.2	Parcel B-1
1084	121.704098	18.48642	150	1.7	5.6	7.3	Parcel B-1
1085	121.704876	18.510089	170	1.1	2.5	3.6	Parcel B-1
1097	121.717529	18.506646	160	1.1	2.8	3.9	Parcel B-1
1098	121.71839	18.485198	110	2.0	6.1	8.1	Parcel B-1
1099	121.719572	18.482478	109	2.2	6.0	8.2	Parcel B-1
1100	121.719602	18.488199	112	1.8	6.0	7.8	Parcel B-1
1102	121.721646	18.493453	115	1.5	5.2	6.7	Parcel B-1
1103	121.722812	18.496392	120	1.3	4.1	5.4	Parcel B-1
1104	121.72301	18.481223	100	2.3	6.2	8.5	Parcel B-1
1105	121.720491	18.490727	130	1.6	5.5	7.1	Parcel B-1
1107	121.723997	18.498687	135	1.1	3.9	5.0	Parcel B-1
1108	121.724617	18.504051	150	1.1	2.9	4.0	Parcel B-1
1109	121.724985	18.500981	130	0.9	3.6	4.5	Parcel B-1
1110	121.72617	18.480427	68	2.3	6.4	8.7	Parcel B-1
1120	121.738494	18.47382	105	2.6	6.4	9.0	Parcel B-1
1122	121.740095	18.47789889	108	2.4	6.3	8.7	Parcel B-1
1123	121.740174	18.499119	180	1.3	3.2	4.5	Parcel B-1
1124	121.741724	18.482291	117	2.5	5.7	8.2	Parcel B-1
1127	121.743946	18.487497	133	2.2	5.6	7.8	Parcel B-1
1130	121.744285	18.49685	170	1.5	3.4	4.9	Parcel B-1
1131	121.744588	18.490165	142.5	2.0	4.0	6.0	Parcel B-1
1132	121.747205	18.49466	160	1.2	3.9	5.1	Parcel B-1
1133	121.7480217	18.493817	1150	1.4	3.9	5.3	Parcel B-1
1135	121.750217	18.472889	93.6	2.7	6.3	9.0	Parcel B-1

1138	121.751353	18.475417	96.2	2.4	5.6	8.0	Parcel B-1
1139	121.752192	18.478367	101.3	2.3	7.7	10.0	Parcel B-1
1140	121.753081	18.480755	106	2.6	8.4	11.0	Parcel B-1
1141	121.754414	18.484079	114	2.7	8.3	11.0	Parcel B-1
1143	121.756192	18.488105	125.7	2.5	7.5	10.0	Parcel B-1
1144	121.757148	18.491006	133.2	2.3	6.7	9.0	Parcel B-1
1147	121.760339	18.469096	88	3.1	6.9	10.0	Parcel B-1
1148	121.761179	18.491897	135	2.2	5.8	8.0	Parcel B-1
1149	121.761796	18.47159389	90	3.3	4.7	8.0	Parcel B-1
1150	121.762907	18.474575	94.1	3.4	6.6	10.0	Parcel B-1
1151	121.762956	18.467364	84.5	3.2	7.8	11.0	Parcel B-1
1154	121.763796	18.476728	96	3.0	6.0	9.0	Parcel B-1
1157	121.765553	18.482379	105	3.6	5.4	9.0	Parcel B-1
1158	121.766344	18.489787	124	2.4	4.6	7.0	Parcel B-1
1159	121.766561	18.466287	79.7	4.1	7.9	12.0	Parcel B-1
1161	121.768191	18.487216	111.8	2.8	5.2	8.0	Parcel B-1
1162	121.771881	18.46578	74.5	4.9	7.6	12.5	Parcel B-1
1164	121.77298	18.470594	78.2	4.6	6.7	11.3	Parcel B-1
1165	121.774379	18.473865	69.1	4.5	7.3	11.8	Parcel B-1
1166	121.776091	18.476775	80	4.2	7.6	11.8	Parcel B-1
1167	121.776782	18.479443	100	3.7	7.4	11.1	Parcel B-1
1168	121.777918	18.482206	85	3.4	6.9	10.3	Parcel B-1
1170	121.781931	18.486023	88.5	3.2	6.9	10.1	Parcel B-1
1171	121.781967	18.465687	70	4.5	8.0	12.5	Parcel B-1
1172	121.782856	18.463616	67.2	4.7	8.3	13.0	Parcel B-1
1173	121.784339	18.468594	69.6	4.4	7.7	12.1	Parcel B-1
1174	121.78513	18.459779	64	5.1	8.1	13.2	Parcel B-1
1175	121.785373	18.471279	63.4	4.3	7.8	12.1	Parcel B-1
1176	121.786119	18.473845	72.6	4.2	8.3	12.5	Parcel B-1
1179	121.787744	18.4764	74	3.7	9.3	13.0	Parcel B-1
1180	121.788096	18.458747	62.6	5.3	8.8	14.1	Parcel B-1
1181	121.78859	18.478346	74.7	3.4	8.4	11.8	Parcel B-1
1183	121.794029	18.459122	63.6	5.5	8.3	13.8	Parcel B-1
1184	121.794806	18.46282	78.7	5.2	10.3	15.5	Parcel B-1
1185	121.795759	18.465857	68.6	5.3	12.2	17.5	Parcel B-1
1186	121.797373	18.469423	71.8	5.1	11.5	16.6	Parcel B-1
1187	121.798144	18.4559785	61.6	5.7	9.8	15.5	Parcel B-1
1190	121.799892	18.477338	78.6	3.8	12.4	16.2	Parcel B-1
1192	121.804163	18.45484	60.8	6.1	8.1	14.2	Parcel B-1
1193	121.804261	18.477062	78.6	3.9	11.9	15.8	Parcel B-1
1195	121.805965	18.459916	64.6	6.3	8.7	15.0	Parcel B-1
1197	121.807672	18.464451	68.2	5.6	10.0	15.6	Parcel B-1
1198	121.809619	18.469798	72.3	5.0	9.2	14.2	Parcel B-1
1199	121.8097684	18.46144753	65.7	5.8	8.2	14.0	Parcel B-1

1200	121.809817	18.474481	77.2	3.8	11.7	15.5	Parcel B-1
1201	121.810755	18.450924	56.2	6.5	8.1	14.6	Parcel B-1
1204	121.814853	18.451298	55.7	6.3	8.7	15.0	Parcel B-1
1206	121.816631	18.456544	60.4	6.0	9.3	15.3	Parcel B-1
1208	121.818945	18.462123	65.4	5.7	9.5	15.2	Parcel B-1
1209	121.818945	18.458886	62.9	6.1	9.9	16.0	Parcel B-1
1210	121.820329	18.46578	69	5.1	8.9	14.0	Parcel B-1
1211	121.821421	18.468955	72.1	4.2	8.5	12.7	Parcel B-1
1214	121.825519	18.448676	52.3	5.6	8.4	14.0	Parcel B-1
1215	121.826655	18.46946944	72.8	4.3	7.0	11.3	Parcel B-1
1217	121.827448	18.453026	56	5.3	8.6	13.9	Parcel B-1
1218	121.827646	18.445054	49.1	5.9	9.1	15.0	Parcel B-1
1219	121.8276918	18.45570113	58.7	5.3	8.7	14.0	Parcel B-1
1221	121.829815	18.459026	62	4.0	9.0	13.0	Parcel B-1
1222	121.830259	18.467831	70.8	3.7	6.9	10.6	Parcel B-1
1223	121.831839	18.464037	66.5	4.2	8.0	12.2	Parcel B-1
1225	121.832827	18.443899	42.9	6.2	9.1	15.3	Parcel B-1
1227	121.83694	18.445805	49.1	6.0	9.6	15.6	Parcel B-1
1228	121.838111	18.450549	54	5.7	8.3	14.0	Parcel B-1
1231	121.840302	18.45462	57.6	5.4	8.8	14.2	Parcel B-1
1232	121.84129	18.458091	60.7	4.8	8.7	13.5	Parcel B-1
1233	121.842407	18.461229	64.6	4.4	8.6	13.0	Parcel B-1
1235	121.844333	18.463009	61.7	4.2	8.3	12.5	Parcel B-1
1237	121.847035	18.441096	45.8	5.5	11.7	17.2	Parcel B-1
1238	121.847591	18.443195	47.4	5.7	11.2	16.9	Parcel B-1
1239	121.84841	18.462406	66	4.5	8.6	13.1	Parcel B-1
1240	121.848826	18.438558	43.2	5.7	12.6	18.3	Parcel B-1
1241	121.848925	18.446896	50.8	5.5	10.5	16.0	Parcel B-1
1243	121.850307	18.449566	5.7	5.2	9.5	14.7	Parcel B-1
1244	121.85085	18.451955	56.4	5.0	9.0	14.0	Parcel B-1
1245	121.851969	18.461093	65.4	4.7	8.8	13.5	Parcel B-1
1246	121.852184	18.437293	42.5	5.5	14.5	20.0	Parcel B-1
1248	121.852233	18.454578	59	5.8	7.9	13.7	Parcel B-1
1249	121.853863	18.458184	63.8	5.2	8.8	14.0	Parcel B-1
1251	121.85632	18.436518	42.3	5.7	16.3	22.0	Parcel B-1
1252	121.858297	18.437738	43.6	5.6	15.4	21.0	Parcel B-1
1253	121.858949	18.43987	45.1	5.4	14.8	20.2	Parcel B-1
1254	121.85978	18.443272	48	5.3	12.9	18.2	Parcel B-1
1255	121.860699	18.433304	40.6	6.2	16.8	23.0	Parcel B-1
1256	121.861319	18.446427	51.2	6.5	11.1	17.6	Parcel B-1
1258	121.86245	18.449743	55.3	5.7	13.4	19.1	Parcel B-1
1259	121.863636	18.452463	58.4	5.4	14.7	20.1	Parcel B-1
1260	121.864084	18.455889	62.3	5.0	16.0	21.0	Parcel B-1
1262	121.866899	18.456872	63.7	4.7	15.6	20.3	Parcel B-1

1263	121.868972	18.436122	43.3	7.7	21.3	29.0	Parcel B-1
1264	121.869565	18.455046	61.4	4.8	17.3	22.1	Parcel B-1
1266	121.869886	18.430184	38.5	8.0	24.2	32.2	Parcel A
1267	121.870404	18.439682	45.3	7.2	19.2	26.4	Parcel A
1268	121.871645	18.442709	48.6	7.1	22.9	30.0	Parcel A
1269	121.872528	18.445584	50.8	6.8	18.4	25.2	Parcel A
1271	121.873029	18.453214	59	5.1	19.9	25.0	Parcel A
1272	121.874157	18.448395	54	6.1	18.4	24.5	Parcel A
1273	121.874997	18.451018	56.9	5.6	20.7	26.3	Parcel A
1274	121.875396	18.428313	38.1	8.6	21.4	30.0	Parcel A
1277	121.879193	18.430361	39	7.0	14.0	21.0	Parcel A
1278	121.88028	18.433265	41.6	7.5	15.9	23.4	Parcel A
1280	121.881514	18.43809	44.8	7.2	17.3	24.5	Parcel A
1281	121.882719	18.440458	46.9	6.3	15.7	22.0	Parcel A
1282	121.885119	18.444507	50	6.0	17.0	23.0	Parcel A
1284	121.88665	18.449144	54	5.3	18.9	24.2	Parcel A
1286	121.890205	18.448067	52.3	5.5	21.0	26.5	Parcel A
1287	121.891439	18.445209	49.6	5.7	22.3	28.0	Parcel A
1288	121.891898	18.450893	55	5.2	21.3	26.5	Parcel A
1289	121.892612	18.424582	36.8	8.8	15.2	24.0	Parcel A
1290	121.892822	18.441228	45.7	6.3	21.1	27.4	Parcel A
1291	121.89347	18.439086	44.2	6.8	21.2	28.0	Parcel A
1292	121.894409	18.435288	40.6	7.1	19.9	27.0	Parcel A
1293	121.89534	18.430408	38.4	7.3	14.7	22.0	Parcel A
1295	121.898019	18.424692	36.8	8.6	16.4	25.0	Parcel A
1297	121.902041	18.451074	52.8	4.8	16.4	21.2	Parcel A
1298	121.902648	18.425724	36.3	9.1	21.9	31.0	Parcel A
1299	121.903842	18.444989	46.7	6.1	18.9	25.0	Parcel A
1300	121.903917	18.447899	48.6	5.2	16.8	22.0	Parcel A
1301	121.904319	18.441725	43.8	6.7	20.3	27.0	Parcel A
1302	121.904319	18.435825	39.1	7.9	22.1	30.0	Parcel A
1303	121.905505	18.434137	38.2	8.3	22.7	31.0	Parcel A
1304	121.905961	18.425498	36.2	8.5	23.5	32.0	Parcel A
1305	121.906172	18.428021	36.7	8.6	24.4	33.0	Parcel A
1306	121.90637	18.432428	38.5	8.1	24.9	33.0	Parcel A
1307	121.90661	18.450384	50.9	5.3	14.7	20.0	Parcel A
1308	121.906963	18.430599	37.3	8.5	25.5	34.0	Parcel A
1309	121.908336	18.452803	53.2	5.6	16.4	22.0	Parcel A
1310	121.910426	18.451874	52	5.8	17.2	23.0	Parcel A
1312	121.914017	18.451306	51.7	6.1	18.9	25.0	Parcel A
1313	121.91484	18.44719	47.2	5.9	21.1	27.0	Parcel A
1314	121.915736	18.454478	55	5.6	18.4	24.0	Parcel A
1316	121.916561	18.442009	42.1	7.1	24.3	31.4	Parcel A
1317	121.917159	18.438815	39.7	7.6	25.6	33.2	Parcel A



1318	121.917608	18.436685	38.5	7.5	24.5	32.0	Parcel A
1319	121.918745	18.432843	37	8.7	25.9	34.6	Parcel A
1322	121.924819	18.45219	52.6	5.3	15.7	21.0	Parcel A
1323	121.925313	18.432328	36.4	8.8	26.3	35.1	Parcel A
1326	121.925906	18.454954	51.8	6.1	14.2	20.3	Parcel A
1327	121.926843	18.445913	44.6	7.3	17.7	25.0	Parcel A
1328	121.928226	18.440385	39.4	8.0	21.2	29.2	Parcel A
1329	121.929993	18.457706	59.8	5.5	14.1	19.6	Parcel A
1330	121.930349	18.434717	38.2	7.7	23.3	31.0	Parcel A
1331	121.931881	18.45589083	55	6.0	13.6	19.6	Parcel A
1334	121.936012	18.454901	55.1	5.3	14.7	20.0	Parcel A
1336	121.936736	18.451998	52.2	5.1	16.9	22.0	Parcel A
1337	121.937043	18.447298	45.7	6.4	17.7	24.1	Parcel A
1338	121.937516	18.433286	37.5	6.6	20.9	27.5	Parcel A
1339	121.93799	18.443928	42.6	6.6	19.6	26.2	Parcel A
1340	121.939058	18.440372	39.3	7.0	20.2	27.2	Parcel A
1343	121.946889	18.45809	62.1	6.3	12.7	19.0	Parcel A
1344	121.946988	18.4383	38.7	7.4	24.6	32.0	Parcel A
1345	121.947254	18.461614	68.5	4.8	13.0	17.8	Parcel A
1346	121.947633	18.454907	57.0	6.9	14.1	21.0	Parcel A
1348	121.948668	18.451337	52.1	7.3	19.1	26.4	Parcel A
1349	121.949164	18.447974	48.2	7.5	22.7	30.2	Parcel A
1350	121.950645	18.440385	39.9	8.0	26.1	34.1	Parcel A
1351	121.950815	18.436876	37	8.3	24.8	33.1	Parcel A
1352	121.953695	18.463073	75.1	4.6	10.6	15.2	Parcel A
1354	121.957666	18.461279	75.5	5.0	8.1	13.1	Parcel A
1356	121.959545	18.454057	58.2	6.0	11.2	17.2	Parcel A
1358	121.9608621	18.45053649	52.1	6.5	14.5	21.0	Parcel A
1359	121.961114	18.448021	47.5	7.0	15	22.0	Parcel A
1360	121.962102	18.443571	40.1	7.5	16.6	24.1	Parcel A
1369	121.970447	18.459732	92.5	4.8	10.2	15.0	Parcel A
1372	121.972175	18.451159	65.1	5.2	12.4	17.6	Parcel A
1374	121.974299	18.446475	55.3	6.7	19.1	25.8	Parcel A
1375	121.974436	18.449652	70.0	6.4	16.8	23.2	Parcel A
1376	121.976193	18.444264	55.3	14.0	22	36.0	Parcel A
1377	121.958842	18.457577	55	5.4	11.4	16.8	Parcel A
1378	121949855	18.444678	43.6	8.3	24.2	32.5	Parcel A
1379	121.927436	18.44343	42.2	5.9	18.1	24.0	Parcel A
1380	121.929362	18.437855	38.5	8.0	22.0	30.0	Parcel A
1381	121.915774	18.444475	44.6	6.3	22.9	29.2	Parcel A
1382	121.915056	18.439557	44	7.5	24.5	32.0	Parcel A
1383	121.904019	18.438534	41.1	7.8	22.2	30.0	Parcel A
1384	121.895754	18.428502	37.6	6.5	16.5	23.0	Parcel A
1385	121.894318	18.433494	39.3	6.1	19.9	26.0	Parcel A

## **14.6 Sample Preparation, Analysis and Security**

### **14.6.1 Security and Chain of Custody of Samples**

The company implements strict protocol in the security and chain of custody of samples. In the exploration platform all samples are sealed and labeled with pre-numbered stubs and each batch transported to the Aparri Office for shipment to Intertek-Manila is covered by individual Chain of Custody Form. Samples for analysis are provided with double labels: aside from the labels previously written in the two sides outside the plastic sample bags, the same sample ID detached from the sample stubs is placed in a smaller plastic “ice candy wrapper,” sealed and placed inside the sample bag, which is again sealed using a thermo sealer.

Whenever a dispatch is scheduled, the Manila office promptly requests for a sample transport certification (for samples less than 2 tons) from MGB-Tuguegarao. The issued MGB certifications are sent electronically to the Aparri office. Using the QAQC guide for sampling as basis, the Intertek sample submission form (Chain of Sample Custody Form) is filled out. Sack per sack, samples are checked against the QAQC guide for sampling. After checking, the samples are put back into their respective sacks and sealed with cable ties. A designated sample hauler loads the sacks of primary samples inside the truck. A copy of the MGB certificate and 3 copies of the Intertek sample submission form are handed to the sample hauler. One receiving copy signed by the hauler is duly retained and filed. Upon return of the hauler, the received copy signed by Intertek and/or MGB representatives is collected and filed.

### **14.6.2 Preparation and Assay Facility**

The sample preparation and assay facilities of Intertek Testing Services Philippines, Incorporated (Intertek) are located in Warehouse 7, Philcrest 1 Compound, KM 23, West Service Road, Cupang, Muntinlupa City. Intertek is renowned for providing high quality analytical services, expert inspection, quality geo-analytical and advisory services to the minerals exploration and mining industries. With its extensive network of minerals laboratory located in key mining locations across the world, including Australia/Pacific, South East Asia, Africa, Europe, the Americas and China, Intertek is the laboratory of choice. On the other hand, the assay laboratory of the Mines and Geosciences Bureau is located in the Petrochemistry Building of the MGB Compound at Visayas Avenue in Quezon City. The main equipment used in the physical analysis is the Dings Davis Tube which can be set at variable magnetic intensity.

For analytical analysis (chemical assaying), Intertek uses the commercial-grade Panalytical Axios Wavelength Dispersive XRay Fluorescence (WDXRF) machine both in Intertek Jakarta and in Intertek Muntinlupa, Metro Manila. These produce the very high-quality results simultaneously for 13 elements. XRF analyzes the total amount of metal in the sample, in which the metals are dispersed in the borate glass, eliminating any matrix effect, unlike other methods such as those involving acid digestion which may only partially and not

wholly dissolve all the metals in the sample, leaving part of the metals in the insoluble residue. Thus XRF results in highly accurate values.

To check loss on ignition (LOI), a Barnstead Thermoline Furnace is used to determine the water content of the sample from the minerals' crystal lattices.

#### 14.6.3 Sample Preparation

Drying, crushing, splitting, pulverizing and assays are performed by Intertek Testing Services (Intertek) in Manila. The field samples are determined for the wet weight, using digital scales, and dried at a thermostat-controlled LPG-fired drying oven. This entails anywhere from 6 to 16 hours, averaging 12 hours at 105 degrees Celsius.

At the laboratory, after the samples are weighed individually, the bulk samples are homogenized using an aluminum spatula, then sun-dried or air-dried; then rolled and quartered. One quarter is set aside and becomes the raw sample for analysis. The other splits are saved for MGB and JDVCRC use as explained in the preceding discussions.

#### 14.6.4 Analytical Methods Used

The method used for determining the magnetic fraction is through a Dings Davis Tube (DDT) using 3,000 Gauss as previously determined to be the ideal setting by previous experimentation. For chemical analysis, the analytical method used is the XRF method as explained above.

#### 14.6.5 Quality Assurance/Quality Control (QAQC)

During the core sampling operation, no duplicates were taken, nor standards inserted for every particular number of regular samples. However, in the laboratory, Intertek has its own QA/QC protocols by making repeat analyses and inserting pre-determined standards for internal quality control. While JDVCRC has started implementing QA/QC protocols by utilizing unique, pre-numbered sample stubs, it has yet to insert company duplicates and standards in its sample batches.

##### 14.6.5.1 Data Quality and Errors: Accuracy and Precision

Data accuracy is measured by repeated determinations of samples with known values, in this case, the 14 elements mentioned in the preceding discussions. To test the accuracy of the methods of sampling and physical (DDT) and chemical (XRF) analyses, the results of analyses of the field standards, laboratory replicates were tabulated and compared and the result shows that the standards and the laboratory replicates gave very low absolute relative differences between the known (expected) and the assayed values for Fe; and consequently, very low percentage of error (0.1% and 0.35%, respectively).

Data precision, on the other hand, can be measured from the repeatability of the results of analysis of the drilling samples, i. e., from field duplicates and from twin holes, however, as there are no available data for the field duplicates or twin holes, precision errors cannot be

computed now. However, it is being recommended that in future drilling operation, strict implementation of these QA/QC procedures should be observed.

The summary of the relative absolute relative differences and percentages of error are tabulated in Table 14.6.5.1.1. The percentage errors for the other minerals are also enumerated in the table, including the detection limit for each mineral.

In summary, these minimal errors represent the following:

- Errors sample preparation and analysis;
- Natural Geological Variability; and
- Analytical errors.

**Table 14.6.5.1.1: Summary of Accuracy Errors**

Mineral	Original Analysis	Replicate Analysis	Absolute Difference	% Error	Actual Standard	Expected Standard	Absolute Difference	% Error	Detection Limit
Fe	60.50	60.71	0.210	0.35	58.8	58.74	0.060	0.10	0.010
Al <sub>2</sub> O <sub>3</sub>	2.42	2.42	0.000	0.00	3.08	3.08	0.000	0.00	0.010
As	<0.005	<0.005	-	-	<0.005	<0.005	-	-	0.005
BaO	0.025	0.024	0.001	4.00	0.005	0.005	0.000	0.00	0.005
CaO	0.69	0.69	0.000	0.00	0.04	0.04	0.000	0.00	0.010
Cl	0.023	0.019	0.004	17.39	0.008	0.012	0.004	50.00	0.005
Co	0.011	0.012	0.001	9.09	<0.005	<0.005	-	-	0.005
Cr <sub>2</sub> O <sub>3</sub>	0.052	0.055	0.003	5.77	0.009	0.006	0.003	33.33	0.005
Cu	0.008	0.008	0.000	0.00	<0.005	<0.005	-	-	0.005
K <sub>2</sub> O	0.07	0.07	0.000	0.00	0.01	0.01	0.000	0.00	0.010
MgO	1.52	1.51	0.010	0.66	0.09	0.09	0.000	0.00	0.010
MnO	0.67	0.67	0.000	0.00	0.19	0.19	0.000	0.00	0.010
Na <sub>2</sub> O	0.13	0.13	0.000	0.00	0.02	0.02	0.000	0.00	0.010
Ni	0.006	0.006	0.000	0.00	<0.005	<0.005	-	-	0.005
P <sub>2</sub> O <sub>5</sub>	0.208	0.210	0.002	0.96	0.102	0.102	0.000	0.00	0.001
Pb	<0.005	<0.005	-	-	<0.005	<0.005	-	-	0.005
SO <sub>3</sub>	0.012	0.012	0.000	0.00	0.062	0.062	0.000	0.00	0.001
SiO <sub>2</sub>	2.92	2.91	0.010	0.34	5.02	5.07	0.050	1.00	0.010
Sn	<0.005	<0.005	-	-	<0.005	0.006	-	-	0.005
Sr	<0.005	<0.005	-	-	<0.005	<0.005	-	-	0.005
Ti <sub>2</sub> O	6.61	6.63	0.020	0.30	0.15	0.15	0.000	0.00	0.010
V <sub>2</sub> O <sub>5</sub>	0.575	0.574	0.001	0.17	0.01	0.005	0.005	50.00	0.005
Zn	0.068	0.067	0.001	1.47	<0.005	<0.005	-	-	0.005
Zr	0.010	0.010	0.000	0.00	<0.005	0.007	-	-	0.005
LOI	-2.22	-2.31	0.090	-4.05	-	-	-	-	-
<b>Average</b>	3.54	3.54	0.006	0.16	4.51	3.98	0.530	11.77	

#### 14.6.6 Statement of the CP on the quality of sample security, preparation and analysis

Based on this CP's personal observations of current practices as well as from documentary sources including the many QA/QC checks undertaken in connection with this report, it is this CP's view that the sealed samples from drilling, as delivered to the laboratory, are of sufficient integrity because measures are undertaken to prevent/minimize sample contamination, losses, mislabeling; and for doubtful results, holes are redrilled, and from retrieved properly labeled stored pulps, repeat determinations are likewise conducted.

The samples were analyzed in reputable ISO-accredited laboratories with known credibility, where sample preparation and analysis procedures have been standardized and enforced as a matter of routine. While no field duplicates and standards were inserted in the batches of samples delivered to the laboratory, the company's assigned laboratory has implemented its internal QA/QC protocols inserting regular laboratory replicate and standard samples.

## 15.0 MINERAL RESOURCES ESTIMATE

### 15.1 Database Used in the Estimation of Resources

The database used was provided by JDVCR in Excel format consisting of drilling data as of July 31, 2015 with the detailed information listed in Table 15.1.1.

***Table 15.1.1: List of Database Information in Excel Spreadsheet***

Data Group	Contents
Hole and Sample Description	Hole ID, Sample Number, From (m), To (m), Length Run (m)
Assay Analysis (XRF)	%Fe, %Al <sub>2</sub> O <sub>3</sub> , %CaO, %Cr <sub>2</sub> O <sub>3</sub> , %K <sub>2</sub> O, %MgO, %P <sub>2</sub> O <sub>5</sub> , %SiO <sub>2</sub> , %V <sub>2</sub> O <sub>5</sub> , %As, %BaO, %Cl, %Co, %Cu, %MnO, %Na <sub>2</sub> O, %Ni, %Pb, %SO <sub>3</sub> , %Sn, %Sr, %TiO <sub>2</sub> , %Zn, %Zr and %LOI.
Density Data	Moisture Content (%), Wet Density (g/cm <sup>3</sup> ), Dry Density (g/cm <sup>3</sup> )
Physical Analysis	%MF
Geology	Color, Dominant Grain Size Classification, Grain Size Descriptor, Roundness, sorting, % Lithics, % Biogenic Matter, Other Minerals, Oversize, Date logged, Name of Logger
Hole Location	UTM (East), UTM (North), Grid (North), Grid (East), Tenement
Assay Analysis of Laboratory Replicates	%Fe, %Al <sub>2</sub> O <sub>3</sub> , %CaO, %Cr <sub>2</sub> O <sub>3</sub> , %K <sub>2</sub> O, %MgO, %P <sub>2</sub> O <sub>5</sub> , %SiO <sub>2</sub> , %V <sub>2</sub> O <sub>5</sub> , %As, %BaO, %Cl, %Co, %Cu, %MnO, %Na <sub>2</sub> O, %Ni, %Pb, %SO <sub>3</sub> , %Sn, %Sr, %TiO <sub>2</sub> , %Zn, %Zr and %LOI.
Assay Analysis of Standard	%Fe, %Al <sub>2</sub> O <sub>3</sub> , %CaO, %Cr <sub>2</sub> O <sub>3</sub> , %K <sub>2</sub> O, %MgO, %P <sub>2</sub> O <sub>5</sub> , %SiO <sub>2</sub> , %V <sub>2</sub> O <sub>5</sub> , %As, %BaO, %Cl, %Co, %Cu, %MnO, %Na <sub>2</sub> O, %Ni, %Pb, %SO <sub>3</sub> , %Sn, %Sr, %TiO <sub>2</sub> , %Zn, %Zr and %LOI.
Sieve Analysis	% by weight for +75µm, +53 µm, +38 µm AND -38 µm.

## **15.2 Integrity of Database**

The undersigned CP conducted random checks on the data used in the database utilizing the actual digital copy of the individual core log sheets containing the laboratory results and performed validation and verification of the said data as to the correctness and encoding errors. Further, all the digital results in Excel were also compared to the original core logs and laboratory results by Mr. Largo. Thus the database as provided “as is” to the CP is deemed to be accurate.

## **15.3 Data Verification and Validation**

The Project database essentially consists of ten (10) drillholes. The database provided to Mr. Liwanag was supplied as Excel spreadsheets. Considering the very few data, validation and verification as to the correctness of the encoded data as compared to the original data sheets was done very easily by Mr. Largo. The data were then imported to Mapinfo to produce drawing and table files for the polygon computation of the areas and volumes.

## **15.4 Grade Compositing**

The database provided by JDVCRC contains assay data for %MF in 5-meter intervals, however, considering that the collar elevations of the drill holes are different, it became necessary to composite the drillholes based on 5-meter thick levels starting from the Zero elevation.

## **15.5 Cut-off Grades used in Estimation**

Considering the nature of the mining method to be used which is dredging, where selective mining is not practicable, the mineral resource is reported starting from 0% Fe grade level. It has been discussed earlier that setting of cut-off grades is impractical in the offshore dredging method of mining because all the materials within the dredge’s path are suctioned and fed into the magnetic separators. This is unlike the conventional surface mining which can be selective. It was therefore discussed and agreed with JDVCRC to use 0% MF as the cut-off grade in resource estimation.

## **15.6 Mineral Resource Estimation Method Used**

The mineral resource estimation method used is the conventional Polygon Method. Considering the very limited number of data, it is not practical to use the geostatistical methods such as Inverse Distance Weighing (IDW) or the Kriging Method. The conventional polygon method is the basic advisable method for limited database.

The basic formula used for the polygon method is:

$$\text{Tonnage} = \text{Area} \times \text{Thickness} \times \text{Specific Gravity};$$

wherein the area is equal to the square of the radius of influence multiplied by the value of pi ( $\pi$ ).

The specific gravity is 1.69 DMT/m<sup>3</sup> as determined by the Mines and Geosciences Bureau Laboratory in Quezon City.

## 15.7 Mineral Resource Categories Used

The mineral resource categories used are Indicated, and Inferred. The Indicated Resource is based on drillholes with 2,000-meter spacing; while the Inferred Resource is based on 4,000-meter drillhole spacing. The indicated resources are those within Parcel A which has been prioritized for mining; while the inferred resources are those within Parcel B-1 of the 4,999.2358-hectare area. The justification for the resource classification is based on the result of the interpretation of the seismic reflection profiling data which show the consistency of the magnetite sand bearing sand horizon (Units 2 and 3) which is about 19 meters thick in Parcel A thinning out to about 7 meters towards Parcel B-1.

## 15.8 Mineral Resource Estimates

Results of estimation show a combined indicated resource of **606,457,972.52 DMT** with an average grade of 25.47% MF, which at 100% recovery, is equivalent to **154,466,259.02 DMT** of magnetite concentrate; and an inferred resource of **63,179,310.69 DMT** with an average grade of 47.71% MF, which at 100% recovery is equivalent to **30,140,910.80 DMT** of magnetite concentrate. The summary of the resources is tabulated in detail by resource category in Table 15.8.1.

***Table 15.8.1: Summary of Mineral Resources by Resource Category and Grade Group***

Level	Hole-ID	Volume (m <sup>3</sup> )	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>INDICATED</b>					
<b>0-5</b>	GN18	14,134,498.64	23,887,302.69	26.58	6,349,245.06
	GN30	6,260,618.75	10,580,445.68	3.23	341,748.40
	GN33	11,977,837.40	20,242,545.20	22.56	4,566,718.20
	GN48	13,066,734.48	22,082,781.26	24.87	5,491,987.70
	GN58	11,252,573.11	19,016,848.56	24.94	4,742,802.03
	GN68	10,862,507.44	18,357,637.57	26.98	4,952,890.62
<b>Sub Total</b>		<b>67,554,769.80</b>	<b>114,167,560.95</b>	<b>23.16</b>	<b>26,445,391.99</b>
<b>5-10</b>	GN18	21,167,829.31	35,773,631.53	43.87	15,693,892.15
	GN30	11,600,678.95	19,605,147.43	21.01	4,119,041.47
	GN33	16,404,741.02	27,724,012.32	41.89	11,613,588.76
	GN48	15,073,202.66	25,473,712.50	46.55	11,858,013.17
	GN58	14,792,031.51	24,998,533.24	47.29	11,821,806.37
	GN68	14,539,173.62	24,571,203.41	43.15	10,602,474.27
<b>Sub Total</b>		<b>93,577,657.05</b>	<b>158,146,240.41</b>	<b>41.55</b>	<b>65,708,816.19</b>
<b>10-15</b>	GN18	22,232,822.30	37,573,469.69	24.89	9,352,036.61
	GN30	7,183,350.15	12,139,861.75	20.71	2,514,165.37
	GN33	18,130,900.05	30,641,221.08	23.63	7,240,520.54
	GN48	15,950,498.10	26,956,341.79	25.41	6,849,606.45
	GN58	14,510,689.13	24,523,064.63	27.89	6,839,482.73
	GN68	19,498,536.83	32,952,527.24	23.89	7,872,358.76

Level	Hole-ID	Volume (m <sup>3</sup> )	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>Sub Total</b>		<b>97,506,796.56</b>	<b>164,786,486.19</b>	<b>24.68</b>	<b>40,668,170.45</b>
<b>15-20</b>	GN18	13,339,693.38	22,544,081.81	12.58	2,836,045.49
	GN33	19,433,900.05	32,843,291.08	11.65	3,826,243.41
	GN48	17,519,498.10	29,607,951.79	12.66	3,748,366.70
	GN58	18,284,781.30	30,901,280.40	10.24	3,164,291.11
	GN68	22,483,264.39	37,996,716.82	13.56	5,152,354.80
<b>Sub Total</b>	GN68	<b>91,061,137.22</b>	<b>153,893,321.90</b>	<b>12.17</b>	<b>18,727,301.51</b>
<b>Sub Total</b>		<b>9,150,510.69</b>	<b>15,464,363.07</b>	<b>18.86</b>	<b>2,916,578.87</b>
<b>Grand Total</b>		<b>358,850,871.32</b>	<b>606,457,972.52</b>	<b>25.47</b>	<b>154,466,259.02</b>
<b>INFERRED</b>					
<b>0-5</b>	GN01	5,452,567.28	9,214,838.69	59.20	5,455,184.51
	GN02	9,049,637.80	15,293,887.88	45.20	6,912,837.32
	GN03	9,851,788.01	16,649,521.73	46.70	7,775,326.65
	GN04	13,030,214.43	22,021,062.39	45.40	9,997,562.32
<b>Sub Total</b>		<b>37,384,207.51</b>	<b>63,179,310.69</b>	<b>47.71</b>	<b>30,140,910.80</b>

The resources are shown graphically in the level plans in Figures 15.8.1 to 15.8.5.

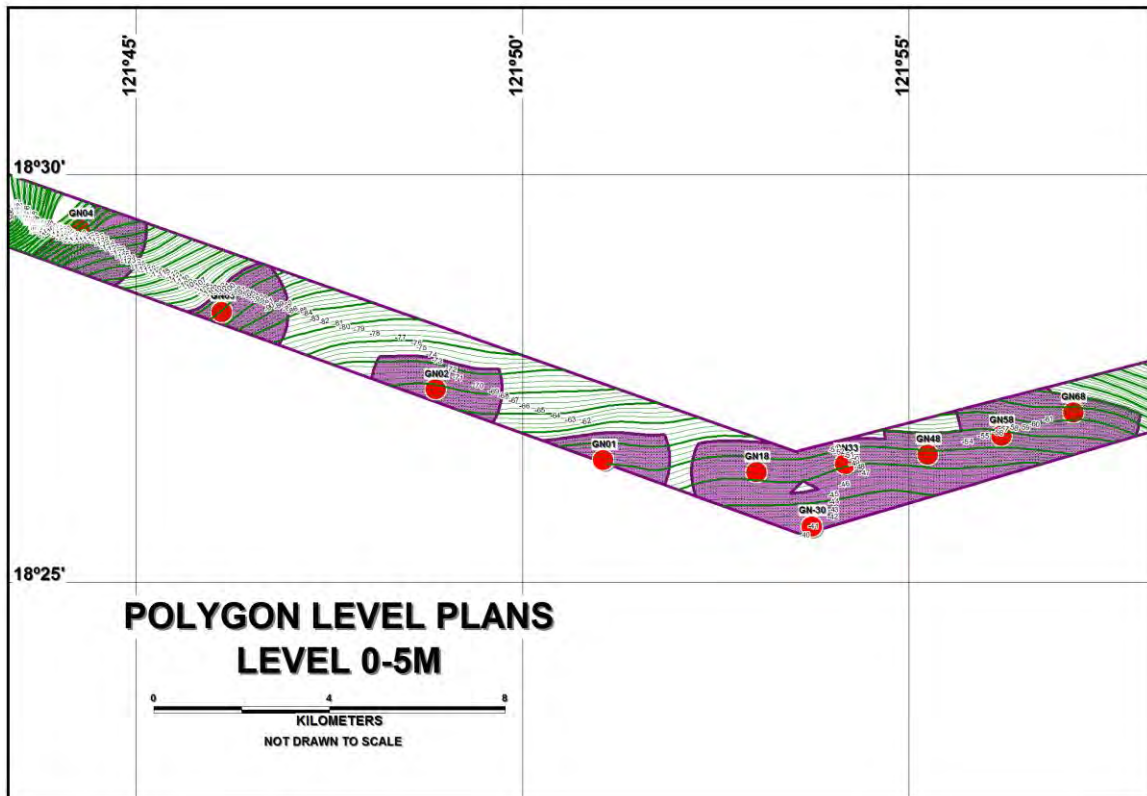


Figure 15.8.1: Polygon Plan for Level 0 to 5 meters



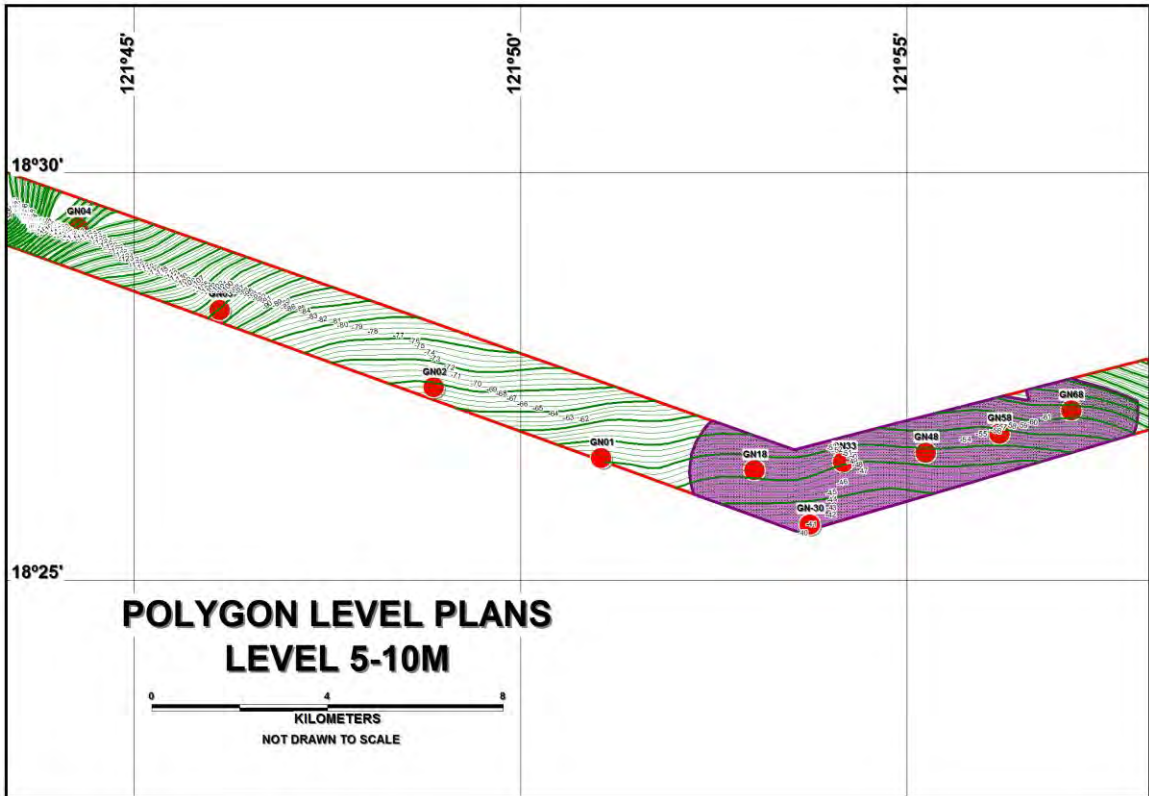


Figure 15.8.2: Polygon Plan for Level 5 to 10 meters

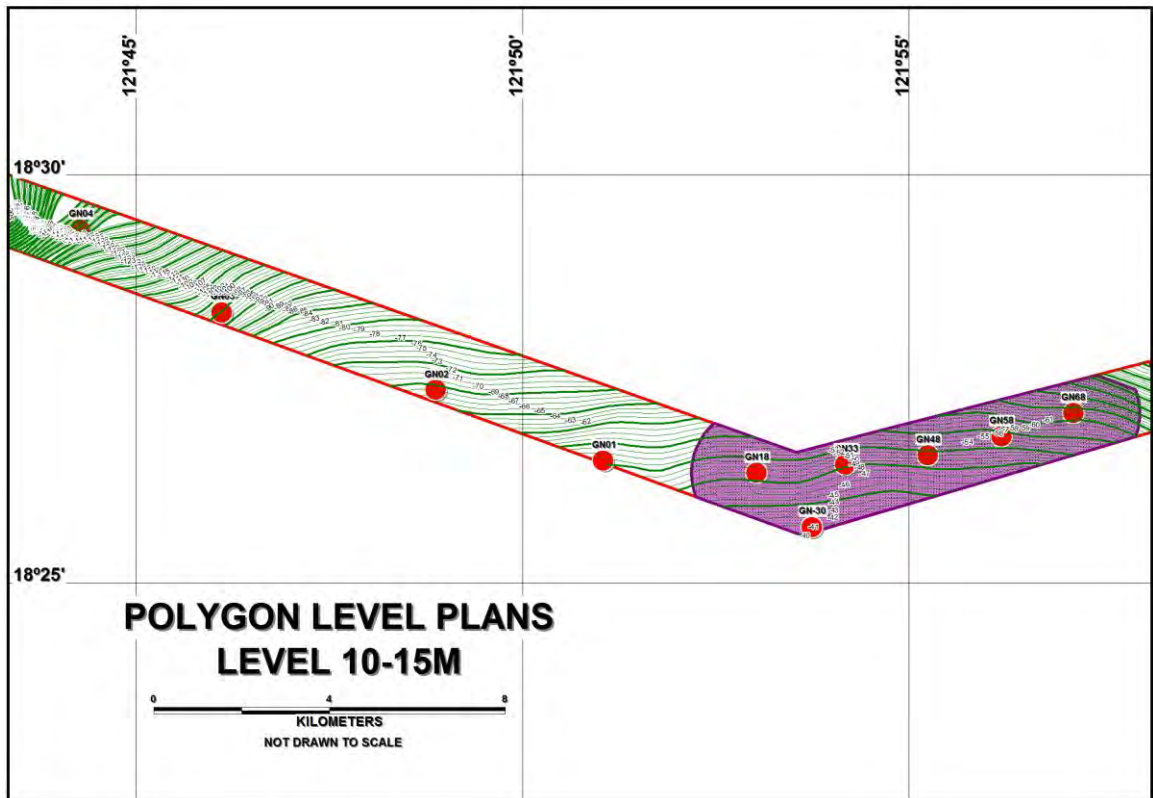


Figure 15.8.3: Polygon Plan for Level 10 to 15 meters

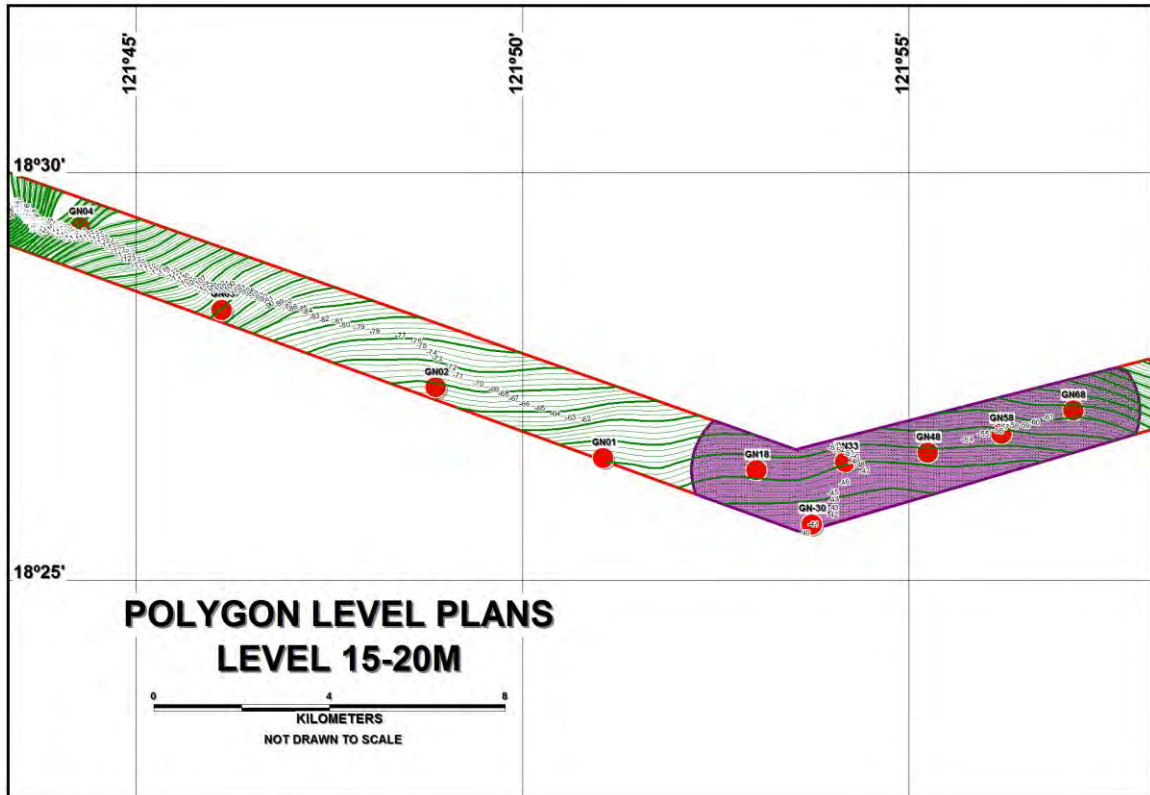


Figure 15.8.4: Polygon Plan for Level 15 to 20 meters



Figure 15.8.5: Polygon Plan for Level 20 to 25 meters

## **16.0 INTERPRETATION AND CONCLUSIONS**

### **16.1 Data Synthesis**

All the assay and related geological information from the samples indicate that the JDVCR magnetite sand resources are largely accurate, with almost negligible percentage of error in accuracy due to natural geological variability, sample preparation and analysis and analytical errors.

### **16.2 Adequacy of Data, Overall Data Integrity and Areas of Uncertainty**

As presented and tested, the data is highly accurate, and that the database, although not large, is of acceptable integrity. The sources of error/uncertainty have been identified, and their contribution to the uncertainty in estimation have been quantified and interpreted in a manner considered to be acceptable.

The method of estimation used is very simple, and the detailed procedures have been performed to produce a largely unbiased and accurate estimate on the conservative side as a minimum.

The Polygon Method performed enabled the classification of the resources within the ore envelope to be in conformity to PMRC classification of indicated, and inferred resources which correspond to the level of confidence and certainty of estimate related to each class. This classification is based on intelligent correlation of the result of the seismic reflection survey and the result of the drilling exploration, which were proven to confirm each other. Although the best way to validate the accuracy of the resource is through ore reconciliation during the actual mining operation, it can also be initially attained by drilling in-fill holes to further upgrade the resources to measured category.

### **16.3 Overall Conclusions**

At 0% MF cutoff, and at the average bulk in-situ densities utilized for the raw sand, the deposit contains in excess of 600 million metric tonnes of indicated resources with an average grade of about 25% MF, which at 100% recovery, is equivalent to about 150 million metric tonnes of magnetite concentrate; and an inferred resource of about 60 million metric tonnes with an average grade of 47% MF, which at 100% recovery is equivalent to about 30 million metric tonnes of magnetite concentrate.

With judicious choice of an economic mining method, the deposit can meet most market specifications of magnetite, perhaps lasting many years in as-yet-to-be-determined annual production rate to be set by a PMRC CP in mining.

### **16.4 Attainment of Project Objectives**

As set out above, it is this PMRC CP's view that the project objective is attained, which is to have a reliable estimate of the mineral resources within the JDVCR tenement as of the

data cutoff date, and consistent with all the checks, assumptions, qualifications, limitations of the method used in arriving at this estimate. This resource can now be used in the preparation of the mining project feasibility.

The results of this estimate provide the basis for establishment of mineral reserves by a PMRC Mining CP, which include the modifying factors, mainly economic and technological, to make the resource into an economically-viable, socially- and environmentally-acceptable operation.

## **17.0 RECOMMENDATIONS**

Based on the results of the offshore exploration activities by JDVCRC, an indicated mineral resource of 606,458,000 DMT with an average grade of 25.47% MF was estimated in the 4,999.2358 portion of the MPSA Contract Area situated in Parcel A (Gonzaga, Cagayan), which will yield more than 150,000,000 DMT of magnetite concentrate which is about 60% Fe. In Parcel B-1 (Buguey and Aparri, Cagayan), the inferred resources consist of additional 63,000,000 DMT with an average of 47% MF content that can yield about 30,000,000 DMT of magnetite concentrate.

The estimates provide a firm basis for transforming resources into reserves, hence eventual mineral production, lasting many years, depending on the production rate and mine plan that can be set and designed by a PMRC CP Mining Engineer. Optimization of the resultant block model will provide basis for proper mine planning and scheduling that will maximize the value of the resources and reserves. The block model from this estimation also provides the basis for grade control, reconciliation, to meet customer specifications.

While a substantial portion of the tenement is still not drill tested, it is recommended that JDVCRC may file a Partial Declaration of Mining Project Feasibility for Parcels A and B-1 of the MPSA Contract Area embracing an area of 4,999.2358 hectares situated in Gonzaga, Buguey and Aparri (portion), for commercial operations. The total resources can be significantly upgraded; additional resources can be determined by deeper drilling and closer spaced drill holes, implementing a stricter compliance to QA/QC protocols.

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# **ANNEX C**

## **MGB Mineral Resource Validation Report**

For the Evaluation of Declaration of Mining Project  
Feasibility of JDVC Resources Corporation

July 2018

**MINERAL RESOURCE VALIDATION REPORT  
FOR THE EVALUATION OF  
DECLARATION OF MINING PROJECT FEASIBILITY  
OF  
JDVC RESOURCES CORPORATION'S  
OFFSHORE MAGNETITE SAND MINING PROJECT  
COVERED BY MINERAL PRODUCTION SHARING AGREEMENT  
DENOMINATED AS MPSA No. 338-2010-II-OMR**  
Offshore areas of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros,  
Aparri, Buguey and Gonzaga, Cagayan Province



Lands Geological Survey Division  
Economic Geology Section

July 2018



## EXECUTIVE SUMMARY

The mineral resource validation of JDVC Resources Corporation's (JDVCRC's) Offshore Magnetite Mining Project in the Offshore areas of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, Cagayan Province was conducted by the technical personnel of the Lands Geological Survey Division, Mines and Geosciences Bureau Central Office (MGB-CO) from June 13 to 17, 2018, upon the request of **Mr. Napoleon M. De Leon Jr.**-President of JDVCRC. The field validation team composed of Resty C. Gomez, Senior Science Research Specialist-Team Leader; Karla Anne M. Navarro, Geologist II, Cerilo V. Samuya and Mario V. Asis, both Geologic Aides of the Lands Geological Survey Division.

The purpose of the request is to conduct field validation of the declared mineral resource within the explored portion of the mineral property covered by Mineral Production Sharing Agreement denominated as MPSA No. 338-2010-II-OMR, which is the subject of Declaration of Mining Project Feasibility (DMPF) application of JDVCRC. As provided for in Chapter XXVII, Section 252(f) of the Consolidated Department Administrative Order No. 9210356, the verification fee was paid for by JDVCRC under Official Receipt No. 9086364 dated June 08, 2018 in the amount of Fifty Thousand Pesos Only (PhP 50,000.00).

The JDVCRC Final Exploration Report dated April, 2015 was prepared and signed by **Mr. Rafael R. Liwanag**, a Philippine Mineral Reporting Code (PMRC) accredited Competent Person (CP) for Reporting Exploration Results with PMRC Registration No. 08-03-02. The JDVCRC Final Exploration Report is compliant with Philippine Mineral Reporting Code (PMRC) of 2007 guidelines and Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 2010-09. The estimated mineral resources declared by JDVCRC were computed based on the data obtained from the drilling exploration works conducted at cut-off date July 31, 2015 exploration period.

The undersigned MGB personnel validated the acceptability of the declared mineral resources of JDVCRC through: 1) Confirmation of deposit/mineralization type in the project site and collection of check samples for variance and statistics study; 2) In-situ assessment and quality acceptability of the mining contractor's existing set up of analytical laboratory for sampling, assaying, and handling of assay results; 3) confirmation of parameters used in the resource estimation and resource models; and 4) gathering of basic exploration data and validating the integrity of database.



The deposit type in the JDVCR MPSA area is an Iron Ore that can be classified Titanomagnetite sand offshore deposit. The sand is being transported materials from the weathering of volcanic rocks, intrusive rocks and sedimentary derivatives of the older rocks of Abuan and Dibuluan Formations from the hinterlands. The sand and the contained titanomagnetite being the most resistant materials transported by rivers and creeks to the seas and re-worked by long shore current.

The sediment built-up in the MPSA area is influenced by the supply of sediments coming from the Cagayan River and the Kuroshio. The Kuroshio Current is a northward flowing ocean current induced by West Pacific Current in the North Pacific Ocean and intrudes into the West Philippine Sea and South China Sea through the Luzon Strait. The Kuroshio Current flows from the east coast of Luzon through Taiwan and thence to Japan. The effects of the northeast monsoon cause the deflection of the Kuroshio Current towards the deeper portion of the Babuyan Channel. The Kuroshio Current contributes significantly to the dispersal pattern and accumulation of sediments in the Babuyan Channel including the delta built-up in northeast of Appari.

The mineral resource estimate conducted by MGB made use of the drillhole database of JDVCR; the integrity of the database was checked by MGB technical personnel as well as the number of drillholes used for rendering and consequent computations. The mineral resource estimation included geostatistical analysis, rendering of geological domains/solids and block modelling using GEMS software v6.8.

A total of 10 drillholes and 28 sample intervals were used for the resource estimate at cut-off grade of 5%MF (Magnetite Fraction). The histogram for the MF shows that the samples are distributed along 5%MF. The procedure of the mineral resource estimation by MGB included basic statistical analysis, geological modelling and volumetrics and tonnage calculations. The construction of the polygons signifying the area of influence of each drillhole was done using SURPAC v6.8.1. Statistical analysis, geological modelling and resource computations were done using GEMS v6.8.1. A bulk density of 1.69 dmt/m<sup>3</sup> was used in the tonnage calculation, which was also the same density used by JDVCR.

After MGB field validation and manipulation of the JDVCR drillholes used in the resource estimation, the undersigned estimated a grand total raw offshore magnetite sand resource of **512,971,918.94** DMT with weighted average grade of **26.51%MF**. The cut-off grade of 5%MF came out to be the most economical cut-off considering the trade-offs in the reduction in mining and processing cost over the decrease in concentrates expected to be produced. Furthermore,



it can be observed in the histogram that a small size of the sample has a very low grade (MF < 5%). Thus, it was deemed necessary to set a cut-off grade of 5%

The overall resource estimate of MGB is lesser by 93,486,053.58 DMT than that of JDVCRC's declared total resource estimate of 606,457,972.52 DMT due to the different softwares used in the construction of the polygons and determination of the area. The difference between the estimates can also be accounted to different cut-off grades and % recovery used. While the JDVC did not set any cut-off grades and % recovery, MGB used a 5%MF cut-off grade and 90% recovery. Overall, the Measured mineral resource estimates of MGB is lower by 93,486,053.58 MT with grade difference of 1.04 % MF.

Based on the Amended Feasibility Study (FS) of JDVCRC, the **initial projected** 10-year production schedule is set at an annual extraction rate of 6.91 million DMT. In consideration of the estimated grand total offshore raw magnetite sand resource of **512,971,918.94 DMT** classified as Measured category at cut-off grade of 5% MF with weighted average grade of 26.51%MF, the projected mine life is **more than 25 years** and stands sufficient to support JDVCRC's Offshore Magnetite Sand Project, with good potential for additional measured and/or indicated resource that will be blocked by in-fill drilling program with inferred resource of 177.80 million DMT at 49.68%MF.

In view of the foregoing discussions, it is hereby concluded that the Declaration of Mineral Resource Estimate of JDVC Resources Corporation's Offshore Magnetite Project under MPSA No. 338-2010-II-OMR, Cagayan Province is acceptable and compliant to the Philippine Mineral Reporting Code (PMRC) of 2007 and guidelines of the Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 2010-09.



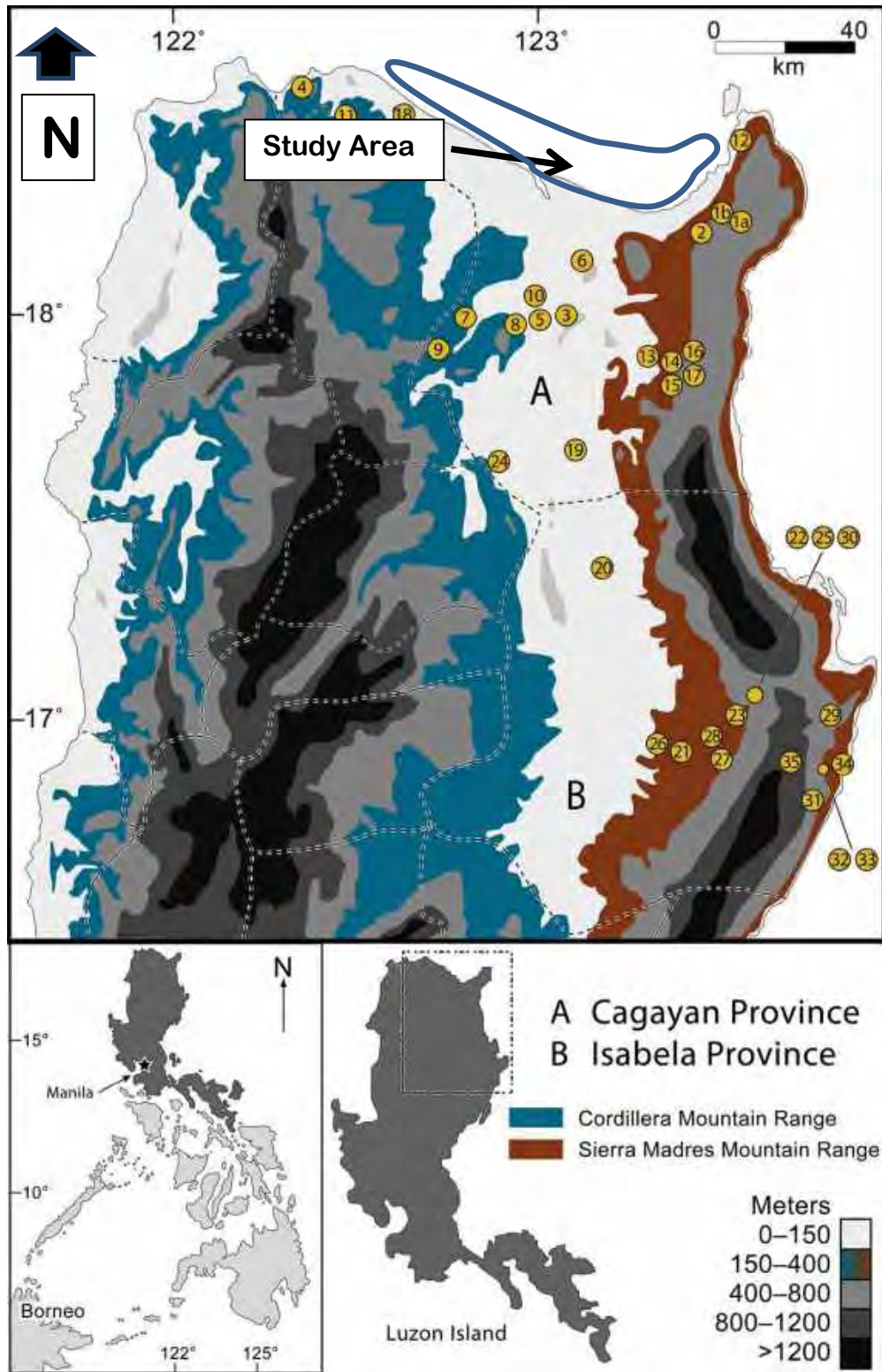
## 1.0 INTRODUCTION

The mineral resource validation of JDVC Resources Corporation's (JDVCRC's) Offshore Magnetite Mining Project in the Offshore areas of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Province of Aparri, and Buguey and Gonzaga, Cagayan Province was conducted by the technical personnel of the Lands Geological Survey Division, Mines and Geosciences Bureau Central Office (MGB-CO) from June 13 to 17, 2018, upon the request of **Mr. Napoleon M. De Leon Jr.**- President of JDVCRC. The field validation team composed of Resty C. Gomez, Senior Science Research Specialist-Team Leader; Karla Anne M, Navarro, Geologist II, Cerilo V. Samuya and Mario V. Asis, both Geologic Aides of the Lands Geological Survey Division. As provided for in Chapter XXVII, Section 252(f) of the Consolidated Department Administrative Order No. 9210356, the verification fee was paid for by JDVCRC under Official Receipt No. 9086364 dated June 08, 2018 in the amount of Fifty Thousand Pesos Only (PhP 50,000.00).

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Source: Incept Holdings Limited

Figure 1a. General Location Map of the Study Area



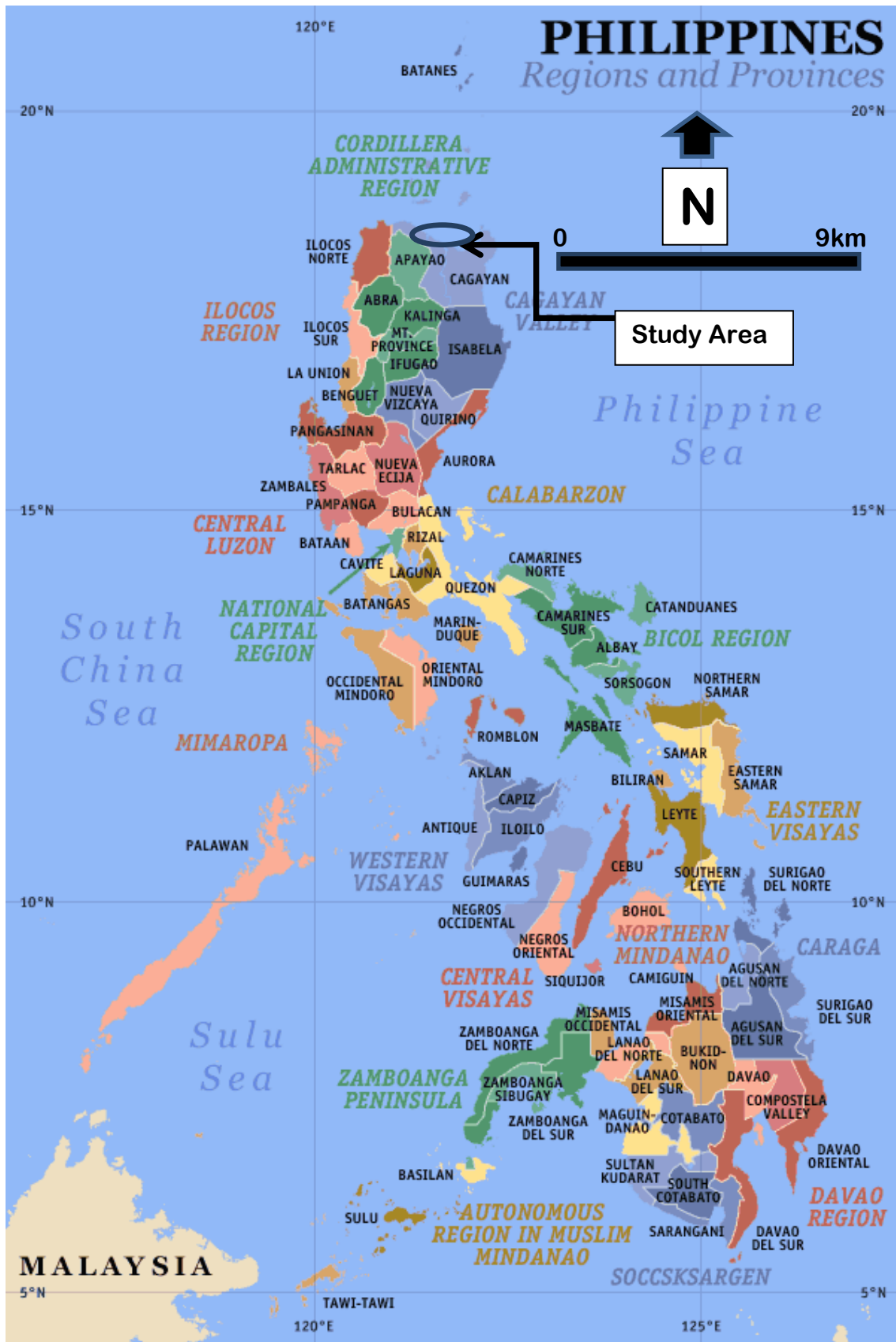


Figure 1b. Regional Location Map showing the Study Area



## 2.0 GEOGRAPHICAL FEATURES

### 2.1 Location and Accessibility

The Offshore Magnetite Mining Project of JDVC is located in the municipal waters of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, all in the province of Cagayan (**Figure 1a and b**). Cagayan lies in the northeastern part of mainland Luzon, approximately 17° 30' north and 121° 15' east, occupying the lower basin of the Cagayan River. Tuguegarao (now a component city), its capital is 483 kilometers north of Manila, about one hour by air travel, and ten hours by land, through the Maharlika Highway, also known as the Cagayan Valley Road--Region 02's trunkline road--which runs parallel to the Cagayan River.

The project site is easily accessible via domestic flights from Manila to Tuguegarao City, the capital of Cagayan province, taking about one hour, followed by a 3-hour drive north via Pan-Philippine Highway to Sta. Ana Port, Cagayan. From Sta. Ana Port, the tenement area is located about 14 kilometers off and parallel to the coast of the said coastal municipalities and can be reached by 2-hour ride by pump boat.

### 2.2 Climate and Vegetation

The project area belongs to Type III climate under the Modified Coronas Classification of the Philippine Climate System (**Figure 2**). This climate type has no pronounced maximum rain period, with a short dry season lasting only from one to three months, either during the period from December to February or from March to May. This climate type resembles Type I since it has short fry season. The average annual temperature is 29.0 °C while the average annual rainfall is 1196.6 mm. The least amount of rainfall occurs in March with an average of 25.2 mm. The greatest amount of precipitation occurs in October, with an average of 167 mm. The temperatures are highest on average in June, at around 30 °C. The lowest average temperatures in the year occur in January, when it is around 23 °C.



The elevated areas in the locality are forested, given the high precipitation over the region's Type II Philippine's tropical weather. The lower lands are agricultural and are mainly planted with rice, corn and tobacco.



Figure 2. Climate Map of the Philippines



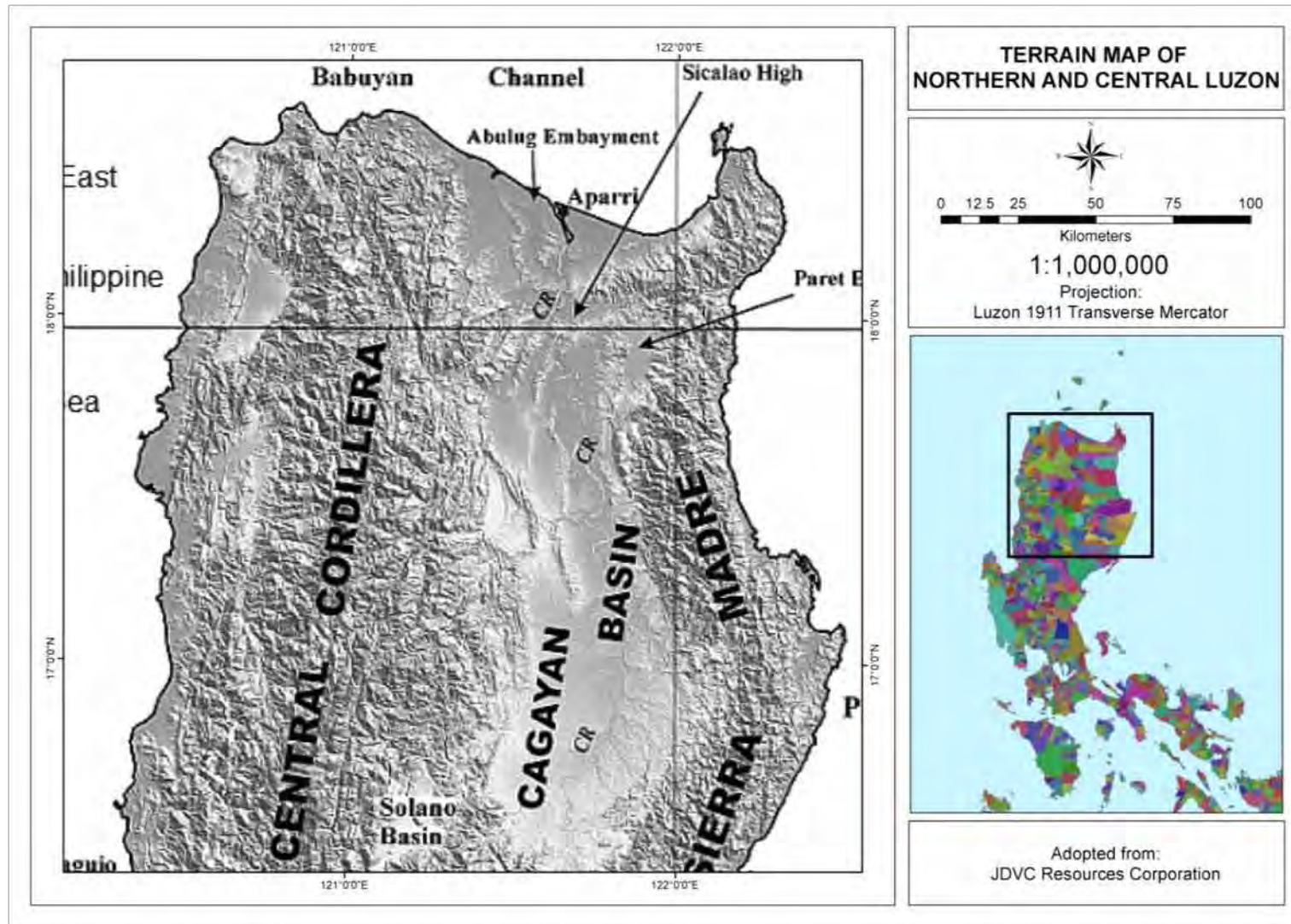
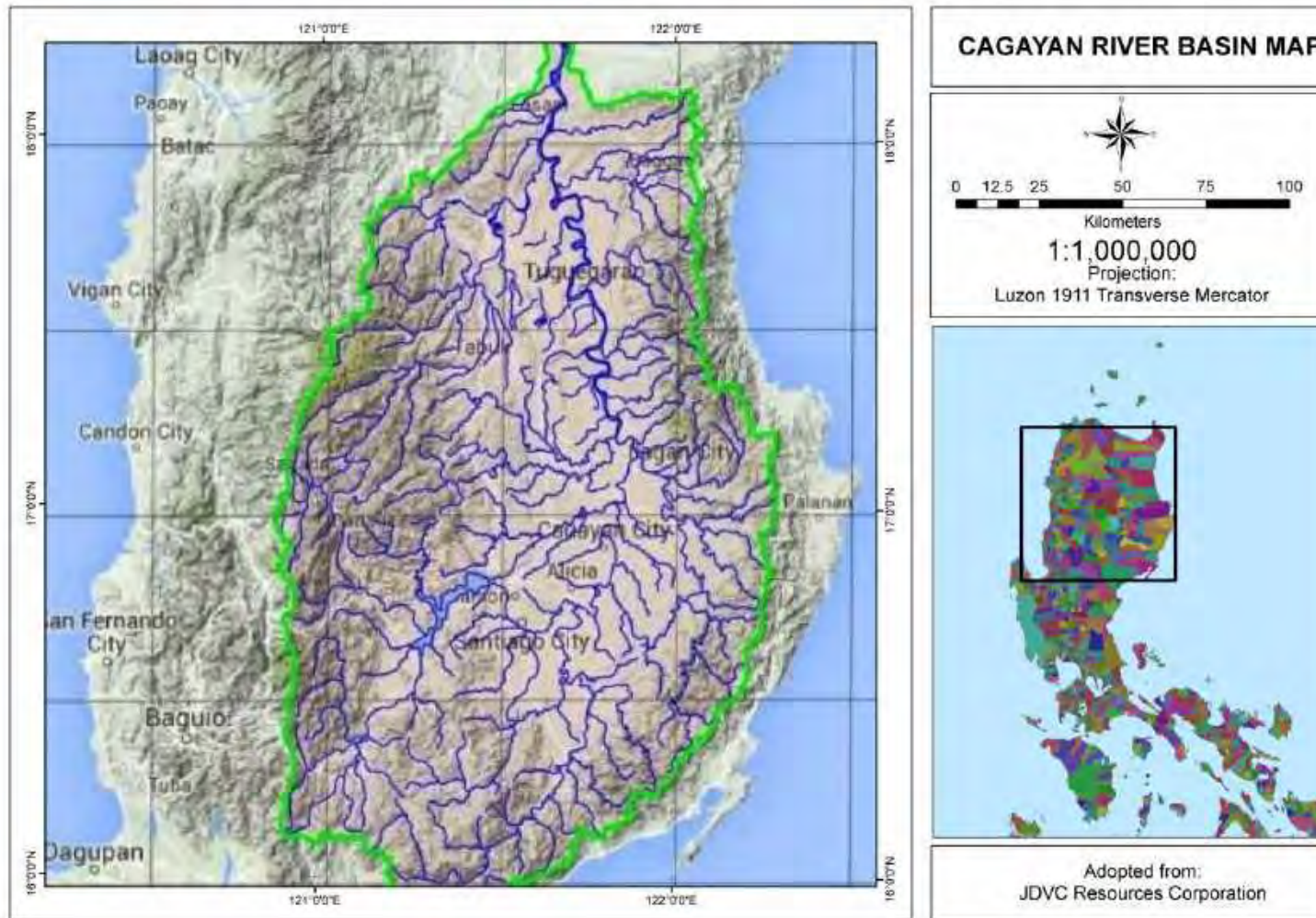


Figure 3. Digital Terrain Model Map of Cagayan Valley



Figure 4. Drainage Map of Cagayan Valley



## 2.3 Topography and Drainage

### 2.3.1 Topography

Of its total land area, 28.19% or 253,831 hectares are flat to nearly level land. This consists of alluvial plains, river deltas, low wetlands, mangroves, and beaches. Most of these are found contiguous to the bodies of water, especially along the Cagayan, Pared, Dummun, Pinacanauan, Abulug, and Chico Rivers (**Figure 3**). These areas are planted to rice and corn, subjected to frequent floods during the wet season.

The gentle and moderate slopes of the province, which constitute 6.08% and 13.48%, respectively of the total land area of the province are mostly contiguous to the level land, enclosing the plains of the meandering rivers and creeks. This arrangement forms the various dales or valleys found in between the hills of the province.

Majority of the rolling land to moderately steep areas which account for 17.07% of the province's total area are found at the foothills of the Sierra Madre and Cordillera mountains, separating the valleys and the mighty ranges.

Steep and very steep land which constitute 10.44% and 24.73%, respectively, of the total land area, or 94,030 hectares and 222,595 hectares, respectively, are found along the Cordilleras, in some parts of Sta. Praxedes, Claveria, Sanchez Mira, Pamplona, Lasam, Sto. Niño, and Rizal; and in the eastern parts of Santa Ana, Gonzaga, Lal-lo, Gattaran, Baggao and Peñablanca, as the northern mountains of the Sierra Madre range.

The Babuyan group of islands, which include the islands of Calayan, Babuyan, Dalupiri, Balintang and Camiguin, has a mixture of flat to nearly level land, and steep to very steep slopes. These islands have extensive coral reefs. There are two volcanoes in the Babuyan Islands: Mount Didicas off Camiguin Island, which has a symmetrical cinder cone, about



215 meters above sea level, and Mount Pangasun in Babuyan Island, which is about 840 meters above sea level and has two craters.

### 2.3.2 Drainage

The Cagayan River, also known as the Rio Grande de Cagayan, is the longest river in the Philippines and the largest river by discharge volume of water (followed by Rio Grande de Mindanao). It has a total length of approximately 350 kilometers and a drainage basin covering 27,753 square kilometres. It is located in the Cagayan Valley region in northeastern part of Luzon Island and traverses the provinces of Nueva Vizcaya, Quirino, Isabela and Cagayan (**Figure 4**). The estimated annual discharge is 53,943 million cubic meters with a groundwater reserve of 47,895 million cubic meters.

The Cagayan River's headwaters are at the Caraballo Mountains of the Central Luzon at an elevation of approximately 1,524 meters. The river flows north for some 350 kilometers to its mouth at the Babuyan Channel near the town of Aparri, Cagayan. The river drops rapidly to 91 meters above sea level some 227 kilometers from the river mouth. The larger tributaries of the Cagayan River are the Pinacanauan River in Peñablanca in the southeast; the Dummun River in Gattaran and the Pared River in Alcala, both in central Cagayan; and the Zinundungan River in Lasam and the Matalag River in Rizal, both in the west. The other rivers in the province are the Chico River in southwest Cagayan at Tuao, the Pata River and Abulug River in the northwest, Buguey River in the north, and the Cabicungan River in the northeast. These rivers drain the plains and valleys of the province, and provide water for domestic and irrigation purposes, as well

Cagayan River and its tributaries have deposited sediments of Tertiary and Quaternary origin, mostly limestone sands and clays throughout the relatively flat Cagayan Valley which is surrounded by the Cordillera Mountains in the west, Sierra Madre in the east and



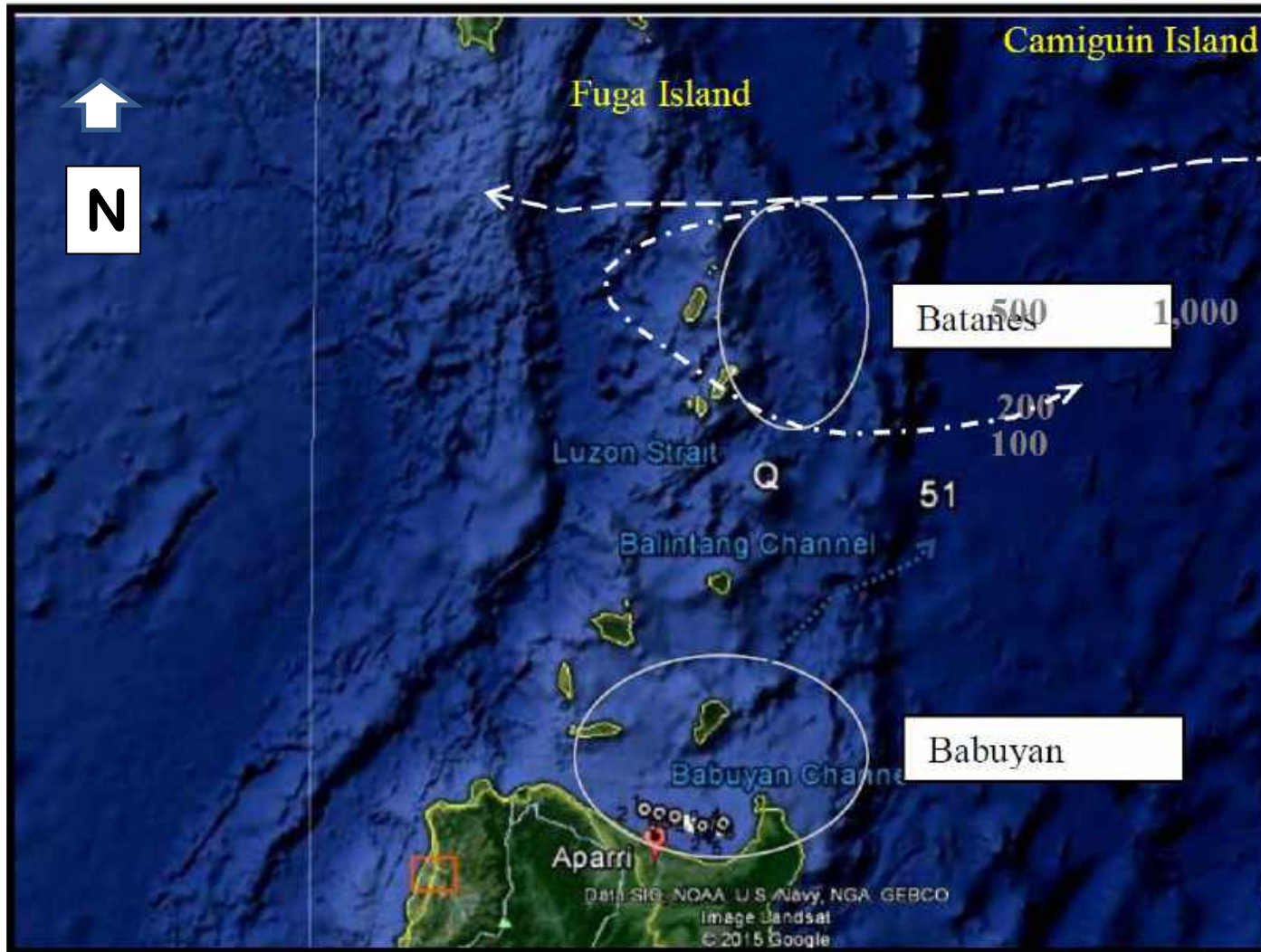
the Caraballo Mountains in the south. Iron sands are deposited offshore of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, all in the province of Cagayan.

#### **2.4 Sea Bottom Topography**

The Luzon Strait is approximately 250-kilometer wide span of body of water that connects the East Philippine Sea and the Pacific Ocean with the West Philippine Sea and the South China Sea (**Figure 5, JDVCRC**). The Strait is subdivided into three smaller channels (**JDVCRC**). The Babuyan Channel separates mainland Luzon with Babuyan Islands, which is separated from the Batanes Islands by the Balintang Channel. The Bashi Channel separates Batanes Islands with Taiwan. Based on the NAMRIA nautical chart and from satellite images, the bathymetry of the Babuyan Channel ranges from a few meters to more than 1,000 meter depth (**JDVCRC**).

The prominent sea bottom topographic features of the Babuyan Channel are the westward trending trough that passes through the northernmost tip of northern Luzon in Sta. Ana Cagayan and the Camiguin and Fuga Islands of Babuyan Group of Islands. The peculiar delta built up is present northeast of the mouth of Cagayan River in Aparri, Cagayan (**Figure 5, JDVCRC**).





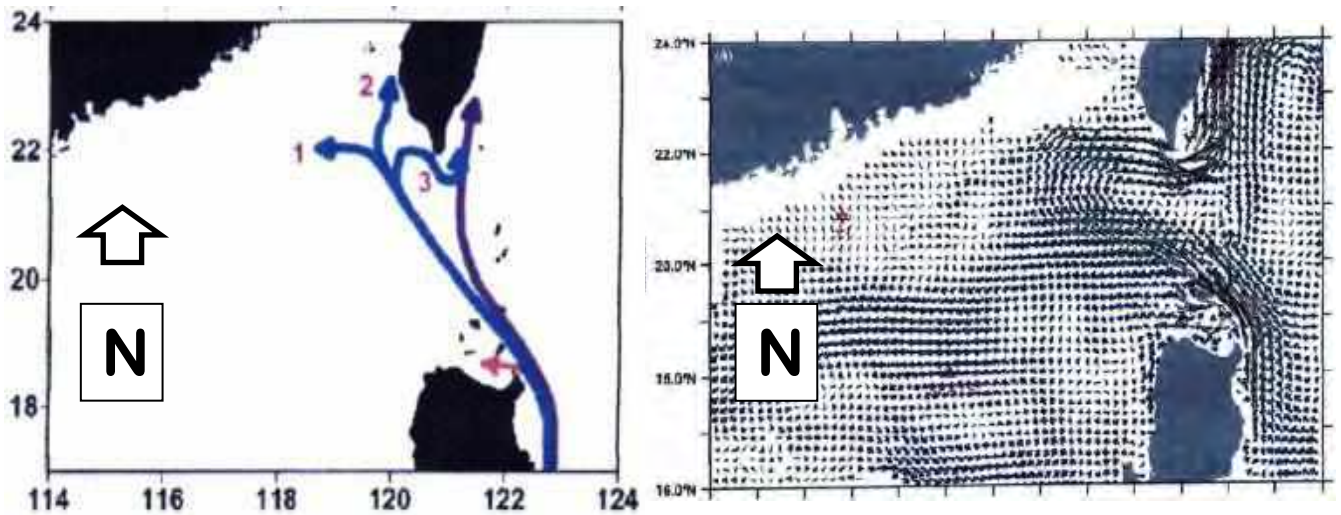
Source: JDVCRC FER

Photo 5. Location of Luzon Strait, Balintang and Babuyan Channel



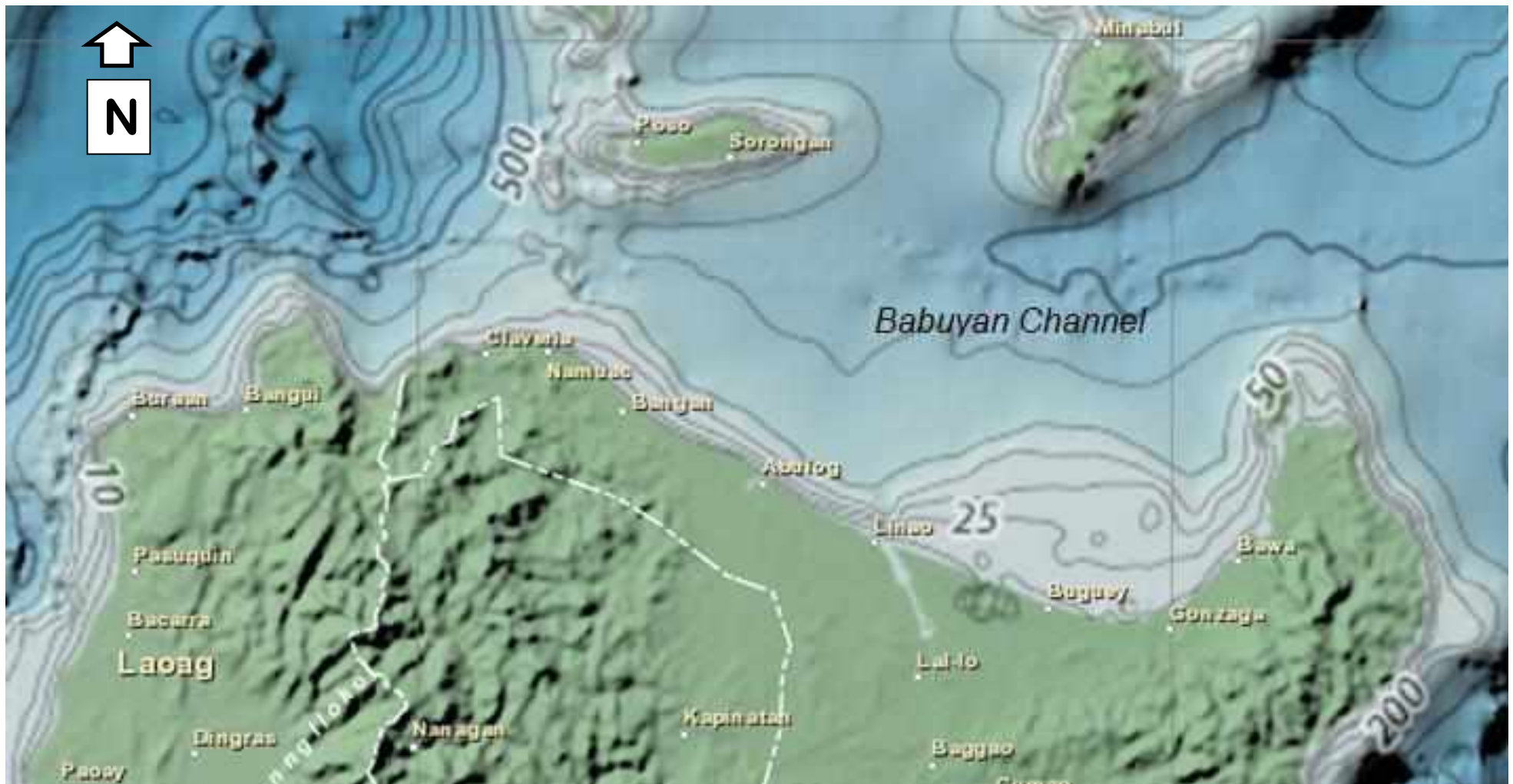
The sediment built-up is influenced by the supply of sediments coming from the Cagayan River and the Kuroshio Current (**Figure 6, JDVCRC**). The Kuroshio Current is a northward flowing ocean current induced by West Pacific Current in the North Pacific Ocean and intrudes into the West Philippine Sea and South China Sea through the Luzon Strait. The Kuroshio Current flows from the east coast of Luzon through Taiwan and thence to Japan as illustrated it Figure 6. The effects of the northeast monsoon cause the deflection of the Kuroshio Current towards the deeper portion of the Babuyan Channel. The Kuroshio Current contributes significantly to the dispersal pattern and accumulation of sediments in the Babuyan Channel including the delta built-up in northeast of Appari

There are indications that Cagayan River had meandered through time as suggested by the relict lakes and marsh lands in the Buguey, Cagayan (**Figure 7, JDVCRC**). The blue colored arrow in Figure 7 is presumed to be the former river path and the submerged channel. The blue dotted line is inferred to be the relict river path of Cagayan River; the white dash arrow represents the trajectory of the Kuroshio Current deflected from its northward direction. As will be shown later, the submarine channel has been identified and traced during the bathymetric survey in the project area.



Source: JDVCRC FER

**Figure 6.** Paths of Kuroshio Current in Luzon Strait through Babuyan, Balintang and Bashi Channels



Source: JDVCRC FER

Figure 7: Sea bottom topography and submarine features of Babuyan Channel



### 3.0 TENEMENT INFORMATION

#### 3.1 Description of Mineral Rights

The JDVCRC tenement area under Mineral Production Sharing Agreement docketed as MPSA No. 330-2010-II-OMR is located in the municipal waters of Sanchez Mira, Pamplona, Abulug, Ballesteros, Aparri, Buguey and Gonzaga, all in the province of Cagayan (*Figure 8a and b, Table 1*) covering a total area of 14,240 hectares.

The property was originally covered by MPSA No. 338-2010-II-OMR, a Mineral Production Sharing Agreement between the Republic of the Philippines and Bo Go Resources Mining Corporation (BGRMC) entered into on June 9, 2010. The MPSA has a term of twenty-five (25) years, or until June 8, 2035, renewable for another 25 years. The contract grants BGRMC the exclusive rights to explore and develop the magnetite resources within the MPSA area, subject to the terms and conditions of the MPSA, and subject to compliance to the rules and regulations of other government agencies.

The corners and area of the claim boundary are bounded by the following geographical coordinates:

**Table 1. Geographical coordinates of MPSA No. 338-2010-II-OMR**

Corner	North Latitude	East Longitude	Total Area (Has.)
1	18° 42' 34.56"	121° 13' 26.76"	14,240
2	18° 33' 39.60"	121° 29' 45.96"	
3	18° 31' 01.20"	121° 40' 18.48"	
4	18° 26' 36.24"	121° 53' 32.28"	
5	18° 27' 42.84"	121° 58' 06.24"	
6	18° 26' 57.48"	121° 58' 31.44"	
7	18° 25' 35.04"	121° 53' 36.96"	
8	18° 30' 14.40"	121° 40' 04.44"	
9	18° 32' 53.16"	121° 29' 37.68"	
10	18° 36' 30.96"	121° 22' 01.20"	
11	18° 41' 51.36"	121° 13' 14.52"	



### **3.2 History of Mineral Rights**

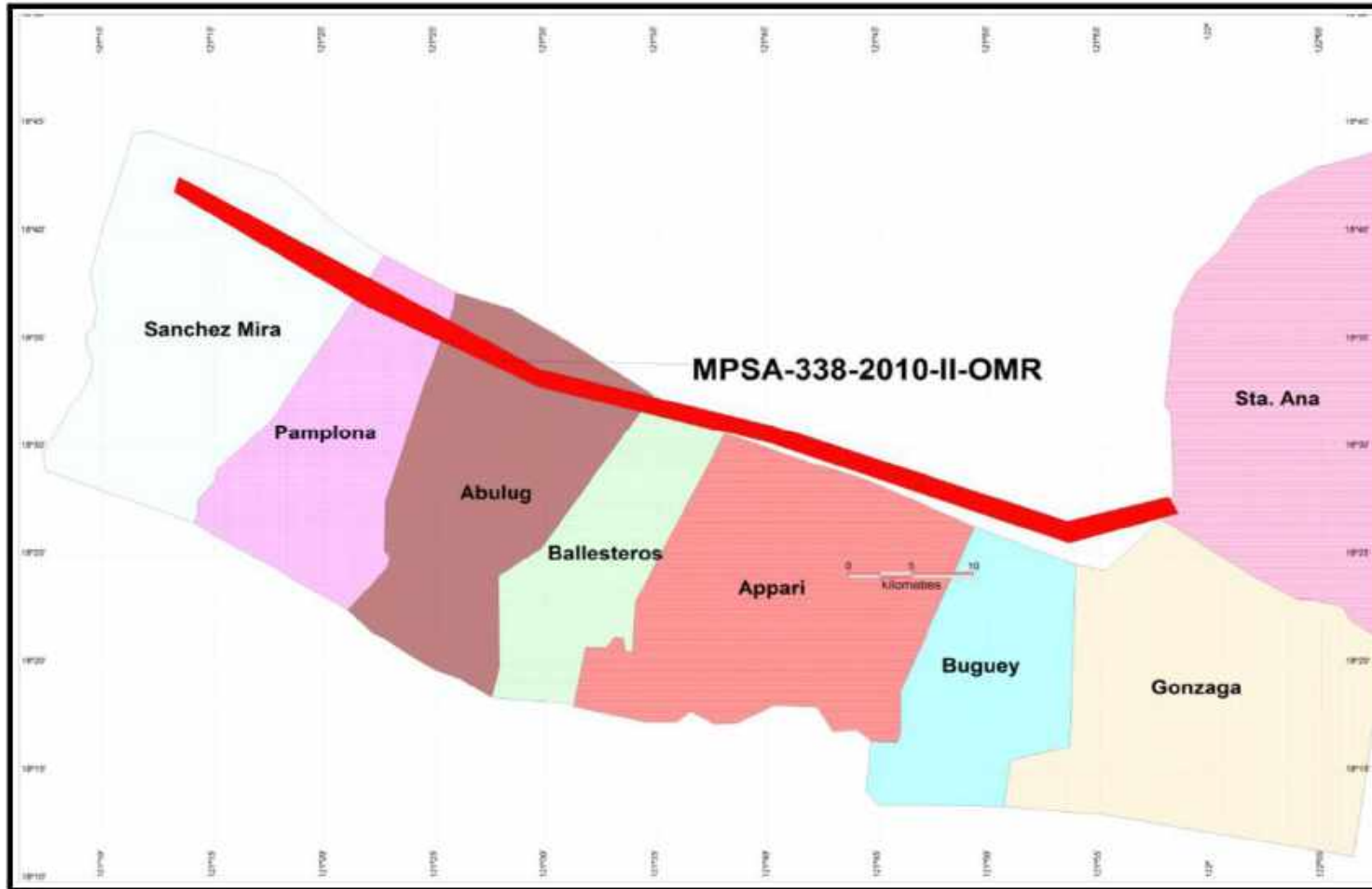
MPSA-338-2010-II-OMR was approved on June 9, 2010 as a contract between the Republic of the Philippines and BGRMC.

The MPSA Contract ownership was transferred to JDVCRC by BGRMC on November 25, 2011 by virtue of a Deed of Assignment duly approved and confirmed by both company's Board of Directors Resolutions and Corporate Secretary's Certifications. The same Deed of Assignment was duly registered with the DENR-MGB Region II, Tuguegarao City, Cagayan on 27, January 2012. It was duly approved on January 25, 2013 by the DENR Secretary Ramon J. P. Paje as recommended by MGB Director Leo L. Jasareno.

The Deed of Assignment as approved carries with it the responsibility to implement the Exploration Work Programs and the Environmental Work Program, which were eventually undertaken by JDVCRC, as well as the submission of the regular Technical/Progress Reports. The Environmental Impact Assessment (EIA) has likewise been completed and presented to the various Municipalities and stake holders in the Province of Cagayan.

The first renewal of the Exploration Period of MPSA No. 338-2010-II-OMR was granted on June 17, 2013.

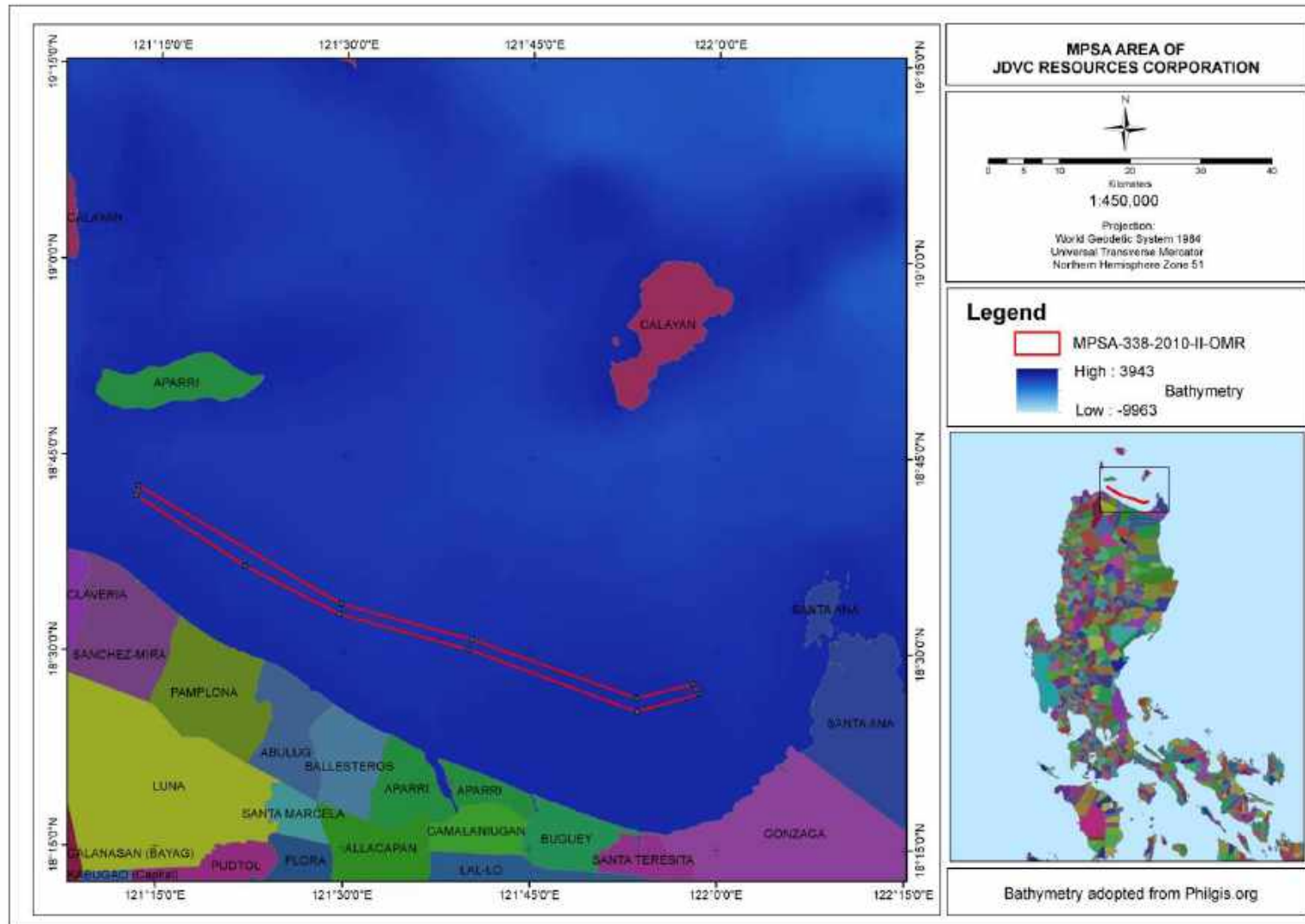




Source: JDVC FER 2015

Figure 8a. Tenement Map Showing Political Boundaries





**Figure 8b.** Tenement Map Showing Claim Boundaries



#### 4.0 EXPLORATION HISTORY AND RECENT WORK PROGRAM CONDUCTED

Site investigations previously undertaken by various workers in the area were noted between 1969 and 1979. Table 2 presents a summary of relevant findings by previous companies or organizations:

**Table 2.** Field Investigation Activities Conducted Between 1969 and 1979

Year	Organization	Activities	Findings
1969	Anglo-Philippine oil and Mining Corporation	Offshore Survey	Presence of magnetite sand deposit
1971	Mines and Geosciences Bureau	Mineral verification from Sanchez Mira to Ballesteros	Occurrence, character, and thickness of the deposit
1974	Mines and Geosciences Bureau	Mineral verification in Gonzaga	Occurrence, character, and thickness of the deposit
1974	Mines and Geosciences Bureau	Mineral verification of the magnetite sand deposits in Sanchez Mira	Sediment profile and thickness
1978-1979	Mines and Geosciences Bureau	Beach and near-shore sediment sampling	Delineation of potential magnetite sand accumulations

In mid-2014 to April 2015, the company has completed an exploration programme over an area of 4,999.2358 hectares out of the 14,240-hectare MPSA total area, consisting of geophysical surveys involving seismic reflection profiling and bathymetric surveys and diamond drilling and core sampling that employed a boat-mounted Longyear 38 Wireline drill with modified "Jar drill" core recovery system to ensure an acceptable high core recovery; using bathymetric points and drill collars surveyed by GPS using WGS 84 projection that enabled the delineation of an ore envelope using the conventional Polygon Method of resource estimation. Based on the data gathered from the seismic reflection survey, the drillhole spacing programmed for Parcel A is 2,000 meters with an average drilling depth of 20 meters; while for Parcel B-1, it is 4,000 meters, with an average drilling depth of 5 meters.



Within this ore envelope, 11 vertical confirmation drillholes with an average of 90% recovery, amounting to more than 140 meters, with the collection of 142 samples, which were all analyzed by XRF for %Fe, %Al<sub>2</sub>O<sub>3</sub>, %CaO, %Cr<sub>2</sub>O<sub>3</sub>, %K<sub>2</sub>O, %MgO, %P<sub>2</sub>O<sub>5</sub>, %SiO<sub>2</sub>, %V<sub>2</sub>O<sub>5</sub>, %As, %BaO, %Cl, %Co, %Cu, %MnO, %Na<sub>2</sub>O, %Ni, %Pb, %SO<sub>3</sub>, %Sn, %Sr, %TiO<sub>2</sub>, %Zn, %Zr and Per cent loss-on-ignition (LOI) and Sieve Test at Intertek Testing Services Philippines, Inc., and analyzed for Magnetic Fraction (MF) using a Dings Davies Tube (DDT) which segregates the magnetite through magnetism at the Petrochemical Laboratory of the Mines and Geosciences Bureau. The geographic coordinates of the said 4,999.23- hectare portion of the MPSA contract area are shown in Table 3.

**Table 3.** Summary of Drillhole Data

Drill Hole ID	From (m)	To (m)	%MF	%Fe	Latitude	Longitude	Water Depth
GN18	0	5	26.58	62.05	18° 26' 19.9572"	121° 53' 0.4992"	58 M
	5	10	43.87	61.53			
	10	15	24.89	60.45			
	15	20	12.58	62.58			
GN30	0	5	3.23	59.69	18° 25' 41.106"	121° 53' 44.8656"	52 M
	5	10	21.01	61.8			
	10	15	20.71	61.38			
GN33	0	5	22.56	62.53	18° 26' 17.0016"	121° 54' 11.0016"	37 M
	5	10	41.89	61.52			
	10	15	23.63	61.23			
	15	20	11.65	62.03			
GN48	0	5	24.87	60.58	18° 26' 34.0008"	121° 55' 14.9988"	35 M
	5	10	46.55	62.12			
	10	15	25.41	62.35			
	15	20	12.66	60.09			
GN58	0	5	24.94	60.5	18° 26' 48.0012"	121° 56' 12.0012"	56 M
	5	10	47.29	61.49			
	10	15	27.89	60.37			
	15	20	10.24	61.78			
GN68	0	5	26.98	60.38	18° 27' 5.0004"	121° 57' 7.9992"	64 M
	5	10	43.15	62.58			
	10	15	23.89	61.06			
	15	20	13.56	61.74			



	20	22	18.86	60.53			
<b>GN01</b>	0	5	59.3		18° 26' 48.4224"	121° 50' 38.49"	
<b>GN02</b>	0	5	45.2		18° 27' 34.6716"	121° 48' 32.148"	
<b>GN03</b>	0	5	46.7		18° 28' 20.9208"	121° 46' 22.4796"	
<b>GN04</b>	0	5	45.4		18° 29' 6.1188"	121° 44' 56.0364"	



Source: JDVCRC FER

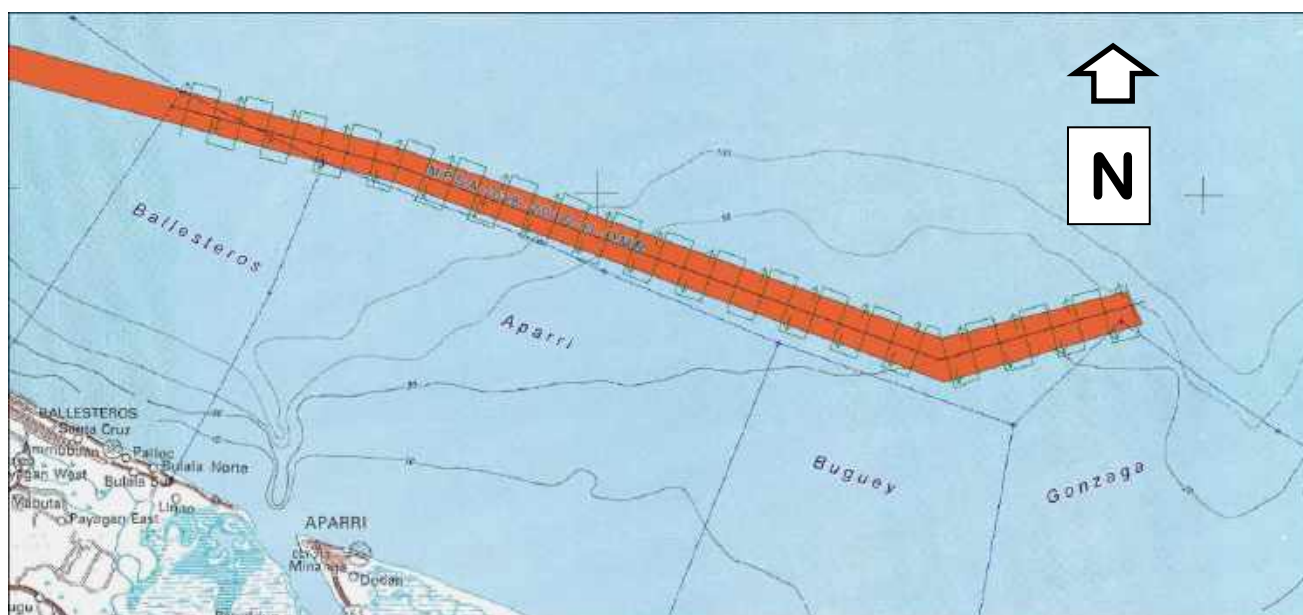
**Photo 1.** A Longyear 38 Rotary Drill mounted in 3 interconnected boats

A marine geophysical survey was carried out within Parcels A and B-1 of the MPSA contract area in April 2015 located in Gonzaga, Buguey and Aparri (portion), Cagayan to provide sub- surface information on the stratigraphy, character and structure of unconsolidated sediments. The survey consisting of high-resolution seismic reflection profiling and continuous bathymetric measurements was undertaken primarily to precisely map water depths, characterize submarine topographic features, subsurface stratigraphy of consolidated sediments and to identify, delineate and map areas with potential economic occurrences of magnetite bearing sand bodies in the area.

High-resolution seismic profiling was carried out simultaneous with bathymetric measurements along pre-determined survey tracklines. Traverse lines were oriented



almost perpendicular to the general trend of the shoreline and spaced at 500 to 1,000 meters interval. Figure 9 shows the proposed traverse lines within the eastern segment of the mineral tenement of JDVCRC covering/adjoining the municipal waters of Ballesteros, Aparri, Buguey and Gonzaga, Cagayan. The traverse lines running NNE-SSW and NNW-SSE were spaced at 1 km interval with the option of using a closer interval (i.e. 500-meter) in areas where on-site preliminary analysis of the data indicates promising sites. The picture in Figure 10 shows a schematic representation of the seismic reflection and bathymetric surveys.

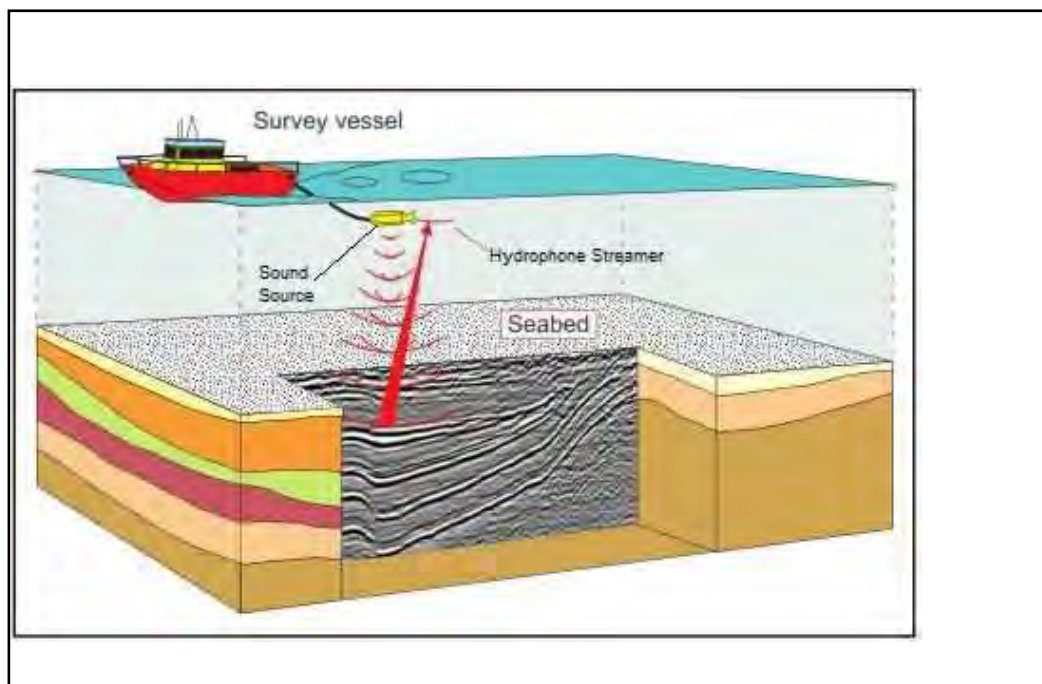


Source: JDVCRC FER

**Figure 9.** Pre-determined Tracklines Along the Eastern Segment of the JDVCRC Tenement







Source: JDVCRC FER

**Figure 10.** Schematic Representation of Seismic Reflection and Bathymetric Surveys

The complete set of the seismic reflection survey equipment was sourced from Hydronav Services (Singapore) Pte Ltd on contract rental basis including the assignment of field technician during the course of the survey. The Delph Seismic Analog Acquisition Unit was used as central control and signal processing module.

The bathymetric survey was carried out using a dual frequency Teledyne EchoTrac MK-III high precision echo sounder set at frequencies of 200 KHz and 33 KHz. A total of 452 line-kilometers of bathymetric traverses were accomplished to produce a more detailed and precise bathymetric map in the area. Figure 11 shows the actual traverse lines within the eastern segment of the JDVCRC tenement area. The dotted gray lines represent the additional bathymetric measurements. Surfer V.11 software was used in constructing bathymetric contours and 3-D representation of the seabed.





a) Squid 2000 sparker array



b) HVC-2000 high power cable



c) CSP-D2000 capacitor bank



d) 12-element hydrophone streamer

Source: JDVCRC FER

**Photo 2.** Equipment Used in Seismic Profiling



Source: JDVCRC FER

**Figure 11.** Location of Actual Traverse lines Within the Eastern Segment of the JDVCRC Tenement



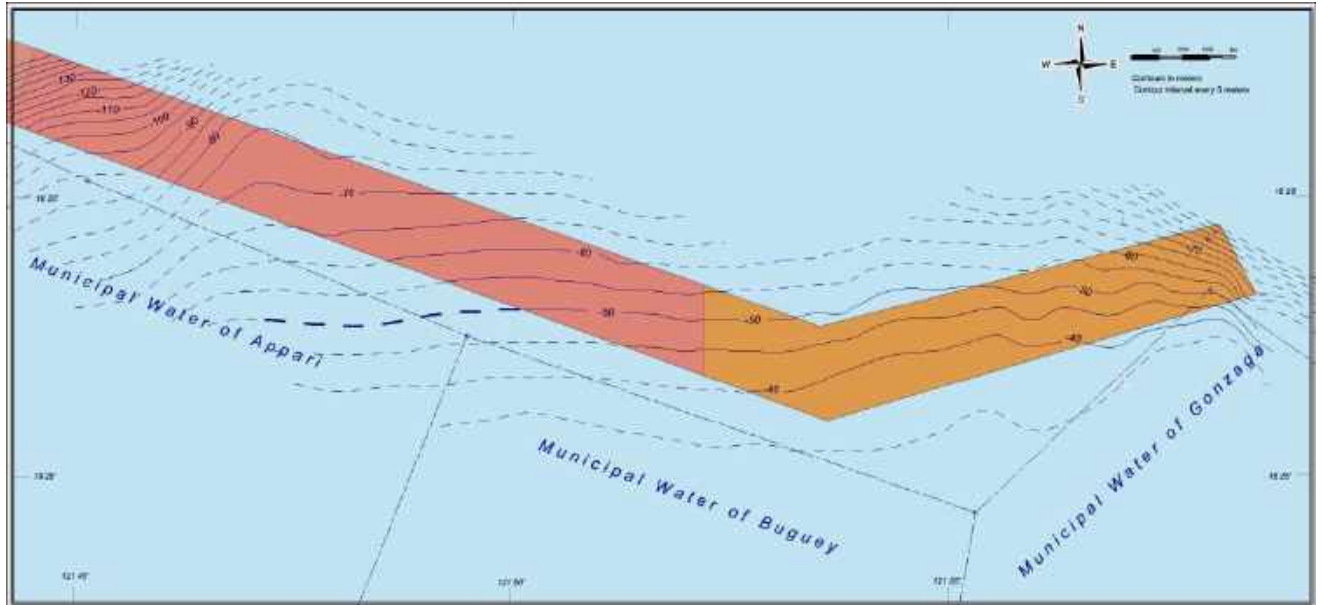
The marine geophysical survey undertaken in the study area generated a total of 187.3 line-kilometers of high-resolution seismic reflection data and a total of 377.3 line-kilometers of bathymetric data. The additional echosounder measurements of about 190 kilometers were accomplished in order to get a more precise seabottom topographic configuration of the submarine delta within and adjacent to the municipal waters of Aparri, Buguey and Gonzaga, Cagayan. Figure 12 shows the actual traverse lines within the study area.

The deltaic sediment sequence is believed to compose largely of progradational sediments that potentially host possible economic occurrences of magnetite and other associated minerals.

Analysis of the bathymetric contours shown in the NAMRIA 1:250,000 topographic map (Figure 13) indicates contrasting submarine topography of the seabed east and west of the mouth of Cagayan River. A gentler slope of the seabed prevails on the eastern side of offshore Cagayan from the mouth of Cagayan River towards the town of Santa Ana. In contrast, the seabed west of Cagayan River shows a moderate slope of about -1.4% slope from the shoreline of the town of Ballesteros to a distance of 3,600 meters (where the -50 meter contour is encountered) seaward. The slope of the seabed from the Town of Buguey to a distance of 24,500 meters (up to -50 meter contour line) has a relatively gentler slope of about -0.2%.

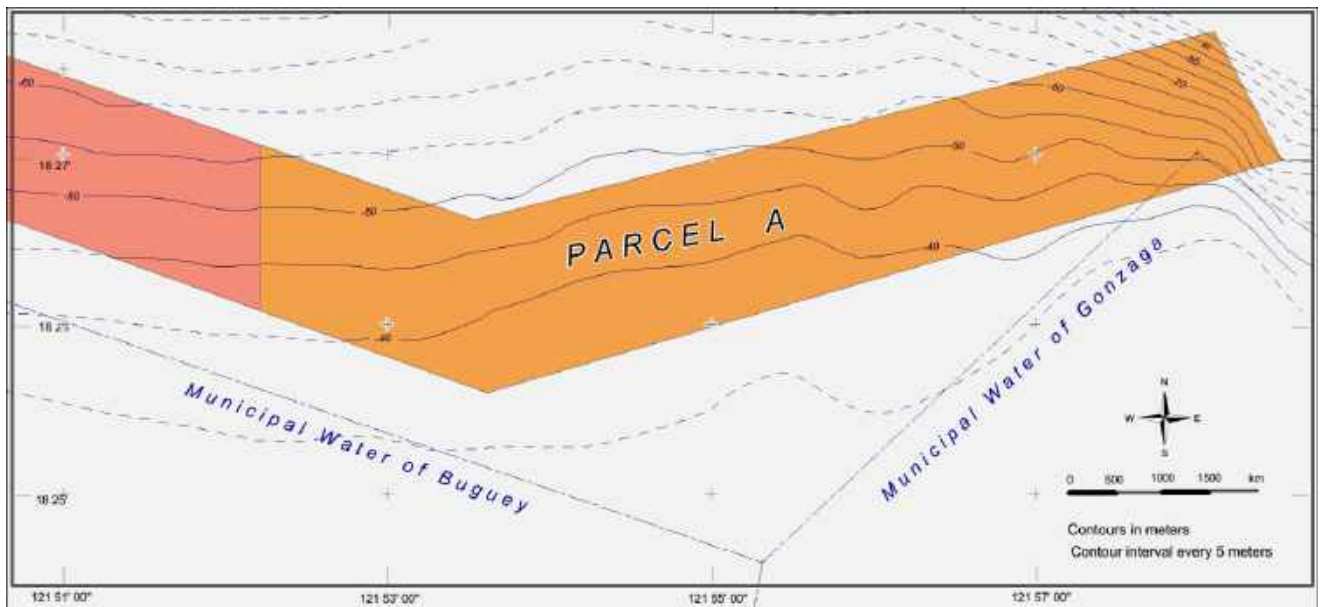
Result of the bathymetric survey of the eastern segment of MPSA-338-2010-II-OMR is shown in Figures 12 and 13. The bathymetric contours are presented at 5-meter interval.





Source: JDVCRC FER

**Figure 12.** Bathymetry of the Eastern Segment of MPSA-338-2010-II-OMR

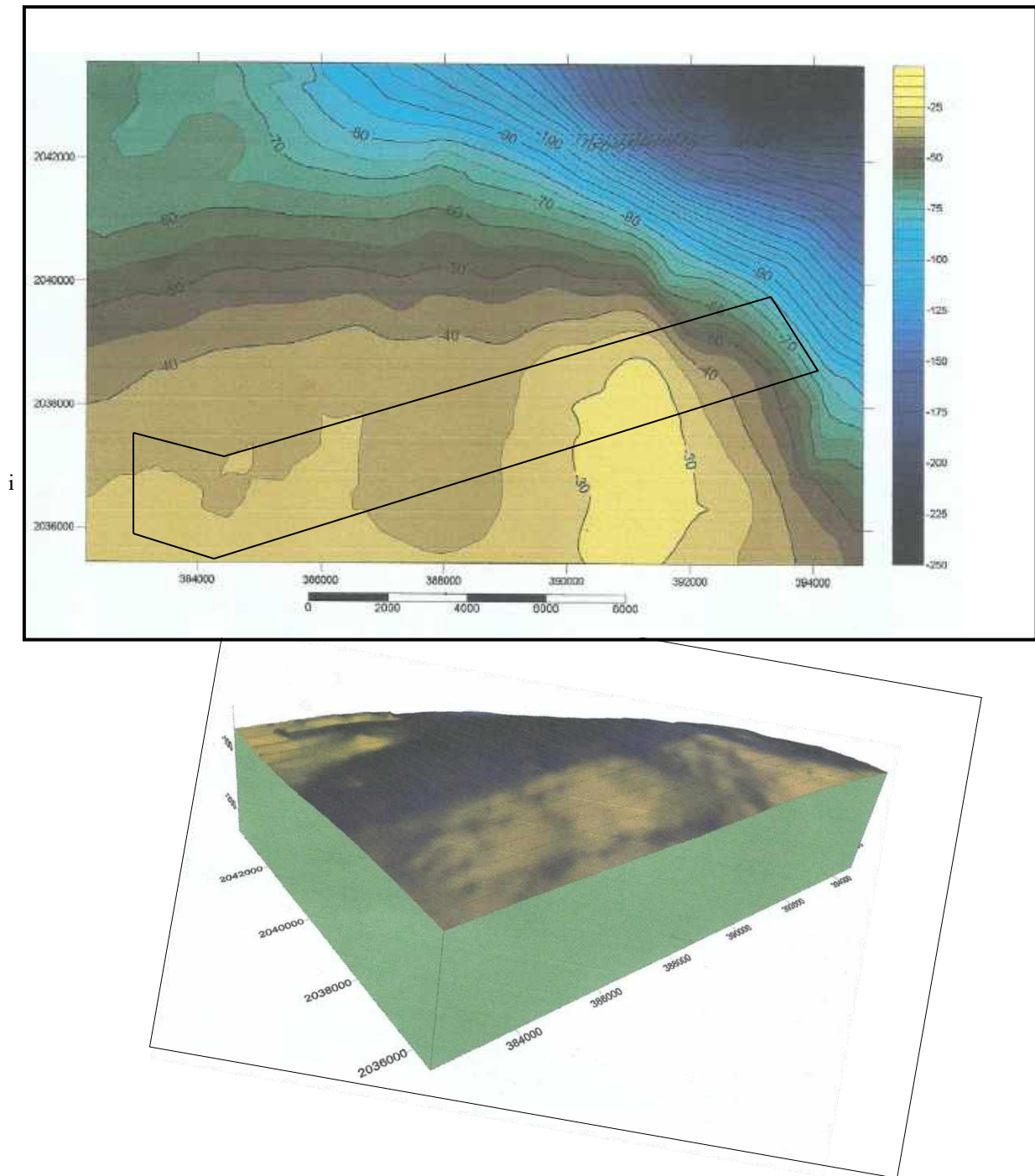


Source: JDVCRC FER

**Figure 13:** A More Detailed View of the Bathymetry of the Eastern Segment of the Tenement Area.



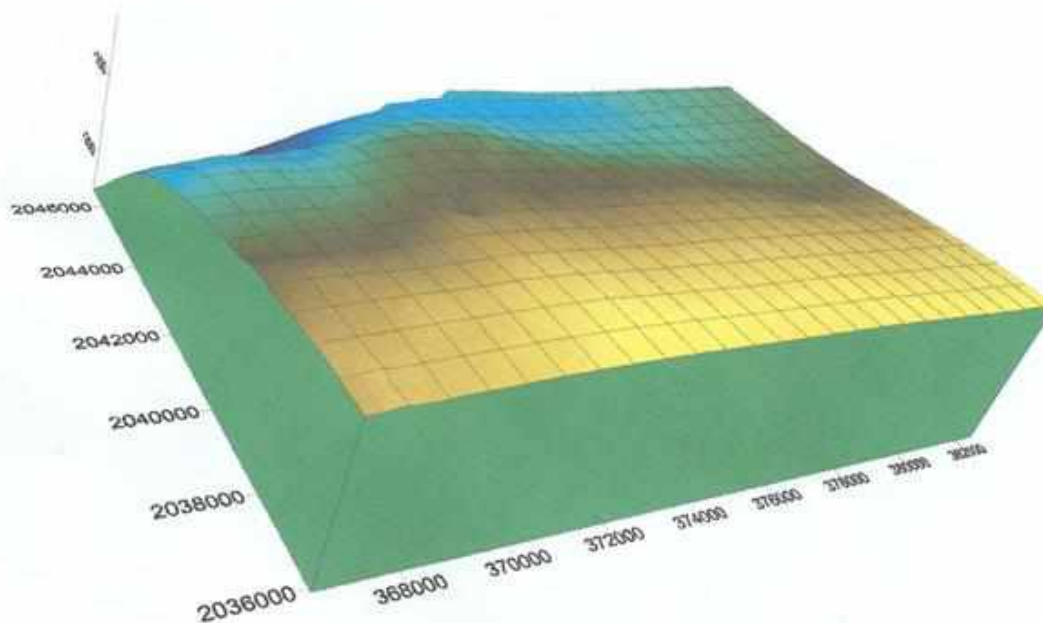
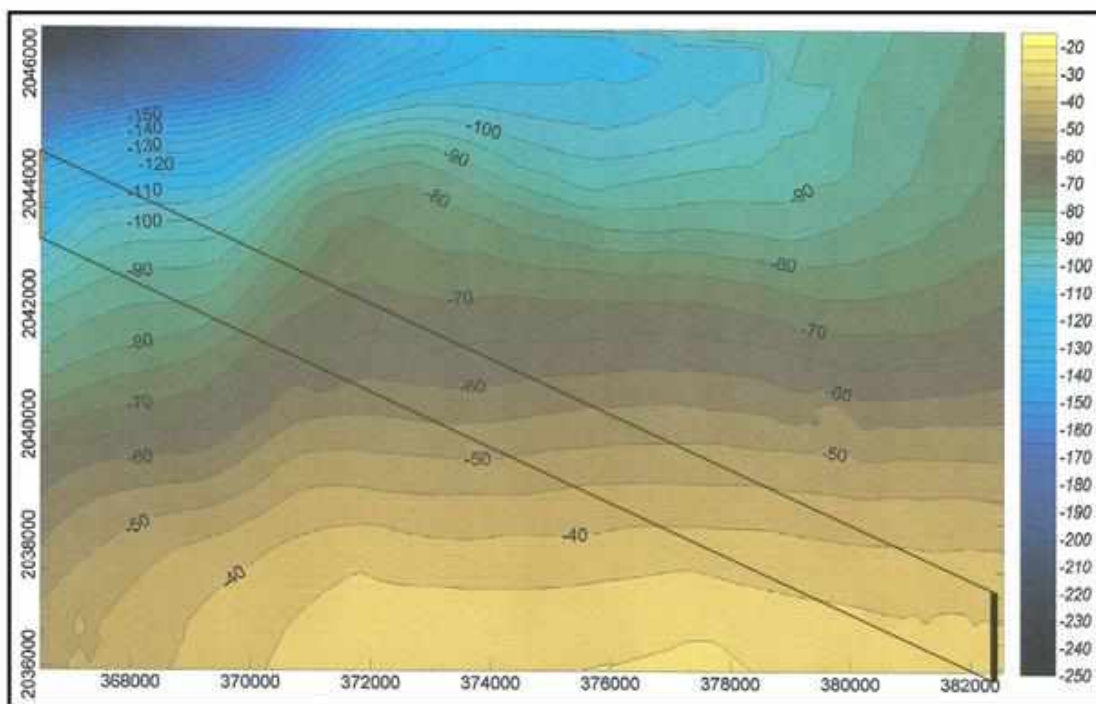
Figures 14 and 15 graphically present the color-filled contour maps and 3-D presentations of the seabed of the eastern portion of MPSA-338-2010-II-OMR.



Source: JDVCRC FER

**Figure 14.** Color-filled Bathymetric Map of the Easternmost Segment of the JDVCRC Tenement Area





Source: JDVCRC FER

**Figure 15:** Color-filled Contour Map and 3-D Illustration of the Seabed of the JDVCRC Tenement Area



Results of data interpretation reveal that the unconsolidated sediment section underlying the contract area was deduced to be divided into four (4) distinct units characterized by their different internal seismic reflection patterns and separated by distinct reflection horizons. For purposes of identification, these units have been designated as **Unit 1, Unit 2, Unit 3 and Unit 4** (from top to bottom).

Unit 1:

Unit 1 generally consists of recent sediments of beach deposits along the shore grading into finer sediments offshore. It is characterized by parallel to divergent reflection patterns. Due to the influence of the Kuroshio Current flowing from the East Philippine Sea and deflected towards the Babuyan Channel, the finer sediments particularly on the eastern part of the area are transported towards the west. This unit generally consists of silt to fine grained sand with variable amounts of magnetite sand.

Unit 2:

This unit is inferred to generally comprise of fine to medium sand of fluvial to shallow marine origin. The internal reflection pattern consists of sigmoidal to chaotic patterns. There appears to be a gradational change to Unit 1 sediments which are characterized by a weak parallel reflection pattern with some oblique reflections nearer "shore". This unit is inferred to consist of shallow marine sediments deposited nearshore or at the shoreline.

Unit 3:

Characterized by parallel to seaward dipping/sigmoidal reflections and consists of the prograded shoreline deposits characterizing the eastern part of the contract area. It is deduced to consist essentially of fine to medium – grained sand materials. This Unit together with Unit 2 is believed to host valuable detrital mineral deposits particularly magnetite sand accumulations. Representative seismic profiles in the eastern and western parts of the area are shown in Figures.

Unit 4:

The oldest unconsolidated sediment sequence in the area is Unit 4 that generally shows parallel to divergent and in some places hummocky reflection patterns. It is



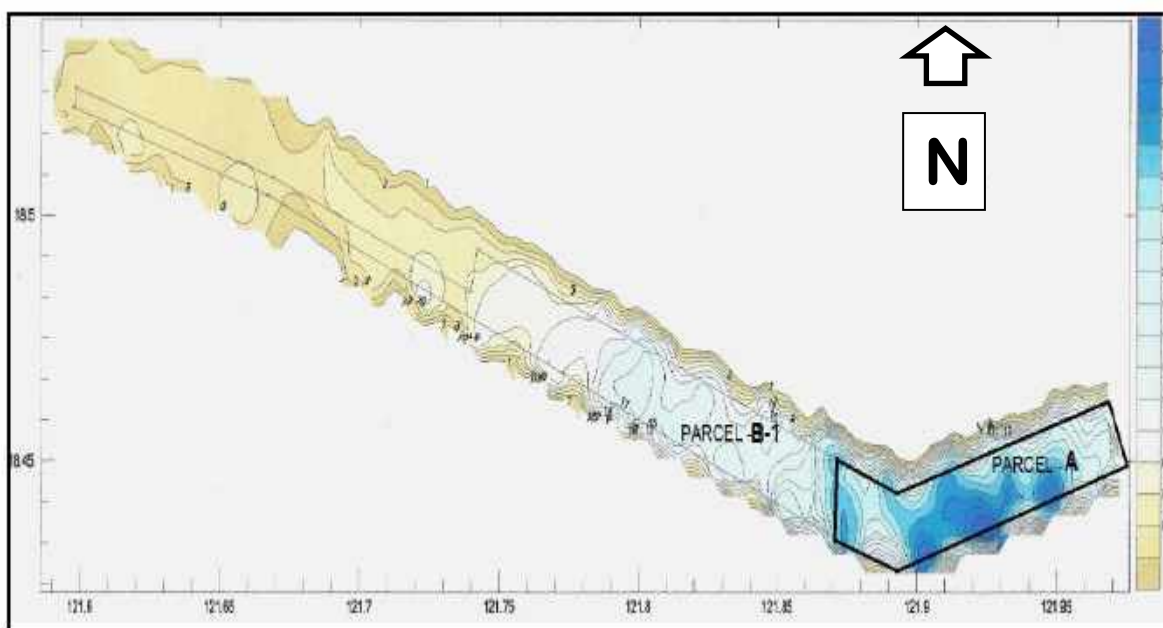
inferred to consist predominantly of older mud to silty sediment sequences. Underlying this unit is the acoustic basement which in, some instances coincide with the bedrock. In seismology, the term acoustic basement is generally referred to as the surface, below which strata cannot be penetrated by seismic signals or cannot be imaged by seismic data. The acoustic basement surface covered by the survey, so far, is interpreted to be a relatively strong and irregular reflector.

Based on the analysis and interpretation of seismic reflection data gathered in the area, the seismo-stratigraphic units that can be considered as the most promising targets for magnetite sand exploration are Units 2 and 3. Table 5 shows the tabulation of the individual thicknesses of Unit 1 and the combined Units 2 and 3. It will be observed in the tabulation and in the contour map in Figure 17 that the sediments are thicker in the eastern portion of the tenement, which is identified here as Parcel A. The area to the west is called Parcel B-1. The sediments are observed to be thinning out going westward to Parcel B-1. These thicknesses were determined from the meticulous interpretation of the seismic reflection profiles of the seismic reflection survey lines shown in Annex 4. On the average, the thicknesses of the sediments per Unit are as mathematically computed follows:

	Unit 1 (meters)	Unit 2 (meters)	Total (meters)
<b>Parcel A</b>	6.8	19.0	25.8
<b>Parcel B-1</b>	3.0	6.8	9.80







Source: JDVCRC FER

**Figure 16.** Color-filled Contour Map Showing the Various Thicknesses of Identified Sand-bearing Horizons Consisting of Seismo- stratigraphic Units 1, 2 and 3.

## 5.0 REGIONAL GEOLOGIC SETTING

### 5.1 Regional Geology

The Cagayan Valley is a major intermontane structural basin containing folded and faulted late Tertiary eugeosynclinal deposits measuring 250 kilometers long and 80 kilometers wide (**Figure 17**). The oldest sedimentary rock in the basin is the Oligocene to Miocene marine sediments consisting of shale, chalk, turbidites and limestone. Regional uplift in the Plio-Pleistocene resulted in the deposition of transitional marine and fluvial sediments of the Ilagan and Awidon Mesa Formations. The latter is a thick sequence of pyroclastic and fluvial sediments that conformably overlies the Ilagan Formation but unconformably overlies the folded Miocene and Pliocene strata in the foothills of the Cordillera.



## 5.2 Tectonic Setting

The N-S trending Cordillera Central, a 300 km-long and 90 km wide, is one of the major tectonic unit of Northern Luzon (**Figure 18**). Acid plutonic rocks form the core of the mountain chain, the outer shell of which consists of shallow to deep sea sedimentary rock formations with intercalated volcanics. The uplift of the Central Cordillera batholith started during the Miocene. The Sierra Madre Range likewise consists of the acidic plutonic intrusive bodies. The third morpho-tectonic unit is the Caraballo Mountains, which serve as the connection of the southern segment of the Central Cordillera and the Sierra Madre. These three morpho-tectonic units form the catchment basin of the N-S oriented Cagayan River Valley. The fault-bounded Cagayan Valley, 200 km long and about 50 km wide, is surrounded by these mountains, except on the northern side

## 5.3 Stratigraphy

The area of interest has a good potential for magnetite mineralization due to the presence of rock units/lithology that are good source of heavy minerals such as magnetite which are of products of continuous weathering and erosion from the mountains particularly at the northern Sierra Madre. Below are the geologic rock formations in the area and their position in the stratigraphic column as shown in Figure 19.

- **Abuan Formation**

The Abuan Formation, which was named as Abuan River Formation by MMAJ-JICA (1989), is the oldest formation in the western part of the Northern Sierra Madre and presumably comprises part of the basement of the Cagayan Valley sedimentary sequence. It is a heterogeneous mixture of basaltic to andesitic flows, pyroclastics and sedimentary rocks widely distributed in the southwest part of Divilaca River and northern and western part of Maconacon River. The age deposition of the Abuan formation is inferred to be before Early Oligocene, probably Eocene. The thickness of this formation was not indicated by MMAJ- JICA (1989).



- **Dibuluan Formation**

This formation, named by MMAJ-JICA (1989) as Dibuluan River Formation, is found along the western flanks of the Northern Sierra Madre Range. It embodies the principal position of the westward-dipping monoclinical structure of the Cagayan Basin. It unconformably overlies the Abuan Formation and is unconformably overlain by the Ibulao Limestone along Dibuluan River and elsewhere in the southeastern end of the Cagayan Valley Basin (Aurelio and Billedo, 1987). The Dibuluan Formation consists mainly of basic volcanic flows, volcanic breccias and pyroclastic rocks, with interbeds of clastic rocks.

The clastic rocks in the lower portions generally consists of well-indurated brownish gray to greenish gray feldspathic wacke with minor intercalated intraformational conglomerate, while the upper portions are marked by thin to medium beds of green siltstone and light green to red, well-indurated mudstone. Radiometric K-Ar dating of a sample of basic lava flow of the Dibuluan Formation gave an age of 29 Ma, equivalent to late Early Oligocene (Billedo, 1994).

- **Quaternary Alluvium**

The Cagayan Valley basin is overlain by various assemblages of Quaternary alluvium resulting from weathering and erosion of the older rocks and natural transport of minerals by rivers, wind and current. These are accumulations of detrital minerals or placer minerals that compose most of the Quaternary alluvium within the Cagayan River Valley and the Cagayan Basin.



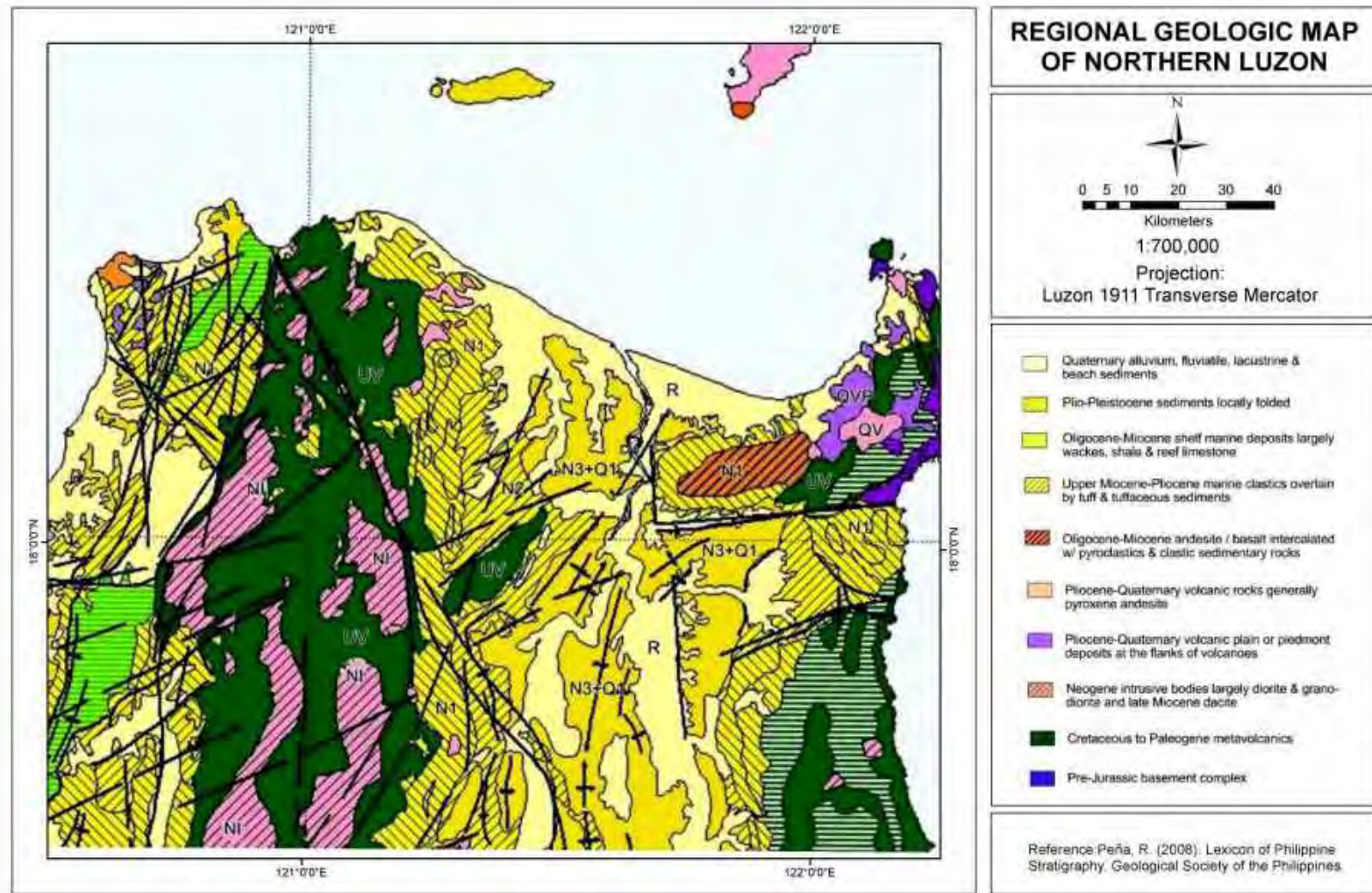


Figure 17. Regional Geologic Map of Northern Luzon



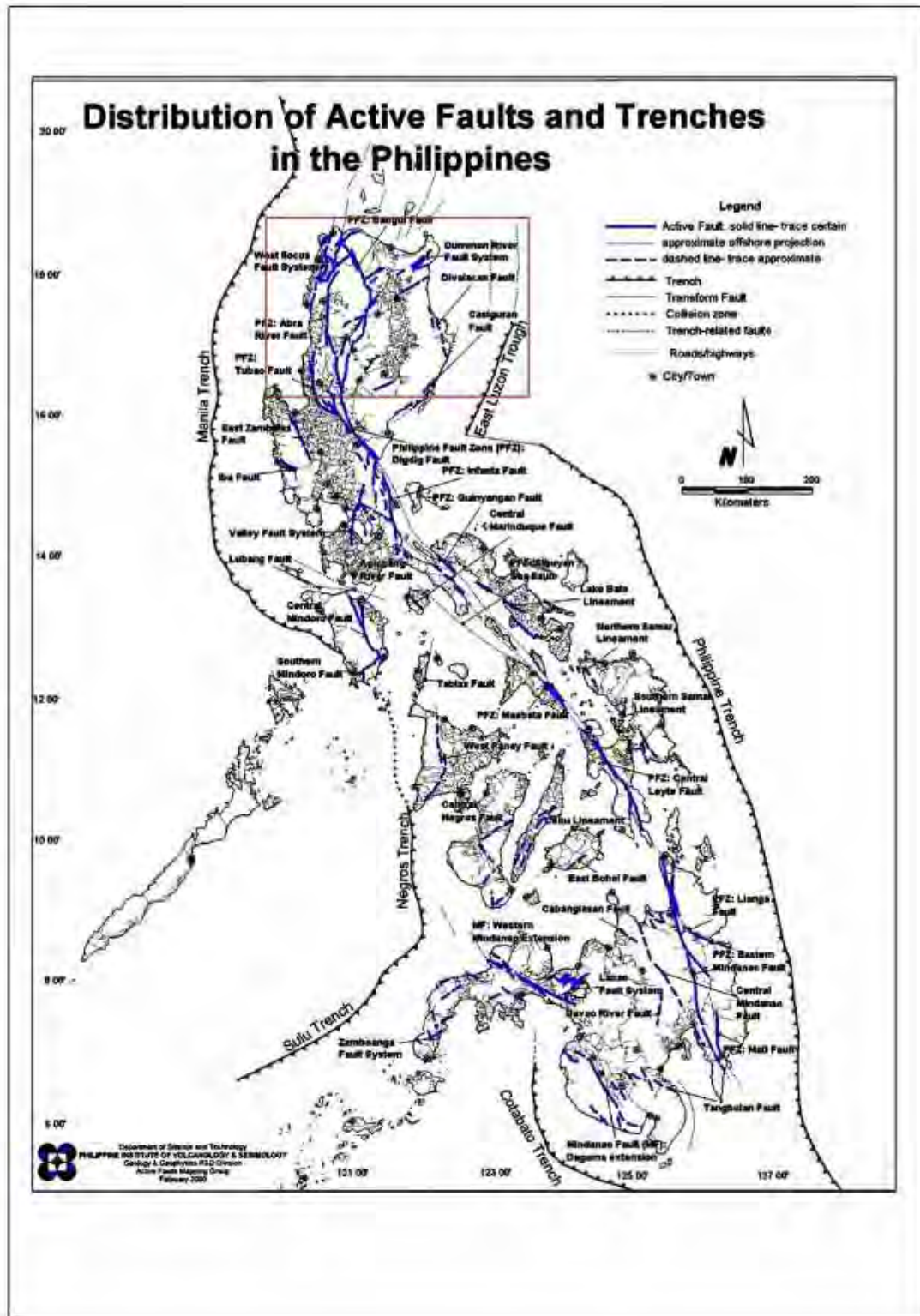
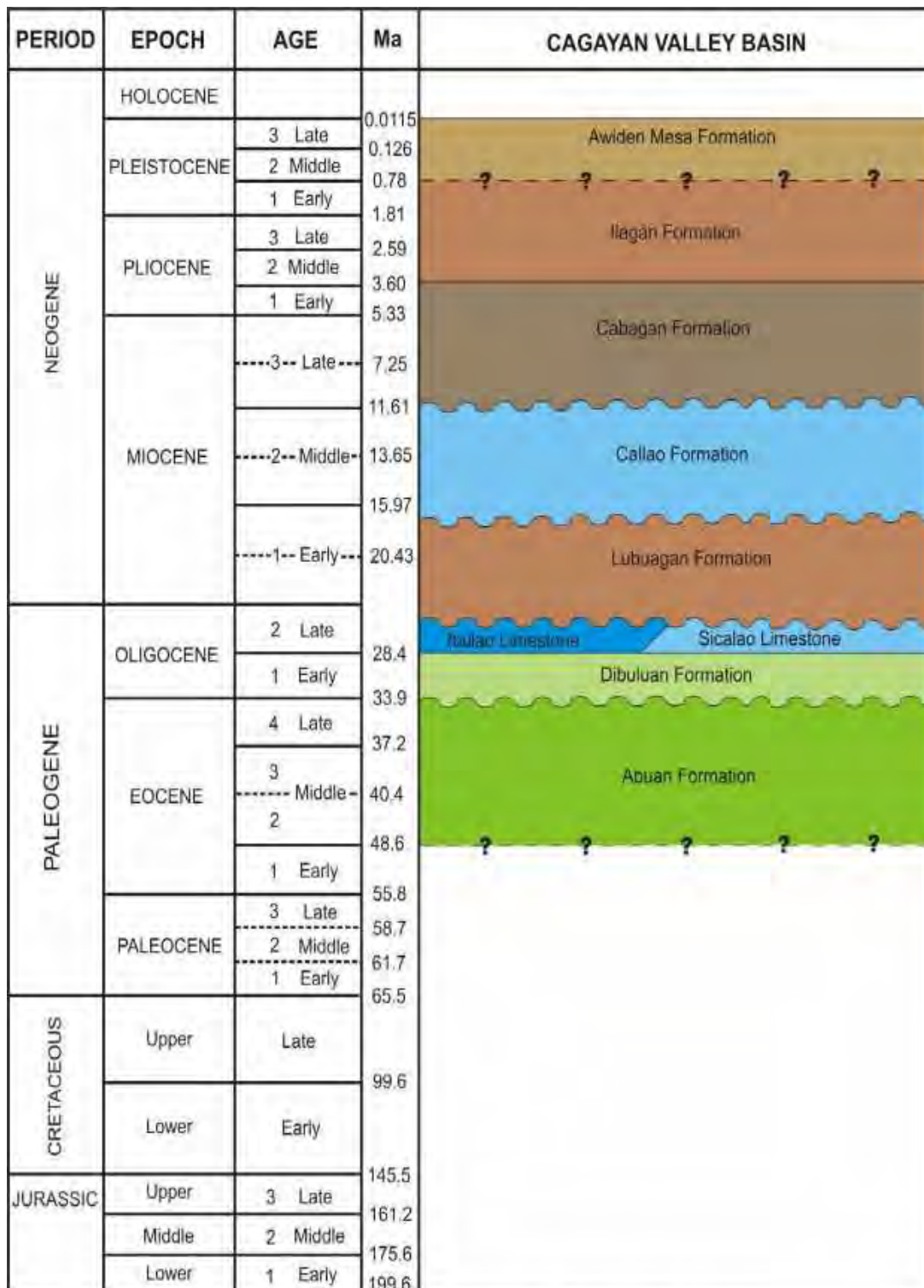


Figure 18. Tectonic Map of the Philippines





Equivalent Ma values for boundaries of periods and epochs and age age boundaries adopted from Geologic Time Scale 2004 (Gradstein and others, 2004)

Source: GOP 2010

Figure 19. Stratigraphy of Cagayan Valley Basin



## 6.0 LOCAL GEOLOGY

The Titano-Magnetite sand within JDVCRC MPSA area are offshore deposits found at the seabed of Babuyan Channel. The rock formations that may have contributed as source of magnetite and other associated placer minerals include the volcanic, pyroclastics and sedimentary derivatives of the older rocks of Abuan and Dibuluan Formations from the hinterlands. These volcanic flows intercalated with pyroclastic and sedimentary rocks and intrusions of diorite, quartz diorite and andesitic to dacitic rocks commonly have specks of magnetite that were disintegrated from the host rocks during weathering process and eventually transported and concentrated through river systems and through the winnowing actions of waves tides and currents.

## 7.0 DEPOSIT TYPE AND MINERALIZATION

### 7.1 Deposit Type

The deposit type in the JDVCRC MPSA area is an Iron Ore that can be classified Titano-Magnetite sand offshore deposit. The sand is being transported materials from the weathering of volcanic rocks, intrusive rocks and sedimentary derivatives of the older rocks of Abuan and Dibuluan Formations from the hinterlands. The sand and the contained titano-magnetite being the most resistant materials transported by rivers and creeks to the seas and re-worked by long shore current.

### 7.2 Mineralization

The iron mineralization in the MPSA area consists of magnetite ( $\text{Fe}_3\text{O}_4$ ) concentration in beach and alluvial sand in the seabed of Babuyan Channel. Economic deposits generally contain 15 to 30 % magnetite or magnetic fraction (MF) which can be concentrated by magnetic separation to yield about 55 to 62 % Fe. The magnetite concentrate usually contains impurities of titanium and vanadium which interfere with the smelting process, thus lowering the quality of the iron ore; however, the value of the magnetite concentrate is however enhanced when the titanium and/or vanadium content are high enough to produce special steel.



## **8.0 MGB FIELD VALIDATIONS**

### **8.1 Methodology**

The undersigned MGB personnel validated the acceptability of the declared mineral resources of JDVCRC through: 1) Confirmation of deposit type/mineralization in the project area and collection of check samples for variance and statistics study; 2) in-situ assessment and quality acceptability of the mining contractor's existing set up of analytical laboratory for sampling, assaying, and handling of assay results; 3) confirmation of parameters used in the resource estimation and resource models; and 4) gathering of basic exploration data and validating the integrity of database.

The **MGB-CO** technical personnel inspected the **JDVCRC's** core house, sample preparation facility located in Sta. Ana, Cagayan. A total of three (3) representative check samples were taken and will be subjected to chemical analysis upon return to MGB-CO for Quality Assurance/Quality Control (QA/QC) study and to determine the overall reliability of field sample preparation techniques, the accuracy of analytical data supplied by JDVCRC and finally to ensure that analytical results were free of bias.

The JDVCRC resource geologists provided the latest compiled drillhole database used during resource modelling and subsequent calculation of tonnages. MGB-CO geologists will import the drillhole database of JDVCRC to GEMS v.6.8 software which will be recalculated and subjected to geostatistical analysis and block modelling.

### **8.2 Verification of deposit type and mineralization, Collection of check samples and Results of Check Samples Analyses**

#### **8.2.1 Verification of deposit type and mineralization**

The field validation verified the deposit type and mineralization of JDVC through their Siphon Vessel with 3-stage magnetic separator and





processing apparatus on board located 15-km offshore of Gonzaga, Cagayan (**Photos 2 to 11**). Processed iron ore concentrate is very fine, deep black with assay grade of  $>57\%Fe$  based on XRF (**Photo 10**). The verified deposit type/mineralization and assay grade in the project site conform to the data and values declared in the CP-signed Final Exploration Report (FER).



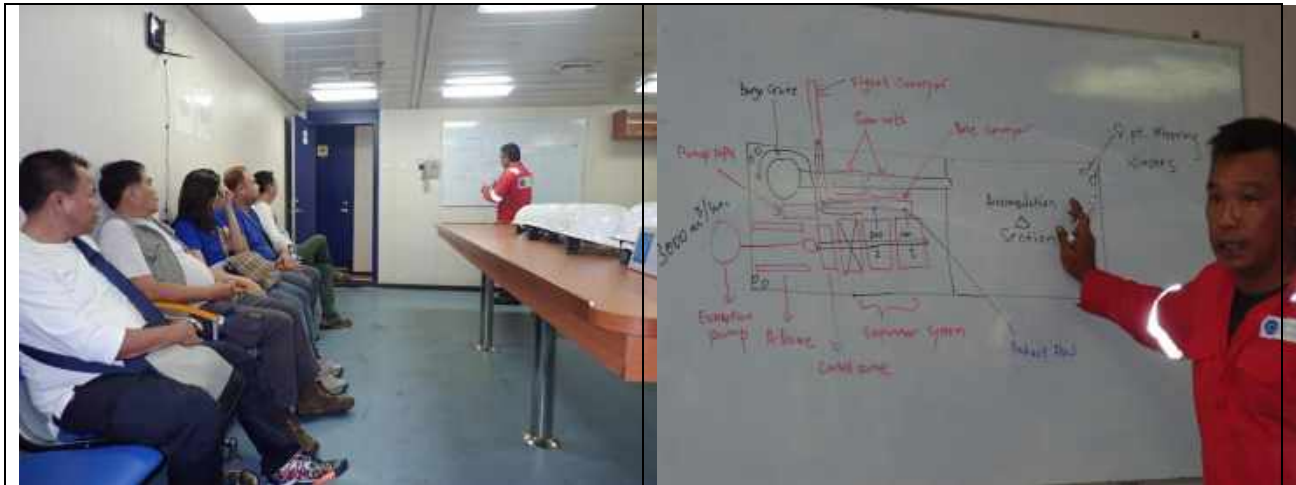
**Photo 2.** Twin engine motor boat used going to Siphon Vessel of JDVCRC located 15km-offshore of Gonzaga, Cagayan, travel time of which is 2-hr though rough sea.



**Photo 3.** JDVCRC Siphon vessel with magnetic separator and processing apparatus on board located 15-km offshore of Gonzaga, Cagayan.



**Photo 4.** Transfer from motorboat through vertical ladder going to the Siphon Vessel.



**Photo 5.** Introduction lecture, safety orientation explanation of production and processing of magnetite sand.

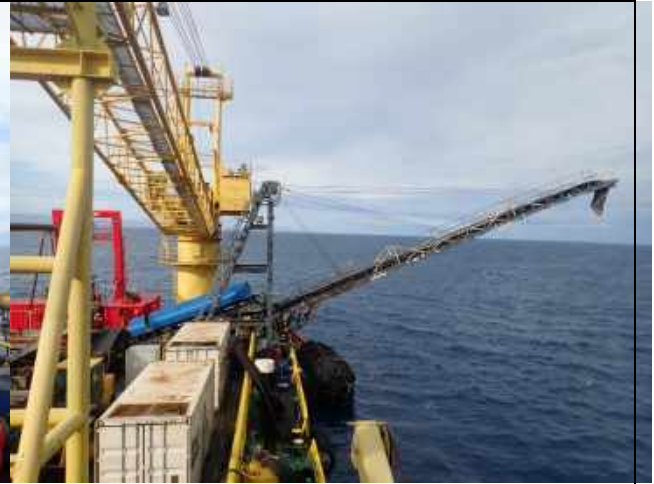


**Photo 6.** Operation set-up for magnetite extraction

**Photo 7.** 3-stage magnetic separator system



**Photo 8.** Extraction/siphon pump



**Photo 9.** Flyout conveyor where waste materials will go back to the sea



**Photo10.** Samples of magnetite sand after processing.



**Photo 11.** MGB Validation Team with JDVC staff at roof top of Siphon Vessel.

### 8.2.2 Collection of Check Samples for Laboratory Analysis

Check samples for laboratory analysis were taken by the MGB validating team from the core house facility of JDVCRC office in Times Street, Quezon City (**Photos 12 to 14, Figure 20**). A total of three (3) drill core samples comprised of magnetite sand materials were randomly collected from the representative mineralized samples. The MGB used analytical volumetric titration method using K-dichromate for Iron (Fe) ore determination.

**Determination of Total Iron (Fe) by Titration with Standard Potassium Dichromate (K<sub>2</sub>Cr<sub>2</sub>O<sub>7</sub>)**

1. Take 50 ml aliquot from the solution in the volumetric flask in step A.7 and transfer to 250 ml beaker. Dilute / fill up to 100ml with distilled water and boil.
2. Add NH<sub>4</sub>OH drop by drop until all the iron is precipitated. Boil.
3. Allow the precipitate to settle. Filter thru Whatman filter paper No. 1 and wash the sides of the beaker and the filter paper containing the precipitate for about 5 times with hot distilled water. Discard the filtrate.
4. Return the precipitate to the beaker where precipitation took place and dissolve the precipitate adhering to the filter paper with 1:1 hydrochloric acid and then wash with hot distilled water thoroughly. Remove the filter paper from the beaker.
5. Make up to about 50 – 75 ml with distilled water and boil. Add SnCl<sub>2</sub> solution drop by drop until solution turn colorless, adding 1 to 2 drops in excess.<sup>1</sup> Cool.
6. Add 10 ml of saturated HgCl<sub>2</sub> while stirring.<sup>2</sup>
7. Add 20 ml of titrating solution and 2-3 drops of diphenylamine indicator.
8. Titrate with standard potassium dichromate (K<sub>2</sub>Cr<sub>2</sub>O<sub>7</sub>) solution to a violet end point.
9. Compute the total Fe.

$$\% \text{ Fe} = \frac{(V \times T)_{\text{K}_2\text{Cr}_2\text{O}_7}}{\text{weight of sample in grams}} \times 100 \quad \text{where } T = \% \text{ Fe} - \text{g / ml}$$

$$\% \text{ Fe} = \frac{(V \times N)_{\text{K}_2\text{Cr}_2\text{O}_7} \times 55.85 / 1000}{\text{weight of sample in grams}} \times 100$$

$$\% \text{ Fe}_2\text{O}_3 = \% \text{ Fe} \times \frac{\text{Fe}_2\text{O}_3}{2 \text{ Fe}} = \% \text{ Fe} \times 1.4297$$

**Figure 20.** Analytical Method of MGB for Fe Determination

**8.2.3 Results of Check Samples Analyses**

Check samples were collected during field validation and sent back to MGB for metallurgical testing, the results of which are subjected to computation of Relative Percentage Error (RPE) between assay results of JDVCRC samples and MGB to determine relative variations and bias. The RPE is an indicator of variability between samples, the average error measures any bias that may occur; unbiased sample comparison has an RPE value close



to zero with minimal spread about this average value. Formula for computation of RPE is:

$$\text{RPE} = \frac{(X-Y)}{(0.5)(X+Y)} * 100 \text{ wherein } X = \text{original assay, } Y = \text{duplicate assay.}$$

Adopting the standard procedure for Quality Assurance (QA)/Quality Control (QC) studies, a total of three (3) check samples or about 5% out of the total 28 sample intervals used in the resource estimation were collected during the field validation (**Photos 12 to 14**). The MGB used analytical volumetric titration method using K-dichromate for Iron (Fe) ore determination. The **JDVCRC** sample analyses were carried out in Intertek Manila by using **XRF method (x-ray fluorescence)**.

The comparison of the analysis results conducted by MGB and JDVRC can be summarized by the relative percentage errors (RPE) and the correlation as shown in **Figure 21 and Table 4**. After computation of RPE for the 3 check samples concluded that the RPE outliers may have resulted from different instrumentations and analysis methods used by MGB and JDVCRC. Considering the number of samples used, the analysis results of the RPE showed relatively good errors/ allowable error (<17%) and indicating good repeatability and correlation ( $R^2$ ).

**Table 4.** MGB-JDVCRC Comparative %Magnetite Fraction (MF) Analysis

	% MF
No. of Pairs	3
Average RPE	16.93
Correlation	0.36



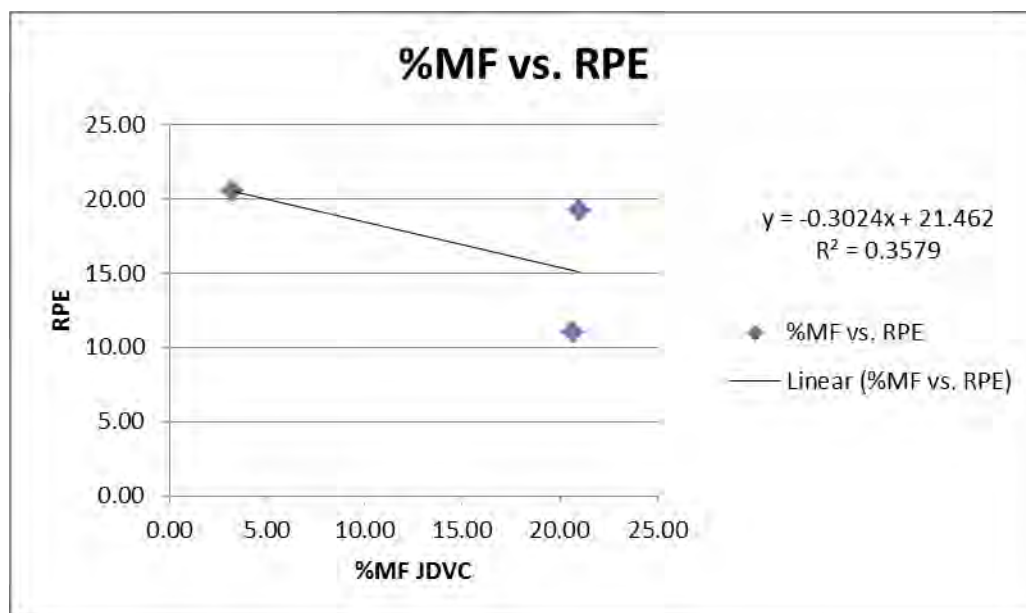


Figure 21. RPE for %MF

## 9.0 MINERAL RESOURCE ESTIMATION

### 9.1 JDVCRC Mineral Resource Estimate

JDVC Resources Corporation (**JDVCRC**) used conventional polygon method of assigning the areas of influence according to grade and drillhole distance to perform its mineral resource modelling and resource computations (**Figure 22 to 26**). A total of 10 drillholes and 28 sample intervals were used for the geological modelling and subsequent resource estimation. JDVC did not set a cut-off grade since selective mining is not applicable in offshore areas. Additionally, a 100% recovery was also used by the company in declaring the mineral resource estimates. All analytical methods (XRF, Sieve analysis, Density measurement, etc, are done on 5-meter composite samples. Specific gravity value of 1.69 DMT/m<sup>3</sup> at 0% cut-off grade was adopted by JDVCRC in the tonnage calculation. The complete results of their estimates are shown below:





**Table 5.** JDVCRC Mineral Resource Estimate

Level	Hole-ID	Volume (m <sup>3</sup> )	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>MEASURED</b>					
<b>0-5</b>	GN18	14,134,498.64	23,887,302.69	26.58	6,349,245.06
	GN30	6,260,618.75	10,580,445.68	3.23	341,748.40
	GN33	11,977,837.40	20,242,545.20	22.56	4,566,718.20
	GN48	13,066,734.48	22,082,781.26	24.87	5,491,987.70
	GN58	11,252,573.11	19,016,848.56	24.94	4,742,802.03
	GN68	10,862,507.44	18,357,637.57	26.98	4,952,890.62
Sub Total		67,554,769.80	114,167,560.95	23.16	26,445,391.99
<b>5-10</b>	GN18	21,167,829.31	35,773,631.53	43.87	15,693,892.15
	GN30	11,600,678.95	19,605,147.43	21.01	4,119,041.47
	GN33	16,404,741.02	27,724,012.32	41.89	11,613,588.76
	GN48	15,073,202.66	25,473,712.50	46.55	11,858,013.17
	GN58	14,792,031.51	24,998,533.24	47.29	11,821,806.37
	GN68	14,539,173.62	24,571,203.41	43.15	10,602,474.27
Sub Total		93,577,657.05	158,146,240.41	41.55	65,708,816.19
<b>10-15</b>	GN18	22,232,822.30	37,573,469.69	24.89	9,352,036.61
	GN30	7,183,350.15	12,139,861.75	20.71	2,514,165.37
	GN33	18,130,900.05	30,641,221.08	23.63	7,240,520.54
	GN48	15,950,498.10	26,956,341.79	25.41	6,849,606.45
	GN58	14,510,689.13	24,523,064.63	27.89	6,839,482.73
	GN68	19,498,536.83	32,952,527.24	23.89	7,872,358.76
Sub Total		97,506,796.56	164,786,486.19	24.68	40,668,170.45
<b>15-20</b>	GN18	13,339,693.38	22,544,081.81	12.58	2,836,045.49
	GN33	19,433,900.05	32,843,291.08	11.65	3,826,243.41
	GN48	17,519,498.10	29,607,951.79	12.66	3,748,366.70
	GN58	18,284,781.30	30,901,280.40	10.24	3,164,291.11
	GN68	22,483,264.39	37,996,716.82	13.56	5,152,354.80
Sub Total		91,061,137.22	153,893,321.90	12.17	18,727,301.51
Sub Total	GN68	9,150,510.69	15,464,363.07	18.86	2,916,578.87
Sub Total		9,150,510.69	15,464,363.07	18.86	2,916,578.87
Grand Total		358,850,871.32	606,457,972.52	25.47	154,466,259.02
<b>INFERRED</b>					
<b>0-5</b>	GN01	5,452,567.28	9,214,838.69	59.20	5,455,184.51
	GN02	9,049,637.80	15,293,887.88	45.20	6,912,837.32
	GN03	9,851,788.01	16,649,521.73	46.70	7,775,326.65
	GN04	13,030,214.43	22,021,062.39	45.40	9,997,562.32
Sub Total		37,384,207.51	63,179,310.69	47.71	30,140,910.80





Figure 22. Polygon Plan for Level 0 to 5 meters

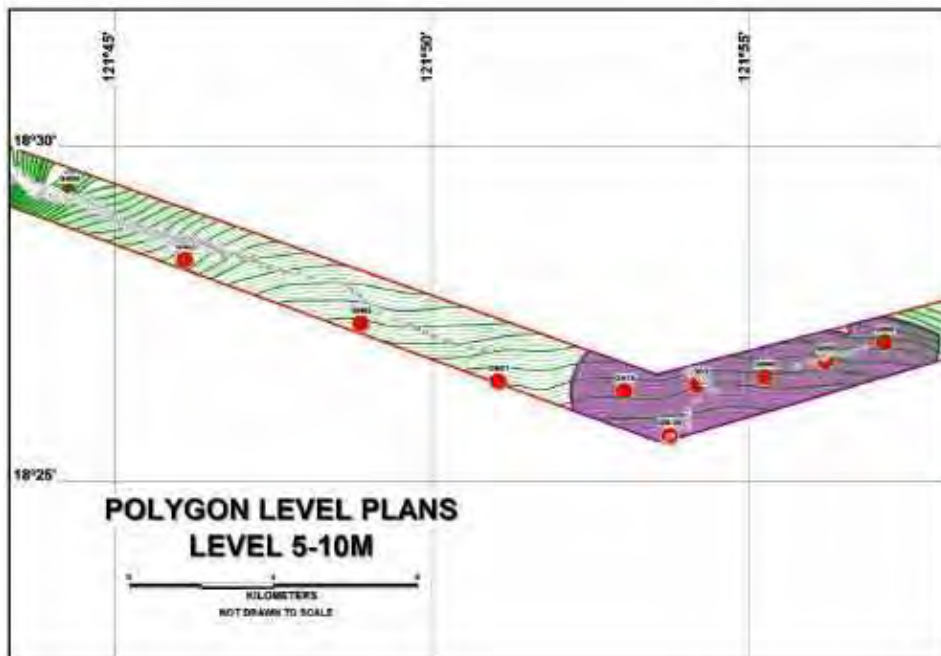


Figure 23. Polygon Plan for Level 5 to 10 meters

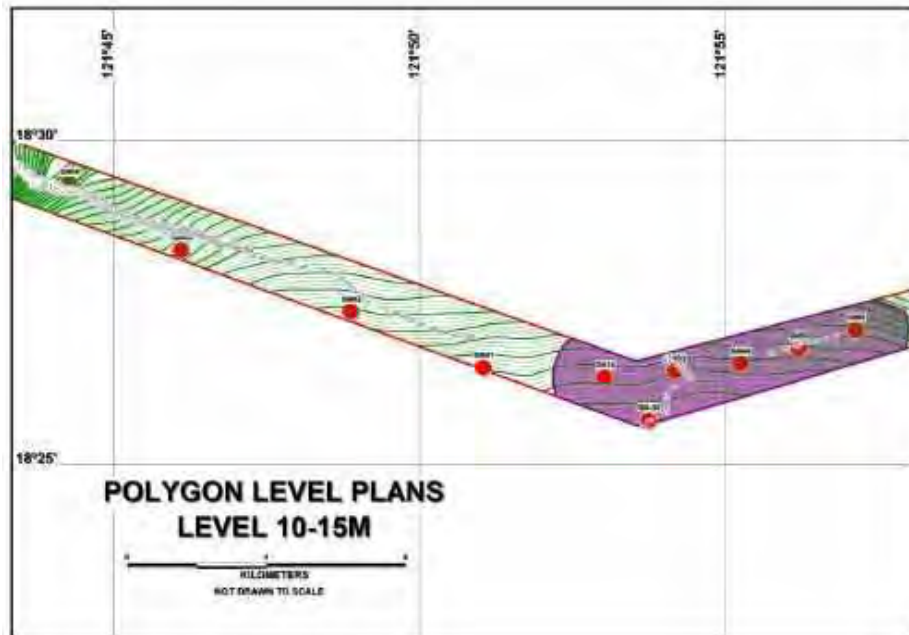


Figure 24. Polygon Plan for Level 10 to 15 meters



Figure 25. Polygon Plan for Level 15 to 20 meters

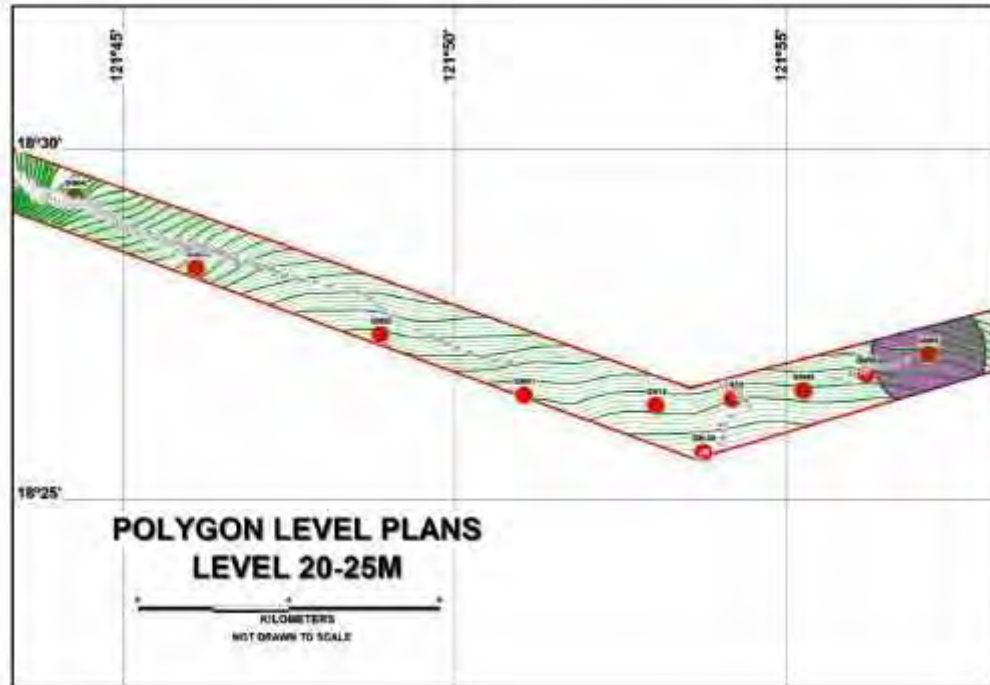


Figure 26. Polygon Plan for Level 20 to 25meters

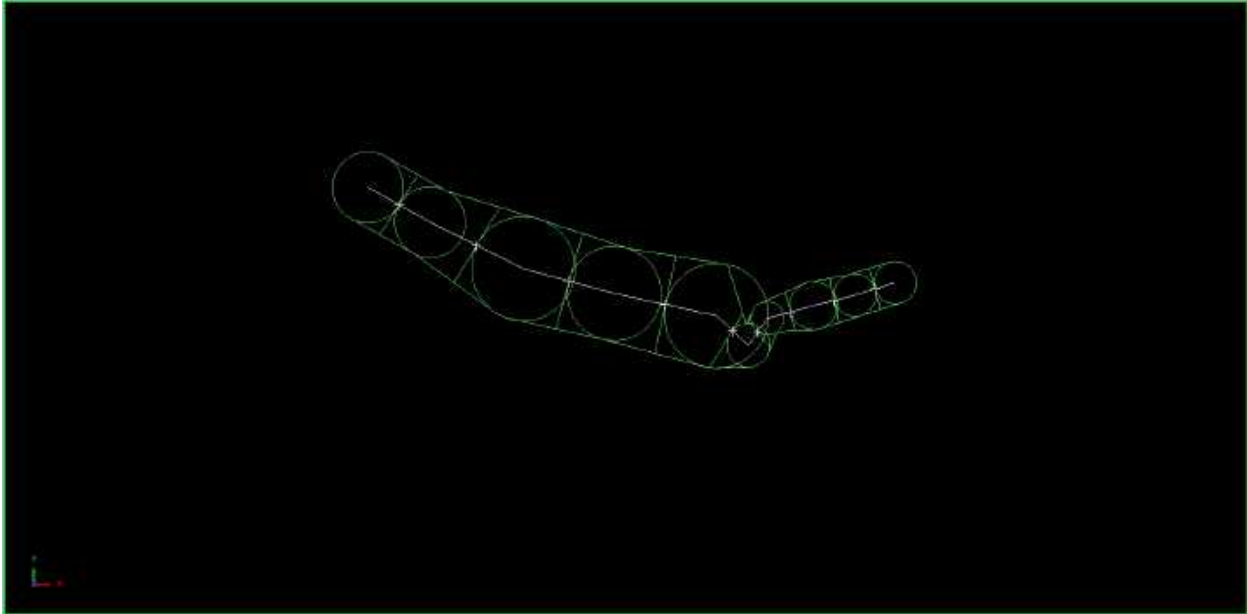
## 9.2 MGB Mineral Resource Estimate

### 9.2.1 Parameters Used in the Resource Estimation

The mineral resource estimate conducted by MGB made use of the same database used by the JDVC in its resource computations. The integrity of the database, number of drillholes and sample intervals were checked by MGB technical personnel before being utilized for geologic modelling and resource calculation. The procedure of the mineral resource estimation by MGB included basic statistical analysis, geological modelling and volumetrics and tonnage calculations. The construction of the polygons signifying the area of influence of each drillhole was done using SURPAC v6.8.1. Statistical analysis, geological modelling and resource computations were done using GEMS v6.8.1.

The polygons were constructed using Surpac v 6.8.1. In polygon method (**Figure 27**), the area of influence is equivalent to half of the distance from one sample to another. The midpoints between samples were determined

in order to mark the extent of the area of influences. These distances were used to construct polygons representing the areas of influence for each sample. These polygons were then used for the rendering of geological models.



**Figure 27.** Polygon method using Surpac v6.8.1

The average magnetic fraction contents used in the calculation are the average of the sum of products of thickness of the horizon and average magnetic fraction contents. The volume of raw sand is computed by multiplying the area of sand with the average thickness of sand horizon. The tonnage of the raw sand is computed by multiplying the volume with specific gravity of raw sand ( $1.69 \text{ dmt/m}^3$ ). The tonnage of the magnetite sand was calculated by multiplying the tonnage of raw sand with the with the average magnetic fraction

A total of 10 drillholes and 28 sample intervals were used for the resource estimate. MGB set the cut-off grade to 5% MF and recovery at 90%. The geological modelling was also done using the polygon method, which is similar to that used by the JDVC in their resource estimates. Interpolation of grade values

was deemed to be not applicable considering the distances of the drillholes of JDVC. For this reason, block modelling was also deemed not necessary. Instead, solids representing the area of influence of each drillhole and the thicknesses show the sample intervals. A dry density of 1.69 dmt/  $m^3$  was used in the calculation of tonnage, which was also the same density used by the JDVC.

### 9.2.2 Basic Statistics

Basic statistical analysis was done to determine data variance from the sample analysis results that may arise from the geological interpretation of the deposit, sampling practices, and laboratory analyses (**Table 6**). Basic statistical analysis consisted of all 28 sample intervals from all 10 drillholes used. After statistical analysis, it is imperative that dispersion of grades especially in %MF Fe does not deviate much from the mean grades. GEMS (Version 6.8) was used to perform the univariate statistical analysis for %MF value subjecting each mineralized domain to this process. The histogram for %MF is shown in **Figure 28**.

**Table 6.** Summary of Basic Statistics

Variable	%MF
Number of samples	28
Min.value (Grade %)	3.23
Max. value (Grade %)	59.3
Mean	28.32
Median	24.90
Geometric mean	24.49
Variance	193.52
Standard deviation	13.91
Coefficient of Variance	0.49

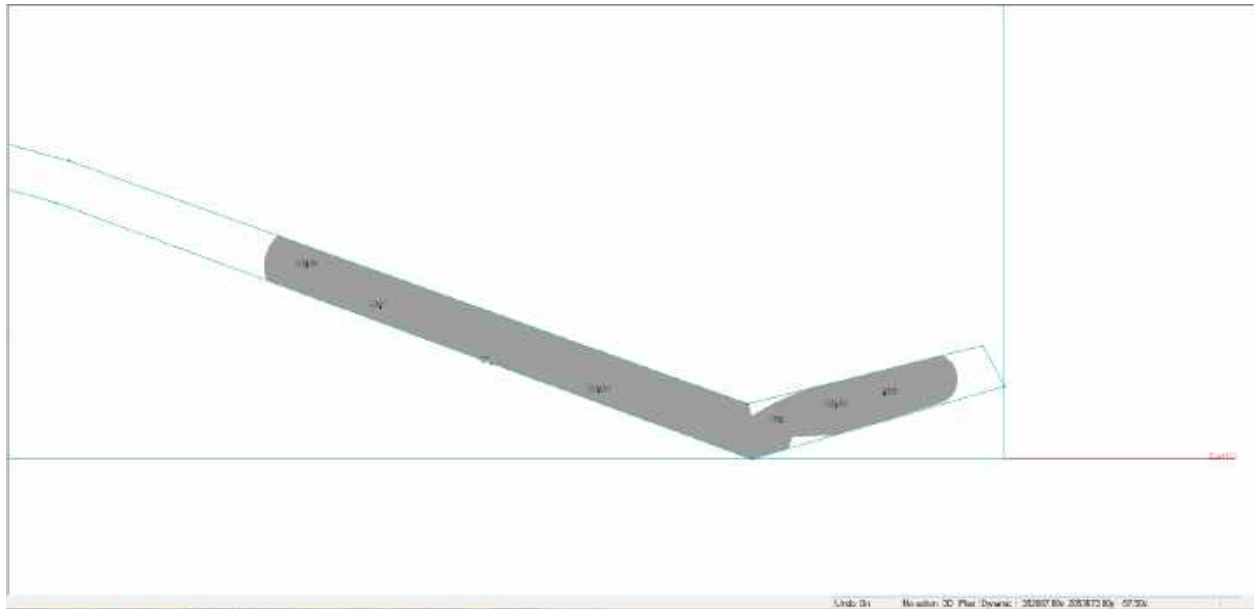




Figure 28. Histogram showing the % MF grades of the samples of JDVC.

### 9.2.3 Geologic Model Rendering

The extent of the deposit was based on the area of influence of the drillholes which was determined by the conventional polygon method (**Figure 29**). In the polygon method, the radius of the area of influence of a sample is equivalent to half of the distance from one sample to another. The thicknesses were based on the sample intervals used by the JDVC which is 5 meters. After constructing the extents of the polygon of each sample, geological solids were constructed based on these polygons and the thicknesses of the sample intervals. After the geological model was constructed, it was clipped using the MPSA boundaries of JDVC to ensure that the deposit calculated is within the bounds of the claim area.



**Figure 29.** Geological solid showing the magnetite sand with the tenement area of JDVC

#### 9.2.4 Mineral Resource Classification Used

The **Mineral Resource of JDVCRC** herein refers to the titano-magnetite sand resource that has been blocked by high-resolution seismic reflection profiling, echo sounder and geological sampling through confirmatory offshore drilling. The vertical extent and horizontal limit of the deposit were defined by means of logging of drill cores and incorporated with the updated bathymetric survey of the project area.

Mineral Resource computed is categorized/classified as Measured to Inferred Mineral Resource on the basis of drillhole spacing and geologic continuity, in this case 2km x 2km and >2km drillhole spacing were used to delineate ore outlines for Measured and Inferred categories, respectively. The following categories were used in the reporting of mineral resource:

- **Indicated Mineral Resource** is part of a Mineral Resource in which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a **high** level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity. ***In this report, measured mineral resource refers to the offshore***



**magnetite resource that has been drilled by confirmatory drilling at 2km x 2km grid based on** based on the result of the interpretation of the seismic reflection profiling data.

- **Inferred Mineral Resource** is part of a Mineral Resource in which tonnage, grade and mineral content can be estimated with a **low** level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes which may be limited or of uncertain quality and reliability. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource. **In this report, measured mineral resource refers to the offshore magnetite resource that has been drilled by confirmatory drilling at >2km distance based on** based on the result of the interpretation of the seismic reflection profiling data.

#### 9.2.5 MGB's Summary of Mineral Resource Estimate

The procedure of the mineral resource estimation by MGB included basic statistical analysis, geological modelling and volumetrics and tonnage calculations. The construction of the polygons signifying the area of influence of each drillhole was done using SURPAC v6.8.1. Statistical analysis, geological modelling and resource computations were done using GEMS v6.8.1.

After MGB field validation and manipulation of the JDVCRC drillholes used in the resource estimation, the undersigned estimated a grand total raw offshore magnetite sand resource of **512,971,918.94** DMT with weighted average grade of **26.51% MF (Table 7a, b and c, Figure 30 and 31)**. The cut-off grade of 5%MF came out to be the most economical cut-off considering the trade-offs in the reduction in mining and processing cost over the decrease in concentrates expected to be produced. Furthermore, it can be observed in the histogram that a small size of the sample has a very low grade (MF < 5%). Thus, it was deemed necessary to set a cut-off grade of 5%



**Table 7a: JDVC and MGB summary of resource estimates**

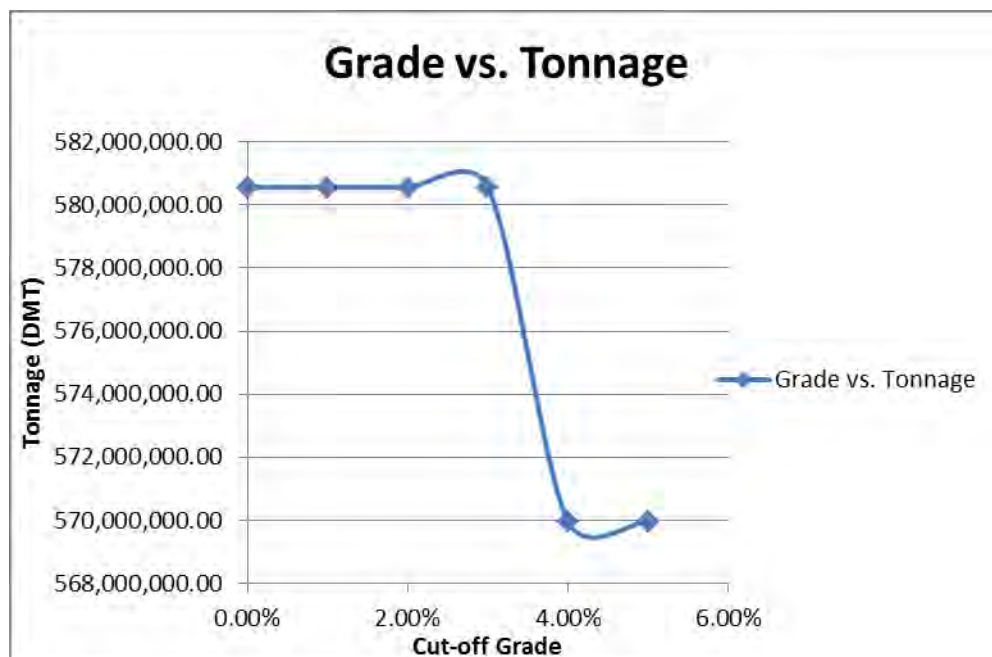
	JDVC		MGB	
Level	Tonnage (DMT)	Grade (%MF)	Tonnage (DMT)	Grade (%MF)
<b>MEASURED RESOURCE</b>				
0-5 meters	114,167,560.95	23.16	121,598,620.18	25.40
5-10 meters	158,146,240.41	41.55	131,123,235.97	42.89
10-15 meters	164,786,486.19	24.68	131,123,235.97	24.86
15-20 meters	153,893,321.90	12.17	121,598,620.18	12.19
20-25 meters	15,464,363.07	18.86	7,528,206.63	18.86
<b>Total</b>	<b>606,457,972.52</b>	<b>25.47</b>	<b>512,971,918.94</b>	<b>26.51</b>
<b>INFERRED RESOURCE</b>				
<b>0-5 meters</b>	<b>63,179,310.69</b>	<b>47.71</b>	<b>177,800,022.17</b>	<b>49.68</b>

The **inferred resource of 177.80 million DMT** at 53.49.68%MF was not included in the total mineral resource estimate since the only mineral resource categories allowed for DPMF are measured and indicated classification.

**Table 7b. GRADE TONNAGE CURVE**

Cut-off grade	Tonnage	Grade
0%	580551705.26	26.08
1%	580551705.26	26.08
2%	580551705.26	26.08
3%	580551705.26	26.08
4%	569968798.83	26.51
5%	569968798.83	26.51





**Figure 30.** Grade Tonnage Curve

### 9.2.6 Variations in the JDVC and MGB Resource Estimates

Variations in the tonnage and grade estimates of MGB and JDVC can be observed in Table 7. It should be noted that different softwares were used in the construction of the polygons and determination of the area. This may result to slight differences in the resource estimates. The total measured mineral resource estimate by MGB of 512,971,918.94 MT is less than that of JDVC (606,457,972.52 DMT) by 93,486,053.58 DMT with weighted average grade of 26.51 % MF compared to that of JDVC which is 25.47 %. The difference between the estimates can be accounted to different cut-off grades and % recovery used. While the JDVC did not set any cut-off grades and % recovery, MGB used a 5%MF cut-off grade and 90% recovery. Overall, the measured mineral resource estimates of MGB is lower by 93,486,053.58 DMT with grade difference of 1.04 % MF.



## 10.0 CONCLUSION AND RECOMMENDATION

Based on the Amended Feasibility Study (FS) of JDVCRC, the **initial projected** 10-year production schedule is set at an annual extraction rate of 6.91 million DMT. In consideration of the estimated grand total offshore raw magnetite sand resource of **512,971,918.94 DMT** classified as Measured category at cut-off grade of 5% MF with weighted average grade of 26.51%MF, the projected mine life is **more than 25 years** and stands sufficient to support JDVCRC's Offshore Magnetite Sand Project, with good potential for additional measured and/or indicated resource that will be blocked by in-fill drilling program with inferred resource of 177.80 million DMT at 49.68%MF

In view of the foregoing discussions, it is hereby concluded that the JDVCRC's Declaration of Mineral Resource Estimate of JDVC Resources Corporation's Offshore Magnetite Project under MPSA No. 338-2010-II-OMR is acceptable and compliant to the Philippine Mineral Reporting Code (PMRC) of 2007 and guidelines of the Department of Environment and Natural Resources (DENR) Administrative Order (DAO) No. 2010-09.

**Prepared by:**

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**Anne Karla M. Navarro**  
Geologist II



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Peña, R.E. 2008. Lexicon of the Philippine Stratigraphy. Geological Society of the Philippines, Mandaluyong City.



RESOURCE CLASSIFICATION	HOLE ID	DEPTH (m)	VOLUME (cu.m.)	DENSITY	TONNAGE (DMT)	%MF	%FE	TOTAL TONNAGE (DMT)	%MF	%FE
INFERRED	GN01	0-5	33,708,643.93	1.69	56,967,608.24	59.3		56,967,608.24	59.30	
INFERRED	GN02	0-5	31,920,128.64	1.69	53,945,017.41	45.2		53,945,017.41	45.20	
INFERRED	GN03	0-5	29,031,769.14	1.69	49,063,689.84	46.7		49,063,689.84	46.70	
INFERRED	GN04	0-5	22,236,251.30	1.69	37,579,264.70	45.4		37,579,264.70	45.40	
INDICATED	GN18	0-5	25,410,145.14	1.69	42,943,145.29	26.58	62.05	171,772,581.15	26.98	61.65
INDICATED		5-10	25,410,145.14	1.69	42,943,145.29	43.87	61.53			
INDICATED		10-15	25,410,145.14	1.69	42,943,145.29	24.89	60.45			
INDICATED		15-20	25,410,145.14	1.69	42,943,145.29	12.58	62.58			
INDICATED	GN30	5-10	6,262,074.81	1.69	10,582,906.44	21.01	61.8	21,165,812.87	20.86	61.59
INDICATED		10-15	6,262,074.81	1.69	10,582,906.44	20.71	61.38			
INDICATED	GN33	0-5	12,067,221.47	1.69	20,393,604.28	22.56	62.53	81,574,417.12	24.93	61.83
INDICATED		5-10	12,067,221.47	1.69	20,393,604.28	41.89	61.52			
INDICATED		10-15	12,067,221.47	1.69	20,393,604.28	23.63	61.23			
INDICATED		15-20	12,067,221.47	1.69	20,393,604.28	11.65	62.03			
INDICATED	GN48	0-5	15,734,912.14	1.69	26,592,001.52	24.87	60.58	106,368,006.07	27.37	61.29
INDICATED		5-10	15,734,912.14	1.69	26,592,001.52	46.55	62.12			
INDICATED		10-15	15,734,912.14	1.69	26,592,001.52	25.41	62.35			
INDICATED		15-20	15,734,912.14	1.69	26,592,001.52	12.66	60.09			
INDICATED	GN58	0-5	14,360,438.94	1.69	24,269,141.81	24.94	60.5	97,076,567.22	27.59	61.04
INDICATED		5-10	14,360,438.94	1.69	24,269,141.81	47.29	61.49			
INDICATED		10-15	14,360,438.94	1.69	24,269,141.81	27.89	60.37			
INDICATED		15-20	14,360,438.94	1.69	24,269,141.81	10.24	61.78			
INDICATED	GN68	0-5	12,373,778.16	1.69	20,911,685.09	26.98	60.38	92,011,414.39	26.16	61.36
INDICATED		5-10	12,373,778.16	1.69	20,911,685.09	43.15	62.58			
INDICATED		10-15	12,373,778.16	1.69	20,911,685.09	23.89	61.06			
INDICATED		15-20	12,373,778.16	1.69	20,911,685.09	13.56	61.74			
INDICATED		20-22	4,949,511.26	1.69	8,364,674.04	18.86	60.53			



<b>TOTAL INDICATED</b>	<b>569,968,798.83</b>	<b>26.51</b>	<b>61.45</b>
<b>TOTAL INFERRED</b>	<b>197,555,580.19</b>	<b>49.68</b>	

**Table 7c.** MGB's Summary of Magnetite Sand Resource Estimate of JDVCRC at cut-off grade of 5% MF.



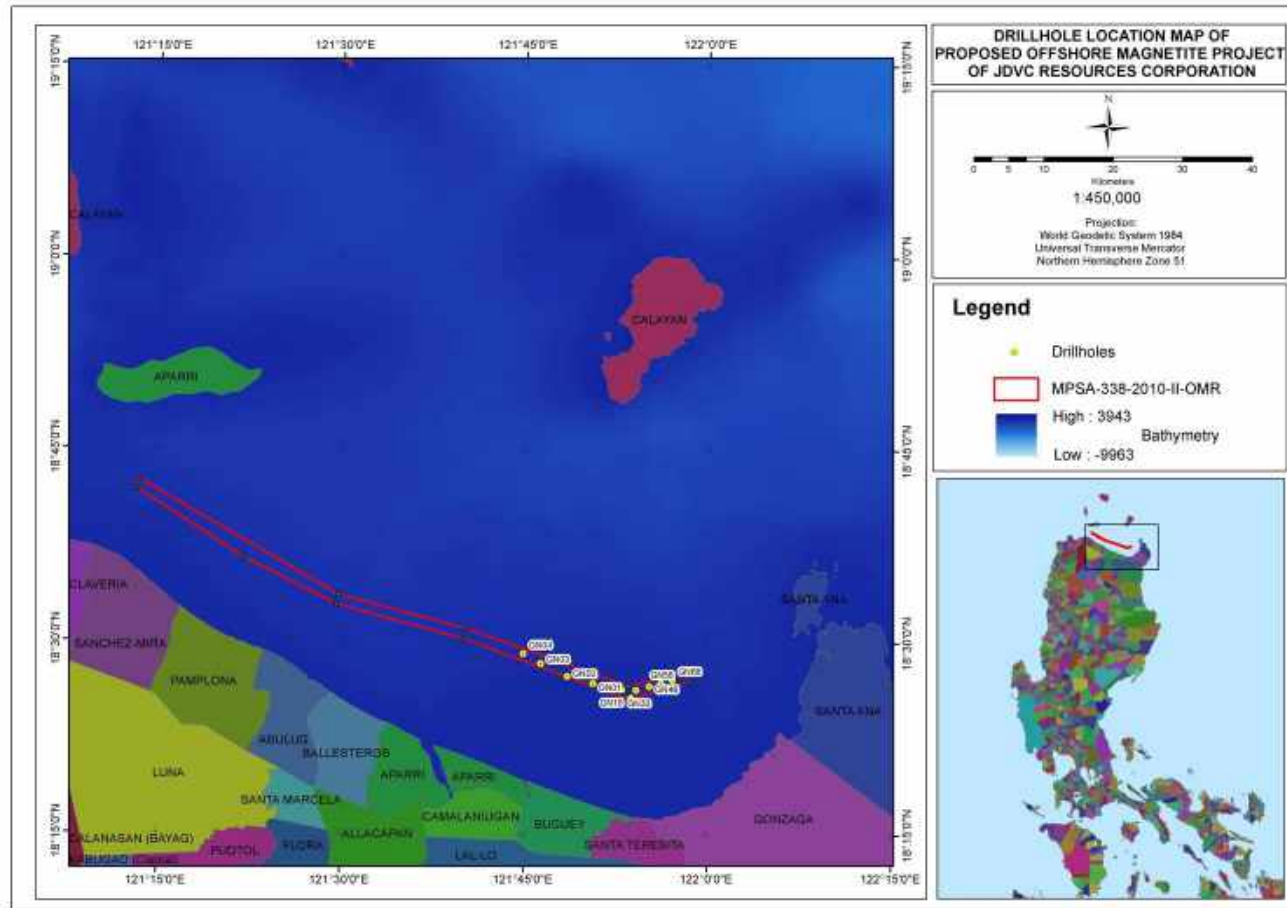


Figure 31. Drillholes Used by MGB in the Resource Estimation





## **ANNEX D**

### **Cuervo Market Value Appraisal**

January 7, 2020

## MARKET VALUE APPRAISAL

Property exhibited to us by the  
**JDVC RESOURCES CORPORATION**  
Located in  
**POET Shipyard, Jingjiang, China**



The Management of Cuervo Appraisers is leading the advocacy in the valuation industry for the conservation of our trees through minimal use of paper products and encouraging electronic-generated reports.

*The earth we abuse and the living things we kill will, in the end, take their revenge; for in exploiting their presence, we are diminishing our future.* - Marya Mannes, More in Anger, 1958 -



07 January 2020

**JDVC RESOURCES CORPORATION**

Unit No. 504 Galleria Corporate Center  
EDSA corner Ortigas Avenue  
Barangay Ugong Norte, Quezon City

Attention : **MR. LUCKY UY**

We express our professional statement of opinion on the valuation of certain assets described in the attached Independent Valuation Report dated 07 January 2020. Our Independent Valuation Report was made on the basis of certain information and internal data provided to us by the **JDVC RESOURCES CORPORATION**, as well as on our inspections, research and analyses of market data which we have deemed reasonable, appropriate and applicable based on our experience as valuation professionals.

**Management Responsibility of Client**

The Client and its management is responsible for the preparation and fair presentation of information and internal data provided to us. Where the valuation requires actual property inspections, Client warrants that all properties inspected properly refer to the actual and only subjects of this valuation report. While we verify information and data in cases where such verification is required, our services do not cover certification on the accuracy and completeness of information provided to us by the Client and its management.

**Responsibility of the Valuation Professional**

Our responsibility as valuation professionals is to come up with an appropriate reasonable valuation for the subject assets and properties based on information, internal data and market data available to us, as well as on actual inspections, where such are required. Our valuation reports are made based on reasonable and adequate data that support our conclusions to establish the market value of the subject assets as of the stated date.

Our valuation procedures have been performed in accordance with the International Valuation Standards (2017 Edition) and Philippine Valuation Standards (2<sup>nd</sup> Edition, 2018), that represent accepted or best practice in the valuation profession, also known as Generally Accepted Valuation Principles (GAVP). The development of the International Valuation Standards serves as a professional benchmark, or beacon, for valuation professionals globally, thereby enabling them to respond to client requirements for reliable valuations.

**Prohibitions**

Neither the whole nor any part of this report, any reference thereto may be published, included in or with, attached to any document or used for any purpose other than that specifically stated in this report, without the written consent of Cuervo Appraisers, Inc. in accordance and exclusively for the purpose, form and context in which it may appear.

## Representations

Cuervo Appraisers, Inc., through its Manila, Cebu and Davao offices has been in the business of providing asset valuation solutions for companies across all industries for 39 years in the Philippines and overseas. Cuervo Appraisers, Inc. has been involved in numerous valuation projects for various assets and enterprises, both tangible and intangible and is well qualified to undertake the work required.

The final valuation report shall not be valid without the dry seal of Cuervo Appraisers, Inc. properly affixed thereto.

### **CUERVO APPRAISERS, INC.**

**By:**



**LIBERTY SANTIAGO-AÑO, IPA, MRICS**

*Vice President and General Manager*

Real Estate Appraiser

PRC Registration Number: 0000167

Valid until: 07/17/2020

IPREA Membership No. 18849

Receipt No. 1628 - 01/21/2019

PTR No. 5241586

16 January 2019

City of Pasig

07 January 2020

**JDVC RESOURCES CORPORATION**  
Unit No. 504 Galleria Corporate Center  
EDSA corner Ortigas Avenue  
Barangay Ugong Norte, Quezon City

Attention : **MR. LUCKY UY**  
Subject : **CAI File No. 12-2019-1117**  
Market Value Appraisal of Property

Gentlemen :

As requested, we conducted a desk review appraisal of certain property exhibited to us by the **JDVC RESOURCES CORPORATION**, for the purpose of expressing an opinion on the **market value** of the property intended for corporate use as of **2 January 2020**

The appraised property consists of **floating equipment (one (1) unit offshore siphon mining vessel)**, located at **Jingjiang POET Shipyard, Jingjiang, China**.

Our report consists of --

This letter summarizing the results of our investigation;

Limiting conditions; and

An inventory with technical description of the items comprising the property included in the appraisal showing for each item or group of items the appraised market value.

Terms used herein are defined as follows:

**Market Value** is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

**Desk Review** is valuation review that is limited to the data presented in the report, which may or may not be independently confirmed. Generally performed using a checklist of items. The reviewer checks for the accuracy of calculations, the reasonableness of data, the appropriateness of methodology, and compliance with client guidelines, regulatory requirements and professional standards.

Market Value is understood as the value of an asset estimated without regard to costs of sale or purchase and without offset or any associated taxes.

We conducted a desk review of the property and in arriving at our estimate of value, our studies and analyses include --

Replacement cost (new) of each replaceable asset in accordance with current market prices of materials, labor, manufactured equipment, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place, but without provision for overtime or bonuses for labor and premiums for materials;

The value of the subject unit was estimated by using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison. Listings and offerings in the international market are considered.

In the appraisal, we considered the market reactions between buyers and sellers. An analysis is necessary since sellers would normally look forward in selling their properties at the highest price, while typical prudent buyers would bargain for the least price.

However, since our valuation is limited to desk review appraisal, Replacement Cost was mainly based on the following documents provided by JDVC Resources Corporation:

- Commercial Invoice from POET Shipbuilding & Engineering PTE. LTD;
- Commercial Invoice from Jiansu Provincial Foreign Trade Corporation;
- Documents for the design and computation;
- Documents for the mobilization and insurance fees;
- Vessel Layout;
- Pictures;
- Video provided in YouTube

Extent, character and utility of the property.

Premised on the foregoing and as supported by the accompanying inventory, it is our opinion that the **market value** of the property appraised as of **02 January 2020** is reasonably represented in the amount of **ONE BILLION FOUR HUNDRED FIFTY THREE MILLION TWENTY TWO THOUSAND (Php1,453,022,000) PESOS.**

We made no investigation of and assume no responsibility for claims to or liabilities against the appraised property.

**WE CERTIFY** that we have neither present nor prospective interest on the appraised property or on the reported value.

Respectfully submitted,

**CUERVO APPRAISERS, INC.**

**By:**

**JORGE V. BITOON**

**Department Manager - Machinery & Equipment**

Registered Mechanical Engineer No. 46950

Valid Until: 04/05/2020

IPREA Membership No. 181004

Receipt No. 1624 - 01/21/2019

PTR No. 0991320

08 January 2019

City of San Pedro

**RONILLO G. CATARANG**

**Professional Mechanical Engineer**

P.M.E. 0003787

Valid until: 05/16/2021

IPREA Membership No. 18864

Receipt No. 1623 - 01/21/2019

PTR No. A-4259129

07 January 2019

City of Taguig

JCC: lpg

**CAI File No. 12-2019-1117**

### **LIMITING CONDITIONS**

1. All existing liens and encumbrances, if any, have been disregarded and the property is appraised as though free and clear under responsible ownership.
2. In the inventory, machinery and/or equipment are listed as complete working units, i.e., machinery and/or equipment, are meant to include all parts and accessories normally comprising the unit.
3. Value are reported in Philippine currency. For any conversion from the United States Dollar, we have used the exchange rate of **\$1.00 to Php50.802**.
4. **Cuervo Appraisers, Inc.**, by reason of this appraisal, is not required to give testimony or attendance in court or to any government agency with reference to the subject property unless arrangements have been previously made.
5. Any erasure on appraisal date and/or value invalidates this valuation report.
6. Neither the whole nor any part of this report and valuation, nor any reference thereto, may be included in any document, circular or statement without our written approval.
7. The valuation fee is not contingent upon a predetermined value conclusion or a percentage of the valuation.
8. This appraisal report is invalid unless it bears the service seal of **Cuervo Appraisers, Inc.**

**CAI File No. 12-2019-1117**



**INVENTORY**

## FLOATING EQUIPMENT

Description	Market Value (Php)
<p><b>BARGE "MB SIPHON 1"</b> - Owned by Poet - Blue Ocean Offshore Services PTE LTD., built and constructed by Jingjiang Poet Shipbuilding and Engineering Co. LTD., 2019 Year Built, with Certificate of Ownership and Certificate of Panama Registry Official Number 51393-PEXT issued at Panama on the 18th day of March 2019, steel welded single hull construction, with 9,435 gross tonnage, 2,830 net tonnage, 100.58 meters registered total length, 36.57 meter breadth and 7.62 meters depth, the superstructure, machinery space, officers cabin, crew's quarters, mess hall, galley, lavatory, non-propelled, equipped with:</p>	
<p><b>ENGINE MACHINERY AND PUMPS:</b></p>	
<p><b>4 - Main Generator Sets</b> - 800 kW (1000 hp) rated capacity, powered by Daihatsu 6DE-8, vertical inline type, 6-straight line cylinder diesel engine, 900 rpm;</p>	
<p><b>Emergency Generator Set</b> - Cummins, Model CSMXTA7-IMO T2, 225 kVA (180 kW) rated capacity, 1800 rpm, turbocharged;</p>	
<p><b>Sewage Treatment Plant</b> - Detegasa, Model PRB 385, 50 persons capacity;</p>	
<p><b>Fuel Oil Purifier</b> - GEA, Type OTC 2-02-137, 1150 liters per hour capacity;</p>	
<p><b>Oil Water Separator</b> - Detegasa, Model OWS OWSAN-1, 1 m3 per hour capacity;</p>	
<p><b>3 - Plate Heat Exchangers</b> - APV, Model O050MGS-10E/2, 48 TR cooling capacity;</p>	
<p><b>3 - Air Compressors</b> - Airman, Model PDSK1050S-4C1, 2.45 MPa maximum working pressure, driven by 6-cylinder inline diesel engine;</p>	
<p><b>3 - Marine Start Air Compressors</b> - JSWP25L, 7.5 kW power rating, 3.0 MPa working maximum pressure, 30.5 m3/min air flow rate;</p>	
<p><b>2 - Service Air Compressors</b> - GRF-60A, 45 kW power rating, 1.0 MPa working maximum pressure, 6.5 m3/min air flow rate</p>	
<p><b>Refrigerated Air Dryer</b> - DL-013, 1.0 MPa maximum working pressure, 13 m3/min air flow rate;</p>	
<p><b>4 - Portable Air Compressors</b> - Liutech, 780 liters capacity, driven by diesel engine;</p>	
<p><b>2 - Starting Air Receivers</b> - 150 liters capacity, 3.0 MPa maximum working pressure;</p>	
<p><b>Control Air Receiver</b> - AO.25-10, 250 liters capacity, 0.7 MPa maximum working pressure;</p>	
<p><b>2 - Working Air Receivers</b> - A3.0-10, 3,000 liters capacity, 1.0 MPa maximum working pressure;</p>	
<p><b>2 - Working Air Receivers</b> - B10-2.5, 10,000 liters capacity, 2.5 MPa maximum working pressure;</p>	

**Market Value  
(Php)**

**Description**

**S.W. Hydrophore** - 500 liters capacity, equipped with two pumps driven by 1.5 kW (2 hp) electric motor, 3 m<sup>3</sup>/hr volume flow rate;

**F.W. Hydrophore** - 1000 liters capacity, equipped with two pumps driven by 1.5 kW (2 hp) electric motor, 5 m<sup>3</sup>/hr volume flow rate;

**H.W. Hydrophore** - 500 liters capacity, equipped with two pumps driven by 1.1 kW (1.5 hp) electric motor, 2 m<sup>3</sup>/hr volume flow rate;

**3 - Fresh Water Cooling Pumps** - Naniwa, Model SHR-65, horizontal self-priming type, 30 meters total dynamic head, 35 m<sup>3</sup>/hr volume flow rate, driven by 5.5 kW (7.37 hp) electric motor;

**3 - Sea Water Cooling Pumps** - Naniwa, Model FEV-125D, vertical centrifugal self-priming type, 30 meters total dynamic head, 90 m<sup>3</sup>/hr volume flow rate, driven by 15 kW (20 hp) electric motor;

**2 - Fresh Water Transfer Pumps** - 1000 m<sup>3</sup>/hr volume flow rate, driven by 261 hp Volvo D7C-TA 6-cylinder inline diesel engine;

**2 - Bilge/Ballast/Fire/GS Pumps** - Naniwa, Model FE2V-150-3D, vertical centrifugal self-priming type, 90 meters total dynamic height, 160 m<sup>3</sup>/hr volume flow rate, driven by 75 kW (100 hp) electric motor;

**Secondary Bilge Pump** - Naniwa, Model FGV-150E, vertical centrifugal self-priming type, 90 meters total dynamic head, 90 m<sup>3</sup>/hr volume flow rate, driven by 65 kW (87 hp) electric motor;

**2 - Fuel Oil Transfer Pumps** - Naniwa, Model ALT-80, horizontal screw type, 2 bars operating pressure, 20 m<sup>3</sup>/hr volume flow rate, driven by 7.5 kW (10 hp) electric motor;

**Sludge Pump** - Naniwa, Model ANH-50, horizontal screw type, 2 bars operating pressure, 10 m<sup>3</sup>/hr volume flow rate, driven by 3.5 kW (4.70 hp) electric motor;

**Emergency Fire Pump** - Naniwa, Model FGV-150E, vertical centrifugal self-priming type, 90 meters total dynamic head, 90 m<sup>3</sup>/hr volume flow rate, driven by 65 kW (87 hp) electric motor;

**Sewage Discharge Pump** - Naniwa, Model ANH-40, screw type, 2 bars operating pressure, 5 m<sup>3</sup>/hr volume flow rate, driven by 2.2 kW (3 hp) electric motor;

**DECK MACHINERY:**

**2 - Deck Cranes** - Liebherr, Model CBO 3600-100 Litronic, 100 tons capacity;

**6-Point Mooring System** - Consisting of:

**Hydraulic Mooring Winch** - Model HMW-70-R-01, six pieces drum each has a winding load of 70 tons at 7 meters/min nominal speed, driven thru hydraulic power pack by 160 kW (214 hp) electric motor;

**Wire Rope** - 6 lengths each having 1500m length x 46mm diameter;

**4 - Buoys** - Steel fabricated;

**6 - Mooring Anchors** - Delta Flipper, 7 tons capacity;

**HY Winch** - 5 tons capacity;

**4 - Sets Capstan** - 10 tons capacity;

**Market Value  
(Php)**

**Description**

**COMMUNICATION AND NAVIGATION EQUIPMENT:**

**GMDSS VHF Radio System** - Furuno, Model FM-8900S 25W Semi-Duplex Marine VHF Radiotelephone;

**Navtex Receiver** - JMC, Model NT-1800;

**GMDSS EPIRB** - McMurdo Smart find, Model E5 GMDSS Satellite;

**2 - GMDSS SART** - McMurdo, Model S4;

**3 - GMDSS 2-Way Portable VHF Radio** - McMurdo, Model R5, 23-channels;

**2 - Portable Intrinsically Safe Radio** - McMurdo Smart find, Model R8F;

**TV Antenna System** - Banten, Model TV350;

**DGPS Navigator** - Simrad, Model MX610;

**RADAR** - Simrad, Model HALO-4;

**Echo Sounder** - Simrad, Model P319;

**DRESSING EQUIPMENT:**

**2 - Jet Pumps** - 5SHP175A-144/8, 144 m3/hr volume flow rate, 80 bars operating pressure, driven by 400 kW (536 hp) electric motor;

**6 - S.W. Magnetic Separator Pumps** - Desmi Vertical Centrifugal Pump, Model NSL250-415/D14, 800 m3/hr volume flow rate, 4.5 bars operating pressure, driven by 158.4 kW (212.33 hp) electric motor;

**4 - Air Compressors** - PDSK1050S-4C1, 2.45 MPa maximum working pressure, driven by 6-cylinder inline diesel engine;

**4 - Portable Compressors** - Liutech, 780 liters capacity, driven by diesel engine;

**2 - Slurry Pumps** - 10/8F-G, 500 m3/hr volume flow rate, 20 total dynamic head, driven by 55 kW (73.72 hp) electric motor;

**6 - Drum Screens** - SH1830, 350-400 tons per hour capacity;

**2 - Belt Conveyors** - TD75-1000, 230 tons per hour capacity;

**12 - Magnetic Separators (First)** - CTB-1545, 3200Gs, 155-185 tons per hour capacity;

**12 - Magnetic Separators (Second)** - CTB-1545, 1600Gs, 155-185 tons per hour capacity;

**12 - Magnetic Separators (Third)** - CTB-1545, 1200Gs, 155-185 tons per hour capacity;

**Main Sand Tube;**

**4 - Life rafts** - 25 persons capacity.

Complete with fire fighting system, galley equipment, laundry equipment, vent fans, public address system, talkback system, integrated telephone system, battery-less telephone system and CCTV system, piping, fittings, supports, electrical, mechanical and other standard accessories.

(Note: Valuation is based on documents and pictures furnished to us by the client)

**Php 1,453,022,000**

## **ANNEX E**

### **Cuervo Business Valuation of POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.**

June 24, 2020

**BUSINESS VALUATION**

**OF**

**POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.  
/  
APOLLO GLOBAL CAPITAL INC.**

**Located in**

**6 Jalan Lembah Kallang Singapore (339562)**



The Management of **Cuervo Appraisers** is leading the advocacy in the valuation industry for the conservation of our trees through minimal use of paper products and encouraging electronic-generated reports.

*"The earth we abuse and the living things we kill will, in the end, take their revenge; for in exploiting their presence, we are diminishing our future."* - Marya Mannes, More in Anger, 1958 -



**Cuervo Appraisers, Inc.<sup>®</sup>**  
Asset Valuation Solutions

June 24, 2020

**MR. MARK ULRIC GO CHAN**  
Director

**MR. VITTORIO PAULO LIM**  
President  
APOLLO GLOBAL CAPITAL, INC.

**MR. ALEX BERNARD RAMIREZ CRUZ-HERRERA**  
Director

**POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.**  
6 Jalan Lembah Kallang Singapore (339562)

Subject : **CAI File No. 01-2020-0031**  
**Business Valuation**

Dear Sir,

Pursuant to your request, we are pleased to submit our report below on the analysis of revenue generation and capital expenditure valuation of **Apollo Global Capital Inc (APL)** operation of a newly built MB 1 Siphon Mining Vessel in the offshore mining area in Gonzaga, Cagayan.

Our report covers the financial analysis and evaluation of the fundamental characteristics of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.** and **APL** including its assets and underlying income potential using financial information, assumptions and market data available to us. The intention of our report is to come up with a reasonable valuation of the said business entity that you have identified.

Our report follows a valuation procedure under and in accordance with International Valuation Standards (IVS). These standards also known as the Generally Accepted Valuation Principles (GAVP) represent accepted or best practice in the valuation profession.

Cuervo Appraisers, Inc. shall not assume responsibility for the accuracy or completeness of the submitted documents and other relevant information, or for any erroneous conclusion or analysis that results there from.

Material information, documents and such other reports as provided to us together with those gathered by Cuervo Appraisers during the course of the work were analyzed. The resulting report is a reasonable and fair valuation of the subject corporation.

We certify that in our opinion, that the initial cost of \$30 Million Dollars for the siphon vessel is fully recoverable by way of revenue in just a period of four years. Also the reasonable potential revenue value of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.** based on the operations of **APL's** Siphon Mining Vessel using a neutral period of 7 years operation and using the **Discounted Cash Flow** of annual cash incomes in our valuation is reasonably expressed at:


**DOLLARS: FORTY FIVE MILLION THREE HUNDRED THREE THOUSAND FOUR HUNDRED SEVENTY FIVE (\$45,303,475)**

We certify that we have neither present nor prospective interest in **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.** and **APL**, nor on the above reported values.

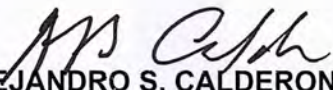
Very truly yours,

**CUERVO APPRAISERS, INC.**

By:

  
**LIBERTY SANTIAGO-AÑO, IPA, MRICS**  
*Vice President and General Manager*

Real Estate Appraiser  
PRC Registration Number: 0000167  
Valid until: 07/17/2020  
IPREA Membership No. 18849  
Receipt No. 1628 - 01/21/2019  
PTR No. 5242062  
06 January 2020  
City of Pasig

  
**ALEJANDRO S. CALDERON**  
Business Valuer



## I. GENERAL PRINCIPLES GOVERNING THIS REPORT

This report covers an analysis and evaluation of a fair and reasonable potential revenue value of the operations of the newly built MB 1 Siphon Mining Vessel of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.**, a business entity located in 6 Jalan Lembah Kallang Singapore (339562), and **APL** over a seven year operational period. We have used information contained in the financial statements, reports and other information provided to us.

**“Valuation”** is the process of determining the true value of a firm or asset, as well as determining what assumptions about growth and risk is implied in the market price, or why an asset, share of stock, bond, option or future will sell for its price.

The **“intrinsic value”** of a firm or asset is the value based on its fundamentals. The underlying theme in fundamental analysis is that the true value of a firm or asset can be related to its financial characteristics: its growth prospects, risk profile, and cash flows.

The valuation method used in this report is widely used and accepted by various international institutions, and has been carefully developed over time by experienced global practitioners in the area of valuation.

Objectives and considerations of the valuation presentation:

**1) SUFFICIENT REVENUES TO COVER SIPHON MINING VESSEL COST OF \$30,150,000**

Given that the actual capital expenditure cost for the siphon mining vessel of \$ 30, 150,000, we want to determine if there is sufficient revenue to recover the capital investment in 4 years or longer. We will focus on actual net cash flows and apply an acceptable discounting rate factor to show the net present values of projected annual cash incomes.

We also aim to show that the 49% Equity Acquisition of Apollo Global Capital inc (APL) is a sound investment and a positive move towards enhancing the value of the shares of stocks of APL.

**2) CASH FLOW REVENUE GENERATION IS SUFFICIENT**

A straightforward cash flow presentation of projected annual revenues, annual maintenance and projected annual net revenue from production will generate by the 4th year the following revenues:

49% Net Revenue for Apollo Global	US \$ 30,814,819
And 51% Net Revenue for POET Blue	
Ocean Services Ltd of Singapore	<u>US \$ 32,072,567</u>
TOTAL	US \$ 62,887,386

Computation of MB I Siphon ROI.

Projected Annual Revenue of MB I Siphon Vessel

127,500 x US \$ 16.13 x 7.5 months	= US \$15,424,312.00
300,000 x US \$ 0.50 x 7.5 months	= <u>US \$ 1,125,000.00</u>
TOTAL	= US \$ 16,549,312.00

Research, Development, Technology Design, Technology and Design use fees, Foreign acquisition cost of operational methodologies and Pollution control, technological designs and other High Degree of Professional Works that were based on past experiences of countries that started offshore operations of Magnetite Iron Sand like Japan, new Zealand, and Indonesia and made applicable and to the type and class of mineral resources on JDVC's offshore mining claim. JDVC Resources Inc. (JDVC) together with long established foreign and local partners have built the first Offshore Mining Facilities for the Philippine Offshore Mining at a total investment cost or Capital Expenditures for all the above works at a cost of US \$ 40 million.

**3. FAIR MARKET VALUE OF NEWLY BUILT SIPHON MINING VESSEL**

To make sure that the actual cost of the mining vessel is accurate and close to the anticipated investment cost, CAI conducted an independent appraisal of this item. **The appraisal report for the vessel and its accessories include the following:**

**BARGE" MBSIPHON1"**- Owned by Poet Blue Ocean Offshore Services PTE LTD., built and constructed by Jingjiang Poet Shipbuilding and Engineering Co. LTD. ,2019 Year Built, with Certificate of Ownership and Certificate of Panama Registry Official Number 51393-PEXT issued at Panama on the 18<sup>th</sup> day of March 2019, steel welded single hull construction, with 9,435 gross tonnage, 2,830 net tonnage, 100.58 meters registered total length, 36.57meter breadth and 7.62 meters depth, the super structure, machinery space, officers cabin, crew's quarters, mess hall, galley, lavatory, non-propelled, equipped with:

**VARIOUS ENGINE MACHINERY AND PUMPS:**

**VARIOUS DECK MACHINERY**

**VARIOUS COMMUNICATION AND NAVIGATION EQUIPMENT**

**VARIOUS DRESSING EQUIPMENT**

Alongside, complete with firefighting system, galley equipment, laundry equipment, vent fans, public address system, talk back system, integrated telephone system, battery-less telephone system and CCTV system, piping, fittings, supports, electrical, mechanical and other standard accessories with a total amount of Php 1,453,022,000.

The basic cost of the newly built MB 1 Siphon Mining Vessel including installation of Offshore Production Apparatuses and mobilization to the offshore mining area in Gonzaga town, Province of Cagayan, Philippines, would be \$ 30,150,000. This means that the first four years of annual revenues is more than sufficient to cover the vessel investment cost and other start up expenses. A valuation presentation using the discounted cash flow (DCF) of future annual net incomes has been prepared in this report to reflect the net present values of cash relative to the annual incomes expected.

#### **4. CONSERVATIVE REVENUE ASSUMPTIONS**

The submitted Revenue Valuation to APOLLO GLOBAL CAPITAL, INC. is based on very conservative operational days equivalent to only seven and a half months of operations.

During actual operational situations, the hours of operational may be longer especially if the weather permits extended operations.

Financially, any additional revenue earned goes straight to the bottom line since most expenses are fixed in nature.

#### **5. CASH RECOVERY THROUGH ANNUAL DEPRECIATION**

We used a depreciation provision based on 15 years useful life of the asset. This annual cash recovery of 2,010,000 we have factored in our presentation of revenues and expenses as coming from depreciation.

The APOLLO projections made did not account for the potential cash recover coming from depreciation expenses.

## II. SUMMARY OF FINANCIAL INFORMATION

Based on the General Information Sheet (GIS) filed in the Accounting and Corporate Regulatory Authority of the Registrar of Companies and Business names of Singapore, the following individuals comprise the Board of Directors and Officers of the Corporation.

- |    |                                   |                         |
|----|-----------------------------------|-------------------------|
| 1. | Alex Bernard Ramirez Cruz-Herrera | Director - Filipino     |
| 2. | Peng Wah Quah                     | Director - Singaporean  |
| 3. | Kian Beng Quah                    | Director - Singaporean  |
| 4. | Mark Ulric Go Chan                | Director - Filipino     |
| 5. | Lay Hoon Lim (Lin Liyun)          | Secretary - Singaporean |

In the same General Information Sheet, there are three (3) current shareholders together with their corresponding shares subscription and amount paid that are listed as follows:

### Current Shareholders

1. Poet Investment Holdings Pte. Ltd.
2. Mark Ulric Go Chan
3. Alex Bernard Ramirez Cruz-Herrera

Other information on the **General Information Sheet** show that the **Authorized Capital Stock** of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.** is **ONE MILLION DOLLARS (US\$ 1,000,000)** divided into **ONE MILLION (1,000,000)** Shares with a par value of **ONE DOLLAR (US \$1.00)** per share, while the **Paid-up Capital** is **ONE MILLION DOLLARS (US\$ 1,000,000)**.

**III. FINANCIAL STATEMENTS**

The annual audited financial statements of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.** is as follows:

**POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.**  
**STATEMENT OF FINANCIAL POSITION**

December 2019

**ASSETS****CURRENT ASSETS**

Deposit paid	\$6,903,000.00
Advance billing	13,100,000.00
Cash and bank balances	31,269.16
<b>TOTAL ASSETS</b>	<b>20,034,269.16</b>

**EQUITY AND LIABILITIES****CAPITAL AND RESERVES**

Share Capital	
Issued and fully paid with no par value	1,000,000.00
Accumulated Losses	(110,422.68)
	<b>889,577.32</b>

**CURRENT LIABILITIES**

Trade and other payables	19,144,691.84
--------------------------	---------------

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$20,034,269.16</b>
-------------------------------------	------------------------

POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.  
STATEMENT OF COMPREHENSIVE INCOME FOR YEAR-END 31 DECEMBER 2019

	US\$	US\$
Income	-	
Less: Vessel Expenditure	93,739.20	
		<u>(93,739.20)</u>
Unrealized Exchange Gain		158.59
Less: Costs and expenses		
Audit Fee	2,227.17	
Bank Charges	325.24	
Filing Fee	44.12	
Fine	441.18	
GST Written Off	204.87	
Legal & Professional Fee	2,338.41	
Printing & Stationery	209.01	
Secretarial Fee	1,102.95	
Tax Service Fee	593.91	
		<u>7,486.86</u>
Net Loss		(101,067.47)
Accumulated Losses b/f		<u>(9,355.21)</u>
Accumulated Losses c/f		<u>(110,422.68)</u>

**IV. FINANCIAL SOUNDNESS INDICATORS COMPUTATION :**

To better present the financial status of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.**, we took note of the key performance indicators, better known as financial soundness indicators of the company. These indicators are computed by relating the balances of the major assets and liabilities accounts in the latest unaudited balance sheet of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.** dated December 31, 2019.

These relevant key performance indicators are as follows:

- 1) The **Current Ratio** is a general and quick measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is also known as the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities.
- 2) The **Quick Ratio** is another measure of a company's liquidity. It is used to measure company's ability to pay its liabilities using assets that are cash or very liquid.
- 3) The **Debt to Equity Ratio** is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company and its financial exposure to creditors and other debts.
- 4) **Asset to Equity Ratio** is a financial ratio that takes the entity's total assets and divides them by its total equity. It relates the actual percentage of company resources acquired or earned as of a given date using the shareholders equity and related capital accounts.
- 5) The **Book Value per Share** formula is used to calculate the per share value of a company based on its equity available to common shareholders. The term "book value" refers to a company's assets less all of its liabilities.

**POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.**  
**Financial Soundness Indicators**  
**As of December 31, 2019**

		Amount	Amount	Ratio
Current Ratio	Current Assets / Current Liabilities	20,034,269.16	/ 19,144,691.84	1.05
Quick Ratio	Cash / Current Liabilities	31,269.16	/ 19,144,691.84	0.002
Debt to Equity Ratio	Total Liabilities / Stockholders' Equity	19,144,691.84	/ 889,577.32	21.52
Asset to Equity Ratio	Assets / Stockholders' Equity	20,034,269.16	/ 889,577.32	22.52
Book Value Per Share	Total Assets - Total Liabilities / Outstanding Shares	889,577.32	/ 1,000,000	0.89 (BVS)

## V. FINANCIAL ANALYSIS

In the actual commercial extraction operation, JDVC and Agbiag Mining and Development Corp., will contractually pay per ton of exported magnetite iron pure to Poet Blue Ocean (Singapore) the duly registered owner of the Offshore Equipments at US \$16.13 per ton and additional US \$ 0.50 per ton for Waste Material turned into Reclamation Sand, (exclusive of maintenance and wages of personnel) fixed for the next two (2) years.

The minimum capacity per month is 130,000 ton net Magnetite Iron Pure, at 85% Utilization Rate (as brand new) is expected at 127,500 tons per month and 300,000 tons of Waste Material turned into Reclamation Sand.

As earlier discussed, the conservative annual period of operation is targeted only at seven and ½ months per year due to seasonal swell of the ocean water in Cagayan.

Computation of MB I Siphon ROI.

Projected Annual Revenue of MB I Siphon Vessel

$127,500 \times \text{US } \$ 16.13 \times 7.5 \text{ months} = \text{US } \$15,424,312.00$

$300,000 \times \text{US } \$ 0.50 \times 7.5 \text{ months} = \text{US } \$ 1,125,000.00$

TOTAL = US \$ 16,549,312.00

The offshore equipment is expected to last at a minimum of 15 years and up to 25 years or more depending on maintenance program.

Valuation based on Production Output and Annual Revenue Projection of MB I Siphon Vessel over four (4) years period of offshore operation.



**POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.  
APL SIPHON MINING VESSEL  
4-year Projected Income Statement**

	2021	2022	2023	2024	OVERALL TOTAL
Projected Annual Revenue	US \$ 16,549,312	US \$ 16,549,312	US \$ 16,549,312	US \$ 16,549,312	US \$ 66,197,248
Less: Annual Maintenance Cost (The first two (2) years Maintenance Cost will be shouldered as contracted by the EPC Contractor Offshore Drilling Machine Services Limited (ODMS) by the MB I Siphon Vessel Builder POET Engineering of Singapore.	0	0	1,654,931	1,654,931	3,309,862
Projected Annual Net Revenue	US \$ 16,549,312	US \$ 16,549,312	US \$ 14,894,381	US \$ 14,894,381	US \$ 62,887,386
Depreciation	2,010,000	2,010,000	2,010,000	2,010,000	8,040,000
Total Net Cash Flow	18,559,312	18,559,312	16,904,381	16,904,381	70,927,386
Discounted Rate at 9%	-	-	0.772	0.708	
Discounted Cash Flow	18,559,312	18,559,312	13,050,182.13	11,968,301.75	62,137,107.88
49% Annual Net Revenue Share of APL	US \$ 9,094,062.88	US \$ 9,094,062.88	US \$ 6,394,589.24	US \$ 5,864,467.86	US \$ 30,447,182.86

**POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.  
APL SIPHON MINING VESSEL  
7-year Projected Income Statement**

**Enterprise Value Computation Based on DCF Rate of 9%**

- 1) Revenues and Expenses projections were prepared by management
- 2) Depreciation provisions were provided by management
- 3) Annual Maintenance Costs were based on management projections
- 4) Terminal Value Assumptions are based on:

Perpetual Growth Rate of : 3.00%      b. Capitalization Rate of : 6.00%

**Cash Flow Projections**

	YEAR	2021	2022	2023	2024	2025	2026	2027	TOTAL
<b>SIMPLIFIED SUMMARY OF CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Annual Net Income		16,549,312	16,549,312	16,549,312	16,549,312	16,549,312	16,549,312	16,549,312	115,845,184
Less : Provision for Annual Maintenance Cost		0	0	(1,654,931)	(1,654,931)	(1,654,931)	(1,654,931)	(1,654,931)	(8,274,655)
Add : Depreciation / Amortization		2,010,000	2,010,000	2,010,000	2,010,000	2,010,000	2,010,000	2,010,000	14,070,000
<b>CASH AT END OF YEAR</b>		<b>18,559,312</b>	<b>18,559,312</b>	<b>16,904,381</b>	<b>16,904,381</b>	<b>16,904,381</b>	<b>16,904,381</b>	<b>16,904,381</b>	<b>121,640,529</b>
Net Cash for the year		18,559,312	18,559,312	16,904,381	16,904,381	16,904,381	16,904,381	16,904,381	121,640,529
DCF RATE FACTOR OF 9%		-	-	0.772	0.708	0.650	0.596	0.547	
Present Value of Projected Annual Net Cash		18,559,312	18,559,312	13,053,563	11,975,490	10,986,688	10,075,011	9,246,696	92,456,072
49% Annual Net Revenue Share of APL		9,094,063	9,094,063	6,396,246	5,867,990	5,383,477	4,936,755	4,530,881	45,303,475

**VALUE OF NET CASH FLOWS AFTER 7-YEAR OPERATION**

**DOLLARS = 45,303,475**

**VI. CONCLUSION**

We certify that in our opinion, the reasonable and fair business value of **POET - BLUE OCEAN OFFSHORE SERVICES PTE. LTD.** as of December 31, 2019 using the **Discounted Cash Flow** to our valuation is reasonably expressed at:

**DOLLARS: FORTY FIVE MILLION THREE HUNDRED THREE THOUSAND FOUR HUNDRED SEVENTY FIVE (\$45,303,475)**

# **ANNEX F**

## **EQA IMS**

Certification of Registration

POET Blue Ocean Offshore Service Pte Ltd

August 20, 2019



# Certificate of Registration

**POET Blue Ocean Offshore Services Pte Ltd**

6, Jalan Lembah Kallang,  
Singapore 339562

EQA IMS hereby certify that the Environmental Management System of the above organization has been assessed and found to be in conformance with:

## ISO 14001:2015

### Certification Scope

Provision of Shipping Services and Solutions for Mining Materials

Certificate No. : JES-19-0156  
Date of Issue : 20 August 2019  
Validity Period : 20 August 2019 to 19 August 2022



Certification Director



JAS-ANZ



[WWW.JAS-ANZ.ORG/REGISTER](http://WWW.JAS-ANZ.ORG/REGISTER)

# **ANNEX G**

## **VESSEL INSPECTION REPORT**

Jtech Development & Innovations Corporation

September 7, 2018

07 September 2018

Ref: 0907001/TT/jvv

**ADVANCE TECHNOLOGY RESOURCES MINING & BUSINESS  
PROCESS TECHNOLOGY PROVIDER CORP.**

83 Times Street, West Triangle,  
Quezon City



Attention: **Mr. Jun Herrera**  
Technical Consultant

**Re: VESSEL INSPECTION REPORT**

With reference to our telecon earlier today, we have concluded the inspection of the 300 feet siphon vessel CWB 1587 at POET Shipyard in Jinjiang, China on 06 Sept, 2018 for determining the design, construction and condition of the said vessel and below the following conclusion:

Description of Siphon Vessel:

Length Over All (LOA)	100.584 M (330 Feet)
Beam	36.576 M (120 Feet)
Depth MLD	7.620 M (25 Feet)
Design Draft	abt. 6 M
Deck Loading Equipments	25 T/M2 2 cranes, 12 sets (1 x 3 or 36 magnetic separator), and Anchor Handling tug fitted with oil spill response system.

1. That the Siphon Vessel is compliant to mining operations in terms of operability in the conduct of suctioning of sea sand and mechanically processing them into magnetite sand.
2. That the Siphon Vessel and it allied marine support vessels/equipments are compliant with ISO standard and that they are advised to be with ISM certification.
3. That the Siphon Vessel and its allied marine support vessels/equipments are compliant with our existing Environmental Compliance Certificate and Off Shore Mining Guidelines both issued by DENR.
4. That the Siphon Vessel and its allied marine support vessels/equipments are compliant with our existing Commercial Extraction Permit issued by DENR.
5. That the Siphon Vessel construction, fabrication and installation of production equipments are more or less 95 percent complete. See attached pictures per our visit last 06 Sept. 2018.

Prepared by:

A handwritten signature in black ink, appearing to be "Takazo Toyoshima" or "Jesus V. Verocel", written over a horizontal line.

Engr. Takazo Toyoshima / Jesus V. Verocel  
JTECH Dev't & Innovations Corp.

Noted By:

A handwritten signature in black ink, appearing to be "Lucky Uy", written over a horizontal line.

Lucky Uy  
JDVC Resources Inc.

**F-1**

**Apollo Global Capital, Inc. and its Subsidiary**  
**Audited Consolidated Financial Statements**  
As at December 31, 2020, 2019 and 2018

# 2020 ANNUAL REPORT

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

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### **Consolidated Financial Statements**

As at December 31, 2020 and 2019  
and for the three years ended  
December 31, 2020, 2019 and 2018

and

### **Independent Auditors' Report**



**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**ANNUAL REPORT & AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

As at and for the year ended December 31, 2020

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# COVER SHEET

SEC Registration Number

	A	1	9	9	8	0	6	8	6	5
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## Company Name

A	P	O	L	L	O		G	L	O	B	A	L		I	N	C	.		A	N	D		I	T	S			
S	U	B	S	I	D	I	A	R	Y																			

## Principal Office (No./Street/Barangay/City/Town/Province)

U	N	I	T		5	0	4		G	A	L	L	E	R	I	A		C	O	R	P	O	R	A	T	E		
C	E	N	T	E	R	,		E	D	S	A		C	O	R	N	E	R		O	R	T	I	G	A	S		
A	V	E	N	U	E	,		B	R	G	Y	.		U	G	O	N	G		N	O	R	T	E	,			
Q	U	E	Z	O	N		C	I	T	Y																		

Form Type

1	7	-	A
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AMENDED

Department Requiring the Report

M	S	R	D
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Secondary License Type, If Applicable

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## COMPANY INFORMATION

Company's E-mail Address

N/A

Company's Telephone Number/s

(632) 532-8654

Mobile Number

N/A

No. of Stockholders

799

Annual Meeting (Month/Day)

Last Friday of June

Fiscal Year (Month/Day)

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Kristina Joyce Caro-Gangan

E-mail Address

main@picazolaw.com

Telephone Number/s

(632) 532-8654

Mobile Number

N/A

Contact Person's Address

Unit 504 Galleria Corporate Center, Edsa Corner Ortigas Avenue, Brgy. Ugong Norte, Quezon City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT

Pursuant to Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code of the Philippines



1. For the fiscal year ended December 31, 2020
2. SEC Identification Number A199806865      3. BIR Tax Identification No. 005-301-677
4. Exact name of issuer as specified in its charter APOLLO GLOBAL CAPITAL, INC.  
(formerly: YEHEYI CORPORATION)
5. Metro Manila, Philippines  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. Unit 504 Galleria Corporate Center, Edsa cor. Ortigas Avenue, Brgy. Ugong Norte, Quezon City 1100  
Address of principal office      Postal code
8. +63 (02) 532-8654  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Section 4 and 8 of the RSA

Title of Each Class Common Stock, ₱0.01 par value	Number of Shares of Common Stock Outstanding 280,336,349,297
--	---

11. Are any or all of these securities listed on a Stock Exchange?

Yes [✓]      No [ ]

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

**Philippine Stock Exchange**

12. Check whether the issuer:

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

Yes [✓]      No [ ]

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

Yes [✓]      No [ ]

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

**Aggregate market value of voting common stock held by non-affiliates as of December 31, 2020 is ₱3,558,016,985.60 based on closing price of ₱0.128 per share.**

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDING  
DURING THE PRECEDING FIVE YEARS:**

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

N/A

Yes [ ]      No [ ]

**DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) Any annual report to security holders;
- (b) Any information statement filed pursuant to SRC Rule 20;
- (c) Any prospectus filed pursuant to SRC Rule 8.1.

## PART I – BUSINESS AND GENERAL INFORMATION

### I. Business

#### Overview

Apollo Global Capital, Inc. (APL), formerly Yehey! Corporation (YEHEY) was incorporated on June 10, 1998. Its primary purpose is to engage in the business of internet online related products relating to database research engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing web sites; and to engage in other pre-production and postproduction work on web sites in internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

Yehey! was known to be a digital marketing company that delivers effective marketing solutions in the digital space. Yehey!, under the Yehey Marketing Solutions, offers its clients digital marketing services to include Web Design and Development, Web Management, Media Buying & Planning, Digital PR and Reputation Management, Digital Strategy, Social Media Marketing, Digital Research and Digital Strategy. The wide variety of its digital marketing services enables the Company to capture new business from its existing customers and even attract new customers.

In most cases, Yehey! builds the websites and social media pages of customers. These sites are then used as the platform to engage the respective target market of its existing customers. In 2014, the Company was 66.95% owned by Vantage Equities, Inc. On October 15, 2015, YEHEY ceased to be a majority-owned subsidiary of Vantage Equities, Inc. (V) when V sold its shares to a group of individual shareholders.

On October 12, 2016, the SEC approved the Company's change in name to APL as well as the winding down of APL's digital marketing operations and the corresponding change in primary purpose to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; provided it shall not engage as a stock broker or dealer of securities.

On February 17, 2017, the Company and JDVC's shareholders entered into a Deed of Exchange of Shares where in the latter had issued 247,396,071,520 shares (par value of ₱0.01 per share) in exchange for 4,133,740 shares (par value of ₱100 per share) at an exchange price of ₱598.48 of the latter. The deed covering the transaction was approved by SEC on October 9, 2017. As a result of this transaction, the Company now owns 82.67% of JDVC.

In December 2019, the Company purchased an additional 389,530 shares of JDVC from its existing stockholders for ₱267.6 million resulting in an increase in ownership of JDVC to 90.47%.

JDVC is an entity registered with the Securities and Exchange Commission for the business purpose of offshore large scale magnetite mining and other mineral resources in the province of Cagayan. The company gained ownership of the MPSA on November 25, 2011, denominated as MPSA-338-2010-II-OMR Amended-A, covering 1,897.0 hectares for the Company to conduct research and mining operations 15 kilometers offshore from the municipality of Gonzaga, province of Cagayan, Philippines.

JDVC has conducted mining exploration, geological and feasibility studies, and contracted experts in the field of mining to successfully quantify and value probable magnetite ore reserves in the proposed area. The deposit resources of JDVC have reached a highly satisfactory technical level from inferred to indicated resources. Recently, after revalidation of the mineral resources by the DENR and the Mines and Geosciences Bureau ("MGB"), the mineral resources have reached a status of high degree of geological confidence from indicated resources to measured resources.

New Products or Services

JDVC through Agbiag and its EPC contractors will institute environmentally safe and effective offshore mining methods for the extraction of magnetite iron sand at the offshore area of Gonzaga, Cagayan. Highly technical professionals have contributed their knowledge and experience in coming up with state of the art methodology to be able to implement the project in terms of high-technology production systems. Management systems and responses will also be done in accordance to ISO standards.

The product, magnetite iron sand, is a primary raw material, like iron ore, for steel and cast-iron manufacturers when they are developed in the form of iron lumps, balls, fines, and pellets. When formed as such, they are technically called Direct Reduced Iron (DRI) which are used to feed electric blast furnaces in the iron and steel making process.

In case there is a need for expansion in the event of an international market success, there are two other areas of expansion. One consists of 2,149 hectares for one tenement just beside the JDVC tenement owned by Cagayan Ore Metal Mining Corp. The other consists of 3,182 hectares owned by Catagayan Iron Sand Mining Resources Corp., right beside the tenement owned by Cagayan Ore Metal Mining Corp. JDVC holds the commitment of both companies should APL decide to acquire both tenements in the future.

Competition

The Company competes with magnetite iron ore suppliers in world iron ore markets. The most notable domestic competitors are Peniel Resources Mining Corp., San Lorenzo Mines, Inc., T & T Resources and Mining Corp., and J & M Resources Mining & Exploration Corp. The Company competes with other magnetite iron ore suppliers primarily based on ore quality, price, transportation cost and reliability of supply. However, competition is also affected by the enforcement by the Philippine government of the environmental laws, rules and regulations.

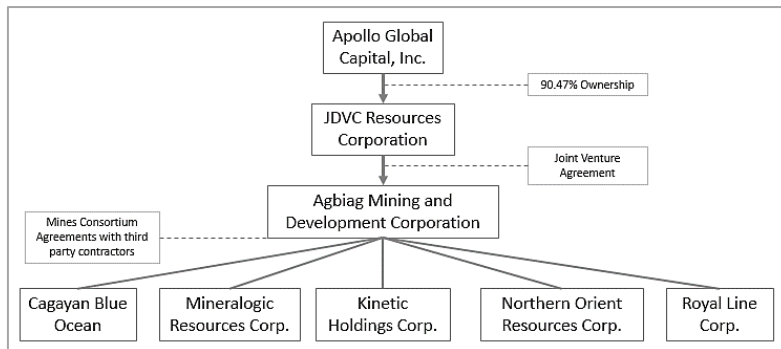
The competition will be in the International marketplace like China who is the major buyer of magnetite iron ore, Japan, Taiwan, Korea, Thailand & Vietnam. Nonetheless, the magnetite iron ore export from Cagayan, Philippines is seen to be very competitive as it is the geographical nearest to the major markets of magnetite iron ore and the Company believes that it can effectively compete with its competitors due to efficient systems put in place in the operations of the Cagayan mine.

As of December 31, 2020, DENR MGB has issued four (4) Offshore Approved MPSA Contracts at the Offshore waters of Cagayan. However, no one has been permitted yet except JDVC. Only JDVC has completed all the Mining Requirements for Commercial Extraction Operations which includes an Approved DMPF and ECC. The other three (3) MPSA Mining companies do not have complete permits.

There are still eight (8) other mining applications offshore of Cagayan that do not have an MPSA approval. All over the Philippines, there are also applications for offshore MPSA permits, but all of them are still under process and no other application has reached the level of completion of JDVC.

Principal Suppliers

JDVC relies to a significant degree on third-party contractors. The failure of any of its contractors to comply with their respective obligations, or the loss of any such contractor’s services will disrupt JDVC’s operations which could result in delays and increase JDVC’s costs.



JDVC's success depends on its ability to attract and retain qualified personnel, and contractors to maintain satisfactory labor relations. JDVC highly depends on key personnel, and the loss of their services could have a material adverse effect on JDVC.

#### Customers

Management assesses no significant concentrations on single or group of customers and will re-assess any significant concentrations upon opening of the Company.

#### Intellectual Property

The Company does not own any registered patent, trademark, copyright, franchise, concession, and royalty agreement and has no pending applications for registration with the Intellectual Property Office of the Philippines.

#### Government Regulations and Licenses

Existing government regulations affect the Group's operations, particularly on the costs of compliance reflected either as expense or as capital asset under generally accepted accounting principles. In the case of new government regulations, the effect or impact of such on the Group's operations could only be determined upon their passage and implementation.

The exploration, development and utilization of the country's natural resources is governed principally by the 1987 Constitution, which provides that the State may directly explore, develop, and utilize the country's natural resources, or it may enter into co-production, joint venture or production-sharing agreements with Filipino citizens or corporations or associations, at least 60% of whose capital is owned by Filipinos. The Constitution also authorizes the President of the Republic of the Philippines to enter into technical or financial assistance agreements with foreign-owned corporations for large-scale exploration, development, and utilization of minerals, petroleum, and other mineral oils in accordance with the general terms and conditions of applicable laws, based on real contributions to the economic growth and general welfare of the country. Several laws have since been enacted to implement these Constitutional principles and directives.

#### *Republic Act No. 7942: Mining Act of 1995*

RA 7942 or the Mining Act of 1995 sets out the provisions governing mining and mining-related activities in the country. The Mining Act declares the areas open for mining operations and at the same time, enumerates those closed for mining applications. More importantly, said law sets forth the mining cycle and the corresponding permits needed for each phase: from exploration to the declaration of mining project feasibility, to the positive determination of commercial viability of a project, to the execution of mineral agreements with the government prior to actual operations, until the required rehabilitation after operating a mine.

#### *Republic Act No. 8371: Indigenous Peoples' Rights Act of 1997*

RA 8371 or the Indigenous Peoples' Rights Act of 1997 (IPRA Law) introduced the requirement of "Free and Prior Informed Consent" (FPIC) which means the consensus of members of the concerned Indigenous Peoples (IP) or Indigenous Cultural Community (ICC). Under this, all departments and governmental agencies are strictly enjoined from issuing, renewing, or granting any concession, license or lease or entering into a production sharing agreement, without prior certification from the National Commission on Indigenous Peoples (NCIP), which certification can only be issued after the FPIC with the IPs or ICCs concerned is secured and the process concluded.

#### *Presidential Decree No. 1586: Environmental Impact Assessment (EIA) System*

PD No. 1586 introduced the EIA System which mandates that "no person, partnership, or corporation shall undertake or operate any such declared environmentally critical project or area without first securing an Environmental Compliance Certificate issued by the President or his duly authorized representative". Hence, pursuant to PD No. 1586, the Mining Act of 1995 requires mining companies to secure an Environmental Compliance Certificate (ECC) in all phases of mining activities, except during the exploration stage.

Republic Act No. 6969: Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990

RA 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 regulates the importation, manufacture, processing, distribution, use and disposal of chemical substances and mixtures.

Republic Act No. 8749: Philippine Clean Air Act of 1999

RA 8749 or the Philippine Clean Air Act of 1999 outlines the measures to reduce air pollution.

Republic Act No. 9003: Ecological Solid Waste Management Act of 2000

RA 9003 or the Ecological Solid Waste Management Act of 2000 provides a systematic ecological solid waste management program.

Executive Order No. 79

EO 79 was issued by President Benigno Aquino III creating the Mining Industry Coordinating Council (MICC) and instituting changes to ensure the practice of responsible mining in the country. EO 79 also provides that no new mineral agreements shall be entered into until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect. The DENR may nevertheless, continue to grant and issue Exploration Permits under existing law, rules, and guidelines.

DENR Department Administrative Order No. 2015-07

DAO No. 2015-07 institutionalizes an environmental management system that ensures the adherence of local mining operations to international standards, particularly the ISO 14001 Certification, as a measure of responsible mining in the country. It will ensure that appropriate measures are put in place to achieve minimal negative impacts of mining on the environment. As mandated under EO 79, it will also guarantee the compliance of mining contractors with applicable mining and environmental laws, regulations, and requirements in mining operations while gearing towards growth.

DENR Department Administrative Order No. 2017-07

DAO No. 2017-07 mandates mining contractors to participate in the Philippine Extractive Industries Transparency Initiative (PH-EITI). According to DAO No. 2017-07, all mining contractors shall comply with the disclosure requirements of PH-EITI as set by the Philippine Multi-stakeholders Group where the government, the industry and civil society are represented. Failure of the mining contractor to comply with the disclosure requirements shall cause the suspension of the pertinent ECC and non-issuance of Ore-Transport and/or Mineral Export Permit until such time that the said contractor has complied.

DENR Department Administrative Order No. 2017-10

DAO No. 2017-10 prohibits the use of open pit mining method in the extraction of copper, gold, silver and/or complex ores. According to DAO No. 2017-10, open pits allegedly bring adverse environmental impact due to the generation of acidic and/or heavy metal-laden water, erosion of mine waste dumps and/or vulnerability of tailings dams to geological hazards.

Employees

As of December 31, 2020, APL has no employees and is being managed by its officers free of charge., while JDVC has 8 employees involved in its mining operations. The Group expects to employ more personnel in 2021 in anticipation of commencement of mining operations.

## II. Properties

MPSA No. 338-2010-11-OMR Amended-A

The MPSA grants the owner the right to explore and develop magnetite resources within a specified area in Cagayan province. The Contract Area covered by the MPSA has an initial area of 14,240 hectares within the municipalities of Sanchez, Mira, Abulug, Pamplona, Ballesteros, Aparri, Buguey, and Gonzaga in the province of Cagayan. The Contract Area was then redenominated to cover 11,840 hectares on May 20, 2016. The mining area was further parcellized to as 1,897.0242 hectares in Gonzaga, Cagayan.



The mining concession is valid for 25 years from the effective date of June 2010, and is renewable for another 25 years. An environmental compliance certificate has already been secured by the Company from the Department of Environment and Natural Resources. Nevertheless, the MPSA is not subjected to any mortgage, lien, or encumbrance.

The Government's share is equivalent to the excise tax on mineral products at the time of removal, and at the rate provided for in Republic Act No. 7729. The government will be entitled to royalties of not less than 5% of the gross output.

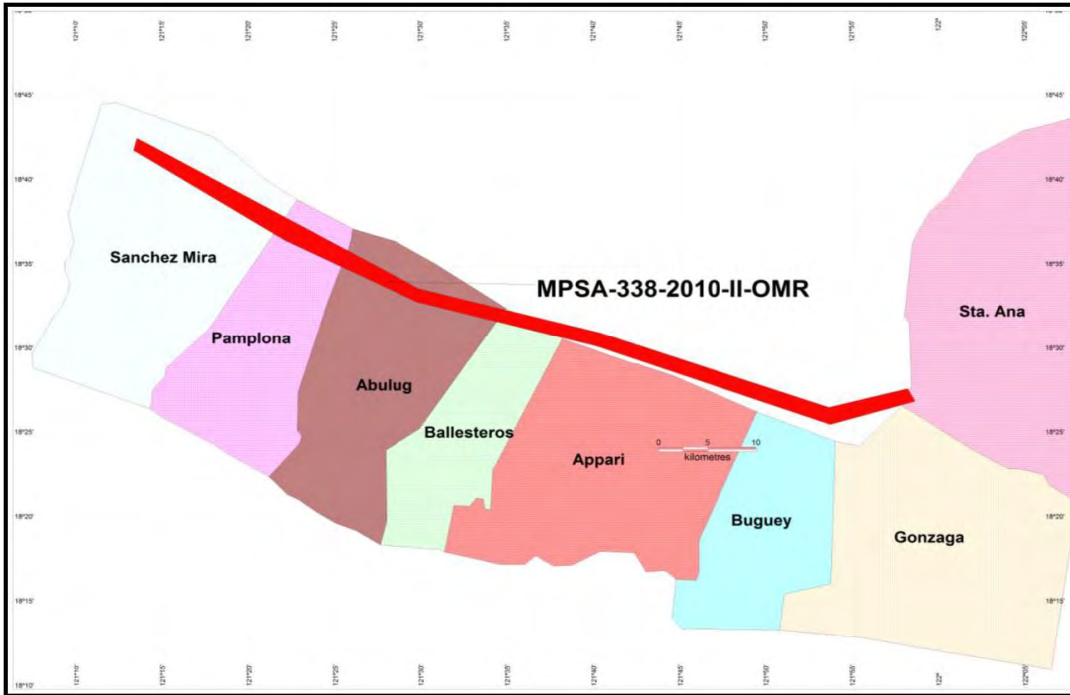


Figure 1. Tenement Map Showing Political Boundaries

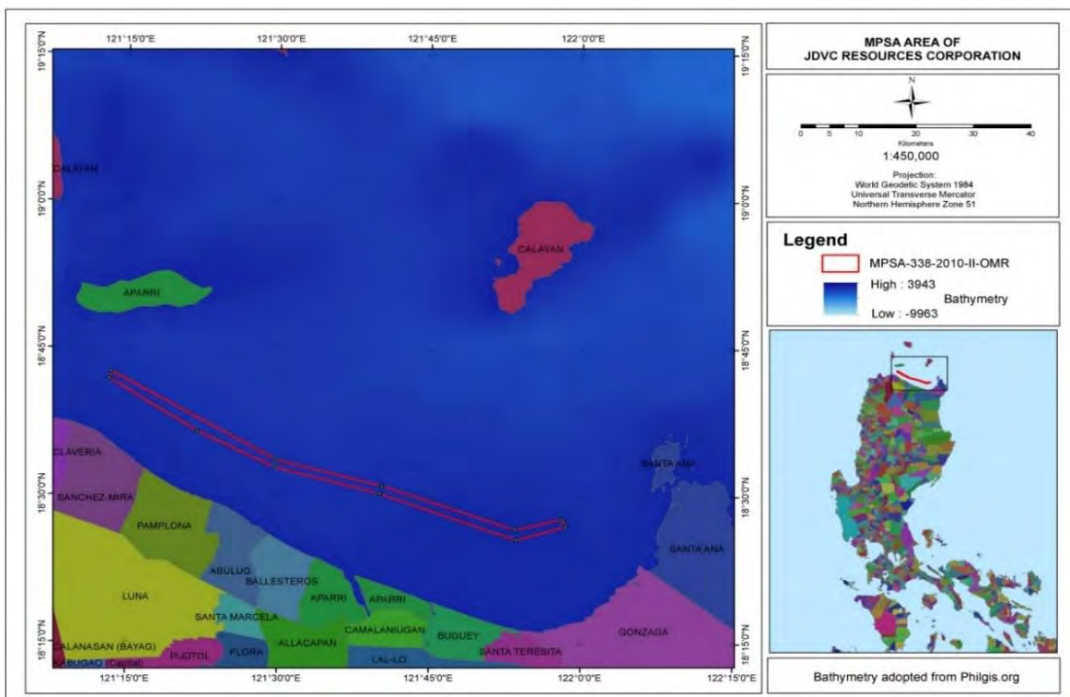


Figure 2. Tenement Map Showing Claim Boundaries

### Mineral Resources and Reserves

The Company presents estimated mineral resources in accordance with the PMRC, which is described below. We review and update the Company's estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. In connection with the Offer, the Company has commissioned a PMRC Competent Person to independently verify certain of the mineral resource estimates. Ore reserve estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel prices or production costs and other factors.

### Mineral Resource Estimates

Results of estimation show a combined indicated resource of 606,457,972.52 DMT with an average grade of 25.47% MF, which at 100% recovery, is equivalent to 154,466,259.02 DMT of magnetite concentrate; and an inferred resource of 63,179,310.69 DMT with an average grade of 47.71% MF, which at 100% recovery is equivalent to 30,140,910.80 DMT of magnetite concentrate. The summary of the resources is tabulated in detail by resource category in Table 1.

Level	Hole-ID	Volume (m <sup>3</sup> )	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>INDICATED</b>					
<b>0-5</b>	GN18	14,134,498.64	23,887,302.69	26.58	6,349,245.06
	GN30	6,260,618.75	10,580,445.68	3.23	341,748.40
	GN33	11,977,837.40	20,242,545.20	22.56	4,566,718.20
	GN48	13,066,734.48	22,082,781.26	24.87	5,491,987.70
	GN58	11,252,573.11	19,016,848.56	24.94	4,742,802.03
	GN68	10,862,507.44	18,357,637.57	26.98	4,952,890.62
<b>Sub Total</b>		<b>67,554,769.80</b>	<b>114,167,560.95</b>	<b>23.16</b>	<b>26,445,391.99</b>
<b>5-10</b>	GN18	21,167,829.31	35,773,631.53	43.87	15,693,892.15
	GN30	11,600,678.95	19,605,147.43	21.02	4,119,041.47
	GN33	16,404,741.02	27,724,012.32	41.89	11,613,588.76
	GN48	15,073,202.66	25,473,712.50	46.55	11,858,013.17
	GN58	14,792,031.51	24,998,533.24	47.29	11,821,806.37
	GN68	14,539,173.62	24,571,203.41	43.15	10,602,474.27
<b>Sub Total</b>		<b>93,577,657.05</b>	<b>158,146,240.41</b>	<b>41.55</b>	<b>65,708,816.19</b>
<b>10-15</b>	GN18	22,232,822.30	37,573,469.69	24.89	9,352,036.61
	GN30	7,183,350.15	12,139,861.75	20.71	2,514,165.37
	GN33	18,130,900.05	30,641,221.08	23.63	7,240,520.54
	GN48	15,950,498.10	26,956,341.79	25.41	6,849,606.45
	GN58	14,510,689.13	24,523,064.63	27.89	6,839,482.73
	GN68	19,498,536.83	32,952,527.24	23.89	7,872,358.76
<b>Sub Total</b>		<b>97,506,796.56</b>	<b>164,786,486.19</b>	<b>24.68</b>	<b>40,668,170.45</b>
<b>15-20</b>	GN18	13,339,693.38	22,544,081.81	12.58	2,836,045.49
	GN33	19,433,900.05	32,843,291.08	11.65	3,826,243.41
	GN48	17,519,498.10	29,607,951.79	12.66	3,748,366.70
	GN58	18,284,781.30	30,901,280.40	10.24	3,164,291.11
	GN68	22,483,264.39	37,996,716.82	13.56	5,152,354.80
<b>Sub Total</b>		<b>91,061,137.22</b>	<b>153,893,321.90</b>	<b>12.17</b>	<b>18,727,301.51</b>
	GN68	9,150,510.69	15,464,363.07	18.86	2,916,578.87
<b>Sub Total</b>		<b>9,150,510.69</b>	<b>15,464,363.07</b>	<b>18.86</b>	<b>2,916,578.87</b>
<b>Grand Total</b>		<b>358,850,871.32</b>	<b>606,457,972.52</b>	<b>25.47</b>	<b>154,466,259.02</b>

Level	Hole-ID	Volume (m <sup>3</sup> )	Tonnage (DMT)	Grade (%MF)	DMT Conc.
<b>INFERRED</b>					
<b>0-5</b>	GN01	5,452,567.28	9,214,838.69	59.20	5,455,184.51
	GN02	9,049,637.80	15,293,887.88	45.20	6,912,837.32
	GN03	9,851,788.01	16,649,521.73	46.70	7,775,326.65
	GN04	13,030,214.43	22,021,062.39	45.40	9,997,562.32
		<b>37,384,207.51</b>	<b>63,179,310.69</b>	<b>47.71</b>	<b>30,140,910.80</b>

Table 1: Summary of Mineral Resources by Resource Category and Grade Group

### III. Legal Proceedings

Neither the Company nor any of its subsidiary and affiliates or any of their properties are involved in or the subject of any legal proceedings which would have a material adverse effect on the business or financial position of the Company or any of its subsidiary and affiliates, or any of its or their properties.

### IV. Submission of Matters to a Vote of Security Holders

Except for matters taken up during the last annual stockholders' meeting covered by the Company's SEC Form 20-IS report, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise during the calendar year covered by this report.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### V. Market for Issuer's Common Equity and Related Stockholder Matters

#### Market Information

The registrant's common shares is traded in the Philippine Stock Exchange under the ticker symbol "APL". The Company's public float as of **December 31, 2020** is 11.75%.

On August 9, 2012, the SEC approved the Parent Company's application to list 27.8-million common shares by way of introduction in the second board of the Philippine Stock Exchange (PSE) at an initial price of ₱1 per share. On October 18, 2012, the Parent Company was listed in the PSE.

The average quarterly stock prices for the Company's common shares for the last three fiscal years are as follows:

	Price per share (in Ph₱)							
	2021		2020		2019		2018	
	High	Low	High	Low	High	Low	High	Low
1st Quarter	0.475	0.133	0.050	0.032	0.052	0.039	0.072	0.041
2nd Quarter	–	–	0.060	0.036	0.046	0.038	0.055	0.042
3rd Quarter	–	–	0.060	0.046	0.053	0.044	0.054	0.042
4th Quarter	–	–	0.144	0.050	0.048	0.037	0.044	0.036

Market price of the Company's shares as at close of the year 2020 was ₱0.128 per share.

## Holders

As of **December 31, 2020**, there were 799 shareholders of the 280,336,349,297 common shares issued and outstanding. The top 20 shareholders of the Company as of **December 31, 2020** are as follows:

	Name of Shareholder	No. of Shares Held	Ownership Percentage
1.	Hyung Rae Doo	109,065,080,064	38.91%
2.	Lloyd Reagan C. Taboso	46,471,972,000	16.58%
3.	Napoleon M. De Leon Jr.	46,224,979,304	16.49%
4.	Daniel C. Go	45,634,040,152	16.28%
5.	PCD Nominee Corporation (Filipino)	26,880,986,928	9.59%
6.	Joanna B. Co	5,140,277,777	1.83%
7.	Sysmart Corporation	283,713,500	0.10%
8.	PCD Nominee Corporation (Non-Filipino)	178,950,172	0.06%
9.	Juan G. Chua	94,040,000	0.03%
10.	East Pacific Investors Corporation	49,095,000	0.02%
11.	Cygnnet Development Corporation	43,125,000	0.02%
12.	Alistair E.A. Israel	27,720,000	0.01%
13.	David Q. Quitoriano	24,200,000	0.01%
14.	Christopher Chongson	6,468,700	0.00%
15.	Century Securities Corp.	6,025,000	0.00%
16.	Ricardo L. Ng	5,847,700	0.00%
17.	Campos, Lanuza & Co., Inc.	5,807,500	0.00%
18.	Suzanne Lim	5,175,000	0.00%
19.	Jerry Tiu	4,916,200	0.00%
20.	Susana A. Chua	4,191,700	0.00%

## Dividends and Dividend Policy

The Board of Directors is authorized to declare cash or stock dividends or a combination thereof. A cash dividend declaration requires the approval of the Board of Directors and no shareholder approval is necessary. A stock dividend declaration requires the approval of the Board of Directors and shareholders representing at least two-thirds (2/3) of the Company's outstanding voting capital stock. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of shares.

The Board of Directors has the power to fix and determine the amount to be reserved or provided for declaration and payment of dividends from the Company's unrestricted retained or surplus earnings. The amount of such dividends (either in cash, stocks or property) will depend on the Company's profits, cash flows, capital expenditure, financial condition and other factors and will follow the SEC guidelines on determination of retained earnings available for dividend declaration.

The existence of surplus profit is a condition precedent before a dividend can be declared. The surplus profits or income must be a bona fide income founded upon actual earnings. Actual earnings or profits shall be the net income for the year based on the audited financial statements, adjusted for unrealized items, which are considered not available for dividend declaration. Taking into account the Company's cash flows, capital expenditure, investment objectives and financial condition, at least ten percent (10%) of the actual earnings or profits may be declared by the Board.

Each holder of the shares, regardless of class, is entitled to such dividends as may be declared in accordance with the Company's dividend policy.

The Company has not declared any dividends during the past three (3) fiscal years due to retained earnings deficit position.

### Recent Sale of Unregistered Securities

On February 20, 2019, the BOD authorized the Parent Company to enter into a convertible loan agreement with a third party amounting to ₱50.0 million. The loan bears an interest of 5% per annum and will mature on February 20, 2021. The principal and interest are convertible to shares at ₱0.01 per share any time until the 10th day before the maturity date at the option of the third party.

On September 11, 2019, the third party exercised the right to convert the loan at ₱0.01 per share. On the same date, the BOD approved the conversion of the principal amount, including the interest accrued up to date of the conversion amounting to ₱1,402,778. The Parent Company issued additional 5,140,277,777 shares as a result of the conversion. Consequently, such valuation was duly approved by the SEC on December 7, 2020.

Other than the foregoing, there has been no issuance of exempt securities.

## VI. Management's Discussion and Analysis or Plan of Operation

### Plan of Operation

The Company's revenues and cash flow shall be generated from the business operation of its subsidiary, JDVC. On the other hand, JDVC shall generate revenue & income from royalty payment from its contractor-owned vessels, and after the Company's Follow-On Offering (FOO), from a vessel that the Company plans to partially own as well.

The forecast share of the Company in the profits from its subsidiary's partially-owned vessels ranges from nine to ten percent (9% to 10%) of gross sales, and the share in royalty fees to be derived from contractor-owned vessels is at ninety-two percent (92%), approximately.

The Company will start with a foreign-owned vessel (MB Siphon I) which is currently wholly-owned by Poet Blue Ocean Offshore Services Pte. Ltd. (PBO), and two (2) contractors in 2021. After the FOO, where majority of the proceeds of the offering will be used to acquire a forty-nine percent (49%) stake in PBO, the Company will effectively have two (2) sources of revenues – one from the 90.47% royalties from JDVC, and second from the 49% ownership of PBO that owns MB Siphon I. The two sources of the future revenues of the Company and JDVC will be sufficient in satisfying the cash requirements of the Group and no further fund-raising is expected in the coming year.

### Results of Operations (December 31, 2020 vs. December 31, 2019)

	For the years ended December 31,		Horizontal Analysis		Vertical Analysis	
	2020	2019	Inc (Dec)	%age	2020	2019
Revenues	₱ –	₱ –	–	n/a	n/a	n/a
Direct costs	–	–	–	n/a	n/a	n/a
Gross profit	₱ –	₱ –	–	n/a	n/a	n/a
General & administrative costs	(15,734,516)	(18,982,963)	3,248,447	-17.11%	n/a	n/a
Operating loss	₱ (15,734,516)	₱ (18,982,963)	3,248,447	-17.11%	n/a	n/a
Finance income	4,797	2,292,074	(2,287,277)	-99.79%	n/a	n/a
Finance costs	(1,276,450)	(2,177,028)	900,578	-41.37%	n/a	n/a
Other income/losses – net	(3,960)	(969)	(2,991)	308.67%	n/a	n/a
Loss before tax benefit	₱ (17,010,129)	₱ (18,868,886)	1,858,757	-9.85%	n/a	n/a
Income tax benefit	723,109	1,181,491	(458,382)	-38.80%	n/a	n/a
Loss for the period	₱ (16,287,020)	₱ (17,687,395)	1,400,375	-7.92%	n/a	n/a

### *General & Administrative Costs*

The Group's general & administrative costs decreased by 17.11% % which was primarily due to the decrease in mobilization costs, taxes and licenses, representation and transportation and travel (31.99% of the total general and administrative cost).

### Finance Income

Total interest income decreased by 99.79% since the Group lost interest from loans receivable which was collected in 2019.

### Profit Before Tax

The decrease in loss before tax was primarily due to decrease in general and administrative cost incurred during the period.

### Income Tax Benefit

Income tax benefit decreased by 38.8% due the expiry of tax benefits from NOLCO and unrecognized deferred tax benefits from current year losses.

### Financial Condition December 31, 2020 vs. December 31, 2019)

	As at December 31,		Horizontal Analysis		Vertical Analysis	
	2020	2019	Inc (Dec)	%age	2020	2019
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash	₱ 909,057	₱ 1,284,390	(375,333)	-29.22%	0.03%	0.04%
Other current assets	3,942,010	3,634,557	307,453	8.46%	0.12%	0.11%
<b>Total current assets</b>	<b>₱ 4,851,067</b>	<b>₱ 4,918,947</b>	<b>(67,880)</b>	<b>-1.38%</b>	<b>0.15%</b>	<b>0.15%</b>
<b>Non-current assets:</b>						
Mine properties	₱ 3,288,748,565	₱ 3,284,054,565	4,694,000	0.14%	98.25%	98.36%
Advances to contractors	44,888,691	42,690,538	2,198,153	5.15%	1.34%	1.28%
Property & equipment – net	2,427,268	1,230,174	1,197,094	97.31%	0.07%	0.04%
Intangible asset – net	360,777	360,777	–	0.00%	0.01%	0.01%
Deferred tax asset	6,154,303	5,431,194	723,109	13.31%	0.18%	0.16%
<b>Total non-current assets</b>	<b>₱ 3,342,579,604</b>	<b>₱ 3,333,767,248</b>	<b>8,812,356</b>	<b>0.26%</b>	<b>99.85%</b>	<b>99.85%</b>
<b>TOTAL ASSETS</b>	<b>₱ 3,347,430,671</b>	<b>₱ 3,338,686,195</b>	<b>8,744,476</b>	<b>0.26%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES &amp; EQUITY</b>						
<b>Current liabilities:</b>						
Accounts and other payables	₱ 41,576,576	₱ 40,237,120	1,339,456	3.33%	1.24%	1.21%
Interest-bearing loans & borrowings	13,950,000	–	13,950,000	n/a	0.42%	0.00%
Advances from contractors	55,151,000	55,151,000	–	0.00%	1.65%	1.65%
<b>Total current liabilities</b>	<b>₱ 110,677,576</b>	<b>₱ 95,388,120</b>	<b>15,289,456</b>	<b>16.03%</b>	<b>3.31%</b>	<b>2.86%</b>
<b>Non-current liabilities:</b>						
Interest-bearing loans & borrowings	₱ 23,600,000	₱ 13,950,000	9,650,000	69.18%	0.71%	0.42%
Deposits for future stock subscriptions	–	246,149,562	(246,149,562)	-100.00%	0.00%	7.37%
Advances from related party	247,924,585	1,682,983	246,241,602	14,631.26%	7.40%	0.05%
<b>Total non-current liabilities</b>	<b>₱ 271,524,585</b>	<b>₱ 261,782,545</b>	<b>9,742,040</b>	<b>3.72%</b>	<b>8.11%</b>	<b>7.84%</b>
<b>Total liabilities</b>	<b>₱ 382,202,161</b>	<b>₱ 357,170,665</b>	<b>25,031,496</b>	<b>7.01%</b>	<b>11.41%</b>	<b>10.69%</b>
<b>Equity:</b>						
Share capital	₱ 2,803,363,493	₱ 2,803,363,493	–	0.00%	83.75%	83.97%
Share premium	17,586,961	17,586,961	–	0.00%	0.53%	0.53%
Accumulated losses	(101,328,091)	(86,178,648)	(15,149,443)	17.58%	-3.03%	-2.58%
Total equity attributable to Parent Company's shareholders	₱ 2,719,622,363	₱ 2,734,771,806	(15,149,443)	-0.55%	81.25%	81.92%
Non-controlling interest	245,606,147	246,743,724	(1,137,577)	-0.46%	7.34%	7.39%
<b>Total equity</b>	<b>₱ 2,965,228,510</b>	<b>₱ 2,981,515,530</b>	<b>(16,287,020)</b>	<b>-0.55%</b>	<b>88.59%</b>	<b>89.31%</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>₱ 3,347,430,671</b>	<b>₱ 3,338,686,195</b>	<b>8,744,476</b>	<b>0.26%</b>	<b>100.00%</b>	<b>100.00%</b>

### Total Assets

Total assets of the Group increased by ₱8.7-million (0.26%), which was primarily caused by the increase in mine properties and advances to contractors.

#### *Other Current Assets*

Other current assets increased by ₱307,453 (8.46%). The increase in other current assets is primarily caused by the increase in input taxes and construction bond.

#### *Mine Properties*

Mine properties include mineral assets, patent and mining costs. The increase in mine properties is primarily caused by additional mining costs.

#### *Property & Equipment – net*

Property & equipment includes office furniture, fixtures and equipment and transportation vehicle. The increase in property and equipment is primarily due to additions in office furniture and equipment.

#### **Total Liabilities**

Total liabilities have increased by ₱25-million (7.01%), which was primarily caused by increase in accounts & other payables amounting to ₱1.34-million and interest bearing loans & borrowings amounting to ₱23.6-million.

#### *Interest-Bearing Loans & Borrowings*

Loans & borrowings pertains to loans from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO). In 2020, the Group availed of additional loan from CBO amounting to ₱23.6-million.

#### *Accounts and Other Payables*

The increase in the balance of this account by ₱1.34-million was due to the increase in accounts and statutory payables and accrued expenses.

#### **Total Equity**

The decrease in total equity of ₱16.29-million in this account pertains to the net loss that the Group incurred in its operations.

#### **Results of Operations (December 31, 2019 vs. December 31, 2018)**

	For the years ended December 31,		Horizontal Analysis		Vertical Analysis	
	2019	2018	Inc (Dec)	%age	2019	2018
<b>Revenues</b>	₱ –	₱ –	–	–	n/a	n/a
<b>Direct costs</b>	–	–	–	–	n/a	n/a
<b>Gross profit</b>	₱ –	₱ –	–	–	n/a	n/a
<b>General &amp; administrative costs</b>	(18,982,963)	(16,039,520)	(2,943,443)	18.35%	n/a	n/a
<b>Operating loss</b>	₱ (18,982,963)	₱ (16,039,520)	(2,943,443)	18.35%	n/a	n/a
<b>Finance income</b>	2,292,074	2,275,959	16,115	0.71%	n/a	n/a
<b>Finance costs</b>	(2,177,028)	(600,000)	(1,577,028)	262.84%	n/a	n/a
<b>Other income/losses – net</b>	(969)	1,351	(2,320)	-171.72%	n/a	n/a
<b>Loss before tax benefit</b>	₱ (18,868,886)	₱ (14,362,210)	(4,506,676)	31.38%	n/a	n/a
<b>Income tax benefit</b>	1,181,491	2,028,857	(847,366)	-41.77%	n/a	n/a
<b>Loss for the period</b>	₱ (17,687,395)	₱ (12,333,353)	(5,354,042)	43.41%	n/a	n/a

#### *General & Administrative Costs*

The Group's general & administrative costs increased by 18.35% which was primarily due to the increase in mobilization costs, taxes and licenses, representation and transportation and travel (61.20% of the total general and administrative cost).

#### *Finance Costs*

Finance costs grew 262.84% due to the full year interest charge from borrowings compared to the fractional interest incurred in 2018.

### Profit Before Tax

The increase in loss before tax was primarily due to increase in general and administrative cost and finance costs incurred during the period.

### Income Tax Benefit

Income tax benefit decreased by 38.8% due the expiry of tax benefits from NOLCO and unrecognized deferred tax benefits from current year losses.

### Financial Condition December 31, 2019 vs. December 31, 2018)

		As at December 31,		Horizontal Analysis		Vertical Analysis	
		2019	2018	Inc (Dec)	%age	2019	2018
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash	₱	1,284,390	₱ 1,545,052	(260,662)	-16.87%	0.04%	0.04%
Other current assets		3,634,557	2,754,536	880,021	31.95%	0.11%	0.08%
<b>Total current assets</b>	₱	<b>4,918,947</b>	₱ 4,299,588	619,359	14.41%	0.15%	0.12%
<b>Non-current assets:</b>							
Mine properties	₱	3,284,054,565	₱ 3,257,154,051	26,900,514	0.83%	98.36%	91.13%
Advances to contractors		42,690,538	40,577,963	2,112,575	5.21%	1.28%	1.13%
Property & equipment – net		1,230,174	75,618	1,154,556	1526.83%	0.04%	0.002%
Intangible asset – net		360,777	326,100	34,677	10.63%	0.01%	0.01%
Deferred tax asset		5,431,194	4,204,257	1,226,937	29.18%	0.16%	0.12%
Advances to related parties		–	2,595,022	(2,595,022)	-100.00%	n/a	0.07%
Accrued interest receivable		–	10,561,750	(10,561,750)	-100.00%	n/a	0.30%
Loan receivable		–	254,500,000	(254,500,000)	-100.00%	n/a	7.12%
<b>Total non-current assets</b>	₱	<b>3,333,767,248</b>	₱ 3,569,994,761	(236,227,513)	-6.62%	99.85%	99.88%
<b>TOTAL ASSETS</b>	₱	<b>3,338,686,195</b>	₱ 3,574,294,349	(235,608,154)	-6.59%	100.00%	100.00%
<b>LIABILITIES &amp; EQUITY</b>							
<b>Current liabilities:</b>							
Accounts and other payables	₱	40,237,120	₱ 41,296,821	(1,059,701)	-2.57%	1.20%	1.16%
Advances from contractors		55,151,000	51,500,000	3,651,000	7.09%	1.65%	1.44%
Interest-bearing loans & borrowings		–	10,000,000	(10,000,000)	-100.00%	0.00%	0.28%
<b>Total current liabilities</b>	₱	<b>95,388,120</b>	₱ 102,796,821	6,541,299	6.36%	2.86%	2.88%
<b>Non-current liabilities:</b>							
Interest-bearing loans & borrowings	₱	13,950,000	₱ –	13,950,000	n/a	0.42%	0.00%
Deposits for future stock subscriptions		246,149,562	254,227,307	(8,077,745)	-3.18%	7.37%	7.11%
Advances from related party		1,682,983	1,862,964	(179,981)	-9.66%	0.05%	0.05%
<b>Total non-current liabilities</b>	₱	<b>261,782,545</b>	₱ 256,090,271	(8,257,726)	-3.22%	7.84%	7.16%
<b>Total liabilities</b>	₱	<b>357,170,665</b>	₱ 358,887,092	(1,716,427)	-0.48%	10.70%	10.04%
<b>Equity:</b>							
Share capital	₱	2,803,363,493	₱ 2,751,960,715	51,402,778	1.87%	83.97%	76.99%
Share premium		17,586,961	17,586,961	–	0.00%	0.53%	0.49%
Accumulated losses		(86,178,648)	(70,176,862)	(16,001,786)	22.80%	-2.58%	-1.96%
Total equity attributable to Parent Company's shareholders	₱	2,734,771,806	₱ 2,699,370,814	35,400,992	1.31%	81.91%	75.52%
Non-controlling interest		246,743,724	516,036,443	(269,292,719)	-52.18%	7.39%	14.44%
<b>Total equity</b>	₱	<b>2,981,515,530</b>	₱ 3,215,407,257	(233,891,727)	-7.27%	89.30%	89.96%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	₱	<b>3,338,686,195</b>	₱ 3,574,294,349	(235,608,154)	-6.59%	100.00%	100.00%

### Total Assets

Total assets of the Group decreased by ₱235.6-million (6.59%), which was primarily caused by the collection of loans and other receivables.

### Other Current Assets

Other current assets increased by ₱880,021 (31.95%). The increase in other current assets is primarily caused by the increase in input taxes.



#### *Mine Properties*

Mine properties include mineral assets, patent and mining costs. The increase in mine properties is primarily caused by additional mining development costs.

#### *Property & Equipment – net*

Property & equipment includes office furniture, fixtures and equipment and transportation vehicle. The increase in property and equipment is primarily due to additions in office furniture and equipment and motor vehicle.

#### **Total Liabilities**

Total liabilities have decreased by ₱1.7-million (0.48%), which was primarily caused by loan repayments and refund of deposits for future stock subscription.

#### *Interest-Bearing Loans & Borrowings*

Loans & borrowings pertains to loans from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO). In 2019, the Group availed of loan from CBO amounting to ₱14.0-million.

#### *Accounts and Other Payables*

The decrease in the balance of this account by ₱1.1-million was due to the payment of accrued of expenses.

#### **Total Equity**

The decrease in total equity of ₱233.9-million in this account pertains to the acquisition of non-controlling interests in JDVC and of the net loss for the period.

## **VII. Financial Statements**

The financial statements of the Company are incorporated herein by reference and attached as an integral part of this SEC Form 17-A.

## **VIII. Information on Independent Public Accountant and Other Related Matters**

#### Independent Public Accountant

The Company appointed Valdes, Abad & Company, CPAs as external auditors, covering the audit of the financial statements for the year ended December 31, 2020. Their responsibility is to express an opinion on these financial statements based on their audits conducted in accordance with Philippine Standards on Auditing. Reyes Tacandong & Co. was the appointed external auditors for the year 2019 while Roxas, Cruz, Tagle & Co. was appointed for the years 2016 to 2018.

None of the appointed external auditors have neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company. The independent public accountants will not receive any direct or indirect interest in the Company and in any securities thereof (including options, warrants, or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

#### Audit and Audit-Related Fees

Fees approved in connection with the assurance rendered by the external auditors pursuant to the regulatory and statutory requirements for the years ended December 31, 2020 and 2019 amounts to the following:

	2020	2019	2018
Audit Fees	400,000	400,000	488,500

#### Tax Fees

The independent external auditors did not render services for tax accounting, planning, compliance, advice, or any other professional services for which it billed the Company the corresponding professional fees.

#### Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with the independent external auditors for the years 2020 and 2019 on any matter relating to accounting principles or practices, disclosure of financial statements, auditing scope and procedures.

### **PART III – CONTROL AND COMPENSATION INFORMATION**

#### **IX. Directors and Executive Officers of the Issuer**

The overall management and supervision of the Company is undertaken by the Company's Board of Directors. The Company's executive officers cooperate with the Company's Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of operations for its review.

#### Board of Directors

Pursuant to the Company's latest amended articles of incorporation, approved by the SEC on December 22, 2014, the Board shall consist of 11 members, of which two (2) are independent directors. The table sets forth each member of the Company's Board of Directors as of **December 31, 2020**.

<b>Name</b>	<b>Citizenship</b>	<b>Age</b>	<b>Position</b>	<b>Period Served</b>
Salvador A. Santos-Ocampo	Filipino	50	Chairman of the Board	Oct. 2015 – present
David M. De La Cruz	Filipino	54	Director	Feb. 2017 – present
Norman De Leon	Filipino	29	Director	Dec. 2018 – present
Christopher C. Go	Filipino	52	Director	Mar. 2019 – present
Bernadette Herrera-Dy	Filipino	44	Director	Mar. 2019 – present
Edwin T. Lim	Filipino	45	Director	Oct. 2015 – present
Vittorio Paulo P. Lim	Filipino	35	Director	Dec. 2015 – present
John Oliver L. Pascual	Filipino	51	Director	Jan. 2020 – present
Lloyd Reagan C. Taboso	Filipino	39	Director	Dec. 2018 – present
Klarence T. Dy	Filipino	52	Independent Director	Oct. 2015 – present
Deogracias G. Contreras Jr.	Filipino	74	Independent Director	Jan. 2020 – present

#### Executive Officers

The table sets forth the Company's executive officers as of **December 31, 2020**.

<b>Name</b>	<b>Citizenship</b>	<b>Age</b>	<b>Position</b>	<b>Period Served</b>
Salvador Araneta Santos-Ocampo	Filipino	50	Chairman of the Board	Oct. 2015 – present
Vittorio Paulo P. Lim	Filipino	35	President	Dec. 2015 – present
Edwin T. Lim	Filipino	45	Treasurer	Oct. 2015 – present
Gary B. Olivar	Filipino	68	Chief Operating Officer	Jul. 2019 – present
Christopher C. Go	Filipino	52	Chief Financial Officer	Mar. 2019 – present
Lucky Dickinson T. Uy	Filipino	38	Compliance Officer	May 2017 – present
Kristina Joyce C. Caro-Gangan	Filipino	38	Corporate Secretary	Oct. 2015 – present

#### Business Experience and Other Directorships

The business experience of each of the directors and executive officers of the Parent Company is as follows:

**Mr. Salvador A. Santos-Ocampo** (Chairman of the Board) has been the President of Victoneta Rentals Corporation since 2014. He is also the President of SAMI Food and Beverage Specialist Corporation since 2013 and the Treasurer of Salvador Araneta Memorial Institute since 2001. He obtained his degree in Business Management and Economics in the International Academy of Management and Economics (I/AME).

**Mr. Vittorio Paulo P. Lim** (Director/President) is the President of V2S Property Developer Co., Inc. He is also the Corporate Secretary of B and P Realty, Inc., Champaca Development Corporation, PX2 Enterprises Co., Inc., VNP Properties Development Inc., Zelle Dev't Corporation, Tarlac Centerpoint, Panlilio Centerpoint. Likewise, he is the Treasurer of Vini Agro Products, Inc. He holds a degree in Interdisciplinary Studies from the Ateneo de Manila University.

**Mr. Edwin T. Lim** (Director/Treasurer) has been the General Manager of BLIM's Textile Manufacturing Industries, Inc. since 2000. He obtained his Bachelor of Science in Civil Engineering from the Mapua Institute of Technology in 1997.

**Mr. Gary B. Olivar** (Chief Operating Officer) is a senior financial executive with thirty five years of experience in banking and telecoms finance, both here and abroad. He worked with BPI's merchant bank here and with American Express Bank (credit management) and Sumitomo Trust Bank (public finance) in Hongkong and New York. He was a risk management consultant with BDO Unibank from 2010 to 2016. He was a member of Smart Communications management committee and was also a chief financial officer of Bayan Communications. He earned his MS from the UP School of Economics in 1978 and an MBA from Harvard Business School in 1980.

**Mr. Christopher C. Go** (Director/Chief Finance Officer) is a Certified Public Accountant and currently is the CEO and President of Moderno CitiHomes Dev't Corporation, Perfectspot Development Incorporated, Nation Builders Global Logistics Corp. and Sky Builders Dev't Corporation. He obtained his Bachelor of Science in Accountancy degree from De La Salle University in 1988.

**Mr. David M. De La Cruz** (Director) is a director of the Company since February 2017. He has been the EVP and CFO of Sta. Lucia Land, Inc. since 2012. He obtained his Bachelor of Arts in Economics and BSC Accounting and Masters from De La Salle University in 1986 and 2001, respectively.

**Mr. Norman de Leon** (Director) is the President and Authorized Managing Officer of MVW Construction and Trading Corporation since 2015. He obtained his Bachelor of Science in Information and Communications Technology degree from San Beda College Manila in 2013.

**Ms. Bernadette Herrera-Dy** (Director) is a returning member of the 17th Congress of the House of Representatives representing Bagong Henerasyon Partylist. In the 17th Congress, she is the Chairperson of the Committee on Women and Gender Equality, the House body responsible for matters directly and principally relating to the rights and welfare of women and female children and youth, and the Vice-Chairperson of the Committee on Welfare of Children. She graduated from the University of the Philippines with a degree in B.S. Business Economics and M.S. Finance.

**Mr. John Oliver L. Pascual** (Director) is currently a director of Level Up Gastronomy Inc., and WLCL Manpower Solutions Inc. He is also the Treasurer and Managing Director of Philippines International Life Insurance Co., Inc. and a manager and director in Filipino Loan and Credit Corporation. Mr. Pascual graduated from the De La Salle University with a degree in AB Economics.

**Mr. Lloyd Reagan C. Taboso** (Director) is the vice president and co-founder of Cignus Philippines Inc. He is also the current vice president of Cagayan Blue Ocean Offshore Aquamarine Services Corp. He took up Bachelor of Aets in Multimedia Arts at De La Salle – College of Saint Benilde.

**Mr. Lucky Dickinson T. Uy** (Compliance Officer) is a stockbroker at SB Equities since October 2017. Prior to his current position, he was a stockbroker at Venture Securities from 2013 to September 2017. He obtained his Bachelor of Science in Chemical Engineering degree from the Dela Salle University in 2005.

**Atty. Kristina Joyce C. Caro-Gangan** (Corporate Secretary) is a Partner at Picazo Buyco Tan Fider & Santos Law Offices. She graduated cum laude with the degree of Bachelor of Arts, Major in Political Science, from the University of the Philippines in 2002, and with the degree of Bachelor of Laws also from the University of the Philippines in 2006.

**Mr. Klarence T. Dy** (Independent Director) is a Trader in Tower Securities, Inc. Prior to his current position, he was the Vice President for Sales in Tower Securities, inc. from 2000 to June 2004. Mr. Dy was previously a trader and Corporate Secretary in Cathay Securities, Co., Inc. from 1990 to 1998. In 1989, Mr. Dy graduated from the University of Southern California, where he obtained his Bachelor of Science Degree in Accountancy.

**Atty. Deogracias G. Contreras, Jr.** (Independent Director) is a legal consultant of Nationwide Development Corporation-Kingking Copper and Gold Project, and of Nickel Asia Corporation. He is also the President of AMDGY Consultancy on Mining, HR and General Legal. Atty. Contreras was formerly an in-house legal manager of Benguet Corporation, the former Executive Vice President of Chamber of Mines of the Philippines, and also a former partner in Leyco-Contreras Law Office. He was a member of the Drafting Panel of the Philippine Mining Act of 1995 and Republic Act 7729 (Act Lowering Excise Tax on Mineral Products). He earned his Bachelor of Arts in Political Science degree and his law degree from the University of the Philippines.

#### X. Executive Compensation

All of the Company's directors and officers have not received any form of compensation from inception up to present other than a per diem for each meeting attended and annual per diem during stockholder's meeting. There is no employment contract between the Company and the current executive officers. In addition there are no compensatory plans or arrangements with respect the named executive officers that resulted in or will result from the resignation, retirement or termination of such executive director or from a change-in-control in the Company.

The Company has no price or stock warrants.

#### XI. Security Ownership of Certain Beneficial Owners and Management

##### Security Ownership of Certain Record and Beneficial Owners

The persons or groups identified in the table below are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of **December 31, 2020**:

Title of Class	Name of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Hyung Rae Doo	Hyung Rae Doo	Korean	109,065,080,064 (D)	38.91%
Common	Lloyd Reagan C. Taboso	Lloyd Reagan C. Taboso	Filipino	46,471,972,000 (D)	16.58%
Common	Napoleon M. De Leon Jr.	Napoleon M. De Leon Jr.	Filipino	46,224,979,304 (D)	16.49%
Common	Daniel C. Go	Daniel C. Go	Filipino	45,634,040,152 (D)	16.28%
Common	PCD Nominee Corp. - Filipino	Public ownership	Filipino	26,880,986,928 (D)	9.59%

##### Security Ownership of Management

The following table shows the shares beneficially owned by the directors and officers of the Company as of **December 31, 2020**:

Title of Class	Name of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Lloyd Reagan C. Taboso	Lloyd Reagan C. Taboso	Filipino	46,471,972,000 (D)	16.58%
Common	John Oliver L. Pascual	John Oliver L. Pascual	Filipino	1,060,000 (D)	0.00%
Common	Edwin T. Lim	Edwin T. Lim	Filipino	258,700 (D)	0.00%
Common	David M. De La Cruz	David M. De La Cruz	Filipino	100,000 (D)	0.00%
Common	Christopher C. Go	Christopher C. Go	Filipino	100,000 (D)	0.00%
Common	Lucky Dickinson T. Uy	Lucky Dickinson T. Uy	Filipino	10,000 (D)	0.00%

Common	Vittorio Paulo P. Lim	Vittorio Paulo P. Lim	Filipino	9,100 (D)	0.00%
Common	Salvador A. Santos-Ocampo	Salvador A. Santos-Ocampo	Filipino	100 (D)	0.00%
Common	Klarence T. Dy	Klarence T. Dy	Filipino	100 (D)	0.00%
Common	Deogracias G. Contreras Jr.	Deogracias G. Contreras Jr.	Filipino	10 (D)	0.00%
Common	Bernadette Herrera-Dy	Bernadette Herrera-Dy	Filipino	1 (D)	0.00%
Common	Norman De Leon	Norman De Leon	Filipino	0 (D)	0.00%
Common	Gary B. Olivar	Gary B. Olivar	Filipino	0 (D)	0.00%
Common	Kristina Joyce C. Caro-Gangan	Kristina Joyce C. Caro-Gangan	Filipino	0 (D)	0.00%

#### Voting Trust Holders

There is no party known to the Company as holding any voting trust or any similar arrangement for five percent (5%) or more of the Company's voting securities.

## **XII. Certain Relationships and Related Transactions**

There are no significant employees and no family relationships among the current directors and officers, as well as the nominated directors and officers.

#### Transactions with Related Parties

The Company enters into transactions with affiliates and other related parties on an arm's length basis. Aligned with this thrust, the Company, in dealing with affiliates and other related parties, ensures above-board transactions and fairness and equity among all parties.

The Company exerts efforts to obtain the most beneficial terms and conditions for the Company, taking into consideration various factors including pricing and quality.

For this purpose, the Company determines the prevailing and applicable price in the market. In the process, it also gathers quotes and/or proposals from other parties engaged in similar or the same undertaking. Based on these, a comparable summary is presented to ascertain a fair price for the applicable related party transaction.

Moving forward, the related party transaction committee shall review all related party transactions of the Company.

Related party transactions are discussed in Note 23, *Related Party Transactions*, to the 2020 audited financial statements.

## **PART IV – CORPORATE GOVERNANCE**

### **XIII. Corporate Governance**

The Manual on Corporate Governance (MOCG) of the Group details the standards by which it conducts sound corporate governance that are coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its shareholders.

#### Evaluation System

Evaluation is delegated to the Compliance Officer who is part of the Company's management and is tasked with the monitoring compliance with the MOCG and related impositions of regulatory agencies.

Ultimate responsibility for the Group’s adherence to its MOCG rests with its Board of Directors, who maintains four (4) committees, each charged with oversight into specific areas of the Group’s business activities:

- The Executive Committee (EC) assists the Board of Directors in oversight responsibilities over the Group and execution of strategies and practices including regulatory and ethical compliance monitoring. The EC ensures that the Group conducts its business following sound corporate governance principles and in accordance with relevant laws and regulatory rules. They are also tasked with overall risk management of the Group.
- The Audit Committee (AC) is responsible for recommending the external auditor and ensuring that non-audit work does not compromise their independence. The AC reviews financial and accounting matters.
- The Nominations Committee (NC) is charged with ensuring that membership to the Board of Directors is filled by qualified members. The NC also ensures fair representation of independent members on the Board of Directors by formulating screening policies to effectively review the qualification of nominees for independent directors.
- The Compensation and Remuneration Committee (CRC) is tasked to ensure fair compensation practices are adhered to throughout the organization.

#### Measures Taken to Comply with Adopted Leading Practices on Good Corporate Governance

The Board of Directors of the Group holds regular meetings, each with a valid quorum. The Board committees regularly meet to ensure fair corporate governance standards were being applied throughout the organization.

#### Deviations from the MOCG

The Group is committed to fostering good corporate governance practices including a clear understanding by directors of the Group’s strategic objectives, structures to ensure that the objectives are being met, systems to ensure the effective management of risks, and the mechanisms to ensure that the Group’s obligations are identified and discharged in all aspects of its business.

#### Plans to Improve Corporate Governance

The Group continues to evaluate and review its MOCG to ensure that the leading practices on good corporate governance are being adopted.

## PART V – EXHIBITS AND SCHEDULES

### XIV. Exhibits and Reports on SEC Form 17-C

#### List of Corporate Disclosures under SEC Form 17-C (Current Reports)

APL reported the following items on SEC Form 17-C for the year 2020:

Document Date	Filing Date	Item No.	Matter
Jan. 7	Jan. 7	9	Results of the 2019 Annual Stockholders’ Meeting
Jan. 7	Jan. 7	9	Results of Organizational Meeting of the Board of Directors
Jan. 7	Jan. 8	9	Amendment of Article II, Section 11 of the By-Laws
Jan. 7	Feb. 12	9	[Amend] Results of the 2019 Annual Stockholders’ Meeting
Mar. 13	Mar. 16	9	Filing of Current Report under Section 17 of the Securities Regulation Code and COVID-19 Pandemic
Apr. 8	Apr. 8	9	Postponement of the Annual Stockholders’ Meeting
Aug. 17	Aug. 17	9	Board Approval for the Additional Listing of Shares of APL and the Conduct of a Follow On Offering (“FOO”)
Aug. 17	Aug. 17	9	Notice of Annual Stockholders’ Meeting for the Year 2020
Oct. 2	Oct. 2	9	Results of the 2020 Annual Stockholders’ Meeting
Oct. 2	Oct. 2	9	Results of Organizational Meeting of Board of Directors

Oct. 5	Oct. 5	9	Development Bank of the Philippines (DBP) Approval of the Credit Line of Apollo Global Capital, Inc.'s Subsidiary
Oct. 5	Oct. 5	9	[Amend]Development Bank of the Philippines (DBP) Approval of the Credit Line of Apollo Global Capital, Inc.'s Subsidiary
Dec. 9	Dec. 10	9	Clarification of News Report – The Manila Times “Apollo Unit to Mine Magnetite in Cagayan”
Dec. 9	Dec. 10	9	Clarification of News Report – The Manila Times “Apollo Unit to Mine Magnetite in Cagayan”
Dec. 21	Dec. 22	9	Change in the Shareholdings of a Director

See attached exhibits.


**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of Apollo Global Capital, Inc., by the undersigned, thereunto duly authorized, in Quezon City on May 11, 2021.

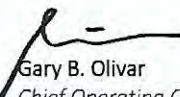
Issuer: **APOLLO GLOBAL CAPITAL, INC.**

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the dates indicated.

By:

Signature   
 Title **Vittorio Paulo P. Lim**  
*President*  
 Date May 11, 2021

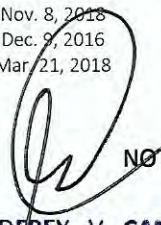
Signature   
 Title **Christopher Go**  
*Chief Financial Officer*  
 Date May 11, 2021

Signature   
 Title **Gary B. Olivar**  
*Chief Operating Officer*  
 Date May 11, 2021

Signature   
 Title **Kristina Joyce C. Caro-Gañgan**  
*Corporate Secretary*  
 Date May 11, 2021

**SUBSCRIBED AND SWORN** to before me, a Notary Public for and in **QUEZON CITY**, Philippines, this 12 MAY 2021, affiants who are personally known to me and whose identity I have confirmed through their competent evidence of identity bearing the affiants' photograph and signature.

<u>Name</u>	<u>Identification</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Vittorio Paulo P. Lim	Drivers' License No. N02-02-001052	Mar. 10, 2018	LTO – Robinsons Galleria
Gary B. Olivar	Drivers' License No. X01-82-036691	Nov. 8, 2018	LTO – San Juan
Christopher C. Go	Passport No. P1142367A	Dec. 9, 2016	DFA – NCR East
Kristina Joyce C. Caro-Gañgan	Drivers' License No. D04-09-004375	Mar. 21, 2018	LTO – Biñan, Laguna

  
**NOTARY PUBLIC**

**GODFREY V. CAMALIGAN**  
 Notary Public for and in Quezon City  
 Valid until **Dec. 31, 2021**  
 .BP No. 103170; 03 January 2020, Quezon City  
 PTR No. 5242104; 04 January 2020, Pasig City  
 Adm Matter No 055 (2020-2021)  
 Roll No 46083 / TIN- 214-859-946  
 .FILE Comp No VI-0020608, March 25, 2019  
 . 2 Blk. Nito Street, Sigma Subdivision  
 . City Talipapa, Novaliches, Quezon City

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## Apollo Global Capital

### Statement of Management's Responsibility for Consolidated Financial Statements

The Management of **Apollo Global Capital, Inc.** and its subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2020 and 2019 and for the three years ended December 31, 2020, 2019 and 2018, in accordance with Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**Valdes Abad & Company, CPAs** and **Reyes Tacandong & Co.**, the independent auditors appointed by the shareholders for the years ended December 31, 2020 and 2019, respectively, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their reports to the shareholders, have expressed their opinions on the fairness of presentation upon completion of such audits.

**Salvador A. Santos-Ocampo**  
Chairman of the Board

**Vittorio Paulo P. Lim**  
President

**Christopher C. Go**  
Chief Financial Officer

Signed this 11<sup>th</sup> day of May, 2021.



# Apollo Global Capital

**SUBSCRIBED AND SWORN** to before me, a Notary Public for and in **QUEZON CITY**, Philippines, this 12 MAY 2021, affiants who are personally known to me and whose identity I have confirmed through their competent evidence of identity bearing the affiants' photograph and signature.

<u>Name</u>	<u>Identification</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Salvador A. Santos-Ocampo	Passport No. P1998740A	Feb. 23, 2017	DFA – NCR East
Vittorio Paulo P. Lim	Drivers' License No. N02-02-001052	Mar. 10, 2018	LTO – Robinsons Galleria
Christopher C. Go	Passport No. P1142367A	Dec. 9, 2016	DFA – NCR East

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**NOTARY PUBLIC**

**GODFREY V. CAMALIGAN**  
Notary Public for and in Quezon City  
Valid until **Dec. 31, 2021**  
BP No. 103170; 03 January 2020, Quezon City  
PTR No. 5242104; 04 January 2020, Pasig City  
Adm Matter No 055 (2020-2021)  
Roll No 46083 / TIN-214-859-946  
MCLE-Comp No VI-0020603, March 25, 2019  
Lot 8 Blk. Hito Street, Silvana Subdivision  
Brgy Tatipapa Novaliches, Quezon City

**STATEMENT OF REPRESENTATION**

**TO THE SECURITIES AND EXCHANGE COMMISSION:**

In connection with my examination of the consolidated financial statements of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY (Formerly Yehey! Corporation and Its Subsidiary)** which are to be submitted to the Commission, I hereby represent the following:

1. That I am in the active practice of the accounting profession and duly registered with the Board of Accountancy (BOA);
2. That said financial statements are presented in conformity with Philippine Financial Reporting Standards, in all cases where I shall express an unqualified opinion; except that in case of any departure from such principles, I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
3. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
4. That in the conduct of the audit, I shall comply with the Philippine Standards on Auditing promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion;
5. That I shall comply with the applicable rules and regulations of the Securities and Exchange Commission in the preparation and submission of financial statements; and
6. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under the Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representations in my individual capacity and as a partner in the accounting firm of **VALDES ABAD & COMPANY, CPAs**.

**VALDES ABAD & COMPANY, CPAs**

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

BIR Accreditation No. 08-002126-000-2021

Issued on March 19, 2021, Valid until March 18, 2024

SEC Accreditation No.0361-F

Issued on August 23, 2018 Valid until August 22, 2021

**For the firm:**



**ALFONSO L. CAY-AN**

**Partner**

CPA Registration No. 99805, Valid until December 14, 2023

TIN No. 213-410-741-000

PTR No. 8544054, Issued Date: January 8, 2021, Makati City

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

SEC Accreditation No. 1701-A

Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2021

Issued on March 19, 2021, Valid until March 18, 2024

# Valdes Abad & Company

(Formerly: Valdes Abad & Associates)

certified public accountants

CJV Building 108 Aguirre Street, Legaspi Village, Makati City, Philippines

Branches:

Cebu and Davao

Phone: (632) 8892-5931 to 35

(632) 8519-2105

Fax: (632) 8819-1468

Website: www.vacocpa.com.ph

BOA/PRC Reg. No. 0314

SEC Accreditation No. 0361-F



## INDEPENDENT AUDITOR'S REPORT

### The Shareholders and Board of Directors

#### **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

*(Formerly Yehey! Corporation and Its Subsidiary)*

Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave.,  
Brgy. Ugong Norte, Quezon City

### Opinion

We have audited the consolidated financial statements of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY** *(Formerly Yehey! Corporation and Its Subsidiary)* which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of income, statements of changes in equity, and statements of cash flows for the years ended December 31, 2020, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY** *(Formerly Yehey! Corporation and Its Subsidiary)* as of December 31, 2020 and 2019 and of its financial performances and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements as at and for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit and how we addressed the matter is summarized as follows:

#### *(a) Impairment Assessment of Mine Properties*

The carrying amount of mine properties amounted to ₱3.3 billion as of December 31, 2020. This represents 98% of the Group's total assets and the management assesses the impairment of its mine properties whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This matter requires the use of significant judgments and estimates and hence, is significant to our audit.

*Audit response*

We reviewed management's determination of impairment indicators and management's assessment on the recoverability of mine properties. We evaluated the assumptions used by the Group which include the estimated reserves, foreign exchange rate and discount rate and compared them against available market and industry information, taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. We also reviewed the adequacy of the Group's disclosures in Note 5, Significant Judgment, Accounting Estimates and Assumptions, and Note 11, Mine Properties of the consolidated financial statements.

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

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 PSAs 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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.
- (ii) 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 entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (iv) 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 entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to

draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may be 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

#### **Other Information**

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

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

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

**Other Matters**

The consolidated financial statements of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY (Formerly Yehey! Corporation and Its Subsidiary)** for the years ended December 31, 2019 and December 31, 2018 were audited by another independent auditor whose report dated June 2, 2020 and April 12, 2019, respectively, expressed an unqualified opinion on those financial statements.

**VALDES ABAD & COMPANY, CPAs**

BOA/PRC Reg. No. 0314

Issued on October 4, 2018, Valid until July 10, 2021

BIR Accreditation No. 08-002126-000-2021

Issued on March 19, 2021, Valid until March 18, 2024

SEC Accreditation No.0361-F

Issued on August 23, 2018 Valid until August 22, 2021

**For the firm:**



**ALFONSO L. CAY-AN**

**Partner**

CPA Registration No. 99805, Valid until December 14, 2023

TIN No. 213-410-741-000

PTR No. 8544054, Issued Date: January 8, 2021, Makati City

BOA/PRC Reg. No. 0314

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Issued on August 23, 2018, Valid until August 22, 2021

BIR Accreditation No. 08-002126-005-2021

Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines  
May 11, 2021



**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**Consolidated Statements of Financial Position**



As at December 31, 2020

	Note/s	2020	2019
<b><u>ASSETS</u></b>			
<b>Current assets:</b>			
Cash	9	₱ 909,057	₱ 1,284,390
Other current assets	10	3,942,010	3,634,557
<b>Total current assets</b>		<b>₱ 4,851,067</b>	<b>₱ 4,918,947</b>
<b>Non-current assets:</b>			
Mine properties	11	₱ 3,288,748,565	₱ 3,284,054,565
Advances to contractors	12	44,888,691	42,690,538
Property & equipment – net	13	2,427,268	1,230,174
Website costs	14	360,777	360,777
Deferred tax asset	21	6,154,303	5,431,194
<b>Total non-current assets</b>		<b>₱ 3,342,579,604</b>	<b>₱ 3,333,767,248</b>
<b>TOTAL ASSETS</b>		<b>₱ 3,347,430,671</b>	<b>₱ 3,338,686,195</b>
<b><u>LIABILITIES &amp; EQUITY</u></b>			
<b>Current liabilities:</b>			
Accounts & other payables	15	₱ 41,576,576	₱ 40,237,120
Interest-bearing loans & borrowings – current	16	13,950,000	–
Advances from contractors	24	55,151,000	55,151,000
<b>Total current liabilities</b>		<b>₱ 110,677,576</b>	<b>₱ 95,388,120</b>
<b>Non-current liabilities:</b>			
Interest-bearing loans & borrowings – net of current portion	16	₱ 23,600,000	₱ 13,950,000
Deposits for future stock subscriptions	23	–	246,149,562
Advances from related parties	23	247,924,585	1,682,983
<b>Total non-current liabilities</b>		<b>₱ 271,524,585</b>	<b>₱ 261,782,545</b>
<b>Total liabilities</b>		<b>₱ 382,202,161</b>	<b>₱ 357,170,665</b>
<b>Equity:</b>			
Share capital	17	₱ 2,803,363,493	₱ 2,803,363,493
Share premium	17	17,586,961	17,586,961
Accumulated losses		(101,328,091)	(86,178,648)
Total equity attributable to Parent Company's shareholders		₱ 2,719,622,363	₱ 2,734,771,806
Non-controlling interest	6	245,606,147	246,743,724
<b>Total equity</b>		<b>₱ 2,965,228,510</b>	<b>₱ 2,981,515,530</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>₱ 3,347,430,671</b>	<b>₱ 3,338,686,195</b>

See accompanying notes to the consolidated financial statements.

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

### Consolidated Statements of Comprehensive Income

		For the years ended December 31,		
	Note/s	2020	2019	2018
Revenues		₱ –	₱ –	₱ –
Direct costs		–	–	–
Gross profit		₱ –	₱ –	₱ –
General & administrative costs	18	(15,734,516)	(18,982,963)	(16,039,520)
Operating loss		₱ (15,734,516)	₱ (18,982,963)	₱ (16,039,520)
Finance income	20	4,797	2,292,074	2,275,959
Finance costs	20	(1,276,450)	(2,177,028)	(600,000)
Other income (losses) – net	20	(3,960)	(969)	1,351
Loss before tax benefit		₱ (17,010,129)	₱ (18,868,886)	₱ (14,362,210)
Income tax benefit	21	723,109	1,181,491	2,028,857
Loss for the period		₱ (16,287,020)	₱ (17,687,395)	₱ (12,333,353)
Loss attributable to:				
Parent Company		₱ (15,149,443)	₱ (16,001,786)	₱ (10,195,983)
Non-controlling interests		(1,137,577)	(1,685,609)	(2,137,370)
		₱ (16,287,020)	₱ (17,687,395)	₱ (12,333,353)
Basic loss per share	22	₱ (0.00005)	₱ (0.00006)	₱ (0.00004)

See accompanying notes to the consolidated financial statements.

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

### Consolidated Statements of Changes in Equity

For the years ended December 31, 2020, 2019 and 2018

Note/s	Equity Attributable to Parent Company's Shareholders				Total	Non-controlling Interests	Total Equity
	Share Capital	Share premium	Accumulated Losses				
	17	17			6		
Balances at January 1, 2020	₱ 2,803,363,493	₱ 17,586,961	₱ (86,178,648)	₱ 2,734,771,806	₱ 246,743,724	₱ 2,981,515,530	
Loss for the period	—	—	(15,149,443)	(15,149,443)	(1,137,577)	(16,287,020)	
<b>Balances at December 31, 2020</b>	<b>₱ 2,803,363,493</b>	<b>₱ 17,586,961</b>	<b>₱ (101,328,091)</b>	<b>₱ 2,719,622,363</b>	<b>₱ 245,606,147</b>	<b>₱ 2,965,228,510</b>	
Balances at January 1, 2019	₱ 2,751,960,715	₱ 17,586,961	₱ (70,176,862)	₱ 2,699,370,814	₱ 516,036,443	₱ 3,215,407,257	
Issuance during the year (see Note 16 and 17)	51,402,778	—	—	51,402,778	—	51,402,778	
Additional acquisition of NCI (see Note 6)	—	—	—	—	(267,607,110)	(267,607,110)	
Loss for the period	—	—	(16,001,786)	(16,001,786)	(1,685,609)	(17,687,395)	
Balances at December 31, 2019	₱ 2,803,363,493	₱ 17,586,961	₱ (86,178,648)	₱ 2,734,771,806	₱ 246,743,724	₱ 2,981,515,530	
Balances at January 1, 2018	₱ 2,751,960,715	₱ 17,586,961	₱ (59,980,879)	₱ 2,709,566,797	₱ 518,173,813	₱ 3,227,740,610	
Loss for the period	—	—	(10,195,983)	(10,195,983)	(2,137,370)	(12,333,353)	
Balances at December 31, 2018	₱ 2,751,960,715	₱ 17,586,961	₱ (70,176,862)	₱ 2,699,370,814	₱ 516,036,443	₱ 3,215,407,257	

See accompanying notes to the consolidated financial statements.

# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Consolidated Statements of Cash Flows

		For the years ended December 31,		
	Note/s	2020	2019	2018
<b>Cash flows from operating activities:</b>				
Loss for the year before tax		₱ (17,010,129)	₱ (18,868,886)	₱ (14,362,210)
Adjustments for:				
Finance income	20	(4,796)	(2,292,074)	(2,275,959)
Finance costs	20	1,276,450	2,177,028	600,000
Unrealized foreign exchange loss (gain)	20	3,960	969	(1,351)
Depreciation	13	580,054	418,573	45,552
Operating loss before working capital adjustments		₱ (15,154,461)	₱ (18,564,390)	₱ (15,993,968)
Working capital adjustments:				
Decrease (Increase) in:				
Advances to contractors		(2,198,153)	(2,112,575)	(15,380,858)
Other current assets		(307,453)	(880,021)	(126,054)
Other non-current assets		–	–	153,152
Increase (Decrease) in:				
Accounts & other payables		1,339,456	(1,059,701)	(99,349)
Advances from contractors		–	3,651,000	–
Net cash used in operations		₱ (16,320,611)	₱ (18,965,687)	₱ (31,447,077)
Interest received	20	4,796	19,753	3,638
Income tax paid		–	(45,446)	(45,446)
<i>Net cash used in operating activities</i>		₱ (16,315,815)	₱ (18,991,380)	₱ (31,488,885)
<b>Cash flows from investing activities:</b>				
Additional acquisition of NCI of subsidiary	6	₱ –	₱ (267,607,110)	₱ –
Collection of:				
Loan receivable		–	254,500,000	–
Interest receivable		–	12,834,071	–
Advances to related parties	23	–	2,595,022	7,410,856
Additions to:				
Mine properties	11	(4,694,000)	(26,900,514)	(29,726,658)
Property & equipment	13	(1,777,148)	(1,573,129)	(62,223)
Website costs	14	–	(34,677)	–
<i>Net cash used in investing activities</i>		₱ (6,471,148)	₱ (26,186,337)	₱ (22,378,025)
<b>Cash flows from financing activities:</b>				
Proceeds from loans & borrowings	16, 17	₱ 23,600,000	₱ 63,950,000	₱ –
Repayment of loans & borrowings	23	–	(10,000,000)	–
Proceeds from (return of) deposits for future stock subscriptions	23	–	(8,077,745)	61,515,000
Availments (repayments) of advances from related parties	23	92,040	(179,981)	(7,192,215)
Interest paid	20	(1,276,450)	(774,250)	–
<i>Net cash provided by financing activities</i>		₱ 22,415,590	₱ 44,918,024	₱ 54,322,785
<i>Effects of foreign exchange rate changes on cash</i>	20	(3,960)	(969)	1,351
<b>Net increase (decrease) in cash</b>		₱ (375,333)	₱ (260,662)	₱ 457,226
<b>Cash at beginning of year</b>		1,284,390	1,545,052	1,087,826
<b>Cash at end of period</b>	9	₱ 909,057	₱ 1,284,390	₱ 1,545,052

See accompanying notes to the consolidated financial statements.

# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Notes to the Consolidated Financial Statements

As at December 31, 2020 and 2019, and

For each of the three-years in the period ended December 31, 2020

### 1. Reporting Entity

#### 1.1 Formation and Operations

**APOLLO GLOBAL CAPITAL, INC.** (the Parent Company or APL), formerly known as YEHEY! CORPORATION, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) per SEC Registration No. A199806865 on June 10, 1998. Prior to the approval of the change in the corporate name and its business on October 7, 2016, the Parent Company's primary purpose is to engage in the business of internal online-related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing websites; to engage in other pre-production and postproduction work on websites in the internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

On August 9, 2012, the SEC approved the Parent Company's application to list 27.8-billion common shares by way of introduction in the second board of the Philippine Stock Exchange (PSE) at an initial price of ₱1 per share. On October 18, 2012, the Parent Company was listed in the PSE.

As of December 31, 2014, the Parent Company is 66.95% owned by Vantage Equities, Inc. (Vantage), a company also incorporated in the Philippines and listed in the PSE. On July 7, 2015, Vantage entered into a Sale and Purchase Agreement (SPA), with third party buyers for the sale of the entire shares owned by Vantage. Under the SPA, the closing of the transfer of the Sale Shares is subject to and conditioned upon the conduct and completion of a mandatory tender offer as well as the payment of the purchase price, which conditions have been complied with on October 15, 2015. Accordingly, on October 15, 2015, the Parent Company ceased as a majority owned subsidiary of Vantage when Vantage sold its shares at ₱290 million to a group of individual shareholders.

Pursuant to the SPA, the Board of Directors (BOD) of the Parent Company approved on October 30, 2015 the assignment of the noncash assets and liabilities of the Parent Company to Vantage. Total amount assigned is a net liability of ₱2,693,438. Such amount was recognized as miscellaneous income in the Parent Company's 2015 separate statement of comprehensive income.

On December 7, 2015, the BOD approved the change of the Parent Company's name from YEHEY! CORPORATION to APOLLO GLOBAL CAPITAL, INC. The amendment was filed with the SEC and was approved on October 7, 2016. Along with the change in the corporate name, the Parent Company's primary purpose was likewise amended to that of a holding company which is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences, of indebtedness, and other securities, or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership.

The current registered office address of the Parent Company is located at Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City.

## 1.2 Subsidiary Information

JDVC Resources Corporation (referred to as “JDVC” or the “Subsidiary”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 2011 under SEC Reg. No. CS201120574. The Subsidiary is primarily established to carry on business of exploring, prospecting and operating mines and quarries of all kind of ores and minerals, metallic and non-metallic, such as nickel, iron, gold, copper, silver, lead, manganese, chromite, molybdenite pyrite, sulfur, silica, kaolin clay, zeolite, perlite, diatomaceous earth, diorite, basalt, gabbro, coal, hydrocarbons, oil, natural gas, etc.; filing, negotiating or applying for mineral agreements, operating agreements, mining leases, timber and water rights and surface rights, and of milling concentrating, processing, refining and smelting such minerals, and manufacturing, utilizing, trading, marketing or selling such mineral products, likewise acquiring and operating all kinds of equipment, vehicles, instruments, machineries, chemicals supplies and other logistic structures that may be vital and necessary for the furtherance of the foregoing purposes, with financial and technical assistance agreement with the government.

The Subsidiary’s principal and administrative office address is at 2nd Floor L&L Bldg., Panay Ave. Cor. EDSA, Quezon City.

The Parent Company and its subsidiary are collectively known herein as the “Group”. On February 17, 2017, the Parent Company and JDVC’s shareholders entered into a Deed of Exchange of Shares where in the former had issued 247,396,071,520 shares (par value of ₱0.01 per share) in exchange for 4,133,740 shares (par value of ₱100 per share) at an exchange price of ₱598.48 of the latter. The deed covering the transaction was approved by SEC on October 9, 2017. As a result of this transaction, the Parent Company owns 82.67% of JDVC.

In December 2019, the Parent Company purchased additional 389,530 shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in ownership of JDVC to 90.47%.

## 1.3 Approval on the Release of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at December 31, 2020 (including comparative amounts as at December 31, 2019 and for the years ended December 31, 2019 and 2018) were approved and authorized for issue by the Board of Directors on May 11, 2021.

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## 2. Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared using the measurement bases specified by Philippine Financial Reporting Standards (PFRS) for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

### 2.1 Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with PFRS.

The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS), interpretations of the Philippine Interpretations Committee (PIC), and Philippine interpretations from International Financial Reporting Interpretations Committee. These standards are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy (BOA).

### 2.2 Going Concern Assumption

The preparation of the accompanying consolidated financial statements of the Group is based on the premise that the Group operates on a going concern basis, which contemplate the realization of assets

and settlement of liabilities in the normal course of business. The management does not intend to liquidate.

### 2.3 Functional and Presentation Currency

The consolidated financial statements are presented in Philippine Pesos (₱), the Group's functional and presentation currency.

Items included in the consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

All values are presented in absolute amounts and are rounded off to the nearest peso except when otherwise indicated.

### 2.4 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiary, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of JDVC are prepared for the same reporting period as that of the Parent Company, using consistent accounting policies.

#### Investment in Subsidiary

Subsidiaries are entities (including structured entities) over which the Parent Company has control. The Parent Company has control when (a) it has power over the entity, (b) it is exposed, or has rights to, variable returns from its involvement with the entity, and (c) it has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date the Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

#### Non-controlling Interests

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statements of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statements of changes in equity. The account consists of the amount of those interests at the date of original business combination and are adjusted with their respective share in changes in equity since the date of the business combination.

#### Business Combinations

The acquisition method is applied to account for acquired subsidiaries. This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Company, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities, including contingent liabilities, assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquire, either at fair value

or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income (OCI). Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value and any resulting gain or loss is recognized in profit or loss or OCI, as appropriate.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested annually for impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### Transactions with Non-controlling Interests

The Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interests results in gains and losses for the Group that are also recognized in equity.

#### Loss of Control and Disposal of Subsidiaries

When the Group ceases to have control over a subsidiary, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss.

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### **3. Changes in Accounting Policies**

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements:

#### **3.1 New and Amended Standards Effective in 2020**

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning January 1, 2020:

a.) **Conceptual Framework for Financial Reporting**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements of any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.



The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

b.) PFRS 3 (amendments), *Business Combinations – Definition of a Business*.

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

c.) PAS 1 (amendments), *Presentation of Financial Statements*, and PAS 8 (amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*.

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

d.) PFRS 9, PAS 39 and PFRS 7 (amendments), *Interest Rate Benchmark Reform*.

The amendments will affect entities that apply the hedge accounting requirements of PFRS 9 or PAS 39 to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

e.) IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 (amendments), *References to the Conceptual Framework in IFRS Standards*.

The pronouncements are updated to indicate which version of the framework they are referencing to or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

An entity applies those amendments prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

### 3.2 New and Amended Standards Effective Subsequent to 2020 but not Early Adopted

Pronouncements issued but not yet effective as at December 31, 2020 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the consolidated financial statements.

#### Effective beginning on or after June 1, 2020

a.) PFRS 16 (amendments), *Leases – COVID-19 Related Rent Concessions*.

The amendments introduce an optional practical expedient that simplifies how the lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before June 30, 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

The amendment is effective for annual reporting period beginning on or after June 1, 2020. Early application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as the adjustment to the opening balance of the accumulated profits or other component of equity, as appropriate.

#### Effective beginning on or after January 1, 2021

- a.) PFRS 9, PFRS 7, PFRS 4 and PFRS 16 (amendments), *Interest Rate Benchmark Reform – Phase 2*  
The amendments provide in the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships;
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively.

#### Effective beginning on or after January 1, 2022

- a.) PFRS 3 (amendments), *Reference to the Conceptual Framework*.  
The amendments are intended to replace a reference to the Framework for the *Preparation and the Presentation of Financial Statements*, issued in 1989, with reference to the conceptual framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle in PFRS 3 was added to avoid the issue of potential “day 2” gains or losses arising from liabilities and contingent liabilities that would be in the scope of PAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the existing guidance in PFRS 3 for contingent assets that would not be affected was clarified by replacing the reference to the Framework for the *Preparation and Presentation of the Financial Statements*. The amendments are effective for annual reporting period beginning on or after January 1, 2022 and apply prospectively.

The Group is currently assessing the impact of adopting these amendments.

- b.) PAS 16 (amendments), *Property, Plant and Equipment – Proceeds before Intended Use*.  
The amendments prohibit the Group from 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 the management. Instead, the Group recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual reporting period beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the earliest period presented when the Group first apply the amendment.

These amendments are not expected to have a material impact on the consolidated financial statements of the Group.

c.) PAS 37 (amendments), *Onerous Contracts – Cost of Fulfilling a Contract*.

The amendments specify which costs an entity needs to include in assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental cost and allocation of costs directly related to contract activities. General and administrative costs that do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning January 1, 2022. The Group will apply the amendments to contracts which it has not yet fulfilled its obligations at the beginning of the annual reporting period in which it first applies its amendments.

Effective beginning on or after January 1, 2023

a.) PFRS 17, *Insurance Contracts*.

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

b.) PAS 1 (amendments), *Classification of Liabilities as Current or Non-current*.

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any assets, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of “settlements” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

#### Deferred

- a.) PFRS 10 (amendments), *Consolidated Financial Statements*, and PAS 28 (amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

### **3.3 Annual Improvements to PFRS**

The annual improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

#### 2018 to 2020 Cycle

The Annual Improvements to PFRSs (2018-2020 Cycle) are effective for annual periods beginning on or after January 1, 2022, with retrospective application.

- a.) PFRS 1, *Subsidiary as a First-Time Adopter*.

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1: D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1: D16 (a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- b.) PFRS 9 (amendments), *Financial Instruments – Fees in the '10 per cent' Test for the Derecognition of the Financial Liabilities*.

The amendment clarifies the fee that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to the financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the

amendment. The amendments are not expected to have a material impact on the consolidated financial statements.

b.) PAS 41 (amendments), *Agriculture – Taxation in Fair Value Measurements*.

The amendments removed the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the consolidated financial statements.

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#### 4. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below and have been applied consistently to all years presented, unless otherwise stated.

##### 4.1 Current versus Non-current Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current or non-current classification. An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current when it is:

- Expected to be settled in its normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other assets and liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

##### 4.2 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Committee (ExeCom), its chief operating decision-maker. The ExeCom is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's main service lines as disclosed in Note 6, which represent the main services provided by the Group.

Each of these operating segments is managed separately as each of these service lines require different resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its consolidated financial statements.

There have been no significant changes from prior periods in the measurement methods used to determine reported segment profit or loss.

### 4.3 Cash

Cash includes cash on hand and in banks. It is unrestricted in use and is measured at face value. Cash in banks earns interest at the prevailing bank deposit rates.

### 4.4 Fair Value Measurement

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or,
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of observable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

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

Level 2 : Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 : Inputs for assets or liabilities that are not based on observable market data (unobservable inputs)

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring and non-recurring fair value measurements.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### 4.5 Financial Instruments

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date on which the Group commits to purchase or sell the assets.

#### “Day 1” Difference

When the transaction price 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 unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized 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 amount.

#### Initial Recognition

The Group initially measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at transaction price determined under PFRS 15.

#### Classification and Subsequent Measurement of Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI or FVPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets or both.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss (debt instruments);
- Financial assets designated at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss (equity instruments); or,
- Financial assets at FVPL

*Financial Assets at Amortized Cost.* The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method, less any impairment in value. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost includes cash, and security and bond deposits.

*Security and Bond Deposits.* These are refundable, noninterest-bearing and unsecured amounts upon the termination of contracts with lessors and utilities companies or the performance of commitments covered by certain provisions of contracts.

Financial Assets at FVOCI – Debt Instruments. The Group measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and,
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

These financial assets are subsequently measured at fair value. Gains and losses arising from changes in fair value are included in OCI within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit or loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost.

Financial Assets at FVOCI – Equity Instruments. The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. The classification is determined on an instrument-by-instrument basis.

Gains or losses on these financial assets are never recycled to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of comprehensive income.

As of reporting date, the Group does not have any financial assets at FVPL, or any debt or equity instruments at FVOCI.

#### Classification and Subsequent Measurement of Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL or financial liabilities at amortized cost.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual agreement 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.

After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.



Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statements of comprehensive income.

Financial liabilities at amortized cost include accounts & other payables, and loans & borrowings.

Accounts & Other Payables. Accounts and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Loans & Borrowings. Loans and other similar borrowings are raised for funding support of operations or projects.

Financial Liabilities at FVPL. Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of comprehensive income.

A financial liability may be designated at FVPL if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch);
- a host contract contains one or more embedded derivatives; or,
- a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in OCI.

The Group has not designated any financial liability at FVPL. As of reporting date, the Group has no financial liability at FVPL.

#### Reclassification of Financial Instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

#### Classification of Financial Instruments Between Debt and Equity

Financial instruments are classified as debt or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

- deliver cash or another financial asset to another entity; or
- 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.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Derecognition

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 rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations of that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the financial liability is discharged or cancelled or has expired. Where 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 financial liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

#### Offsetting Financial Instruments

Financial assets and 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 an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assess that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

## **4.6 Inventories**

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is calculated using the weighted average method. NRV represents the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When the NRV of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in profit or loss. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are used and sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

#### **4.7 Mine Properties**

Mine properties consist of mineral assets, mining development costs, and patent.

##### Mineral Assets

Mineral assets include costs incurred in connection with acquisition of rights over mineral reserves. Rights over mineral reserves, which are measured, indicated or inferred, are capitalized as part of mineral assets 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.

Mineral assets are subject to depletion upon 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.

##### Mining Development Costs

*Exploration and Evaluation Assets.* Exploration and evaluation assets include costs incurred in connection with exploration activities. Exploration and evaluation assets are 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. It includes:

- Gathering exploration data through geological studies;
- Exploratory drilling and sampling; and,
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

*Mine Under Development.* Once the technical feasibility and commercial viability of extracting the reserves are demonstrable, exploration and evaluation assets are tested for impairment and reclassified to mine under development, a subcategory of mine properties.

After transfer of the exploration and evaluation assets, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized in mines under development. Development expenditure is net of proceeds from the sale of minerals extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if these are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognized in the consolidated statements of comprehensive income.

*Producing Mines.* Upon start of commercial operations, mine under development are reclassified as part of producing mines, a subcategory of mine 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 properties.

#### Patent

Patent includes directly attributable costs incurred to acquire or obtain the rights to the use of the siphon vessel for the Group's offshore mining and/or incidental costs related to the registration and protection of a patent.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset is assessed as indefinite if it is expected to contribute net cash inflows indefinitely and is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

### **4.8 Property and Equipment**

These are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Initial Recognition

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated costs of dismantling and removing the property and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost.

#### Subsequent Expenditures

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the period which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

#### Subsequent Measurement

Property and equipment accounted for under the cost model and are stated at cost less accumulated depreciation and depletion and any impairment in value.

#### Depreciation and Depletion Method

Depletion or amortization of mine and mining properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other property and equipment is computed using the straight-line method to allocate their cost over their EUL or mine life, whichever is shorter, as follows:

<u>Asset</u>	<u>Estimated Useful Life</u>
Office furniture & equipment	3 years
Motor vehicles	3-5 years

Depreciation or depletion of an item of property and equipment begins when it becomes available for use i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated recoverable reserves, EUL, and depreciation and depletion method are reviewed periodically to ensure that the period and method of depreciation and depletion are consistent with the expected pattern of economic benefits from items of property and equipment.

#### Derecognition

Full depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation and depletion is charged against current operations. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and depletion and accumulated impairment loss, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

### **4.9 Other Assets**

Other assets mainly consist of prepayments and other prepaid expenses. Other assets are carried at cost. Other assets that are expected to be realized within 12 months after reporting date are classified as current assets. Otherwise, these are classified as non-current assets.

### **4.10 Impairment of Assets**

If an asset's carrying amount is higher than its recoverable amount, the asset is judged to have suffered an impairment loss. The asset shall therefore be written-down to its recoverable amount and the difference shall be reported as impairment loss chargeable against operations during the period the loss was recognized.

#### Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are also recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

The Group applies a simplified approach in calculating ECLs for trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. 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.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

#### Non-financial Assets

The Group assesses at each reporting date whether there is an indication that its non-financial assets (e.g., property and equipment, investment properties, and intangible assets) may be impaired. If any

such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is calculated as the higher of the asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In determining fair value less costs to sell, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses are recognized in the expense categories of profit or loss consistent with the function of the impaired asset.

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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Mine Properties

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and,
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Mine properties are reassessed for impairment on a regular basis.

#### **4.11 Other Liabilities**

Other liabilities mainly consist of statutory payables. Other liabilities that are expected to be earned or settled within 12 months after reporting date are classified as current liabilities. Otherwise, these are classified as non-current liabilities.

#### 4.12 Value-Added Tax (VAT)

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT 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 VAT included.

Output tax pertains to the 12% VAT received or receivable on the local sale of goods or services by the Group. Input tax pertains to the 12% VAT paid or payable by the Group in the course of its trade or business on purchase of goods or services. At the end of each taxable period, if output tax exceeds input tax, the outstanding balance is paid to the taxation authority. If input tax exceeds output tax, the excess shall be carried over to the succeeding months.

#### 4.13 Deposits for Future Stock Subscriptions

Deposits for future subscription of the Company's shares are amounts received based on a Subscription Agreement, where the Company shall issue a fixed number of its own shares for a fixed amount of cash or property, and the Company shall not be contractually obligated to return these deposits to the subscribers. The deposits are recorded based on the amounts received from subscribers.

Pursuant to SEC Financial Reporting Bulletin 006 (the Bulletin), as revised, the Deposits for Future Subscription shall be classified as equity if, and only if, all of the following elements are present as of the end of the reporting periods:

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

If Deposits for future subscription fails to qualify as equity, it shall be classified as a liability.

#### 4.14 Equity

Equity is the residual interest in the assets of the Group after deducting all of its liabilities. It is increased by profitable operations and contribution by owners but is decreased by unprofitable operations and distribution to owners.

##### Share Capital and Share Premium

Share capital is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction from proceeds, net of tax. Proceeds and/or fair value of consideration received in excess of par value are recognized as share premium.

##### Accumulated Profits (Losses)

Accumulated profits (losses) represent the cumulative balance of net profit or loss, dividend distributions, effect of changes in accounting policy and other capital adjustments. These represent unrestricted earnings which can be declared as dividends to shareholders.

##### Dividend Distribution

Dividend distribution to the Parent Company's shareholders is recognized as a liability and deducted from equity in the period in which the dividends are declared and approved by the BOD. Dividends that are approved after the reporting period are disclosed as events after the end of the reporting period.

#### 4.15 Revenue Recognition

##### Revenue from Contracts with Customers

The Group is in the business of exploration and mining. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

To determine whether to recognize revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligation;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and,
5. recognizing revenue when/as performance obligations are satisfied.

For Step 1 to be achieved, the following gating criteria must be present:

- i. the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
- ii. each party's rights regarding the goods or services to be transferred or performed can be identified;
- iii. the payment terms for the goods or services to be transferred or performed can be identified;
- iv. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract; and,
- v. collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Group satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- i. the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- ii. the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- iii. the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to the performance obligations satisfied at a point in time is recognized as revenue when control of goods or services transfers to the customer. As a matter of accounting policy when applicable, if the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 5.

Sale of Mineral Products. Revenue from sale of mineral products is measured based on shipment value price, which is based on quoted metal prices in the London Metals Exchange (LME) and London Bullion Metal Association (LBMA) and weight and assay content, as adjusted for smelting charges to reflect the NRV of mineral products inventory at the end of the financial reporting period. Contract terms for the Group's sale of metals in concentrates and bullion allow for a price adjustment based on final assay results of the metal content by the customer. Income is recognized upon actual shipment of mineral products.



Interest Income. Interest income is recognized as the interest accrues using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount.

#### Contract Balances

Receivable from Customers. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

#### **4.16 Cost and Expense Recognition**

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Costs and expenses are recognized in profit or loss in the consolidated statements of comprehensive income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or,
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statements of financial position as an asset.

#### Production Costs and Excise Taxes

Production costs, which include all direct materials, power and labor costs, handling, hauling and storage, and other costs related to the mining and milling operations, and all direct expenses incurred for logistics and storeroom costs for mine and mining inventories, are expensed as incurred. Excise taxes pertain to the taxes paid or accrued by the Group for its legal obligation arising from the production of mineral products and are likewise expense when incurred.

#### Selling, Administrative, and Other Operating Expenses

Selling expenses are costs incurred to sell or distribute inventories. Administrative expenses normally include costs of administering the business as incurred by administrative departments. Other operating expenses are costs incurred other than for selling or administrative purposes.

#### **4.17 Leases**

The Group assesses at inception of contract whether a contract is, or contains, a lease. That is, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets.* The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of cost to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

*Lease liabilities.* At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense (unless they are incurred to produce inventories) in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the date of initial application. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets.* The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **4.18 Employee Benefits**

Employee benefits are all forms of consideration given by the Group in exchange for services rendered by employees or for the termination of employment.

##### Short-term Benefits

These benefits are recognized as expense in the period when the economic benefit is given or as an asset when such costs may be capitalized and is measured at an undiscounted basis. These include salaries, wages and social security contributions, leave entitlement, profit-sharing, bonuses, and other non-monetary benefits.

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

##### Termination Benefits

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either the Group's decision to terminate an employee's

employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefit, short-term employee benefits, or other long-term employee benefits.

#### Retirement Benefits

The Group does not have a defined contribution plan or any formal retirement plan that covers the retirement benefits of its employees. However, under the existing regulatory framework, Republic Act No. 7641, otherwise known as the *Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining agreement and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan.

Republic Act No. 7641 relates to a defined benefit plan. A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service, and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group. The Group's defined benefit post-employment plan covers all regular full-time employees.

#### **4.19 Borrowing Costs**

Borrowing costs directly attributable to the development of the Group's projects that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.20 Income Tax**

Income tax expense is composed of current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in OCI, in which case it is recognized in equity or OCI.

##### Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The current tax assets included in other current assets (presented as prepayments) and current tax liabilities presented as current tax payable are presented at gross amounts in the consolidated statements of financial position.

##### Deferred Tax

Deferred tax is provided using the liability method on 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, except;

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interest in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and by the parent, venture or investor, respectively, and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognized in OCI account are included in OCI account in the consolidated statements of comprehensive income and not in profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax 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 levied by the same taxation authority.

#### **4.21 Earnings per Share (EPS) Attributable to Equity Holders**

Basic EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent, after recognition of the dividend requirement of preferred shares, as applicable, by the weighted average number of issued and outstanding common shares during the year, after giving retroactive effect to any stock dividends declared during the year.

Diluted EPS is computed by dividing net profit or loss for the year attributable to common equity holders of the parent by the weighted average number of issued and outstanding common shares during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted EPS does not assume conversion, exercise, or other issue of potential common shares that would have an anti-dilutive effect on EPS.

The Group has no dilutive potential common shares outstanding.

#### **4.22 Provisions and Contingencies**

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. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented as part of profit or loss in the statement of comprehensive income, 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the 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.

#### **4.23 Foreign Currency Transactions and Translation**

Transactions denominated in foreign currency are recorded in functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of transaction. Monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences arising from settlement or translation are recognized in profit or loss in the consolidated statements of comprehensive income. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### **4.24 Related Party Transactions and Relationships**

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include:

- a.) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group;
- b.) associates;
- c.) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and,
- d.) the Group's retirement plan.

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

#### **4.25 Events after the Reporting Period**

Post year-end events that provide additional information about the Group's financial position at the reporting period (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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## 5. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### 5.1 Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements:

a.) *Assessing Significant Influence and Control*

Judgment is exercised in determining whether the Group has control or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

Management has assessed the level of influence the Parent Company has on JDVC and determines that it has control by virtue of the Parent Company holding 90.47% voting power over JDVC.

b.) *Accounting for Lease Commitments – Group as Lessee*

The Group has a lease agreement for its office space with a term of 12 months and is renewable upon mutual agreement of both parties. The Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed of exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on the short-term lease are recognized as expense on a straight-line basis over the lease term.

Rent expense arising from operating lease agreements amounted to ₱0.8-million, ₱0.7-million, and ₱0.8-million in 2020, 2019 and 2018, respectively (see Note 18).

c.) *Determining Costs to Capitalize as Mine Properties*

The capitalization of mine properties requires judgment in determining whether there are future economic benefits from future exploration or sale of reserves. It requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, recovery of such expenditure becomes unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

d.) *Assessing Production Start Date*

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- The level of capital expenditure compared to construction cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and,
- Ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mine property additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

e.) *Repairs and Maintenance*

Costs of repairs and maintenance that do not result in an increase in the future economic benefit of an item of property and equipment is charged to operations in the period it is incurred. Otherwise, it is capitalized as part of the asset.

## 5.2 Estimates and Assumptions

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

a.) *Fair Values of Financial Instruments*

PFRS requires that financial assets and financial liabilities be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies. Any change in the fair values of financial assets and financial liabilities directly affects profit or loss, equity, and the required disclosures.

Where the fair values of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair values are determined using valuation techniques that are generally-accepted market valuations including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values.

The fair values of financial assets and financial liabilities by category and their fair value hierarchy are set out in Note 24 to the financial statements.

b.) *Estimating Mineral Reserves and Resources*

Mineral reserves and resources estimate for development projects 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 costs 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 reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and extraction and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed area are subjected to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the number of proven reserves will be subject to future revision once additional information becomes available. As those areas are

further developed, new information may lead to revisions. The estimated recoverable reserves are used in of life of mine and forecasting the timing of the payment of provision for mine rehabilitation and decommissioning.

Depletion of mining property is computed based on ore extraction over the estimated volume of proved and probable ore reserves as estimated by the geologists. The Group recognized no depletion cost for years 2020, 2019 and 2018 since no production has yet been made.

c.) *Assessing Unit-of-Production Depletion*

Estimated recoverable reserves are used in determining the depletion of mine properties. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates for future capital expenditure. The Group uses the tons of minerals produced as the basis for depletion. Any change in estimates is accounted for prospectively.

d.) *Estimating Impairment of Mine Properties*

The Group assesses impairment on mine properties when facts and circumstances suggest that the carrying amount of mine properties may exceed its recoverable amount. The factors that the Group considers important which could trigger an impairment review include the following:

- A significant decline in the market capitalization of the entity or other entities producing the same commodity;
- A significant deterioration in expected future commodity prices;
- A large cost overrun on a capital project such as an overrun during the development and construction of a new mine;
- A significant revision of the life of mine plan; and,
- Adverse changes in government regulations and environmental law, including a significant increase in the tax or royalty burden payable by the mine.

In the event that the carrying amount of mine properties exceed its recoverable amount, an impairment loss will be recognized in profit or loss. Reductions in price forecasts, amount of recoverable mineral reserves and mineral resources, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's mine properties.

Management has assessed that there are no indicators of impairment on the Group's mine properties. Accordingly, no impairment loss was recognized in 2020, 2019 and 2018. The carrying amount of mine properties amounted to ₱3,288.7-million as at December 31, 2020 and ₱3,284.1-million as at December 31, 2019 (see Note 11).

e.) *Estimating Residual Values and Useful Lives of Property and Equipment*

The Group estimates residual values and useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that the future results of operations could be materially affected by changes in estimates brought by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded expenses and decrease non-current assets.

Related depreciation charged for the years 2020, 2019 and 2018 amounted to ₱580,054, ₱418,573 and ₱45,552, respectively. The carrying amounts of property and equipment



amounted to ₱2,427,268 and ₱1,230,174 as at December 31, 2020 and 2019, respectively (see Note 13).

*f.) Impairment of Non-financial Assets*

The Group assesses impairment on its non-financial assets and considers factors such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators.

If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the asset's fair value less cost to sell or value in use whichever is higher. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to be generated from the continued use of the asset.

Determining the recoverable amounts of the non-financial assets, which involve determination of future cash flows expected to be generated from continued use and ultimate disposition of such assets, require the use of estimates and assumptions that can materially affect the financial statements. Future events could indicate that these non-financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and performance of the Group.

*g.) Realizability of Deferred Tax Assets*

The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the amount 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 assets to be utilized in the future. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

The Group's deferred tax asset amounted to ₱6,154,303 and ₱5,431,194 as of December 31, 2020 and 2019, respectively (Note 21).

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## 6. Business Combination

On 17 February 2017, the Board of Directors of APL approved the subscription by certain individuals (the "Subscribers") to a total of 247,396,071,520 APL shares (the "subscription shares") to be issued out of the proposed increase of APL's capital stock in exchange for the assignment of the subscribers' 4,133,740 JDVC Resources Corporation ("JDVC") common shares to APL representing 82.67% of the outstanding capital stock of JDVC (the "share swap transaction").

The transfer value of the JDVC shares at ₱598.48 per share or an aggregate transfer value of ₱2,473,960,715.20 is based on the appraised value of JDVC's net assets at business combination date.

A deed of exchange and an amended deed of exchange covering the share swap transaction was entered into by APL and the subscribers on 17 February 2017 and 18 May 2017, respectively. The aforesaid increase in APL's capital stock and the above subscriptions (share swap transaction) was approved by the SEC on October 9, 2017.

### Acquisition of Non-controlling Interests

On December 10, 2019, the BOD approved the additional acquisition of 389,530 shares from existing stockholders of JDVC for ₱267.6 million. As a result, the Parent Company has 90.47% ownership of JDVC as at December 31, 2019 and no subsequent movement for the year ended December 31, 2020.

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## 7. Subsidiary with Material Non-controlling Interests

In determining whether an NCI is material to the Parent Company, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Parent Company's interests in these entities, and the effects of those interests on the Parent Company's financial position. Factors considered include, but not limited to, carrying value of the subsidiary's NCI relative to the NCI recognized in the Parent Company's consolidated financial statements, the subsidiary's contribution to the Parent Company's consolidated revenues and net income, and other relevant qualitative risks associated with the subsidiary's nature, purpose and size of activities.

Based on management's assessment, the Group has concluded that JDVC is considered a subsidiary with NCI that is material to the Parent Company.

The ability of the subsidiary to pay dividends or make other distributions or payments to their shareholders (including the Parent Company) is subject to applicable law and other restrictions contained in financing agreements, shareholder agreements and other agreements that prohibit or limit the payment of dividends or other transfers of funds.

The summarized financial information of JDVC is presented below, before inter-company eliminations but after consolidation adjustments for goodwill, other fair value adjustments on acquisition and adjustments required to apply uniform accounting policies at group level.

	2020	2019
Equity share held by NCI	9.53%	9.53%
<b>Summarized Statements of Financial Position:</b>		
Current assets	2,365,089	2,734,402
Non-current assets	841,142,623	833,669,240
Current liabilities	113,962,037	104,571,238
Non-current liabilities	269,749,562	260,099,562
Total Equity	459,796,113	471,732,842
Equity attributable to Parent Company shareholders	214,189,966	224,989,118
Equity attributable to NCI	245,606,147	246,743,724
<b>Summarized Statements of Comprehensive Income:</b>		
Revenues	-	-
Net loss	(11,936,729)	(10,866,738)
Loss attributable to Parent Company shareholders	(10,799,152)	(9,181,129)
Loss attributable to NCI	(1,137,577)	(1,685,609)
Dividends declared to NCI	-	-
Dividends paid to NCI	-	-
<b>Summarized Statements of Cash Flows:</b>		
Operating activities	(11,906,884)	(14,316,262)
Investing activities	(5,062,142)	4,627,656
Financing activities	16,585,035	9,809,723
Effects of changes in foreign exchanges rates in cash	(3,960)	(969)
Net increase (decrease) in cash	(387,951)	120,148

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## 8. Segment Information

The Group has only one business segment which is primarily involved in mining. The Group operates in one geographic location only and therefore, no information on geographical segment is presented.

## 9. Cash

This account consists of:

	2020		2019	
Petty cash fund	₱	20,000	₱	20,000
Cash in banks		889,057		1,264,390
<b>Total</b>	<b>₱</b>	<b>909,057</b>	<b>₱</b>	<b>1,284,390</b>

Cash in banks are demand deposit accounts in various universal banks that generally earn interest at their respective daily bank deposit rates.

Interest income earned from cash in banks amounted to ₱4,797, ₱19,753 and ₱3,638 for the years ended December 31, 2020, 2019 and 2018 (see Note 20).

Included in cash in banks are amounts in US dollar. The Group recognized unrealized foreign exchange gains (losses) in profit or loss arising from foreign exchange translation at year-end spot rates (see Note 20).

## 10. Other Current Assets

This account consists of:

	2020		2019	
Input taxes	₱	2,582,729	₱	2,325,276
Prior year's excess credit		1,237,509		1,237,509
Security deposit		71,772		71,772
Construction bonds		50,000		—
<b>Total</b>	<b>₱</b>	<b>3,942,010</b>	<b>₱</b>	<b>3,634,557</b>

Input tax is the 12% value added tax (VAT) on purchase of goods or services in the course of its trade or business. At the end of each taxable period, input tax can be applied against output tax.

Prior year's excess credits represent excess tax payments and credits over tax liabilities of the immediately preceding taxable period which may be refunded, converted to tax credit certificates, or carried over to the next taxable year.

Security deposits represent noninterest-bearing deposits made on lease and are usually refundable after the end of contract or services less any charges. Construction bonds represent noninterest-bearing bonds that are used to secure against damages during construction and will be refundable after the end of construction, net of any charges.

## 11. Mine Properties

The carrying amount of this account is as follows:

	Mineral Assets	Mining Development Costs	Patent	Total
<b>Cost:</b>				
As at December 31, 2018	₱ 2,500,098,008	₱ 668,056,043	₱ 89,000,000	₱ 3,257,154,051
Additions	—	26,900,514	—	26,900,514
As at December 31, 2019	₱ 2,500,098,008	₱ 694,956,557	₱ 89,000,000	₱ 3,284,054,565
Additions	—	4,694,000	—	4,694,000
<b>As at December 31, 2020</b>	<b>₱ 2,500,098,008</b>	<b>₱ 699,650,557</b>	<b>₱ 89,000,000</b>	<b>₱ 3,288,748,565</b>

JDVC was granted by the Department of Environment and Natural Resources (DENR) a Mineral Production Sharing Agreement (MPSA) No. 338-2010-II-OMR covering an area of approximately 14,240 hectares (ha) located within the municipal waters of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros,

Appari, Buguey, and Gonzaga, in the Province of Cagayan for a term of 25 years and renewable for another 25 years.

Originally, the MPSA was granted to Bo Go Resources Mining Corporation (Bo Go) on June 9, 2010. On November 25, 2011, Bo Go executed a deed of assignment (DOA) to transfer to JDVC all its rights and interest in and title to the MPSA. On January 27, 2012, the DOA was approved by the Mines and Geosciences Bureau (MGB) and was duly approved a year after, January 25, 2013, by the DENR.

The DOA, as approved, carries with it the responsibility to implement the Exploration Work Program and the Environmental Work Program which were eventually taken over by JDVC, as well as the submission of the regular Technical/Progress Reports. The Environmental Impact Assessment likewise was completed and presented to the various municipalities and stakeholders in the Province of Cagayan. After the approval of the DENR, pursuant to the agreement, the Subsidiary proceeded to do the Technical or Progress Report Exploration, Environmental Work Programs and Exploration Work Programs.

JDVC, through a DOA, transferred all rights and interest in the 2,400-ha portion of the MPSA No. 338-2010-II-OMR to Sanlorenzo Mines, Inc. The DOA was approved by the DENR on May 20, 2016. The remaining 11,840-ha was redennominated as MPSA No. 338-2010-II-OMR-Amended A.

On March 14, 2017, 3,161.84-ha of the remaining 11,840 ha were relinquished by JDVC in favor of the Government.

On August 9, 2017, the Subsidiary executed DOAs, which was registered with the DENR on April 2, 2018, assigning portion of MPSA No. 338-2010-II-OMR-Amended A as follows:

	Area Assigned (in ha)
Catagayan Iron Sand Mining Resources Corp.	3,182.78
Cagayan Ore Metal Mining Exploration Corp.	2,149.85
Catagayan Mining Resources (Phils.) Inc.	1,448.51

These companies were all incorporated in the Philippines and registered with the SEC on July 1, 2016, primarily to engage on the business of exploring, prospecting and operating mines and quarries of all kind of ores and minerals.

On August 6, 2019, the Declaration of Mining Project Feasibility filed by JDVC last May 25, 2016, was approved by the DENR authorizing JDVC to proceed with the Development and Operating Periods of MPSA No. 338-2010-II-OMR-Amended A covering the 4,999.24-ha, including extraction and commercial disposition of magnetite iron sand and other associated minerals at the offshore areas in the Province of Cagayan.

As at December 31, 2020, only 1,897.02-ha remains from contract area of the MPSA No. 338-2010-IIOMR-Amended A which has been fully explored since 2017.

#### Mineral Assets

Mineral assets pertain to the acquisition cost of the rights over mineral reserves represented by the excess of the fair value of shares issued by the Parent Company over the carrying amount of the net assets of JDVC when the Parent acquired 82.67% ownership JDVC.

#### Patent

Patent was acquired by Agbiag Mining Development Corporation (Agbiag) for the siphon vessel used in the exploration of the mining in Cagayan. Agbiag allows the Group to use its research, study and intellectual property right on a non-exclusive basis, for the duly researched and studied siphon vessel for the offshore magnetite iron sand commercial extraction through a MOA signed on September 2014.

The Group has an outstanding liability to Agbiag amounting to ₱37.5-million as at reporting dates (see Note 15).

### Mining Development Costs

Mining development costs include the costs incurred in the exploration and evaluation phase of mining. Such costs consist of expenditures related to the exploration of the mines, drilling activities, and other direct costs related to the exploration activities. The recovery of these costs depends upon the success of the exploration activities, the future development of the corresponding mining properties and the extraction of mineral products as these properties shift into commercial operations.

The exploration activities for the mine area of the Group were completed in 2017, hence, the related exploration and evaluation assets were transferred to mine under development. Mine under development are not subject to depletion until the production has commenced.

### Estimated Units of Production of Mine

The computation of ore reserve was done by a competent individual geologist using the Polygon Method. The ore reserve has a total of 606.458 million tons. With the computed indicated resource, the mine life for the current ore resource is 87.7 years for the siphoning and utilizing magnetic separation on-board of the vessels. With the yearly production schedule of 6.91 million tons of raw sand with an average magnetite fraction of 19.79% and 95% material recovery, the operations can yield an iron concentrate of 1.30 million metric tons per annum production, using 3 units of production lines of platform.

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## 12. Advances to Contractors

This account consists of:

		2020		2019
Agbiag Mining Development Corporation	₱	43,851,191	₱	41,690,538
Offshore Mining Chamber of the Philippines		1,000,000		1,000,000
Others		37,500		–
<b>Total</b>	<b>₱</b>	<b>44,888,691</b>	<b>₱</b>	<b>42,690,538</b>

This account pertains to the unsecured and noninterest-bearing cash advances extended by the Subsidiary to its contractors for the payment on permits, overhead fees, exploration services, depth and sounding survey studies and other technical expenses incurred by the latter.

These advances have no fixed repayment date and are not expected to be collected within one year from the financial reporting date, hence, classified as non-current asset in the consolidated statements of financial position.

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## 13. Property & Equipment

The roll-forward analyses of this account follows:

		Office Furniture & Equipment	Motor Vehicle		Total
Carrying amounts at December 31, 2018	₱	75,618	₱ –	₱	75,618
Additions		225,849	1,347,280		1,573,129
Depreciation for the period		(250,163)	(168,410)		(418,573)
Carrying amounts at December 31, 2019	₱	51,304	₱ 1,178,870	₱	1,230,174
Additions		1,777,148	–		1,777,148
Depreciation for the period		(74,824)	(505,230)		(580,054)
<b>Carrying amounts at December 31, 2020</b>	<b>₱</b>	<b>1,753,628</b>	<b>₱ 673,640</b>	<b>₱</b>	<b>2,427,268</b>

Reconciliation of the carrying amounts are as follows:

	December 31, 2020		
	Office Furniture & Equipment	Motor Vehicle	Total
Cost	₱ 2,226,145	₱ 1,347,280	₱ 3,573,425
Accumulated depreciation	(472,517)	(673,640)	(1,146,157)
Carrying amount	₱ 1,753,628	₱ 673,640	₱ 2,427,268

	December 31, 2019		
	Office Furniture & Equipment	Motor Vehicle	Total
Cost	₱ 448,997	₱ 1,347,280	₱ 1,796,277
Accumulated depreciation	(397,693)	(168,410)	(566,103)
Carrying amount	₱ 51,304	₱ 1,178,870	₱ 1,230,174

As at December 31, 2020 and 2019, there are no indication of any impairment loss on the carrying amount of property & equipment since its recoverable amount exceeds its carrying amount.

The amount of depreciation is charged to general and administrative expenses (see Note 18).

None of the properties were pledged or mortgaged as collateral to secure any of the Group's loans.

#### 14. Website Costs

Movement of this account is as follows:

	Website Costs
<b>Cost:</b>	
As at December 31, 2018	₱ 326,100
Additions	34,677
As at December 31, 2019	₱ 360,777
Additions	—
<b>As at December 31, 2020</b>	<b>₱ 360,777</b>

The Group's website is determined to have an indefinite useful life because considering all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group. Website cost is not amortized but is tested for impairment annually either individually or at the cash generating unit level.

As at December 31, 2020 and 2019, there are no indication of any impairment loss on the carrying amount of intangible assets since its recoverable amount exceeds its carrying amount.

#### 15. Accounts & Other Payables

This account consists of:

	2020	2019
Payable to a contractor	₱ 37,500,000	₱ 37,500,000
Statutory payables	415,699	348,263
Deferred output tax	818,036	818,036
Accrued expenses	2,097,698	821,450
Accounts payable	745,143	749,371
<b>Total</b>	<b>₱ 41,576,576</b>	<b>₱ 40,237,120</b>

Payable to a contractor pertains to the outstanding liability to Agbiag for the patent for the siphon vessel used in its exploration activities (see Note 12). It is payable on demand of Agbiag.

Statutory payables consist of withholding taxes and other payables to government agencies. Accrued expenses include professional fees and various unpaid expenses. Accounts payable consist of liabilities arising from transactions with suppliers and contractors related to the normal course of business.

These liabilities are unsecured and noninterest-bearing and are normally settled within the next 12 months.

## 16. Interest-bearing Loans & Borrowings

This account consists of unsecured, long-term loan obtained by the Group from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO). Details are as follows:

	Principal		Interest Rate	Maturity	Outstanding Balances	
	2020	2019			2020	2019
Loans from CBO, interest and principal payable upon maturity, unsecured	₱37.6-million	₱14.0-million	Fixed at 6%	2 years	₱ 37,550,000	₱ 13,950,000
<b>Total</b>					<b>₱ 37,550,000</b>	<b>₱ 13,950,000</b>

Total borrowing costs attributable to these loans amounted to ₱1,276,450, ₱2,177,028 and ₱600,000 for the years ended December 31, 2020, 2019 and 2018, respectively, and were charged as Interest expense in the consolidated statements of comprehensive income (see Note 20).

### Loan Facility from CBO

In October 2019, JDVC obtained credit from CBO to finance the Group's working capital requirements. The loans were drawn from a series of promissory notes in various dates, and as of reporting date, ₱37,550,000 (2019: ₱13,950,000) have been availed from CBO.

The loans bear a fixed annual interest of 6% per annum and have maturities of 2 years, with the option to convert the loan and accrued interest into common shares of JDVC, at the option of CBO, at any time during the loan period with an exercise price of ₱100 per share. The parties agreed that the loans are non-assignable and unless the lender exercises his conversion right, JDVC shall repay the loan, including the accrued interests, in full at maturity date.

The Group classifies currently maturing loans within the next 12 months as current liabilities amounting to ₱13,950,000 in the consolidated statements of financial position. The remaining loan balance are classified as non-current liabilities.

### Convertible Loan Agreement

On February 20, 2019, the BOD authorized the Parent Company to enter into a convertible loan agreement with a third party amounting to ₱50.0 million. The loan bears an interest of 5% per annum and will mature on February 20, 2021. The principal and interest are convertible to shares at ₱0.01 per share any time until the 10th day before the maturity date at the option of the third party (see Note 17).

## 17. Equity

Share capital consists of:

	No. of Shares		Amount	
	2020	2019	2020	2019
Authorized – ₱0.01 par value	600,000,000,000	600,000,000,000	₱ 6,000,000,000	₱ 6,000,000,000
Subscribed, Issued, paid-up & outstanding:				
Balance at beginning of year	280,336,349,297	275,196,071,520	₱ 2,803,363,493	₱ 2,751,960,715
Issuance of shares	–	5,140,277,777	–	51,402,778
Balance at end of year	280,336,349,297	280,336,349,297	₱ 2,803,363,493	₱ 2,803,363,493
Ordinary share capital	280,336,349,297	280,336,349,297	₱ 2,803,363,493	₱ 2,803,363,493

Below is the track record of issuance of the Parent Company's securities:

Date of Approval	Nature	Authorized	No. of Shares Issue/Offer	Price
October 18, 2012	Listing of shares	100,000,000,000	27,800,000,000	₱1.00
October 9, 2017	Share swap	600,000,000,000	247,396,071,520	0.01
September 11, 2019	Loan conversion	600,000,000,000	5,140,277,777	0.01

As at December 31, 2020, the Parent Company has a total of 799 shareholders.

#### Increase in Authorized Capital Stock of APL

On October 9, 2017, the SEC approved the increase in the capital stock of the Parent Company from ₱1.0-billion divided into 100.0-billion shares to ₱6.0-billion divided into 600.0-billion shares both with a par value of ₱0.01.

#### Convertible Loan Agreement

On September 11, 2019, the third party exercised the right to convert the loan (see Note 16) at ₱0.01 per share. On the same date, the BOD approved the conversion of the principal amount, including the interest accrued up to date of the conversion amounting to ₱1,402,778. The Parent Company issued additional 5,140,277,777 shares as a result of the conversion. Consequently, such valuation was duly approved by the SEC on December 7, 2020.

### 18. General & Administrative Costs

The following shows the breakdown of general & administrative costs:

	Note/s	2020	2019	2018
Professional fees		₱ 3,511,161	₱ 2,192,004	₱ 3,958,726
Salaries & employee benefits	19	3,058,192	2,500,096	2,706,987
Mobilization costs		2,298,021	3,368,891	1,601,195
Taxes & licenses		1,376,625	4,931,891	3,837,948
Representation		863,707	1,357,235	397,529
Rent	24	804,928	698,020	762,941
Transportation & travel		494,974	1,959,469	315,524
Office supplies		410,460	225,907	290,373
Advertising		170,048	–	–
Repairs & maintenance		82,156	185,649	2,500
Association dues		–	155,469	52,335
Depreciation	13	580,053	418,573	45,552
Miscellaneous		2,084,191	989,759	2,067,910
<b>Total</b>		<b>₱ 15,734,516</b>	<b>₱ 18,982,963</b>	<b>₱ 16,039,520</b>

Miscellaneous expenses mainly include various marginal expenses covering office utilities, bank charge, meetings and conferences, etc.

### 19. Employee Benefits

Expenses recognized for salaries & employee benefits are presented below:

	2020	2019	2018
Short-term employee benefits	₱ 3,058,192	₱ 2,500,096	₱ 2,706,987
<b>Total</b>	<b>₱ 3,058,192</b>	<b>₱ 2,500,096</b>	<b>₱ 2,706,987</b>

The amount of salaries & employee benefits is charged to general & administrative costs (see Note 18).



### Post-employment Defined Benefits

The Group has not established a formal retirement plan. As at the end of each reporting dates, the Group employs less than ten (10) employees, most of whom do not qualify or meet the minimum requirements of Retirement Pay Law. Therefore, as of reporting dates, no accrued retirement benefit obligation has been recognized. However, it is required to pay qualified employees retirement benefits under Republic Act No. 7641 once it meets the requirements of said law.

## 20. Finance and Other Income (Charges)

This account consists of the following:

	Note/s	2020	2019	2018
Interest income from bank deposits	9	₱ 4,797	₱ 19,753	₱ 3,638
Interest income from loans	23	–	2,272,321	2,272,321
Foreign exchange gain (loss)	9	(3,960)	(969)	1,351
Interest expense	16	(1,276,450)	(2,177,028)	(600,000)
Total		₱ (1,275,613)	₱ 114,077	₱ 1,677,310

## 21. Income Tax

The computation of tax expense (benefit) as reported in the statements of comprehensive income:

	2020	2019	2018
Current tax expense	₱ –	₱ 45,446	₱ 45,446
Deferred tax benefit	(723,109)	(1,226,937)	(2,074,303)
Income tax benefit	₱ (723,109)	₱ (1,181,491)	₱ (2,028,857)

The schedule of deferred tax assets is as follows:

	Consolidated statements of Financial Position		Consolidated statements of Comprehensive Income		
	2020	2019	2020	2019	2018
<b>Deferred tax assets:</b>					
NOLCO	₱ 6,154,303	₱ 5,431,194	₱ 723,109	₱ 1,226,937	₱ 2,074,303
Deferred tax assets – net	₱ 6,154,303	₱ 5,431,194			
Deferred tax benefit – net			₱ 723,109	₱ 1,226,937	₱ 2,074,303

The NOLCO of the business for any taxable year shall be carried over as a deduction from gross income for the next three (3) consecutive years. In effect, therefore, a tax benefit arises on the year the losses were incurred. Such tax benefits are reported in the statement of financial position as deferred tax assets and are reported at current statutory tax rates.

The Group believes that it is not reasonably probable that future taxable profit against which the benefit of the Group's deferred tax assets can be utilized. Details of recognized and unrecognized deferred tax assets of the Group are as follows:

	2020	2019	2018
<b>Unrecognized:</b>			
NOLCO	₱ 4,732,786	₱ 8,848,248	₱ 7,686,311
Excess MCIT	90,892	136,338	137,358
Total	₱ 4,823,678	₱ 8,984,606	₱ 7,823,669

<b>Recognized:</b>				
NOLCO	₱	<b>6,154,303</b>	₱	5,431,194
			₱	4,204,257
<b>Total</b>	<b>₱</b>	<b>6,154,303</b>	<b>₱</b>	<b>5,431,194</b>
			₱	<b>4,204,257</b>

The amount of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below:

<u>Taxable Years</u>	<u>Valid Until</u>	<u>Original Amount</u>	<u>Used/Expired</u>	<u>Balance</u>	<u>Tax Effect</u>
2020	2025*	₱ 13,850,107	₱ –	₱ 13,850,107	₱ 4,155,032
2019	2022	11,250,350	–	11,250,350	3,375,105
2018	2021	11,189,840	–	11,189,840	3,356,952
2017	2020	25,157,951	(25,157,951)	–	–
<b>Total</b>		<b>₱ 61,448,248</b>	<b>₱ (25,157,951)</b>	<b>₱ 36,290,297</b>	<b>₱ 10,887,089</b>

In 2020, the Government recognized the effect of COVID 19 pandemic to various Companies, therefore, enacted the Bayanihan to Recover as One Act (RA No. 11494). Under Section 4 (bbbb) of the Act, it allows qualified businesses which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The amounts of excess MCIT and the applicable years these are valid and deductible from the taxable income are shown below:

<u>Taxable Years</u>	<u>Valid Until</u>	<u>Original Amount</u>	<u>Used/Expired</u>	<u>Balance</u>
2019	2022	₱ 45,446	₱ –	₱ 45,446
2018	2021	45,446	–	45,446
2017	2020	45,446	(45,446)	–
<b>Total</b>		<b>₱ 136,338</b>	<b>₱ (46,446)</b>	<b>₱ 90,892</b>

The reconciliation of income tax at the statutory tax rate to the income tax as shown in the consolidated statement of comprehensive income is as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Income tax at statutory tax rate	₱ (5,103,039)	₱ (5,660,666)	₱ (4,308,663)
Change in unrecognized deferred tax assets	(4,160,928)	1,160,937	1,529,757
Tax effects of:			
Non-deductible expenses	949,446	2,291,487	502,967
Income subject to final tax	(1,439)	(5,926)	(1,091)
Expired NOLCO	7,546,405	986,231	248,173
Expired excess MCIT	46,446	46,446	–
<b>Income tax benefit</b>	<b>₱ (723,109)</b>	<b>₱ (1,181,491)</b>	<b>₱ (2,028,857)</b>

## 22. Basic Loss Per Share

Basic loss per share is computed as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Loss attributable to common shareholders of the Parent Company	₱ (15,149,443)	₱ (16,001,786)	₱ (10,195,983)
Divide by: Weighted average number of common shares outstanding*	280,336,349,297	276,759,279,282	275,196,071,520
<b>Basic loss per share</b>	<b>₱ (0.00005)</b>	<b>₱ (0.00006)</b>	<b>₱ (0.00004)</b>

Weighted average number of common shares outstanding is computed as follows:

	2020	2019	2018
Balance at beginning of year	280,336,349,297	275,196,071,520	275,196,071,520
Effect of shares issued during the year	–	1,563,207,762	–
Weighted average number of shares outstanding	280,336,349,297	276,759,279,282	275,196,071,520

There are no potential dilutive ordinary shares outstanding as at December 31, 2020, 2019 and 2018.

### 23. Related Party Transactions

The Group, in the normal course of business, has significant transactions with related parties pertaining to granting and availing of advances for operational expenses.

The details of the Group's related parties are summarized as follows:

Name of related party	Relationship	Country of Incorporation
Cagayan Ore Metal Mining Exploration Corporation	With common shareholders	Philippines
Catagayan Iron Sand Resources Corporation	With common shareholders	Philippines
Catagayan Mining Resources (Phils.) Inc.	With common shareholders	Philippines
Individuals	Key management personnel/shareholders	-

The Group, in the normal course of business, has entered into transactions with related parties principally consisting of:

Related Party	Nature	Terms & Conditions	Note/s	December 31, 2020	
				Amount of Transaction	Outstanding Receivable (Payable)
Shareholders	Advances for working capital purposes	Long-term, unsecured, non-interest bearing, repayable in cash		₱ 207,101,733	₱ (208,784,715)
	Deposits for future stock subscription	Long-term, unsecured, non-interest bearing, for future issuance of common shares of JDVC		(207,009,692)	–
Key Management personnel	Advances for working capital purposes	Long-term, unsecured, non-interest bearing, repayable in cash		39,139,870	(39,139,870)
	Deposits for future stock subscription	Long-term, unsecured, non-interest bearing, for future issuance of common shares of JDVC		(39,139,870)	
Related Party	Nature	Terms & Conditions	Note/s	December 31, 2019	
Entities under Common Control	Advances to related parties – reimbursement of expenses	Long-term, unsecured, non-interest bearing, collectible in cash, not impaired		2,595,022	–
Shareholders	Advances for working capital	Long-term, unsecured, non-interest bearing, repayable in cash		(179,981)	(1,682,983)
	Deposits for future stock subscription	Long-term, unsecured, non-interest bearing, for future issuance of common shares of JDVC		(8,077,745)	(207,009,692)

Key Management personnel	Interest-bearing loan for working capital purposes	Long-term, unsecured, 0.5% monthly interest, repayable in cash	(10,000,000)	–
	Deposits for future stock subscription	Long-term, unsecured, non-interest bearing, for future issuance of common shares of JDVC	–	(39,139,870)

#### Advances from Related Parties

The Group often borrows funds to finance its operating expenses and working capital. The advances are unsecured, noninterest-bearing and are repayable in cash beyond 12 months. The Group has the discretion to refinance these advances on a long-term basis and expects to repay the advances when the Group has sustained sufficient financial capacity.

#### Loan from Related Party

In 2017, the Group obtained an unsecured loan from a related party amounting to ₱10.0-million for working capital purposes. The loans bear a monthly interest rate of 0.5%. The loan was paid in full in 2019.

#### Deposits for Future Stock Subscription

This account refers to amounts collected from existing shareholders of JDVC to issue a specified number of common shares of JDVC at par value. Deposits for future subscription were classified as non-current liabilities since the BOD of JDVC expects to apply for an increase in capital stock beyond 12 months from reporting date and it has not yet complied with all the criteria pursuant to SEC Financial Reporting Bulletin 006 to be classified as equity. The deposits are refundable upon the request of the shareholder if they wish to withdraw.

On July 6, 2020, the Board of Directors of JDVC has discarded its plans to apply for an increase in capital stock and have subsequently decided to reclassify the Deposits for Future Stock Subscription to Advances from Shareholders account. The advances are intended for temporary financing to JDVC and shall be noninterest-bearing, unsecured and repayable in cash within 2 years, with option to extend terms. These advances are classified as non-current liabilities since the Group expects to repay these advances when the Group can generate positive cash flows from operations.

#### Key Management Personnel Compensation

Since the Group is in its pre-operating stages, there are no key management personnel compensation recognized in December 30, 2020, 2019 and 2018, since the officers offer their services pro-bono to save on operating costs. Likewise, the Group does not provide post-employment benefit plans or equity-based compensation benefits to any of its directors or executive officers.

## **24. Commitments and Other Matters**

#### Lease Agreements

In 2016, JDVC entered into a cancellable lease agreement with a third party for its office space. The lease term is for a period of 2 years commencing on December 15, 2016 until January 14, 2018. The contract was renewed thereafter but was terminated by JDVC on February 15, 2018. Upon termination of the lease agreement, the Parent Company allows its Subsidiary to use its office space at no cost to the Subsidiary.

In 2019, the Parent Company entered into a lease agreement with a third party for its office space with a term of one year and is renewable upon mutual agreement of both parties. The lease agreement has an escalation clause of 5% per annum upon renewal. Security deposit amounted to ₱71,772 as at December 31, 2020 and 2019 (see Note 9).

Total expense from these leases amounted to ₱804,928 in 2020, ₱698,020 in 2019, and ₱762,941 in 2018 which was charged to general & administrative costs (see Note 17).

### Royalty Agreement

On September 1, 2014, JDVC entered in a royalty agreement with Agbiag, operating contractor of JDVC, by granting the latter irrecoverable and unrestricted rights and privileges to occupy, explore, develop, utilize, mine and undertake other activities to the mining area owned by JDVC in various areas in Cagayan Province, for twenty-five (25) years or the life of JDVC's MPSA No. 338-2010-II-OMR with the Republic of the Philippines, whichever is shorter.

All costs and expenses related to the MPSA, commercial extraction permits and such other fees required by the Government and for non-government related expenses which include community expenses and social compliances among others shall be for the account of Agbiag.

As consideration, JDVC shall earn royalty income of US\$4.00 up to US\$9.33 per ton or specifically in accordance with the proposed slide-up-slide-down net share remittance, or size percent (6%) of cost, whichever is shorter. In 2017, JDVC received advance royalty payment from Agbiag amounting to ₱51.5-million.

In a special meeting held by the BOD on October 10, 2018, it was resolved that due to the failure of both parties to conduct full extraction operation during the year, the advance royalty payment will be returned by JDVC to Agbiag. This was presented under "Advances from contractor" account in the consolidated statement of financial position.

### Social and Environmental Responsibilities

In 2019, JDVC secured the regulatory approvals of the following programs:

#### *Social Development Management Program (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.

#### *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.

JDVC will start implementing these programs upon commencement of operations.

## 25. Fair Value Measurement

### Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of certain assets and liabilities presented in the consolidated statements of financial position are as follows:

	Note/s	December 31, 2020		December 31, 2019	
		Carrying amounts	Fair Values	Carrying amounts	Fair Values
<b>Financial assets:</b>					
At amortized cost:					
Cash	9	₱ 889,057	₱ 889,057	₱ 1,264,390	₱ 1,264,390
Security deposit	10	71,772	71,772	71,772	71,772
Construction bond	10	50,000	50,000	–	–
<b>Total</b>		<b>₱ 1,010,829</b>	<b>₱ 1,010,829</b>	<b>₱ 1,336,162</b>	<b>₱ 1,336,162</b>

**Financial liabilities:**

At amortized cost:									
Loans & borrowings		₱	37,550,000	₱	37,550,000	₱	13,950,000	₱	13,950,000
Accounts & other payables	16		40,342,841		40,342,841		39,070,821		39,070,821
Deposits for future stock subscriptions	15		–		–		246,149,562		246,149,562
Advances from related parties	23		247,924,585		247,924,585		1,682,983		1,682,983
<b>Total</b>	<b>23</b>	<b>₱</b>	<b>325,817,426</b>	<b>₱</b>	<b>325,817,426</b>	<b>₱</b>	<b>300,853,366</b>	<b>₱</b>	<b>300,853,366</b>

Cash excludes petty cash fund. Accounts & other payables exclude statutory obligations.

**Fair Value Hierarchy**

In accordance with PFRS 13, the fair value of financial assets and financial liabilities on a recurring or non-recurring basis and those financial assets, financial liabilities and non-financial assets not measured at fair value but for which fair value is disclosed with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for asset or liability that are not based on observable market data (unobservable inputs).

The following table summarizes the fair value hierarchy of the Group's financial assets and liabilities, which are measured at fair value or requires disclosure as prescribed by other PFRS, as at December 31, 2020 and 2019:

		December 31, 2020			
	Note/s	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
At amortized cost:					
Cash	9	₱ 889,057	₱ –	₱ –	₱ 889,057
Security deposit	10	–	–	71,772	71,772
Construction bond	10	–	–	50,000	50,000
<b>Total</b>		<b>₱ 889,057</b>	<b>₱ –</b>	<b>₱ 121,772</b>	<b>₱ 1,010,829</b>

<b>Financial liabilities:</b>					
At amortized cost:					
Loans & borrowings	16	₱ –	₱ –	₱ 37,550,000	₱ 37,550,000
Accounts & other payables	15	–	–	40,342,841	40,342,841
Deposits for future stock subscription	23	–	–	–	–
Advances from related parties	23	–	–	247,924,585	247,924,585
<b>Total</b>		<b>₱ –</b>	<b>₱ –</b>	<b>₱ 325,817,426</b>	<b>₱ 325,817,426</b>

		December 31, 2019			
	Note/s	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>					
At amortized cost:					
Cash	9	₱ 1,264,390	₱ –	₱ –	₱ 1,264,390
Security deposit	10	–	–	71,772	71,772
Construction bond	10	–	–	–	–
<b>Total</b>		<b>₱ 1,264,390</b>	<b>₱ –</b>	<b>₱ 71,772</b>	<b>₱ 1,336,162</b>

<b>Financial liabilities:</b>					
At amortized cost:					
Loans & borrowings	16	₱ –	₱ –	₱ 13,950,000	₱ 13,950,000
Accounts & other payables	15	–	–	39,070,821	39,070,821
Deposits for future stock subscription	23	–	–	246,149,562	246,149,562
Advances from related parties	23	–	–	1,682,983	1,682,983
<b>Total</b>		<b>₱ –</b>	<b>₱ –</b>	<b>₱ 300,853,366</b>	<b>₱ 300,853,366</b>

As at December 31, 2020 and 2019, there are no financial assets or financial liabilities measured at fair value. There were no transfers between levels in 2020 and 2019.

*Financial Instruments Not Measured at Fair Value for Which Fair Value is Disclosed*

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine fair value of such instruments are not based on observable market data.

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## 26. Financial Risk Management Policies and Objectives

### Introduction

The Group's principal financial instruments comprise of cash and cash equivalents, receivable and payables. The main purpose of these financial instruments is to raise finances for the Group's operations. The risks arising from the use of financial instruments are managed through a process of on-going identification, measurement, and monitoring. This process of risk management is critical to the Group's continuing profitability.

The BOD is ultimately responsible for overall risk management approach, monitoring risk exposures, and approving risk mitigation strategies and policies.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

### Interest Rate Risk

Interest rate risk is the risk that future cash flows from financial instruments or its fair value will fluctuate because of changes in market interest rates. As at December 31, 2020 and 2019, the Group does not have any repricable financial instruments subject to variable interest rates. There are no significant interest rate risk exposures since the interest-bearing loans & borrowings are subject to fixed interest rates and all other financial assets and liabilities are non-interest bearing.

### Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counter parties failed to discharge their contractual obligations. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated statements of financial position (or in the detailed analysis provided in the notes to the consolidated financial statements).

As at December 31, 2020 and 2019, the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired.

### Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk of the Group as at December 31, 2020 and 2019, without considering the effects of collaterals and other credit risk mitigation techniques:

	Note/s	2020	2019
Cash in banks	9	₱ 889,057	₱ 1,264,390
Security deposits	10	71,772	71,772
Construction bond	10	50,000	–
<b>Total</b>		<b>₱ 1,010,829</b>	<b>₱ 1,336,162</b>

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 per depositor per banking institution.

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash.

### Credit Quality per Class of Financial Assets

The tables below show a comparison of the credit quality of the Group's financial assets as at December 31, 2020 and 2019:

December 31, 2020	Neither Past Due Nor Impaired		Past Due But Not Impaired		Total
	High Grade	Standard Grade	Impaired	Total	
Cash in bank	₱ 889,057	₱ –	₱ –	₱ 889,057	
Security deposits	71,772	–	–	71,772	
Construction bond	50,000	–	–	50,000	
<b>Total</b>	<b>₱ 1,010,829</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 1,010,829</b>	

December 31, 2019	Neither Past Due Nor Impaired		Past Due But Not Impaired		Total
	High Grade	Standard Grade	Impaired	Total	
Cash in bank	₱ 1,264,390	₱ –	₱ –	₱ 1,264,390	
Security deposits	71,772	–	–	71,772	
Construction bond	–	–	–	–	
<b>Total</b>	<b>₱ 1,336,162</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 1,336,162</b>	

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Group determines if credit risk have increased significantly when financial assets are more than 30 days past due.

The Group's management considers none of the financial assets to be impaired or past due at the end of each financial reporting period.

*Cash in banks.* The credit risks for cash in banks are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

*Security deposits and Construction bond.* These pertain to receivables from counterparties which are not expected to default in setting its obligations, hence there is no perceived credit risk.

### Liquidity Risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as these fall due. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when these fall due. The Group also has a committed line of credit that it can access to meet liquidity needs.



### Maturity Profile of Financial Assets and Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities December 31, 2020 and 2019 based on the remaining undiscounted contractual cash flows:

	December 31, 2020			
	Carrying Value	On Demand	Within 1 year	Beyond 1 year
<b>Financial assets:</b>				
At amortized cost:				
Cash	₱ 889,057	₱ 889,057	₱ –	₱ –
Security deposits	71,772	–	71,772	–
Construction bond	50,000	–	50,000	–
<b>Total</b>	<b>₱ 1,010,829</b>	<b>₱ 889,057</b>	<b>₱ 131,772</b>	<b>₱ –</b>
<b>Financial liabilities:</b>				
At amortized cost:				
Loans & borrowings	₱ 37,550,000	₱ –	₱ 13,950,000	₱ 23,600,000
Accounts & other payables	40,342,841	37,500,000	2,842,841	–
Deposits for future stock subscription	–	–	–	–
Advances from related parties	247,924,585	–	–	247,924,585
<b>Total</b>	<b>₱ 325,817,426</b>	<b>₱ 37,500,000</b>	<b>₱ 16,792,841</b>	<b>₱ 271,524,585</b>

	December 31, 2019			
	Carrying Value	On Demand	Within 1 year	Beyond 1 year
<b>Financial assets:</b>				
At amortized cost:				
Cash	₱ 1,264,390	₱ 1,264,390	₱ –	₱ –
Security deposits	71,772	–	71,772	–
Construction bond	–	–	–	–
<b>Total</b>	<b>₱ 1,336,162</b>	<b>₱ 1,264,390</b>	<b>₱ 71,772</b>	<b>₱ –</b>
<b>Financial liabilities:</b>				
At amortized cost:				
Loans & borrowings	₱ 13,950,000	₱ –	₱ –	₱ 13,950,000
Accounts & other payables	39,070,821	37,500,000	–	–
Deposits for future stock subscription	246,149,562	–	–	246,149,562
Advances from related parties	1,682,983	–	–	1,682,983
<b>Total</b>	<b>₱ 300,853,366</b>	<b>₱ 37,500,000</b>	<b>₱ –</b>	<b>₱ 261,782,545</b>

## 27. Capital Management Objectives, Policies, & Procedures

The Group's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders or issue new shares. The Group considers its equity and loans & borrowings as capital.

The Group monitors its financial leverage using the debt-to-equity which is computed as total liabilities divided by total equity as shown in the table below:

	2020	2019
Total liabilities	₱ 382,202,161	₱ 357,170,665
Total equity	₱ 2,965,228,510	₱ 2,981,515,530
<b>Debt-to-equity ratio</b>	<b>0.13:1</b>	<b>0.12:1</b>

The Group is not subject to any externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

## 28. Supplemental Disclosure of Cash Flow Information

### Changes in Liabilities Arising from Financing Activities

The disclosure requirements enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities of the Group.

The movement of liabilities from financing activities are as follows:

<u>December 31, 2020</u>	January 1, 2020	Cash Flows	Reclassification	Interest Expense	December 31, 2020
Loans & borrowings	₱ 13,950,000	₱ 23,600,000	₱ –	₱ –	₱ 37,550,000
Advances from related parties	1,682,983	92,040	246,149,562	–	247,924,585
Deposits for future stock subscriptions	246,149,562	–	(246,149,562)	–	–
Interest payable	–	(1,276,450)	–	1,276,450	–
Total liabilities from financing activities	₱ 261,782,545	₱ 22,415,590	₱ –	₱ 1,276,450	₱ 285,474,585

<u>December 31, 2019</u>	January 1, 2019	Cash Flows	Reclassification	Interest Expense	December 31, 2019
Loans & borrowings	₱ 10,000,000	₱ 53,950,000	₱ (50,000,000)	₱ –	₱ 13,950,000
Advances from related parties	1,862,964	(179,981)	–	–	1,682,983
Deposits for future stock subscriptions	254,227,307	(8,077,745)	–	–	246,149,562
Interest payable	–	(774,250)	–	774,250	–
Total liabilities from financing activities	₱ 266,090,271	₱ 44,918,024	₱ (50,000,000)	₱ 774,250	₱ 261,782,545

### Non-cash Activities

The Group had no material non-cash investing or financing activity-related transactions for the period ended December 31, 2020 except for the reclassification of deposits for future subscription to advances from related parties (see Note 19).

The Group had no material non-cash investing or financing activity-related transactions for the year ended December 31 2019, except for the conversion of interest bearing loans and borrowing amounting to ₱50.0 million and accrued interest amounting to ₱1,402,778 into share capital with a par value of ₱0.01 per share with an equivalent of 5,140,277,777 shares.

## 29. Events After the End of the Reporting Period

### Corporate Recovery and Tax Incentive for Enterprises (CREATE) Act

On March 26, 2021, the President of the Republic of the Philippines signed into law R.A. No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act, which amends certain provisions of the National Internal Revenue Code of 1997, as amended, with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based.

Among others, the key changes of the CREATE Act relevant to the Company are as follows:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0-million and with total assets not exceeding ₱100-million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Minimum corporate income tax (MCIT) is reduced from 2% to 1% for the period beginning July 1, 2020 until June 30, 2023;

- Imposition of improperly accumulated earnings tax of 10% is repealed;
- Allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

As clarified by the Philippine Financial Reporting Standards Council (FRSC) in its Philippine Interpretations Committee (PIC) Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive application on July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 was computed and measured using the applicable income tax rates prior to CREATE i.e., 30% RCIT or 2% MCIT, for financial reporting purposes.

Applying the provisions of CREATE Act, the Company would have been subjected to lower RCIT rate of 27.5%. Management estimates the following impact on the balances of current and deferred income taxes as of December 31, 2020:

	Carrying Amount	Effect of Change in Tax Rate	Adjusted Carrying Amount
Deferred tax assets	₱ 6,154,303	₱ (1,025,717)	₱ 5,128,586

The effects of change in tax rates and any excess accrual of RCIT and MCIT will be considered in the 2021 financial statements.

#### Continuing COVID-19 Pandemic

From March 29, 2021 to April 4, 2021, following the spike in the number of new COVID-19 cases, the Philippine Government has placed cities comprising the Greater Metro Manila Region (NCR, Bulacan, Rizal, Cavite and Laguna) back to Enhanced Community Quarantine and was later extended to April 11, 2021.

The scale and duration of these developments remain uncertain as at reporting date. The COVID-19 pandemic could have a material impact on the Company's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Company will continue to monitor the situation.

#### Commencement of Operations

JDVC has effectively deployed and positioned the first deep sea siphon mining vessel, MB Siphon 1, into the offshore mining tenement area of operation as of April 14, 2021. MB Siphon 1 has completed all the necessary offshore commissioning stages and necessary permits to start production. JDVC will proceed into the developmental stage on the mining tenement area in preparation for commercial export shipments.

**INDEPENDENT AUDITOR'S REPORT TO ACCOMPANYING FINANCIAL STATEMENTS  
FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION**


**The Shareholders and Board of Directors**  
**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
*(Formerly Yehey! Corporation and Its Subsidiary)*  
Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave.,  
Brgy. Ugong Norte, Quezon City

We have examined the consolidated financial statements of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY (Formerly Yehey! Corporation and Its Subsidiary)** for the year ended December 31, 2020, on which we have rendered the attached report dated May 11, 2021.

In compliance with Revised SRC Rule 68, we are stating that the Group has seven hundred ninety-nine (799) stockholders owning one hundred (100) or more shares each as of December 31, 2020.

**VALDES ABAD & COMPANY, CPAs**  
BOA/PRC Reg. No. 0314  
Issued on October 4, 2018, Valid until July 10, 2021  
BIR Accreditation No. 08-002126-000-2021  
Issued on March 19, 2021, Valid until March 18, 2024  
SEC Accreditation No.0361-F  
Issued on August 23, 2018 Valid until August 22, 2021

**For the firm:**



**ALFONSO L. CAY-AN**  
**Partner**  
CPA Registration No. 99805, Valid until December 14, 2023  
TIN No. 213-410-741-000  
PTR No. 8544054, Issued Date: January 8, 2021, Makati City  
BOA/PRC Reg. No. 0314  
Issued on October 4, 2018, Valid until July 10, 2021  
SEC Accreditation No. 1701-A  
Issued on August 23, 2018, Valid until August 22, 2021  
BIR Accreditation No. 08-002126-005-2021  
Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines  
May 11, 2021

**INDEPENDENT PUBLIC AUDITOR'S REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

**The Shareholders and Board of Directors**  
**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
*(Formerly Yehey! Corporation and Its Subsidiary)*  
Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave.,  
Brgy. Ugong Norte, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY (Formerly Yehey! Corporation and Its Subsidiary)** as at December 31, 2020 and 2019 and have issued our report thereon dated May 11, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and no material exceptions were noted.

**VALDES ABAD & COMPANY, CPAs**  
BOA/PRC Reg. No. 0314  
Issued on October 4, 2018, Valid until July 10, 2021  
BIR Accreditation No. 08-002126-000-2021  
Issued on March 19, 2021, Valid until March 18, 2024  
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For the firm:



**ALFONSO L. CAY-AN**  
**Partner**  
CPA Registration No. 99805, Valid until December 14, 2023  
TIN No. 213-410-741-000  
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BIR Accreditation No. 08-002126-005-2021  
Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines  
May 11, 2021

# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Supplementary Schedules under Annex 68-E

Pursuant to the Revised Securities Regulation Code (SRC) Rule 68

As at December 31, 2020 and 2019

### Schedule of Financial Soundness Indicators

	2020	2019
<b>Liquidity Ratios:</b>		
<u>Current Ratio</u>		
Current Assets	₱ 4,851,067	₱ 4,918,947
Current Liabilities	₱ 110,677,576	₱ 95,388,120
	<b>0.04 : 1</b>	<b>0.05 : 1</b>
<u>Acid Test Ratio</u>		
Liquid Assets	₱ 909,057	₱ 1,284,390
Current Liabilities	₱ 110,677,576	₱ 95,388,120
	<b>0.01 : 1</b>	<b>0.01 : 1</b>
<b>Solvency Ratios:</b>		
<u>Debt-to-Equity Ratio</u>		
Total Liabilities	₱ 382,202,161	₱ 357,170,665
Total Equity	₱ 2,965,228,510	₱ 2,981,515,530
	<b>0.13 : 1</b>	<b>0.12 : 1</b>
<u>Asset-to-Equity Ratio</u>		
Total Assets	₱ 3,347,430,671	₱ 3,338,686,195
Total Equity	₱ 2,965,228,510	₱ 2,981,515,530
	<b>1.13 : 1</b>	<b>1.12 : 1</b>
<b>Profitability Ratios:</b>		
<u>Interest Coverage Ratio</u>		
Earnings Before Interest and Taxes	₱ N/A	₱ N/A
Interest Expense	₱ 1,276,450	₱ 2,177,028
	<b>N/A</b>	<b>N/A</b>
<u>Return on Assets</u>		
Net Profit	₱ N/A	₱ N/A
Total Assets	₱ 3,347,430,671	₱ 3,338,686,195
	<b>N/A</b>	<b>N/A</b>
<u>Return on Equity</u>		
Net Profit	₱ N/A	₱ N/A
Total Equity	₱ 2,965,228,510	₱ 2,981,515,530
	<b>N/A</b>	<b>N/A</b>
<u>Net Profit Margin</u>		
Net Profit	₱ N/A	₱ N/A
Revenues	₱ N/A	₱ N/A
	<b>N/A</b>	<b>N/A</b>

**REPORT OF INDEPENDENT PUBLIC AUDITORS  
TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY FROM THE  
BASIC FINANCIAL STATEMENTS**

**The Shareholders and Board of Directors**  
**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
*(Formerly Yehey! Corporation and Its Subsidiary)*  
Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave.,  
Brgy. Ugong Norte, Quezon City

We have examined the consolidated financial statements of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY (Formerly Yehey! Corporation and Its Subsidiary)** as of December 31, 2020 on which we have rendered the attached report dated May 11, 2021. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules of the Group as of December 31, 2020 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**VALDES ABAD & COMPANY, CPAs**  
BOA/PRC Reg. No. 0314  
Issued on October 4, 2018, Valid until July 10, 2021  
BIR Accreditation No. 08-002126-000-2021  
Issued on March 19, 2021, Valid until March 18, 2024  
SEC Accreditation No.0361-F  
Issued on August 23, 2018 Valid until August 22, 2021

**For the firm:**



**ALFONSO L. CAY-AN**  
**Partner**  
CPA Registration No. 99805, Valid until December 14, 2023  
TIN No. 213-410-741-000  
PTR No. 8544054, Issued Date: January 8, 2021, Makati City  
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BIR Accreditation No. 08-002126-005-2021  
Issued on March 19, 2021, Valid until March 18, 2024

Makati City, Philippines  
May 11, 2021

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

### Reconciliation of Retained Earnings Available for Dividend Declaration

Pursuant to Revised Securities Regulation Code (SRC) Rule 68

As of December 31, 2020

Unappropriated retained earnings at beginning of year		₱	(86,178,648)
Prior years' outstanding reconciling items, net of tax			
Unrealized forex exchange gains – net			(382)
<hr/>			
Unappropriated retained earnings available for dividend declaration at beginning of year, as adjusted		₱	(86,179,030)
Net income realized during the year			
Profit for the year	₱	(15,149,443)	
Non-actual or unrealized losses (gains):			
Unrealized foreign exchange losses – net		3,960	(15,145,483)
<hr/>			
Unappropriated retained earnings available for dividend declaration at end of year		₱	(101,324,513)



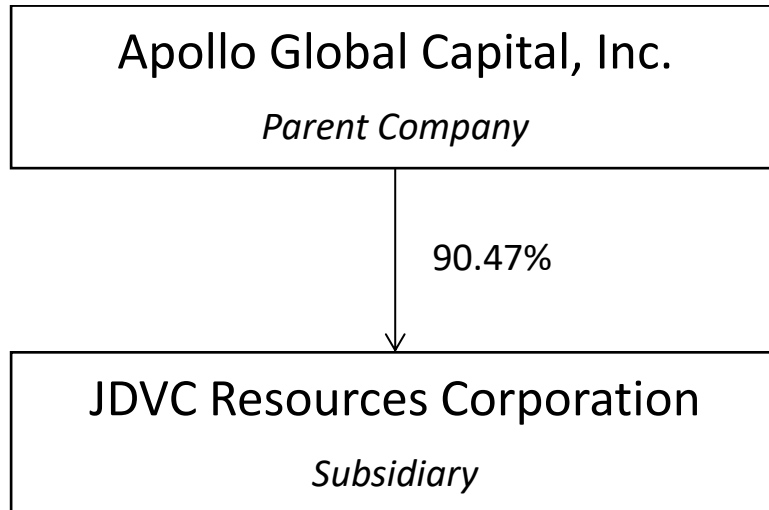
# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

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## Conglomerate Map of Companies

Pursuant to Revised Securities Regulation Code (SRC) Rule 68

As of December 31, 2020



# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Supplementary Schedules under Annex 68-J

Pursuant to the Revised Securities Regulation Code (SRC) Rule 68

As of December 31, 2020

### Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Cash	N/A	₱909,057	N/A	₱4,796
Security deposits	N/A	71,772	N/A	–
Construction bond	N/A	50,000	N/A	–

### Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Non-current	Balance at end of period
			Amounts collected	Amounts written-off			
N/A	–	–	–	–	–	–	–

### Schedule C. Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Non-current	Balance at end of period
			Amounts collected	Amounts written-off			
JDVC Resources Corporation	14,937,469	N/A	(5,738,515)	N/A	N/A	9,198,954	9,198,954

### Schedule D. Long-Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position
Interest - bearing loans & borrowings	–	13,950,000	23,600,000

### Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholders and Key Management Personnel	1,682,983	247,924,585

### Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

### Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	600,000,000,000	280,336,349,297	–	–	46,507,293,501	233,829,055,796

**F-2**

**Apollo Global Capital, Inc. and its Subsidiary**  
**Audited Consolidated Financial Statements**  
As at December 31, 2019, 2018 and 2017





**"STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS"**

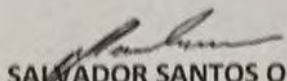
The management of **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

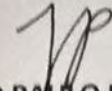
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

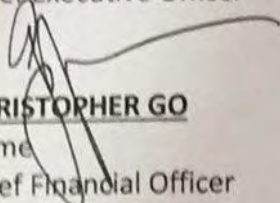
The Board of Directors is responsible in overseeing the Group's financial reporting process.

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

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

Signature:   
**SALVADOR SANTOS OCAMPO**  
Name  
Chairman of the Board

Signature:   
**VITTORIO PAULO LIM**  
Name  
Chief Executive Officer

Signature:   
**CHRISTOPHER GO**  
Name  
Chief Financial Officer

Signed this 15<sup>th</sup> day of JUN 2020.

SUBSCRIBED AND SWORN to before me this  
JUN 15 2020 affiants/s personally appeared and  
showed to me / their competent evidence of  
identity in:

n. 124  
no. 24  
to. 183  
of 2020

**ATTY. JASON G. DE BELE**  
Roll No. 36259  
Adm. No. NP-014 Notary Public (202  
Unit M Panay Commercial Bldg  
No. 7 Panay Ave. cor. Sgt. Borromeo  
IBP AR No. 13154866; QC 1-2  
PTR No. 9269808, QC 1-2-  
MCLE VI-0022012; 4-14-

# **Apollo Global Capital, Inc. and Its Subsidiary**

Consolidated Financial Statements

December 31, 2019

*(With Comparative Figures for 2018 and 2017)*

With independent auditors' report provided by



**REYES TACANDONG & CO.**

**FIRM PRINCIPLES. WISE SOLUTIONS.**

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Apollo Global Capital, Inc. and its Subsidiary  
Unit 1204, Galleria Corporate Center  
EDSA corner Ortigas Ave., Brgy. Ugong Norte  
Quezon City

### *Opinion*

We have audited the accompanying consolidated financial statements of Apollo Global Capital, Inc. and its Subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated 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 Group as at December 31, 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to the 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 as at and for the year ended December 31, 2019. 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.

### Impairment Assessment of Mine Properties

The carrying amount of mine properties amounted to ₱3.3 billion as at December 31, 2019. This represents 98% of the Group's total assets and the management assesses the impairment of its mine properties whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. This matter requires the use of significant judgments and estimates and hence, is significant to our audit.



We reviewed management's determination of impairment indicators and management's assessment on the recoverability of mine properties. We evaluated the assumptions used by the Group which include the estimated reserves, foreign exchange rate and discount rate and compared them against available market and industry information, taking into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. We also reviewed the adequacy of the Group's disclosures in Note 3, *Significant Judgment, Accounting Estimates and Assumptions*, and Note 9, *Mine Properties* of 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, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

#### *Other Matter*

The consolidated financial statements of the Group as at and for the years ended December 31, 2018 and 2017 were audited by another auditor, whose report dated April 12, 2019, expressed an unmodified opinion on those statements.

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

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

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

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





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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies, used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.



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

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 Belinda B. Fernando.

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

SEC Accreditation No. 81207-SEC Group A

Valid until January 29, 2025

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8116474

Issued January 6, 2020, Makati City

June 2, 2020

Makati City, Metro Manila



**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Apollo Global Capital, Inc. and its Subsidiary  
Unit 1204, Galleria Corporate Center  
EDSA corner Ortigas Ave., Brgy. Ugong Norte  
Quezon City

We have audited the accompanying consolidated financial statements of Apollo Global Capital, Inc. (the Company) and its Subsidiary as at and for the year ended December 31, 2019, on which we have rendered our report dated June 2, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 799 stockholders owning one hundred (100) or more shares each.

**REYES TACANDONG & Co.**

BELINDA B. FERNANDO

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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June 2, 2020

Makati City, Metro Manila

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019**  
**(With Comparative Figures for 2018)**

	Note	2019	2018
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	5	<b>₱1,284,390</b>	₱1,545,052
Other current assets	6	<b>3,634,557</b>	2,754,536
Total Current Assets		<b>4,918,947</b>	4,299,588
<b>Noncurrent Assets</b>			
Mine properties	9	<b>3,284,054,565</b>	3,257,154,051
Advances to contractors	8	<b>42,690,538</b>	40,577,963
Deferred tax asset	14	<b>5,431,194</b>	4,204,257
Property and equipment		<b>1,230,174</b>	75,618
Website cost		<b>360,777</b>	326,100
Advances to related parties	13	–	2,595,022
Loan receivable	7	–	254,500,000
Accrued interest receivable	7	–	10,561,750
Total Noncurrent Assets		<b>3,333,767,248</b>	3,569,994,761
		<b>₱3,338,686,195</b>	<b>₱3,574,294,349</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts and other payables	10	<b>₱40,237,120</b>	₱41,296,821
Advances from contractors		<b>55,151,000</b>	51,500,000
Loan payable	13	–	10,000,000
Total Current Liabilities		<b>95,388,120</b>	102,796,821
<b>Noncurrent Liabilities</b>			
Deposits for future stock subscription	13	<b>246,149,562</b>	254,227,307
Long-term debt	11	<b>13,950,000</b>	–
Advances from a related party	13	<b>1,682,983</b>	1,862,964
Total Noncurrent Liabilities		<b>261,782,545</b>	256,090,271
Total Liabilities		<b>357,170,665</b>	358,887,092
<b>Equity</b>			
Capital stock	12	<b>2,803,363,493</b>	2,751,960,715
Additional paid-in capital		<b>17,586,961</b>	17,586,961
Deficit		<b>(86,178,648)</b>	(70,176,862)
Non-controlling interest		<b>246,743,724</b>	516,036,443
Total Equity		<b>2,981,515,530</b>	3,215,407,257
		<b>₱3,338,686,195</b>	<b>₱3,574,294,349</b>

See accompanying Notes to Consolidated Financial Statements.

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(With Comparative Figures for 2018 and 2017)**

	Note	2019	2018	2017
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Taxes and licenses		₱4,651,891	₱3,837,948	₱22,578,634
Mobilization cost		3,368,891	1,601,195	206,473
Salaries and wages		2,500,096	2,706,987	–
Professional fees		2,192,004	3,958,726	2,237,563
Travel and transportation		1,959,469	315,524	185,069
Representation		1,357,235	397,529	70,000
Rent	16	698,020	762,941	842,334
Depreciation		418,573	45,552	46,960
Annual listing fee		280,000	250,000	275,220
Office supplies		225,907	290,373	124,666
Repairs and maintenance		185,649	2,500	–
Dues and subscription		155,469	52,335	–
Others		989,759	1,817,910	963,918
		<b>18,982,963</b>	<b>16,039,520</b>	<b>27,530,837</b>
<b>OTHER INCOME (CHARGES)</b>				
Interest income	5	2,292,074	2,275,959	2,279,638
Interest expense	11	(2,177,028)	(600,000)	(350,000)
Foreign exchange gain (loss)		(969)	1,351	–
		<b>114,077</b>	<b>1,677,310</b>	<b>1,929,638</b>
<b>LOSS BEFORE INCOME TAX</b>		<b>(18,868,886)</b>	<b>(14,362,210)</b>	<b>(25,601,199)</b>
<b>BENEFIT FROM (PROVISION FOR) INCOME TAX</b>				
	14			
Current		(45,446)	(45,446)	(45,466)
Deferred		1,226,937	2,074,303	895,550
		<b>1,181,491</b>	<b>2,028,857</b>	<b>850,084</b>
<b>NET LOSS</b>		<b>(17,687,395)</b>	<b>(12,333,353)</b>	<b>(24,751,115)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
		–	–	–
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(₱17,687,395)</b>	<b>(₱12,333,353)</b>	<b>(₱24,751,115)</b>
<b>NET LOSS ATTRIBUTABLE TO:</b>				
Equity holders of the Parent Company		(₱16,001,786)	(₱10,195,983)	(₱24,311,898)
Non-controlling interest		(1,685,609)	(2,137,370)	(439,217)
		<b>(₱17,687,395)</b>	<b>(₱12,333,353)</b>	<b>(₱24,751,115)</b>
<b>BASIC/DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>				
	15	<b>(₱0.00006)</b>	<b>(₱0.00004)</b>	<b>(₱0.00009)</b>

See accompanying Notes to Consolidated Financial Statements.

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(With Comparative Figures for 2018 and 2017)**

	Note	2019	2018	2017
<b>CAPITAL STOCK</b>				
	12			
Balance at beginning of year		<b>₱2,751,960,715</b>	₱2,751,960,715	₱278,000,000
Issuance during the year		<b>51,402,778</b>	–	2,473,960,715
Balance at end of year		<b>2,803,363,493</b>	2,751,960,715	2,751,960,715
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning and end of year		<b>17,586,961</b>	17,586,961	17,586,961
<b>DEFICIT</b>				
Balance at beginning of year		<b>(70,176,862)</b>	(59,980,879)	(35,668,981)
Net loss for the year attributable to Parent Company		<b>(16,001,786)</b>	(10,195,983)	(24,311,898)
Balance at end of year		<b>(86,178,648)</b>	(70,176,862)	(59,980,879)
<b>NON-CONTROLLING INTERESTS</b>				
Balance at beginning of year		<b>516,036,443</b>	518,173,813	518,613,030
Additional acquisition of ownership	4	<b>(267,607,110)</b>	–	–
Share in total comprehensive loss		<b>(1,685,609)</b>	(2,137,370)	(439,217)
Balance at end of year		<b>246,743,724</b>	516,036,443	518,173,813
		<b>₱2,981,515,530</b>	₱3,215,407,257	₱3,227,740,610

*See accompanying Notes to Consolidated Financial Statements.*

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**(With Comparative Figures for 2018 and 2017)**

	Note	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax		(P18,868,886)	(P14,362,210)	(P25,601,199)
Adjustments for:				
Interest income	5	(2,292,074)	(2,275,959)	(2,279,638)
Interest expense	11	2,177,028	600,000	350,000
Depreciation		418,573	45,552	46,960
Unrealized foreign exchange loss (gain)		969	(1,351)	-
Operating loss before working capital changes		(18,564,390)	(15,993,968)	(27,483,877)
Increase in other current assets		(880,021)	(126,054)	(33,682)
Decrease in accounts and other payables		(1,059,701)	(99,349)	(51,357,758)
Net cash used for operations		(20,504,112)	(16,219,371)	(78,875,317)
Interest paid		(774,250)	-	-
Income tax paid		(45,446)	(45,446)	(45,466)
Interest received		19,753	3,638	7,317
Net cash used in operating activities		(21,304,055)	(16,261,179)	(78,913,466)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additional acquisition of ownership	4	(267,607,110)	-	-
Collections of:				
Loan receivable	7	254,500,000	-	-
Accrued interest receivable	7	12,834,071	-	-
Advances to related parties	13	2,595,022	7,410,856	23,477,938
Additions to:				
Mine properties	9	(26,900,514)	(29,726,658)	(14,281,724)
Advances to contractors	8	(2,112,575)	(15,380,858)	(22,479,505)
Property and equipment		(1,573,129)	(62,223)	(56,525)
Website cost		(34,677)	-	(13,600)
Refund of security deposit		-	153,152	-
Net cash used in investing activities		(28,298,912)	(37,605,731)	(13,353,416)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Convertible loan	12	50,000,000	-	-
Long-term debt	11	13,950,000	-	-
Proceed from (settlement of) loan payable	13	(10,000,000)	-	10,000,000
Additional (return of) deposits for future stock subscription	13	(8,077,745)	61,515,000	53,900,000
Receipt of advances from contractors	16	3,651,000	-	51,500,000
Settlement advances from a related party		(179,981)	(7,192,215)	(23,378,696)
Net cash provided by financing activities		49,343,274	54,322,785	92,021,304
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH</b>		(969)	1,351	-
<b>NET INCREASE (DECREASE) IN CASH</b>		(260,662)	457,226	(245,578)
<b>CASH AT BEGINNING OF YEAR</b>		1,545,052	1,087,826	1,333,404
<b>CASH AT END OF YEAR</b>		P1,284,390	P1,545,052	P1,087,826
<b>NONCASH FINANCIAL INFORMATION</b>				
Conversion of loan to equity	12	P51,402,778	P-	P-

See accompanying Notes to Consolidated Financial Statements.

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**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(With Comparative Information for 2018 and 2017)**

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**1. Corporate Matters**

Apollo Global Capital, Inc. (APL or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 10, 1998 as YEHEY! CORPORATION primarily engaged in the business of internal online-related products relating to database search engine.

The Parent Company's shares of stock were listed in the Philippine Stock Exchange, Inc. (PSE) on October 18, 2012 (see Note 12).

On October 7, 2016, the SEC approved the following amendments to the Parent Company's Articles of Incorporation:

- Change in corporate name to Apollo Global Capital, Inc.
- Change of primary purpose to that of a holding company
- Reduction of par value from ₱1.00 to ₱0.01 per share

The Parent Company's principal office address is Unit 1204, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City.

**Subsidiary**

In 2017, the Parent Company acquired 82.67% ownership in JDVC Resources Corporation (JDVC or the Subsidiary) through a deed of exchange of shares for ₱2,474.0 million (see Note 4).

In December 2019, the Parent Company purchased additional 389,530 shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in ownership of JDVC to 90.47%.

JDVC is a corporation incorporated and registered with the Philippine SEC on June 10, 1998 to engage in the business of offshore exploring, prospecting and operating mines and quarries of magnetite iron sand and other kinds of ores and minerals. JDVC is a holder of MPSA No. 338-2010-II-Amended A which grants the Subsidiary the right to explore and develop magnetite resources within a specified area in Cagayan province.

The Parent Company and its subsidiary are collectively referred to as the "Group".

The consolidated financial statements of the Group as at and for the year ended December 31, 2019 were approved and authorized for issue by the Board of Directors (BOD) of the Parent Company on June 2, 2020.

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**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

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



### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso which is the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

The consolidated financial statements of the Group have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets and the fair value of 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in Note 18.

#### **Adoption of New and Amended PFRS**

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

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

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

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

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

The Group has a lease agreement for its office space with a term of 2 years and is renewable upon mutual agreement of both parties.

The Group elected to apply the recognition exemption of short-term lease for its lease agreement. The adoption of PFRS 16 does not have a significant impact in the Group's consolidated financial statements because the rent expense shall continue to be recognized in profit or loss on a straight-line basis over the lease term as under PAS 17.

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

- Annual Improvements to PFRS 2015 to 2017 Cycle:
  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations*, clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements*, clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.
  - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income (OCI) or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

The adoption of the foregoing new and amended PFRS did not have a material effect on the consolidated financial statements of the Group. Additional disclosures were included in the notes to consolidated financial statements, as applicable.

#### **Amended PFRS Issued But Not Yet Effective**

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

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

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

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

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 notes to consolidated financial statements, as applicable.

### **Basis of Consolidation**

The consolidated financial statements of the Group comprise the financial statements of the Parent Company and its subsidiary. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).

When the Parent Company has less than majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Parent Company’s voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Non-controlling interests represent the portion of net results and net assets not held by the Parent Company. These are presented in the consolidated statement of financial position within equity, apart from equity attributable to equity holders of the Parent Company and are separately disclosed in the consolidated statement of comprehensive income. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling interests’ share on changes in equity since the date of the business combination.

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and losses, are eliminated.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity, if any;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of component previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Parent Company had directly disposed of the related assets or liabilities.

### **Business Combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expenses as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PFRS 9 either in consolidated statement of comprehensive income or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with appropriate PFRS. Contingent consideration that is classified as equity is not remeasured until it is finally settled and accounted for within equity.

### **Financial Assets and Liabilities**

*Date of Recognition.* Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to those 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 settlement date accounting.

*Initial Recognition and Measurement.* 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 price 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.

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

As at December 31, 2019 (and 2018), the Group does not have debt instruments as FVOCI and financial assets and liabilities measured at FVPL.

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

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

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

As at December 31, 2019 (and 2018), the Group’s cash, advances to contractors, advances to related parties, loan receivable and accrued interest receivable are classified under this category.

*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, 2019 (and 2018), the Group's liabilities arising from its accounts and other payables (excluding statutory payables), advances from contractors, loan payable, long-term debt and advances from a related party.

### **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 business model (reclassification date).

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

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

### **Impairment of Financial Assets at Amortized Cost**

The Group records an allowance for expected credit loss (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.

The Group applies the general approach in measuring ECL which is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since the 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 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 credit risk since initial recognition.

At each reporting date, the Group assesses whether financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

### **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 flow 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 assets nor transferred control of the financial 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 or substantially different terms, or the terms, of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

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

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

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

#### **Offsetting of Financial Assets and Liabilities**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an 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 statement of financial position.

#### **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.

### **Other Current Assets**

Other current assets consists of input value-added tax (VAT), creditable withholding taxes (CWTs) and security deposit

*Input VAT.* Input VAT represents tax imposed on the Group by its suppliers and contractors for the purchase of goods and services, as required under Philippine taxation laws and regulations. The portion of input VAT that will be used to offset the Group's current VAT liabilities is presented as a current asset in the consolidated statement of financial position.

*CWTs.* CWTs represent the amount withheld by the Group's customers in relation to its revenue. These are recognized upon collection of the related revenue and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations. CWTs are stated at their estimated net realizable value.

*Security Deposit.* Security deposit represents advance payments made in relation to the lease agreements entered into by the Group. This deposit is applied to unpaid rent upon termination of the lease.

### **Mine Properties**

Mine properties consist of mineral assets, mining costs and patent.

#### **Mineral Assets**

Mineral assets include costs incurred in connection with acquisition of rights over mineral reserves. Rights over mineral reserves, which are measured, indicated or inferred, are capitalized as part of mineral assets 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.

Mineral assets are subject to amortization or depletion upon 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.

#### **Mining Costs**

*Exploration and Evaluation Assets.* Exploration and evaluation assets include costs incurred in connection with exploration activities. Exploration and evaluation asset 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.

*Mine Under Development.* Once the technical feasibility and commercial variability of extracting the reserves are demonstrable, exploration and evaluation assets are tested for impairment and reclassified to mine under development, a subcategory of mine properties.

After transfer of the exploration and evaluation assets, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized in mines under development. Development expenditure is net of proceeds from the sale of mineral extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if these are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognized in the consolidated statement of comprehensive income.

*Producing Mines.* Upon start of commercial operations, mine under development are reclassified as part of producing mines, a subcategory of mine 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 properties.

#### **Patent**

Patent includes directly attributable costs incurred to acquire or obtain the rights to the use of the siphon vessel for its offshore mining and/or incidental costs related to the registration and protection of a patent.

Intangible asset with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the cash generating unit level. The useful life of an intangible asset is assessed as indefinite if it is expected to contribute net cash inflows indefinitely and is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

#### **Property and Equipment**

Property and equipment consist of office furniture, fixtures, equipment and transportation vehicle that are stated at cost less accumulated depreciation and any accumulated impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

Depreciation is computed using the straight-line method over 3-5 years. The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Fully-depreciated assets are retained as property and equipment until these are no longer in use.

#### **Website Cost**

The Group's website is determined to have an indefinite useful life because considering all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

The useful life of an intangible asset is assessed as indefinite if it is expected to contribute net cash inflows indefinitely and is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Website cost is not amortized but is tested for impairment annually either individually or at the cash generating unit level.

#### **Impairment of Nonfinancial Assets**

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the recoverable amount of these nonfinancial assets. An asset's recoverable amount is the higher of an asset's or cash generating units' (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Impairment losses are recognized in the consolidated statement of comprehensive income.

An assessment is made for nonfinancial assets at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. Any 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

### **Deposits for Future Stock Subscription**

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

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

If any or all of the foregoing elements are not present, the transaction is recognized as a liability.

### **Equity**

*Capital Stock.* Capital stock is measured at par value for all shares issued.

*Additional Paid-in Capital.* Additional paid-in capital represents the excess of the investors' total contribution over the stated par value of shares. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the additional paid-in capital, if any.

*Deficit.* Deficit represents the cumulative balance of the Group's result of operations.

### **Income Recognition**

Revenue from contracts with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over 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.

*Interest Income.* Interest income is recognized as it accrues using the effective interest method.

### **Expense Recognition**

Expenses constitute costs of administering the business. These are recognized in profit or loss upon receipt of goods, utilization of services or when the expenses are incurred.

*General and Administrative Expenses.* General and administrative expenses constitute costs of administering the business and expensed as incurred.

## Leases

### **Accounting Policies for Leases beginning January 1, 2019**

The Group assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of identified assets for a period of time, the Group assesses whether, throughout the period of use, it has both of the following:

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

*The Group as a Lessee.* Leases are recognized as ROU assets, with corresponding lease liabilities, at the date at which the leased assets are available for use by the Group, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

The Group classifies a lease as short-term lease when the lessee is not reasonably certain to exercise an option to extend a lease. The Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Group also considers the short-term lease to be a new lease if:

- there is a lease modification; or
- there is any change in the lease term

The election for short-term leases shall be made by class of underlying asset to which the right of use relates. A class of underlying asset is a grouping of underlying assets of a similar nature and use in an entity's operations. The election for leases for which the underlying asset is of low value can be made on a lease-by-lease basis.

### **Accounting Policies for Leases prior to January 1, 2019**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

A reassessment is made after the inception of the lease only if one of the following applies:

- i. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- ii. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- iii. there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- iv. there is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (i), (iii) or (iv) above, and at the date of renewal or extension period for scenario (ii).

*The Group as a Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

### **Related Parties**

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

A related party transaction is considered material and/or significant if, either individually, or in the aggregate of these transactions during the year with the same related party is 10% or higher of the Group's total consolidated assets.

### **Income Taxes**

*Current Tax.* Current tax is the expected tax payable on the taxable income for the year, using tax rate 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 values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carry forward benefits of unused tax credits from net operating loss carry-over (NOLCO) and excess of minimum corporate income taxes (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax credits from NOLCO and excess of MCIT over RCIT 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 future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate 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 in effect at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized in OCI.

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

**Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent Company**

EPS is calculated by dividing profit or loss for the period attributable to common stockholders by the weighted average number of common shares outstanding during the period, after giving retroactive effect to any stock dividend.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

**Provisions**

Provisions, if any, 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

**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. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

**Events After the Reporting Date**

Post year-end events that provide additional information about the Group's consolidated financial position at the end of reporting year (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.

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

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumption that affect the application of accounting policies and the amounts reported in the consolidated financial statements at the reporting date. The judgments, accounting estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Judgments**

In the process of applying the accounting policies of the Group, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon evaluation of relevant facts and circumstances as of the date of the consolidated financial statements.

*Establishing Control over the Subsidiary.* The Parent Company determined that it has control over its subsidiary by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Parent Company's voting rights and potential voting rights

*Determining the Capitalizability of Costs under Mine Properties.* The capitalization of mine properties requires judgment in determining whether there are future economic benefits from future exploitation or sale of reserves. The capitalization requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, recovery of such expenditure becomes unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

The carrying amount of mine properties amounted to ₱3,284.1 million as at December 31, 2019 (₱3,257.2 million as at December 31, 2018) (see Note 9).

*Accounting for Lease Commitments - Group as a Lessee.* The Group has a lease agreement for its office space with a term of 12 months and is renewable upon mutual agreement of both parties.

Prior to January 1, 2019, the Group has determined that the risks and rewards incidental to ownership of leased asset are retained by the lessor. Accordingly, the lease agreements are accounted for as operating leases.

Beginning January 1, 2019, the Group recognizes ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Group's incremental borrowing rate. The Group availed exemption for short-term leases with term of 12 months or less. Accordingly, lease payments on the short-term lease are recognized as expense on a straight-line basis over the lease term.

Rent expense arising from operating lease agreements amounted to ₱0.7 million in 2019 (₱0.8 million in 2018 and 2017) (see Note 16).

### **Estimates and Assumptions**

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

*Assessing ECL on Financial Assets.* The Group applies the general approach in measuring the ECL. For cash in banks the Group assessed that cash is deposited with reputable banks that possess good credit ratings. For loan receivable, accrued interest receivable, advances to contractors and related parties, the Group considers the financial capacity of the counterparty.



No ECL was recognized in 2019 (in 2018 and 2017). The carrying amounts of the Group's financial assets are as follows:

	Note	2019	2018
Cash in banks	5	<b>₱1,264,390</b>	₱1,495,052
Advances to contractors	8	<b>42,690,538</b>	40,577,963
Advances to related parties	13	–	2,595,022
Loan receivable	7	–	254,500,000
Accrued interest receivable	7	–	10,561,750

*Impairment of Mine Properties.* The Group assesses impairment on mine properties when facts and circumstances suggest that the carrying amount of mine properties may exceed its recoverable amount. The factors that the Group considers important which could trigger an impairment review include the following:

- A significant decline in the market capitalization of the entity or other entities producing the same commodity;
- A significant deterioration in expected future commodity prices;
- A large cost overrun on a capital project such as an overrun during the development and construction of a new mine;
- A significant revision of the life of mine plan; and
- Adverse changes in government regulations and environmental law, including a significant increase in the tax or royalty burden payable by the mine.

In the event that the carrying amount of mine properties exceeded its recoverable amount, an impairment loss will be recognized in profit or loss. Reductions in price forecasts, amount of recoverable mineral reserves and mineral resources, and/or adverse current economics can result in a write-down of the carrying amounts of the Group's properties.

Management has assessed that there are no indications of impairment on the Group's mine properties. Accordingly, no impairment loss was recognized in 2019 (in 2018 and 2017). The carrying amount of mine properties amounted to ₱3,284.1 million as at December 31, 2019 (₱3,257.2 million as at December 31, 2018) (see Note 9).

*Assessing the Realizability of Deferred Tax Assets.* The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces the amount 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 assets to be utilized in the future. The amount of deferred tax assets that are recognized is based upon the likely timing and level of future taxable profits together with future tax planning strategies to which the deferred tax assets can be utilized.

The carrying amount of recognized deferred tax asset amounted to ₱5.4 million as at December 31, 2019 (₱4.2 million as at December 31, 2018) (see Note 14).

The Group has unrecognized deferred tax assets with gross carrying amount of ₱9.0 million as at December 31, 2019 (₱7.8 million as at December 31, 2018) (see Note 14). Management believes that it is not probable that sufficient taxable income will be available to allow these deferred tax assets to be utilized.

#### 4. Business Combination

##### Deed of Exchange of Shares

On February 17, 2017, the Parent Company and JDVC's stockholders entered into a share swap agreement in which the Parent Company issued 247,396,071,520 shares at ₱0.01 a share in exchange for JDVC's 4,133,740 shares at ₱598.48 a share. The deed covering the transaction was approved by the SEC on October 9, 2017. As a result of this transaction, the Parent Company acquired 82.67% of JDVC.

The fair value of the identifiable assets and liabilities of JDVC at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition	Carrying Amount
Cash	₱57,024	₱57,024
Input VAT	1,080,424	1,080,424
Advances to related parties	2,565,023	2,565,023
Advances to a supplier	2,809,408	2,809,408
Other current assets	153,203	153,203
Property and equipment	49,382	49,382
Exploration and evaluation assets:		
Deferred exploration costs	713,191,435	713,191,435
Mineral assets	2,500,098,008	-
Deferred tax asset	1,234,404	1,234,404
Other noncurrent assets	465,652	465,652
	<u>3,221,703,963</u>	<u>721,605,955</u>
Trade and other payables	(89,617,911)	(89,617,911)
Deposits for future stock subscription	(139,512,307)	(139,512,307)
	<u>(229,130,218)</u>	<u>(229,130,218)</u>
<b>Net Assets Acquired</b>	<b>₱2,992,573,745</b>	<b>₱492,475,737</b>
Attributable to the non-controlling interest (17.33%)	₱518,613,030	
Attributable to the Parent Company (82.67%)	₱2,473,960,715	
Consideration received	2,473,960,715	
Goodwill	₱-	

The non-controlling interest is measured at the proportionate share of JDVC's identifiable assets.

The subsidiary's revenues and expenses since acquisition date are as follows:

<b>Revenues</b>	<b>₱-</b>
<b>Expenses</b>	
Mobilization fees	₱241,256
Professional fees	100,000
Representation	82,700
Rent	76,576
Travel and transportation	60,992
Office supplies	37,776

(Forward)

<b>Expenses</b>	
Repairs and maintenance	₱36,420
Gasoline and oil	600
Taxes and licenses	500
Miscellaneous	51
	₱636,871
<b>Other income</b>	₱30

**Acquisition of Non-controlling Interests**

On December 10, 2019, the BOD approved the additional acquisition of 389,530 shares from existing stockholders of JDVC for ₱267.6 million. As a result, the Parent Company has 90.47% ownership of JDVC as at December 31, 2019.

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**5. Cash**

This account consists of:

	2019	2018
Cash on hand	₱20,000	₱50,000
Cash in banks	1,264,390	1,495,052
	₱1,284,390	₱1,545,052

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

Sources of interest income recognized by the Group are as follows:

	Note	2019	2018	2017
Cash in banks		₱19,753	₱3,638	₱7,317
Loan receivable	7	2,272,321	2,272,321	2,272,321
		₱2,292,074	₱2,275,959	₱2,279,638

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**6. Other Current Assets**

This account consists of:

	Note	2019	2018
Input VAT		₱2,325,276	₱1,471,601
CWTs		1,237,509	1,282,935
Security deposit	16	71,772	-
		₱3,634,557	₱2,754,536

## 7. Loan Receivable

The loan of ₱254.5 million was due from a former stockholder at 12% interest rate per year. Interest earned amounted to ₱2.3 million in 2019 (in 2018 and 2017) (see Note 5). Accrued interest receivable amounted to nil as at December 31, 2019 (₱10.6 million as at December 31, 2018).

The loan and related interest was collected in full in 2019.

## 8. Advances to Contractors

This account consists of:

	Note	2019	2018
Agbiag Mining Development Corporation (Agbiag)	16	<b>₱41,690,538</b>	₱8,210,274
Offshore Mining Chamber of the Philippines		<b>1,000,000</b>	–
Advance Tech Resources Mining & BPT		–	30,328,563
Others		–	2,039,126
		<b>₱42,690,538</b>	<b>₱40,577,963</b>

This account pertains to the unsecured and noninterest-bearing cash advances extended by the Group to its contractors for the payment of the permits, overhead fees, exploration services, depth and sounding survey studies and other technical expenses. These advances have no fixed repayment date and are not expected to be collected within one year.

## 9. Mine Properties

Movements in this account are as follows:

	2019			
	Mineral Assets	Patent	Mining Costs	Total
Balance at beginning of year	<b>₱2,500,098,008</b>	<b>₱89,000,000</b>	<b>₱668,056,043</b>	<b>₱3,257,154,051</b>
Additions	–	–	<b>26,900,514</b>	<b>26,900,514</b>
Balance at end of year	<b>₱2,500,098,008</b>	<b>₱89,000,000</b>	<b>₱694,956,557</b>	<b>₱3,284,054,565</b>

	2018			
	Mineral Assets	Patent	Mining Costs	Total
Balance at beginning of year	₱2,500,098,008	₱89,000,000	₱638,329,385	₱3,227,427,393
Additions	–	–	29,726,658	29,726,658
Balance at end of year	₱2,500,098,008	₱89,000,000	₱668,056,043	₱3,257,154,051

The Subsidiary was granted by the Department of Environment and Natural Resources (DENR) a Mineral Production Sharing Agreement (MPSA) -338-2010-II-OMR covering an area of approximately 14,240 hectares (ha) located within the municipal waters of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Appari, Buguey, and Gonzaga, in the Province of Cagayan for a term of 25 years and renewable for another 25 years.

Originally, the MPSA was granted to Bo Go Resources Mining Corporation (Bo Go) on June 9, 2010.

On November 25, 2011, Bo Go executed a deed of assignment (DOA) to transfer to the Subsidiary all its rights and interest in and title to the MPSA. On January 27, 2012, the DOA was approved by the Mines and Geosciences Bureau (MGB) and was duly approved a year after, January 25, 2013, by the DENR.

The DOA, as approved, carries with it the responsibility to implement the Exploration Work Program and the Environmental Work Program which were eventually taken over by the Subsidiary, as well as the submission of the regular Technical/Progress reports. The Environmental Impact Assessment likewise was completed and presented to the various municipalities and stakeholders in the Province of Cagayan. After the approval of the DENR, pursuant to the agreement, the Subsidiary proceeded to do the Technical or Progress Report Exploration, Environmental Work Programs and Exploration Work Programs.

The Subsidiary through a DOA transferred all rights and interest in the 2,400 ha portion of the MPSA-338-2010-II-OMR to Sanlorenzo Mines, Inc. The DOA was approved by the DENR on May 20, 2016. The remaining 11,840 ha was redenominated as MPSA No. 338-2010-II-OMR-Amended A.

On March 14, 2017, 3,161.84 ha of the remaining 11,840 ha were relinquished by the Subsidiary in favor of the Government.

On August 9, 2017, the Subsidiary executed DOAs, which was registered with the DENR on April 2, 2018, assigning portion of MPSA No. 338-2010-II-OMR-Amended A as follows:

<u>Company Name</u>	<u>Area Assigned (ha)</u>
Catagayan Iron Sand Mining Resources Corp.	3,182.78
Cagayan Ore Metal Mining Exploration Corp.	2,149.85
Catagayan Mining Resources (Phils.) Inc.	1,448.51

These companies were all incorporated in the Philippines and registered with the SEC on July 1, 2016, primarily to engage on the business of exploring, prospecting and operating mines and quarries of all kind of ores and minerals.

On August 6, 2019, the Declaration of Mining Project Feasibility filed by the Subsidiary last May 25, 2016, was approved by the DENR authorizing the Subsidiary to proceed with the Development and Operating Periods of MPSA No. 338-2010-II-OMR-Amended A covering the 4,999.24 ha, including extraction and commercial disposition of magnetite iron sand and other associated minerals at the offshore areas in the Province of Cagayan.

As at December 31, 2019, the remaining 1,897.02 ha contract area of the MPSA No. 338-2010-II-OMR-Amended A which has been fully explored since 2017.

#### **Mineral Assets**

Mineral assets pertains to the acquisition cost of the rights over mineral reserves represented by the excess of the fair value of shares issued by the Parent Company over the carrying amount of the net assets of JDVC when the Parent acquired 82.67% ownership JDVC.

#### **Patent**

Patent was acquired by Agbiag for the siphon vessel used in the exploration of the mining in Cagayan. Agbiag allows the Group to use its research, study and intellectual property right on a non-exclusive basis, for the duly researched and studied siphon vessel for the offshore magnetite iron sand commercial extraction through a MOA signed on September 2014 (see Note 16). The Group has an outstanding liability to Agbiag amounting to ₱37.5 million as at December 31, 2019 (and 2018) (see Note 10).

### **Mining Costs**

Mining costs include the costs incurred in the exploration and evaluation phase of mining. Such costs consist of expenditures related to the exploration of the mines, drilling activities, and other direct costs related to the exploration activities. The recovery of these costs depends upon the success of the exploration activities, the future development of the corresponding mining properties and the extraction of mineral products as these properties shift into commercial operations.

The exploration activities for the mine area of the Group were completed in 2017, hence, the related exploration and evaluation assets were transferred to mine under development. Mine under development are not subject to depletion until the production has commenced.

As at December 31, 2019 (and 2018), the Group does not have any contractual commitments for additional exploration.

### **Estimated Units of Production of Mine**

The computation of ore reserve was done by a competent individual geologist using the Polygon Method. The ore reserve has a total of 606.458 million tons. With the computed indicated resource, the mine life for the current ore resource is 87.7 years for the siphoning and utilizing magnetic separation on-board of the vessels. With the yearly production schedule of 6.91 million tons of raw sand with an average magnetite fraction of 19.79% and 95% material recovery, the operations can yield an iron concentrate of 1.30 million metric tons per annum production, using 3 units of production lines of platform.

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## **10. Accounts and Other Payables**

The account consists of:

	Note	2019	2018
Payable to a contractor	9	<b>₱37,500,000</b>	₱37,500,000
Statutory payables		<b>1,166,299</b>	1,307,502
Accrued expenses		<b>821,450</b>	2,023,682
Accounts payable		<b>749,371</b>	465,637
		<b>₱40,237,120</b>	₱41,296,821

Payable to a contractor pertains to the outstanding liability to Agbiag for the patent for the siphon vessel used in its exploration activities (see Note 9).

Statutory payables consist of withholding taxes and other payables to government agencies which are payable within the next month.

Accrued expenses include professional fees and interest from long-term debt which are generally payable within the next reporting year.

Accounts payable consist of liabilities arising from transactions with contractors and suppliers related to the normal course of business which are payable on a 30 to 60-day credit term.

## 11. Long-term Debt

In 2019, the Group obtained loans aggregating to ₱14.0 million from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO) for working capital purposes. The loans bear an interest of 6% per annum with a term of two years. These are convertible, at the option of CBO, at any time during the loan period into shares at ₱100 a share.

Interest expense recognized in the consolidated statement of comprehensive income consists of:

	Note	2019	2018	2017
Convertible loan	12	<b>₱1,402,778</b>	₱–	₱–
Loan payable	13	<b>600,000</b>	600,000	350,000
Long-term debt		<b>174,250</b>	–	–
		<b>₱2,177,028</b>	₱600,000	₱350,000

## 12. Capital Stock

Movements of this account are as follows:

	Number of shares		Amount	
	2019	2018	2019	2018
<b>Authorized - ₱0.01 par</b>				
Balance at beginning				
and end of year	<b>600,000,000,000</b>	600,000,000,000	<b>₱6,000,000,000</b>	₱6,000,000,000
<b>Issued and Outstanding</b>				
Balance at beginning of year	<b>275,196,071,520</b>	275,196,071,520	<b>₱2,751,960,715</b>	₱2,751,960,715
Conversion of loan	<b>5,140,277,777</b>	–	<b>51,402,778</b>	–
Balance at end of year	<b>280,336,349,297</b>	275,196,071,520	<b>₱2,803,363,493</b>	₱2,751,960,715

Below is the track record of issuance of the Parent Company's securities:

Date of Approval	Nature	Note	Number of shares		
			Authorized	Issued/ Subscribed	Issue/ Offer Price
October 18, 2012	Listing of shares		100,000,000,000	27,800,000,000	₱1.00
October 9, 2017	Share swap	4	600,000,000,000	247,396,071,520	0.01
September 11, 2019	Loan conversion		600,000,000,000	5,140,277,777	0.01

On October 9, 2017, the SEC approved the increase in the capital stock of the Parent Company from ₱1,000.0 million divided into 100,000,000,000 shares to ₱6,000.0 million divided into 600,000,000,000 shares both with a par value of ₱0.01.

### **Convertible Loan Agreement**

On February 20, 2019, the BOD authorized the Parent Company to enter into a convertible loan agreement with a third party amounting to ₱50.0 million. The loan bears an interest of 5% per annum and will mature on February 20, 2021. The principal and interest are convertible to shares at ₱0.01 per share any time until the 10<sup>th</sup> day before the maturity date at the option of the third party.

On September 11, 2019, the third party exercised the right to convert the loan at ₱0.01 per share. On the same date, the BOD approved the conversion of the principal amount, including the interest accrued up to date of the conversion amounting to ₱1,402,778 (see Note 11). The Parent Company issued additional 5,140,277,777 shares as a result of the conversion.

The total number of stockholders of the Parent Company is 799 as at December 31, 2019 (797 as at December 31, 2018).

### 13. Related Party Transactions

The Group, in the normal course of business, has transactions with its related parties as follows:

	Nature of Transactions	Transactions during the year		Outstanding Balance	
		2019	2018	2019	2018
<b>Advances to Related Parties</b>					
Entities under common control	Reimbursement of expenses	₱-	₱-	₱-	₱2,595,022
<b>Loan Payable</b>					
Key management personnel	Loan for operational expenses	₱-	₱10,000,000	₱-	₱10,000,000
<b>Advances from a Related Party Stockholder</b>	Reimbursement of expenses	₱-	₱218,599	<b>₱1,682,983</b>	₱1,862,964
<b>Deposits for Future Stock Subscription</b>					
Key management personnel	Cash received for future issuance of capital stock	₱-	₱-	<b>₱39,139,870</b>	₱39,139,870
Stockholders	Cash received for future issuance of capital stock	-	61,515,000	<b>207,009,692</b>	215,087,437
				<b>₱246,149,562</b>	<b>₱254,227,307</b>

#### **Terms and Conditions of Transactions with Related Parties**

*Advances to (from) Related Parties.* Advances to (from) related parties are unsecured, noninterest-bearing, collectible and/or payable beyond 12 months and settlement occurs in cash. The Group did not recognize expected credit loss from advances to related parties. This assessment is undertaken each financial year by examining capacity and financial position of the related parties.

*Loan Payable.* In 2017, the Group obtained a secured loan from a related party amounting to ₱10.0 million for working capital purposes. The loan bears a monthly interest rate of 0.5%. The loan was paid in full in 2019. Interest expense from loan payable amounted to ₱0.6 million in 2019 (₱0.6 million and ₱0.4 million in 2018 and 2017, respectively) (see Note 11).

*Deposits for Future Stock Subscription.* Deposits for future stock subscription pertain to cash received from existing stockholders for payment of future issuance of capital stock.

The Group has no material and/or significant transactions with its related parties in 2019.

#### **Compensation of Key Management Personnel**

There is no compensation of key management personnel in 2019 (in 2018 and 2017).



#### 14. Income Taxes

The Group's provision for income tax represents MCIT in 2019 (in 2018 and 2017).

The reconciliation of income tax at the statutory tax rate to the income tax as shown in the consolidated statement of comprehensive income is as follows:

	2019	2018	2017
Income tax at statutory tax rate	<b>(P5,660,666)</b>	(P4,308,663)	(P7,680,360)
Change in unrecognized deferred tax assets	<b>1,160,937</b>	1,529,757	6,697,293
Tax effects of:			
Nondeductible expenses	<b>2,291,487</b>	502,967	135,178
Expired NOLCO	<b>986,231</b>	248,173	-
Expired MCIT	<b>46,446</b>	-	-
Interest income subject to final tax	<b>(5,926)</b>	(1,091)	(2,195)
	<b>(P1,181,491)</b>	(P2,028,857)	(P850,084)

Details of recognized and unrecognized deferred tax assets of the Group are as follows:

	2019	2018
<b>Unrecognized:</b>		
NOLCO	<b>P8,848,248</b>	P7,686,311
MCIT	<b>136,358</b>	137,358
	<b>P8,984,606</b>	P7,823,669
<b>Recognized:</b>		
NOLCO	<b>P5,431,194</b>	P4,204,257

The Group believes that it is not reasonably probable that future taxable profit against which the benefit of the Parent Company's deferred tax assets can be utilized.

Details of the Group's NOLCO are as follows:

Year Incurred	Beginning Balance	Incurred	Applied/Expired	Ending Balance	Valid Until
2019	P-	P11,250,349	P-	P11,250,349	2022
2018	11,189,840	-	-	11,189,840	2021
2017	25,157,951	-	-	25,157,951	2020
2016	3,287,435	-	(3,287,435)	-	2019
	<b>P39,635,226</b>	<b>P11,250,349</b>	<b>(P3,287,435)</b>	<b>P47,598,140</b>	

Details of the Group's MCIT are as follows:

Year Incurred	Beginning Balance	Incurred	Applied/Expired	Ending Balance	Valid Until
2019	P-	P45,446	P-	P45,446	2022
2018	45,446	-	-	45,446	2021
2017	45,466	-	-	45,466	2020
2016	46,446	-	(46,446)	-	2019
	<b>P137,358</b>	<b>P45,446</b>	<b>(P46,446)</b>	<b>P136,358</b>	

## 15. Loss Per Share

The financial information pertinent to the derivation of loss per share is as follows:

	2019	2018	2017
<b>Net loss attributable to the equity holders of the Parent Company</b>	<b>(₱16,001,786)</b>	(₱10,195,983)	(₱24,311,898)
<b>Weighted average number of shares outstanding:</b>			
Balance at beginning of year	275,196,071,520	275,196,071,520	27,800,000,000
Effect of share issuances	1,563,207,762	–	247,396,071,520
Balance at end of year	276,759,279,282	275,196,071,520	275,196,071,520
<b>Basic loss per share</b>	<b>(₱0.00006)</b>	(₱0.00004)	(₱0.00009)

There are no dilutive potential common shares that can reduce the loss per share; hence, the basic and diluted amounts are the same.

There have been no other transactions involving ordinary shares or potential ordinary shares between the financial reporting date and the date of authorization of these consolidated financial statements.

## 16. Commitments and Contingencies

### Lease Agreements

In 2016, the Subsidiary entered into a cancellable lease agreement with a third party for its office space. The lease term is for a period of 2 years commencing on December 15, 2016 until January 14, 2018. The contract was renewed thereafter but was terminated by the Subsidiary on February 15, 2018. Upon termination of the lease agreement, the Parent Company allows its Subsidiary to use its office space at no cost to the Subsidiary.

In 2019, the Parent Company entered into a lease agreement with a third party for its office space with a term of one year and is renewable upon mutual agreement of both parties. The lease agreement has an escalation clause of 5% per annum. Security deposit amounted to ₱0.1 million as at December 31, 2019 (see Note 6). As discussed in Note 2, the asset pertaining to such lease was classified as a short-term lease and its related rental payments are recognized in profit or loss on a straight-line basis.

Rent expense amounted to ₱0.7 million in 2019 (₱0.8 million in 2018 and 2017).

### Royalty Agreement

On September 1, 2014, the Subsidiary entered in a royalty agreement with Agbiag, operating contractor of the Subsidiary, by granting the latter irrecoverable and unrestricted rights and privileges to occupy, explore, develop, utilize, mine and undertake other activities to the mining area owned by the Subsidiary in various areas in Cagayan Province, for twenty-five (25) years or the life of the Subsidiary's MPSA No. 338-2010-II-OMR with the Republic of the Philippines, whichever is shorter.

All costs and expenses related to the MPSA, commercial extraction permits and such other fees required by the Government and for non-government related expenses which include community expenses and social compliances among others shall be for the account of Agbiag. Cash advances extended by the Subsidiary to Agbiag amounting to ₱41.7 million as at December 31, 2019 (₱8.2 million as at December 31, 2018) is presented under “Advances to contractors” account in the consolidated statement of financial position (see Note 8).

As consideration, the Subsidiary shall earn royalty income of US\$4.00 up to US\$9.33 per ton or specifically in accordance with the proposed slide-up-slide-down net share remittance, or size percent (6%) of cost, whichever is shorter. In 2017, the Subsidiary received advance royalty payment from Agbiag amounting to ₱51.5 million.

In a special meeting held by the BOD on October 10, 2018, it was resolved that due to the failure of both parties to conduct full extraction operation during the year, the advance royalty payment will be returned by the Subsidiary to Agbiag. This was presented under “Advances from a contractor” account in the consolidated statement of financial position.

#### **Social and Environmental Responsibilities**

In 2019, the Subsidiary secured the regulatory approvals of the following programs:

##### **Social Development Management Program (SDMP)**

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

##### **Environmental Protection and Enhancement Program (EPEP)**

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

The Subsidiary will start implementing these programs upon commencement of operations.

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## **17. Financial Risk and Capital Management Objectives and Policies**

The principal financial instruments of the Group comprise of cash, advances to contractors, advances to related parties, loan receivable, accrued interest receivable, accounts and other payables (excluding statutory payables), advances from contractors, loan payable, long-term debt and advances from a related party.

The BOD has overall responsibility for the establishment and oversight of the risk management framework of the Group. The risk management policies of the Group are established to identify and manage the exposure of the Group to the financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the activities of the Group.

The main risks arising from the use of financial instruments of the Group are credit risk and liquidity risk. The BOD reviews and approves policies for managing the risks.

### **Credit Risk**

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due.

The Group manages and controls credit risk by trading only with recognized and creditworthy third parties. There is no requirement for collateral. There are no other concentrations of credit risk within the Group. For transactions that involve special credit terms arrangement, the Group may require approval of the BOD.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets.

As at December 31, 2019 (and 2018), the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired. The table below shows the credit quality of financial assets subject to 12-month ECL:

	2019					Total
	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired		
	High Grade	Standard Grade				
Cash in banks	P1,264,390	P-	P-	P-	P1,264,390	
Advances to contractors	42,690,538	-	-	-	42,690,538	
	<b>P43,954,928</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P43,954,928</b>	

	2018					Total
	Neither Past Due nor Impaired		Past Due but not Impaired	Impaired		
	High Grade	Standard Grade				
Cash in banks	P1,495,052	P-	P-	P-	P1,495,052	
Advances to contractors	40,577,963	-	-	-	40,577,963	
Advances to related parties	2,595,022	-	-	-	2,595,022	
Loan receivable	254,500,000	-	-	-	254,500,000	
Accrued interest receivable	10,561,750	-	-	-	10,561,750	
	<b>P309,729,787</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>	<b>P309,729,787</b>	

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Group determines if credit risk have increased significantly when financial assets are more than 30 days past due.

The Group's management considers none of the financial assets to be impaired or past due at the end of each financial reporting period.

*Cash in banks.* The credit risks for cash in banks are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

*Advances to contractors and related parties, loan receivable and accrued interest receivable.* These pertain to receivables from counterparties which are not expected to default in setting its obligations, hence there is no perceived credit risk.

### **Liquidity risk**

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as these fall due. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when these fall due. The Group also has a committed line of credit that it can access to meet liquidity needs.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	2019				
	Carrying Value	On Demand	<1 year	1-5 years	>5 years
Accounts and other payables*	₱39,070,821	₱37,500,000	₱1,570,821	₱-	₱-
Advances from contractors	55,151,000	55,151,000	-	-	-
Long-term debt	13,950,000	-	-	13,950,000	-
Advances from a related party	1,682,983	1,682,983	-	-	-
	<b>₱109,854,804</b>	<b>₱94,333,983</b>	<b>₱1,570,821</b>	<b>₱13,950,000</b>	<b>₱-</b>

	2018				
	Carrying Value	On Demand	<1 year	1-5 years	>5 years
Accounts and other payables*	₱39,989,319	₱37,500,000	₱2,489,319	₱-	₱-
Advances from contractors	51,500,000	51,500,000	-	-	-
Loan payable	10,000,000	10,000,000	-	-	-
Advances from a related party	1,862,964	1,862,964	-	-	-
	<b>₱103,352,283</b>	<b>₱100,862,964</b>	<b>₱2,489,319</b>	<b>₱-</b>	<b>₱-</b>

\* Excluding statutory payables amounting to ₱1.2 million as at December 31, 2019 (₱1.3 million as at December 31, 2018).

### **Capital Management**

The primary objective of the Group's capital risk management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximized stockholder value.

The Group considers its total equity as its core capital. The Group manages its capital structure and makes adjustments to it when there are changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2019 (in 2018 and 2017).

## **18. Fair Value of Financial Assets and Financial Liabilities**

The carrying amount and fair value of the categories of financial assets and liabilities presented in the consolidated statement of financial position are as follows:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash	₱1,284,390	₱1,284,390	₱1,545,052	₱1,545,052
Advances to contractors	42,690,538	42,690,538	40,577,963	40,577,963
Advances to related parties	-	-	2,595,022	2,595,022
Loan receivable	-	-	254,500,000	254,500,000
Accrued interest receivable	-	-	10,561,750	10,561,750
	<b>₱43,974,928</b>	<b>₱43,974,928</b>	<b>₱309,779,787</b>	<b>₱309,779,787</b>

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
Accounts and other payables*	<b>₱39,070,821</b>	<b>₱39,070,821</b>	₱39,989,319	₱39,989,319
Advances from contractors	<b>55,151,000</b>	<b>55,151,000</b>	51,500,000	51,500,000
Loan payable	–	–	10,000,000	10,000,000
Long-term debt	<b>13,950,000</b>	<b>12,962,789</b>	–	–
Advances from a related party	<b>1,682,983</b>	<b>1,682,983</b>	1,862,964	1,862,964
	<b>₱109,854,804</b>	<b>₱108,867,593</b>	₱103,352,283	₱103,352,283

\*Excluding statutory payables amounting to ₱1.2 million as at December 31, 2019 (₱1.3 million as at December 31, 2018).

*Cash, Loan Receivable, Accrued Interest Receivable, Accounts and Other Payables (excluding statutory payables), Advances from Contractors and Loan Payable.* The carrying values of these financial instruments approximate their fair values due to the relatively short-term maturity of these financial instruments.

*Advances to (from) Related Parties.* The carrying amounts of these related party transactions approximate their fair values.

*Long-term Debt.* Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing BVAL rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

## 19. Events After the Reporting Period

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

## 20. Note to Statement of Cash Flows

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

	Note	2018	Cash flows	Non-cash flows	2019
Deposits for future stock subscription	13	₱254,227,307	(₱8,077,745)	₱–	₱246,149,562
Advances from contractors		51,500,000	3,651,000	–	55,151,000
Long-term debt	11	–	13,950,000	–	13,950,000
Advances from a related party	13	1,862,964	(179,981)	–	1,682,983
Loan payable	13	10,000,000	41,402,778	(51,402,778)	–
		<b>₱317,590,271</b>	<b>₱50,746,052</b>	<b>(₱51,402,778)</b>	<b>₱316,933,545</b>



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Apollo Global Capital, Inc. and its Subsidiary  
Unit 1204, Galleria Corporate Center  
EDSA corner Ortigas Ave. Brgy. Ugong Norte  
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Apollo Global Capital, Inc. and its Subsidiary (the Group) as at and for the year ended December 31, 2019, and have issued our report thereon dated June 2, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2019 are the responsibility of the Group's management. These supplementary schedules include the following:

- Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedules required by Annex 68-J of Revised Securities Regulation Code (SRC) Rule 68
- Conglomerate Map

These schedules are presented for purposes of complying with Revised SRC Rule 68 Part II, and are not part of the basic consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, including comparing and tracing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & CO.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

SEC Accreditation No. 81207-SEC Group A

Valid until January 29, 2025

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8116474

Issued January 6, 2020, Makati City

June 2, 2020

Makati City, Metro Manila



**INDEPENDENT AUDITORS' REPORT ON  
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Apollo Global Capital, Inc. and its Subsidiary  
Unit 1204, Galleria Corporate Center  
EDSA corner Ortigas Ave. Brgy. Ugong Norte  
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Apollo Global Capital, Inc. and its Subsidiary (the Group) as at and for the year ended December 31, 2019 included in this Form 17-A and have issued our report thereon dated June 2, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the year ended December 31, 2019 and no material exceptions were noted.

The consolidated financial statements as at and for the year ended December 31, 2018 from which the components of the financial soundness indicators were comparatively presented were audited by another auditor.

**REYES TACANDONG & Co.**

**BELINDA B. FERNANDO**

Partner

CPA Certificate No. 81207

Tax Identification No. 102-086-538-000

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

SEC Accreditation No. 81207-SEC Group A

Valid until January 29, 2025

BIR Accreditation No. 08-005144-004-2019

Valid until October 16, 2022

PTR No. 8116474

Issued January 6, 2020, Makati City

June 2, 2020

Makati City, Metro Manila



**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**DECEMBER 31, 2019**

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Unappropriated retained earnings (deficit), <i>as adjusted to available for dividend distribution, beginning</i>	(P62,877,292)
Less net loss of the Parent Company during the period closed to retained earnings	(6,820,657)

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<b>Total Retained Earnings (Deficit), End Available for Dividend Declaration</b>	<b>(P69,697,949)</b>
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<b>Total Retained Earnings (Deficit), End as shown in the Separate Statement of Changes in Equity</b>	<b>(P69,697,949)</b>
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**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**DECEMBER 31, 2019**  
**(With Comparative Figures for 2018)**

<b>Ratio</b>	<b>Formula</b>	<b>2019</b>	<b>2018</b>
Current ratio	Total current assets	<b>₱4,918,947</b>	₱4,299,588
	Divided by: Total current liabilities	<b>95,388,120</b>	102,796,821
	Current ratio	<b>0.05:1</b>	0.04:1
Acid test ratio	Total current assets	<b>₱4,918,947</b>	₱4,299,588
	Less: Other current assets	<b>(3,634,557)</b>	(2,754,536)
	Quick assets	<b>1,284,390</b>	1,545,052
	Divide by: Total current liabilities	<b>95,388,120</b>	102,796,821
	Acid test ratio	<b>0.01:1</b>	0.02:1
Solvency ratio	Net loss	<b>(₱17,687,395)</b>	(₱12,333,353)
	Add: Depreciation	<b>418,573</b>	45,552
		<b>(17,268,822)</b>	(12,287,801)
	Divide by: Total liabilities	<b>357,170,665</b>	358,887,092
Solvency ratio	<b>(0.05:1)</b>	(0.03:1)	
Debt-to-equity ratio	Total liabilities	<b>₱357,170,665</b>	₱358,887,092
	Divided by: Total Equity	<b>2,981,515,530</b>	3,215,407,257
	Debt-to-equity ratio	<b>0.12:1</b>	0.11:1
Asset-to-equity ratio	Total assets	<b>₱3,338,686,195</b>	₱3,574,294,349
	Divided by: Total equity	<b>2,981,515,530</b>	3,215,407,257
	Asset-to-equity ratio	<b>1.12:1</b>	1.11:1
Interest rate coverage Ratio	Loss before income tax	<b>(₱18,868,886)</b>	(₱14,362,210)
	Add: Interest expense	<b>2,177,028</b>	600,000
		<b>(16,691,858)</b>	(13,762,210)
	Divided by: Interest expense	<b>2,177,028</b>	600,000
Interest rate coverage ratio	<b>(7.67:1)</b>	(22.94:1)	
Return on equity	Net loss	<b>(₱17,687,395)</b>	(₱12,333,353)
	Divided by: Total equity	<b>2,981,515,530</b>	3,215,407,257
	Return on equity	<b>(0.006:1)</b>	(0.004:1)
Return on assets	Net loss	<b>(₱17,687,395)</b>	(₱12,333,353)
	Total assets	<b>3,338,686,195</b>	3,574,294,349
	Return on assets	<b>(0.005:1)</b>	(0.003:1)

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

**SEC Supplementary Schedule as Required by Part II of Revised SRC Rule 68**

**DECEMBER 31, 2019**

**Table of Contents**

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>N/A</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounts Receivable from and Payable to Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>1</u>
D	Long Term Debt	<u>2</u>
E	Indebtedness to Related Parties	<u>3</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>4</u>

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE  
ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2019**

<b>Name and Designation of Debtor</b>	<b>Balance at Beginning of Year</b>	<b>Additions</b>	<b>Amounts Collected</b>	<b>Current</b>	<b>Noncurrent</b>	<b>Balance at End of Year</b>
JVDC Resources Corporation	(P30,540,953)	P45,546,777	(P68,355)	-	P14,937,469	P14,937,469

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

**SCHEDULE D - LONG TERM DEBT**

**DECEMBER 31, 2019**

<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption “Current portion of long- term debt” in related balance sheet</b>	<b>Amount shown under caption “Long-term debt” in related balance sheet</b>	<b>Interest rate</b>	<b>Amount of periodic installment</b>	<b>Number of periodic installment</b>	<b>Maturity date</b>
Long-term debt	₱13,950,000	₱-	₱13,950,000	6%	₱-	₱-	Matures in 2 years

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

**SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES**

**DECEMBER 31, 2019**

<b>Name of Related Party</b>	<b>Balance at Beginning of Year</b>	<b>Balance at End of Year</b>
Vittorio P. Lim (President of the Parent Company)	₱1,862,964	₱1,682,983

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

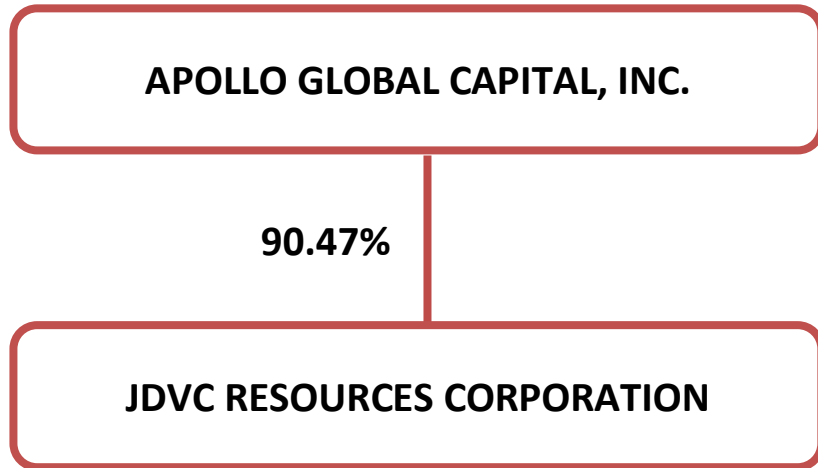
**SCHEDULE G - CAPITAL STOCK**

**DECEMBER 31, 2019**

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Capital Stock - ₱0.01 par value	600,000,000,000	280,336,349,297	—	—	46,507,293,501	233,829,055,796

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**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY  
MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG  
THE COMPANIES IN THE GROUP**





**Apollo Global Capital, Inc. and its Subsidiary**  
**Unaudited Interim Condensed Consolidated Financial**  
**Statements**

As at March 31, 2021 (Unaudited) and December 31, 2020 (Audited),  
And for the three-monthes period ended  
March 31, 2021 and 2020 (Unaudited)

# 2021 INTERIM REPORT

## **APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**

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### **Unaudited Interim Condensed Consolidated Financial Statements**

As at March 31, 2021 (Unaudited) and  
December 31, 2020 (Audited),  
and for the three-months periods ended  
March 31, 2021 and 2020 (Unaudited)

**APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
As at and for the three-months ended March 31, 2021

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Interim Condensed Consolidated Statements of Changes in Equity	8
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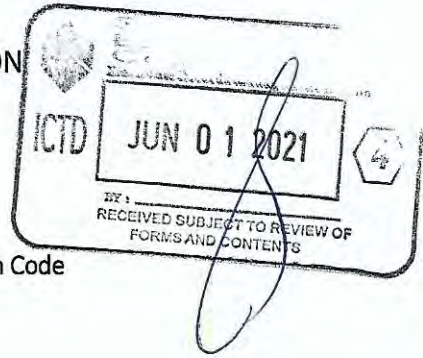


SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT

Pursuant to Section 17 of the Securities Regulation Code  
And SRC Rule 17(2)(b) thereunder



1. For the fiscal year ended March 31, 2021
2. SEC Identification Number A199806865
3. BIR Tax Identification No. 005-301-677
4. Exact name of issuer as specified in its charter APOLLO GLOBAL CAPITAL, INC.  
(formerly: YEHEY! CORPORATION)
5. Metro Manila, Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. Unit 504 Galleria Corporate Center, Edsa cor. Ortigas Avenue, Brgy. Ugong Norte, Quezon City 1100 Address  
of principal office Postal code
8. +63 (02) 532-8654  
Issuer's telephone number, including area code
9. N/A  
Former name, former address, and former fiscal year if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, ₱0.01 par value	280,336,349,297

11. Are any or all of these securities listed on a Stock Exchange?

Yes []      No [  ]

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

**Philippine Stock Exchange**

12. Check whether the issuer:

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

Yes []      No [  ]

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

Yes []      No [  ]

## PART I – FINANCIAL INFORMATION

### I. Financial Statements

The accompanying interim financial report of Apollo Global Capital, Inc. (formerly: Yehey! Corporation) (“the Company” or “APL”) which comprise the Company’s interim condensed consolidated statements of financial position as of March 31, 2021 and December 31, 2020 and the interim condensed consolidated statements of comprehensive income, interim condensed consolidated statements of changes in equity and interim condensed consolidated statements of cash flows for the three-months period ending March 31, 2021 and 2020 are filed as part of this SEC Form 17-Q.

### II. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Plan of Operation

The Company’s revenues and cash flow shall be generated from the business operation of its subsidiary, JDVC. On the other hand, JDVC shall generate revenue & income from royalty payment from its contractor-owned vessels, and after the Company’s Follow-On Offering (FOO), from a vessel that the Company plans to partially own as well.

The forecast share of the Company in the profits from its subsidiary’s partially-owned vessels ranges from nine to ten percent (9% to 10%) of gross sales, and the share in royalty fees to be derived from contractor-owned vessels is at ninety-two percent (92%), approximately.

The Company will start with a foreign-owned vessel (MB Siphon I) which is currently wholly-owned by Poet Blue Ocean Offshore Services Pte. Ltd. (PBO), and two (2) contractors in 2021. After the FOO, where majority of the proceeds of the offering will be used to acquire a forty-nine percent (49%) stake in PBO, the Company will effectively have two (2) sources of revenues – one from the 90.47% royalties from JDVC, and second from the 49% ownership of PBO that owns MB Siphon I. The two sources of the future revenues of the Company and JDVC will be sufficient in satisfying the cash requirements of the Group and no further fund-raising is expected in the coming year.

#### Results of Operations (March 31, 2021 vs. March 31, 2020)

	For the three-months ended March 31,		Horizontal Analysis		Vertical Analysis	
	2021 (unaudited)	2020 (unaudited)	Inc (Dec)	%age	2021	2020
Revenues	₱ –	₱ –	–	n/a	n/a	n/a
Direct costs	–	–	–	n/a	n/a	n/a
Gross profit	₱ –	₱ –	–	n/a	n/a	n/a
General & administrative costs	(8,664,793)	(4,117,242)	4,547,551	110.45%	n/a	n/a
Operating loss	₱ (8,664,793)	₱ (4,117,242)	4,547,551	110.45%	n/a	n/a
Interest income	248	2,517	(2,269)	-90.15%	n/a	n/a
Finance costs	(418,292)	(259,750)	158,542	61.04%	n/a	n/a
Loss before tax benefit	₱ (9,082,837)	₱ (4,374,475)	4,708,362	107.63%	n/a	n/a
Income tax benefit	–	–	–	n/a	n/a	n/a
Loss for the period	₱ (9,082,837)	₱ (4,374,475)	4,708,362	107.63%	n/a	n/a

#### *General & Administrative Costs*

The Group’s general & administrative costs has increased by 110.45% which was primarily due to the increase in filing & processing fees, salaries & employee benefits, mobilization costs, annual listing fee and depreciation (72.99% of the total general and administrative cost).

#### *Loss Before Tax*

The increase in loss before tax was primarily due to higher general and administrative cost incurred during the period.

Financial Condition (March 31, 2021 vs. December 31, 2020)

	As at		Horizontal Analysis		Vertical Analysis	
	March 31, 2021 (unaudited)	December 31, 2020 (audited)	Inc (Dec)	%age	2021	2020
<b>ASSETS</b>						
<b>Current assets:</b>						
Cash	₱ 1,220,436	₱ 909,057	311,379	34.25%	0.04%	0.03%
Other current assets	4,523,922	3,942,010	581,912	14.76%	0.13%	0.12%
<b>Total current assets</b>	<b>₱ 5,744,358</b>	<b>₱ 4,851,067</b>	<b>893,291</b>	<b>18.41%</b>	<b>0.17%</b>	<b>0.14%</b>
<b>Non-current assets:</b>						
Mine properties	₱ 3,291,959,365	₱ 3,288,748,565	3,210,800	0.10%	98.19%	98.25%
Advances to contractors	46,004,420	44,888,691	1,115,729	2.49%	1.37%	1.34%
Property & equipment – net	2,361,604	2,427,268	(65,664)	-2.71%	0.07%	0.07%
Website costs	360,777	360,777	–	0.00%	0.01%	0.01%
Deferred tax asset	6,154,303	6,154,303	–	0.00%	0.18%	0.18%
<b>Total non-current assets</b>	<b>₱ 3,346,840,469</b>	<b>₱ 3,342,579,604</b>	<b>4,260,865</b>	<b>0.13%</b>	<b>99.83%</b>	<b>99.86%</b>
<b>TOTAL ASSETS</b>	<b>₱ 3,352,584,827</b>	<b>₱ 3,347,430,671</b>	<b>5,154,156</b>	<b>0.15%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES &amp; EQUITY</b>						
<b>Current liabilities:</b>						
Accounts and other payables	₱ 42,530,951	₱ 41,576,576	954,375	2.30%	1.27%	1.24%
Interest-bearing loans & borrowings	19,950,000	13,950,000	6,000,000	43.01%	0.60%	0.42%
Advances from contractors	55,151,000	55,151,000	–	0.00%	1.65%	1.65%
<b>Total current liabilities</b>	<b>₱ 117,631,951</b>	<b>₱ 110,677,576</b>	<b>6,954,375</b>	<b>6.28%</b>	<b>3.51%</b>	<b>3.31%</b>
<b>Non-current liabilities:</b>						
Interest-bearing loans & borrowings	₱ 30,850,000	₱ 23,600,000	7,250,000	30.72%	0.92%	0.71%
Advances from related parties	247,957,203	247,924,585	32,618	0.01%	7.40%	7.41%
<b>Total non-current liabilities</b>	<b>₱ 278,807,203</b>	<b>₱ 271,524,585</b>	<b>7,282,618</b>	<b>2.68%</b>	<b>8.32%</b>	<b>8.11%</b>
<b>Total liabilities</b>	<b>₱ 396,439,154</b>	<b>₱ 382,202,161</b>	<b>14,236,993</b>	<b>3.72%</b>	<b>11.82%</b>	<b>11.42%</b>
<b>Equity:</b>						
Share capital	₱ 2,803,363,493	₱ 2,803,363,493	–	0.00%	83.62%	83.75%
Share premium	17,586,961	17,586,961	–	0.00%	0.52%	0.53%
Accumulated losses	(110,090,732)	(101,328,091)	8,762,641	8.65%	-3.28%	-3.03%
Total equity attributable to Parent Company's shareholders	₱ 2,710,859,722	₱ 2,719,622,363	(8,762,641)	-0.32%	81.49%	81.91%
Non-controlling interest	245,285,951	245,606,147	(320,196)	-0.13%	7.32%	7.34%
<b>Total equity</b>	<b>₱ 2,956,145,673</b>	<b>₱ 2,965,228,510</b>	<b>(9,082,837)</b>	<b>-0.31%</b>	<b>88.18%</b>	<b>88.58%</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>₱ 3,352,584,827</b>	<b>₱ 3,347,430,671</b>	<b>5,154,156</b>	<b>0.15%</b>	<b>100.00%</b>	<b>100.00%</b>

**Total Assets**

Total assets of the Group increased by ₱5.2-million (0.15%), which was primarily caused by the increase in mine properties and advances to contractors.

*Other Current Assets*

Other current assets increased by ₱581,912 (14.76%). The increase in other current assets is primarily caused by the increase in input taxes and prepaid expenses.

*Mine Properties*

Mine properties include mineral assets, patent and mining costs. The increase in mine properties is primarily caused by additional mining costs.

*Property & Equipment – net*

Property & equipment includes office furniture, fixtures and equipment, leasehold improvements and transportation vehicle.

The decrease in property and equipment is primarily due to depreciation charges.

***Total Liabilities***

Total liabilities have increased by ₱14.2-million (3.72%), which was primarily caused by increase in interest bearing loans & borrowings amounting to ₱13.3-million.

***Interest-Bearing Loans & Borrowings***

Loans & borrowings pertains to loans from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO).

In 2021, the Group availed of additional loan from CBO amounting to ₱13.3-million.

***Total Equity***

The decrease in total equity of ₱9.0-million in this account pertains to the net loss that the Group incurred in its operations.




**SIGNATURES**

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

Issuer: **APOLLO GLOBAL CAPITAL, INC.**

By:

Signature   
Title **Vittorio Paulo P. Lim**  
*President*  
Date May 26, 2021

Signature   
Title **Christopher Go**  
*Chief Finance Officer*  
Date May 26, 2021

# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Interim Condensed Consolidated Statements of Financial Position

		As at	
	Note/s	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b><u>A S S E T S</u></b>			
<b>Current assets:</b>			
Cash	5	₱ 1,220,436	₱ 909,057
Other current assets	6	4,523,922	3,942,010
<b>Total current assets</b>		<b>₱ 5,744,358</b>	<b>₱ 4,851,067</b>
<b>Non-current assets:</b>			
Mine properties	7	₱ 3,291,959,365	₱ 3,288,748,565
Advances to contractors	8	46,004,420	44,888,691
Property & equipment – net	9	2,361,604	2,427,268
Website costs	10	360,777	360,777
Deferred tax asset	17	6,154,303	6,154,303
<b>Total non-current assets</b>		<b>₱ 3,346,840,469</b>	<b>₱ 3,342,579,604</b>
<b>TOTAL ASSETS</b>		<b>₱ 3,352,584,827</b>	<b>₱ 3,347,430,671</b>
<b><u>L I A B I L I T I E S &amp; E Q U I T Y</u></b>			
<b>Current liabilities:</b>			
Accounts & other payables	11	₱ 42,530,951	₱ 41,576,576
Interest-bearing loans & borrowings – current portion	12	19,950,000	13,950,000
Advances from contractors	20	55,151,000	55,151,000
<b>Total current liabilities</b>		<b>₱ 117,631,951</b>	<b>₱ 110,677,576</b>
<b>Non-current liabilities:</b>			
Interest-bearing loans & borrowings – net of current portion	12	₱ 30,850,000	₱ 23,600,000
Advances from related parties	19	247,957,203	247,924,585
<b>Total non-current liabilities</b>		<b>₱ 278,807,203</b>	<b>₱ 271,524,585</b>
<b>Total liabilities</b>		<b>₱ 396,439,154</b>	<b>₱ 382,202,161</b>
<b>Equity:</b>			
Share capital	13	₱ 2,803,363,493	₱ 2,803,363,493
Share premium		17,586,961	17,586,961
Accumulated losses		(110,090,732)	(101,328,091)
Total equity attributable to Parent Company's shareholders		₱ 2,710,859,722	₱ 2,719,622,363
Non-controlling interest		245,285,951	245,606,147
<b>Total equity</b>		<b>₱ 2,956,145,673</b>	<b>₱ 2,965,228,510</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>₱ 3,352,584,827</b>	<b>₱ 3,347,430,671</b>

See accompanying notes to the interim condensed consolidated financial statements.

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

### Interim Condensed Consolidated Statements of Comprehensive Income

		For the three-month period ended March 31,	
	Note/s	2021 (Unaudited)	2020 (Unaudited)
Revenues		₱ —	₱ —
Direct costs		—	—
Gross profit		₱ —	₱ —
General & administrative costs	15	(8,664,793)	(4,117,242)
Operating loss		₱ (8,664,793)	₱ (4,117,242)
Finance income	16	248	2,517
Finance costs	16	(418,292)	(259,750)
Loss before tax benefit		₱ (9,082,837)	₱ (4,374,475)
Income tax benefit	17	—	—
Loss for the period		₱ (9,082,837)	₱ (4,374,475)
Loss attributable to:			
Parent Company		₱ (8,762,641)	₱ (4,103,276)
Non-controlling interests		(320,196)	(271,199)
		₱ (9,082,837)	₱ (4,374,475)
Basic loss per share	18	₱ (0.00003)	₱ (0.00001)

See accompanying notes to the interim condensed consolidated financial statements.

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

### Interim Condensed Consolidated Statements of Changes in Equity

For the three-month period ended March 31, 2021 and 2020

Note/s	Equity Attributable to Parent Company's Shareholders				Non-controlling Interests	Total Equity
	Share Capital	Share premium	Accumulated Losses	Total		
	13					
Balances at January 1, 2021	₱ 2,803,363,493	₱ 17,586,961	₱ (101,328,091)	₱ 2,719,622,363	₱ 245,606,147	₱ 2,965,228,510
Loss for the period	–	–	(8,762,641)	(8,762,641)	(320,196)	(9,082,837)
<b>Balances at March 31, 2021 (Unaudited)</b>	<b>₱ 2,803,363,493</b>	<b>₱ 17,586,961</b>	<b>₱ (110,090,732)</b>	<b>₱ 2,710,859,722</b>	<b>₱ 245,285,951</b>	<b>₱ 2,956,145,673</b>
Balances at January 1, 2020	₱ 2,803,363,493	₱ 17,586,961	₱ (86,178,648)	₱ 2,734,771,806	₱ 246,743,724	₱ 2,981,515,530
Loss for the period	–	–	(4,103,276)	(4,103,276)	(271,199)	(4,374,475)
<b>Balances at March 31, 2020 (Unaudited)</b>	<b>₱ 2,803,363,493</b>	<b>₱ 17,586,961</b>	<b>₱ (90,281,924)</b>	<b>₱ 2,730,668,530</b>	<b>₱ 246,472,525</b>	<b>₱ 2,977,141,055</b>

See accompanying notes to the interim condensed consolidated financial statements.

## APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

### Interim Condensed Consolidated Statements of Cash Flows

For the three-months period ended March 31,

	Note/s	2021 (unaudited)	2020 (unaudited)
<b>Cash flows from operating activities:</b>			
Loss for the year before tax		₱ (9,082,837)	₱ (4,374,475)
Adjustments for:			
Finance income	16	(248)	(2,517)
Finance costs	16	418,292	259,750
Depreciation	9	211,696	112,368
Operating loss before working capital adjustments		₱ (8,453,097)	₱ (4,004,874)
Working capital adjustments:			
Increase in:			
Other current assets		(581,912)	(2,732)
Other non-current assets		–	(30,000)
Increase (Decrease) in:			
Accounts & other payables		954,375	(96,536)
Net cash used in operations		₱ (8,080,634)	₱ (4,134,142)
Interest received	16	248	2,517
<i>Net cash used in operating activities</i>		₱ (8,080,386)	₱ (4,131,625)
<b>Cash flows from investing activities:</b>			
Acquisition of property & equipment	9	₱ (146,032)	₱ (55,309)
Additional mine costs	8	(3,210,800)	(1,924,202)
Advances to contractors	8	(1,115,729)	(442,337)
<i>Net cash used in investing activities</i>		₱ (4,472,561)	₱ (2,421,848)
<b>Cash flows from financing activities:</b>			
Proceeds from loans & borrowings	12	₱ 27,200,000	₱ 6,000,000
Repayment of loans & borrowings	12	(13,950,000)	–
Advances from related parties	19	32,618	–
Interest paid		(418,292)	–
<i>Net cash provided by financing activities</i>		₱ 12,864,326	₱ 6,000,000
<b>Net increase (decrease) in cash</b>		₱ 311,379	₱ (553,473)
<b>Cash at beginning of year</b>	5	909,057	1,284,390
<b>Cash at end of period</b>	5	₱ 1,220,436	₱ 730,917

See accompanying notes to the consolidated financial statements.

# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Notes to the Interim Condensed Consolidated Financial Statements

As at March 31, 2021 and December 31, 2020

For the each of the three-months ended March 31, 2021 and 2020

### 1. Reporting Entity

#### 1.1 Formation and Operations

**APOLLO GLOBAL CAPITAL, INC.** (the Parent Company or APL), formerly known as YEHEY! CORPORATION, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) per SEC Registration No. A199806865 on June 10, 1998. Prior to the approval of the change in the corporate name and its business on October 7, 2016, the Parent Company's primary purpose is to engage in the business of internal online-related products relating to database search engine, such as, but not limited to, conceptualizing, designing, illustrating, processing and editing websites; to engage in other pre-production and postproduction work on websites in the internet; and to sell and market said products in the form of advertising of finished products in the domestic or export market.

On August 9, 2012, the SEC approved the Parent Company's application to list 27.8-million common shares by way of introduction in the second board of the Philippine Stock Exchange (PSE) at an initial price of ₱1 per share. On October 18, 2012, the Parent Company was listed in the PSE.

As of December 31, 2014, the Parent Company is 66.95% owned by Vantage Equities, Inc. (Vantage), a company also incorporated in the Philippines and listed in the PSE. On July 7, 2015, Vantage entered into a Sale and Purchase Agreement (SPA), with third party buyers for the sale of the entire shares owned by Vantage. Under the SPA, the closing of the transfer of the Sale Shares is subject to and conditioned upon the conduct and completion of a mandatory tender offer as well as the payment of the purchase price, which conditions have been complied with on October 15, 2015. Accordingly, on October 15, 2015, the Parent Company ceased as a majority owned subsidiary of Vantage when Vantage sold its shares at P290 million to a group of individual shareholders.

Pursuant to the SPA, the Board of Directors (BOD) of the Parent Company approved on October 30, 2015 the assignment of the noncash assets and liabilities of the Parent Company to Vantage. Total amount assigned is a net liability of ₱2,693,438. Such amount was recognized as miscellaneous income in the Parent Company's 2015 separate statement of comprehensive income.

On December 7, 2015, the BOD approved the change of the Parent Company's name from YEHEY! CORPORATION to APOLLO GLOBAL CAPITAL, INC. The amendment was filed with the SEC and was approved on October 7, 2016. Along with the change in the corporate name, the Parent Company's primary purpose was likewise amended to that of a holding company which is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, lease, mortgage, guarantee, exchange, develop, or otherwise dispose of real or personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences, of indebtedness, and other securities, or obligations of any corporation or corporations, associations, domestic or foreign, and to possess and exercise in respect thereof all the rights, powers and privileges of ownership.

The current registered office address of the Parent Company is located at Unit 504, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City.

## 1.2 Subsidiary Information

JDVC Resources Corporation (referred to as “JDVC” or the “Subsidiary”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 2011 under SEC Reg. No. CS201120574. The Subsidiary is primarily established to carry on business of exploring, prospecting and operating mines and quarries of all kind of ores and minerals, metallic and non-metallic, such as nickel, iron, gold, copper, silver, lead, manganese, chromite, molybdenite pyrite, sulfur, silica, kaolin clay, zeolite, perlite, diatomaceous earth, diorite, basalt, gabbro, coal, hydrocarbons, oil, natural gas, etc.; filing, negotiating or applying for mineral agreements, operating agreements, mining leases, timber and water rights and surface rights, and of milling concentrating, processing, refining and smelting such minerals, and manufacturing, utilizing, trading, marketing or selling such mineral products, likewise acquiring and operating all kinds of equipment, vehicles, instruments, machineries, chemicals supplies and other logistic structures that may be vital and necessary for the furtherance of the foregoing purposes, with financial and technical assistance agreement with the government.

The Subsidiary’s principal and administrative office address is at 2nd Floor L&L Bldg., Panay Ave. Cor. EDSA, Quezon City.

The Parent Company and its subsidiary are collectively known herein as the “Group”. On February 17, 2017, the Parent Company and JDVC’s shareholders entered into a Deed of Exchange of Shares where in the former had issued 247,396,071,520 shares (par value of ₱0.01 per share) in exchange for 4,133,740 shares (par value of ₱100 per share) at an exchange price of ₱598.48 of the latter. The deed covering the transaction was approved by SEC on October 9, 2017. As a result of this transaction, the Parent Company now owns 82.67% of JDVC.

In December 2019, the Parent Company purchased additional 389,530 shares of JDVC from its existing stockholders for ₱267.6 million resulting to an increase in ownership of JDVC to 90.47%.

## 1.3 Approval on the Release of the Interim Condensed Consolidated Financial Statements

The accompanying interim condensed consolidated financial statements of the Group as at March 31, 2021 (including comparative amounts as at December 31, 2020) were approved and authorized for issue by the Board of Directors on May 26, 2021.

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## 2. Basis of Preparation

### 2.1 Statement of Compliance

The accompanying interim condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Accounting Standard 34, *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended December 31, 2020, which have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

### 2.2 Going Concern Assumption

The preparation of the accompanying interim condensed consolidated financial statements of the Group is based on the premise that the Group operates on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. The management does not intend to liquidate.

### 2.3 Functional and Presentation Currency

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Group’s functional and presentation currency.

Items included in the interim condensed consolidated financial statements of the Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

#### **2.4 Seasonality of Operations**

The Group is engaged in offshore mining activities in Cagayan and expects operations to be affected based on the Philippines' dry and wet seasons. Currently, the Group expects to operate approximately seven (7) months in a year, when monsoon season has ended in the Cagayan region.

#### **2.5 Basis of Consolidation**

The Group's interim condensed consolidated financial statements comprise the accounts of the Group and its subsidiary, after the elimination of intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the interim condensed consolidated financial statements.

The financial statements of APL are prepared for the same reporting period as that of the Group, using consistent accounting policies.

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### **3. Changes in Accounting Policies**

The Group's accounting policies are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements:

#### **3.1 New and Amended Standards Effective in 2021**

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning January 1, 2021:

- a.) Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The adoption of these amendments do not have a significant impact on the consolidated financial statements of the Group.

#### **3.2 New and Amended Standards Effective Subsequent to 2021 but not Early Adopted**

Pronouncements issued but not yet effective as at December 31, 2020 are listed below. The Group intends to adopt the following pronouncements when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new pronouncements to have a significant impact on the interim condensed consolidated financial statements.



Effective beginning on or after January 1, 2022

a.) PAS 16 (amendments), *Property, Plant and Equipment – Proceeds before Intended Use*.

The amendments prohibit the Company from 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 the management. Instead, the Company recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual reporting period beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the earliest period presented when the Company first apply the amendment.

These amendments are not expected to have a material impact on the financial statements of the Company.

b.) PFRS 3 (amendments), *Reference to the Conceptual Framework*.

The amendments are intended to replace a reference to the Framework for the Preparation and the Presentation of Financial Statements, issued in 1989, with reference to the conceptual framework for Financial Reporting issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was added to avoid the issue of potential “day 2” gains or losses arising from liabilities and contingent liabilities that would be in the scope of PAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the existing guidance in PFRS 3 for contingent assets that would not be affected was clarified by replacing the reference to the Framework for the Preparation and Presentation of the Financial Statements. The amendments are effective for annual reporting period beginning on or after January 1, 2022 and apply prospectively.

The Company is currently assessing the impact of adopting these amendments.

c.) PAS 37 (amendments), *Onerous Contracts – Cost of Fulfilling a Contract*.

The amendments specify which costs an entity needs to include in assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental cost and allocation of costs directly related to contract activities. General and administrative costs that do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning January 1, 2022. The Company will apply the amendments to contracts which it has not yet fulfilled its obligations at the beginning of the annual reporting period in which it first applies its amendments.

The Company is currently assessing the impact of these amendments.

Effective beginning on or after January 1, 2023

a.) PFRS 17, *Insurance Contracts*.

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a

comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The standard is not applicable to the Group since it has no activities that are predominantly connected with insurance contracts or issue insurance contracts.

b.) PAS 1 (amendments), *Classification of Liabilities as Current or Non-current*.

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any assets, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of “settlements” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

The management of the Group is still evaluating the impact of these new amendments.

Deferred

a.) PFRS 10 (amendments), *Consolidated Financial Statements*, and PAS 28 (amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors’ interests in the associate or joint venture.

The management of the Group is still evaluating the impact of these new amendments.

### 3.3 Annual Improvements to PFRSs

The annual improvements to PFRSs contain non-urgent but necessary amendments to PFRSs.

2018 to 2020 Cycle

The Annual Improvements to PFRSs (2018-2020 Cycle) are effective for annual periods beginning on or after January 1, 2022, with retrospective application.

a.) PFRS 1, *Subsidiary as a First-Time Adopter*.

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1: D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the

effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1: D16 (a).

The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted.

- d.) PFRS 9 (amendments), *Financial Instruments – Fees in the '10 per cent' Test for the Derecognition of the Financial Liabilities*.

The amendment clarifies the fee that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to the financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the financial statements.

- e.) PAS 41 (amendments), *Agriculture – Taxation in Fair Value Measurements*.

The amendments removed the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments are not expected to have a material impact on the financial statements.

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#### 4. Significant Accounting Estimates and Judgments

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the interim condensed consolidated financial statements. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the interim condensed consolidated financial statements as they become reasonably determinable.

There were no changes in estimates of amounts reported in prior financial periods that have a material effect in the current interim period.

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## 5. Cash

This account consists of:

	<b>March 31, 2021</b>		<b>December 31, 2020</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
Petty cash fund	₱ 20,000	₱	20,000
Cash in banks	1,200,436		889,057
<b>Total</b>	<b>₱ 1,220,436</b>	₱	<b>909,057</b>

Cash in banks are demand deposit accounts in various universal banks that generally earn interest at their respective daily bank deposit rates. Petty cash fund is used for payment of minor disbursements and is maintained under an imprest fund system.

Interest income earned from cash in banks amounted to ₱248 and ₱2,517 for the period ended March 31, 2021 and 2020 (see Note 16).

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## 6. Other Current Assets

This account consists of:

	<b>March 31, 2021</b>		<b>December 31, 2020</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
Input taxes	₱ 2,800,390	₱	2,582,729
Prior year's excess credit	1,237,509		1,237,509
Prepaid expenses	286,077		–
Advances to employees	78,174		–
Security deposits	71,772		71,772
Construction bonds	50,000		50,000
<b>Total</b>	<b>₱ 4,523,922</b>	₱	<b>3,942,010</b>

Input taxes are 12% value added tax (VAT) on purchase of goods or services in the course of its trade or business. At the end of the year, input tax can be applied against output tax.

Prior year's excess credits represent excess tax payments and credits over tax liabilities of the immediately preceding taxable period which may be refunded, converted to tax credit certificates, or carried over to the next taxable year.

Prepaid expenses consist of prepaid rent, professional fees and stock transfer office fee to be applied on the next period.

Advances to employees are non-interest bearing receivable cash advances which are deductible from salaries.

Security deposits represent noninterest-bearing deposits made on lease and are usually refundable after the end of contract or services less any charges.

Construction bonds represent noninterest-bearing bonds that are used to secure against damages during construction and will be refundable after the end of construction, net of any charges.

## 7. Mine Properties

The carrying amount of this account is as follows:

	Mineral Assets	Mining Development Costs	Patent	Total
<b>Cost:</b>				
As at December 31, 2019	₱ 2,500,098,008	₱ 694,956,557	₱ 89,000,000	₱ 3,284,054,565
Additions	–	4,694,000	–	4,694,000
As at December 31, 2020	₱ 2,500,098,008	₱ 699,650,557	₱ 89,000,000	₱ 3,288,748,565
Additions	–	3,210,800	–	3,210,800
<b>As at March 31, 2021</b>	<b>₱ 2,500,098,008</b>	<b>₱ 702,861,357</b>	<b>₱ 89,000,000</b>	<b>₱ 3,291,959,365</b>

JDVC was granted by the Department of Environment and Natural Resources (DENR) a Mineral Production Sharing Agreement (MPSA) No. 338-2010-II-OMR covering an area of approximately 14,240 hectares (ha) located within the municipal waters of the Municipalities of Sanchez Mira, Pamplona, Abulug, Ballesteros, Appari, Buguey, and Gonzaga, in the Province of Cagayan for a term of 25 years and renewable for another 25 years.

Originally, the MPSA was granted to Bo Go Resources Mining Corporation (Bo Go) on June 9, 2010. On November 25, 2011, Bo Go executed a deed of assignment (DOA) to transfer to JDVC all its rights and interest in and title to the MPSA. On January 27, 2012, the DOA was approved by the Mines and Geosciences Bureau (MGB) and was duly approved a year after, January 25, 2013, by the DENR.

The DOA, as approved, carries with it the responsibility to implement the Exploration Work Program and the Environmental Work Program which were eventually taken over by JDVC, as well as the submission of the regular Technical/Progress Reports. The Environmental Impact Assessment likewise was completed and presented to the various municipalities and stakeholders in the Province of Cagayan. After the approval of the DENR, pursuant to the agreement, the Subsidiary proceeded to do the Technical or Progress Report Exploration, Environmental Work Programs and Exploration Work Programs.

JDVC, through a DOA, transferred all rights and interest in the 2,400-ha portion of the MPSA No. 338-2010-II-OMR to Sanlorenzo Mines, Inc. The DOA was approved by the DENR on May 20, 2016. The remaining 11,840-ha was redenominated as MPSA No. 338-2010-II-OMR-Amended A.

On March 14, 2017, 3,161.84-ha of the remaining 11,840 ha were relinquished by JDVC in favor of the Government.

On August 9, 2017, the Subsidiary executed DOAs, which was registered with the DENR on April 2, 2018, assigning portion of MPSA No. 338-2010-II-OMR-Amended A as follows:

	Area Assigned (in ha)
Catagayan Iron Sand Mining Resources Corp.	3,182.78
Cagayan Ore Metal Mining Exploration Corp.	2,149.85
Catagayan Mining Resources (Phils.) Inc.	1,448.51

These companies were all incorporated in the Philippines and registered with the SEC on July 1, 2016, primarily to engage on the business of exploring, prospecting and operating mines and quarries of all kind of ores and minerals.

On August 6, 2019, the Declaration of Mining Project Feasibility filed by JDVC last May 25, 2016, was approved by the DENR authorizing JDVC to proceed with the Development and Operating Periods of MPSA No. 338-2010-II-OMR-Amended A covering the 4,999.24-ha, including extraction and commercial disposition of magnetite iron sand and other associated minerals at the offshore areas in the Province of Cagayan.

As at December 31, 2020, the remaining 1,897.02-ha contract area of the MPSA No. 338-2010-II-OMR-Amended A which has been fully explored since 2017.

### Mineral Assets

Mineral assets pertain to the acquisition cost of the rights over mineral resources represented by the excess of the fair value of shares issued by the Parent Company over the carrying amount of the net assets of JDVC when the Parent acquired 82.67% ownership JDVC.

### Patent

Patent was acquired by Agbiag Mining Development Corporation (Agbiag) for the siphon vessel used in the exploration of the mining in Cagayan. Agbiag allows the Group to use its research, study and intellectual property right on a non-exclusive basis, for the duly researched and studied siphon vessel for the offshore magnetite iron sand commercial extraction through a MOA signed on September 2014.

The Group has an outstanding liability to Agbiag amounting to ₱37.6-million as at reporting dates (see Note 11).

### Mining Development Costs

Mining costs include the costs incurred in the exploration and evaluation phase of mining. Such costs consist of expenditures related to the exploration of the mines, drilling activities, and other direct costs related to the exploration activities. The recovery of these costs depends upon the success of the exploration activities, the future development of the corresponding mining properties and the extraction of mineral products as these properties shift into commercial operations.

The exploration activities for the mine area of the Group were completed in 2017, hence, the related exploration and evaluation assets were transferred to mine under development. Mine under development are not subject to depletion until the production has commenced.

### Estimated Units of Production of Mine

The computation of mineral resources was done by a competent individual geologist using the Polygon Method. The mineral resources are estimated at a total of 606.458 million tons. With the computed indicated resource, the mine life for the current mineral resources is 87.7 years for the siphoning and utilizing magnetic separation on-board of the vessels. With the yearly production schedule of 6.91 million tons of raw sand with an average magnetite fraction of 19.79% and 95% material recovery, the operations can yield an iron concentrate of 1.30 million metric tons per annum production, using 3 units of production lines of platform.

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## 8. Advances to Contractors

This account consists of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Agbiag Mining Development Corporation	₱ 44,242,170	₱ 43,851,191
Offshore Mining Chamber of the Philippines	1,700,000	1,000,000
CBO	500	–
Others	61,750	37,500
Total	₱ 46,004,420	₱ 44,888,691

This account pertains to the unsecured and noninterest-bearing cash advances extended by the Subsidiary to its suppliers for the payment on permits, overhead fees, exploration services, depth and sounding survey studies and other technical expenses incurred by the latter.

These advances have no fixed repayment date and are not expected to be collected within one year from the financial reporting date, hence, classified as non-current asset in the interim condensed consolidated statements of financial position.

## 9. Property & Equipment

The roll-forward analyses of this account follows:

	Office furniture & equipment	Motor vehicle	Total
Carrying amounts at December 31, 2019	₱ 51,304	₱ 1,178,870	₱ 1,230,174
Additions	55,309	–	55,309
Depreciation for the period	(28,163)	(84,205)	(112,368)
Carrying amounts at March 31, 2020	₱ 78,450	₱ 1,094,665	₱ 1,173,115
Additions	1,721,839	–	1,721,839
Depreciation for the period	(215,071)	(252,615)	(467,686)
Carrying amounts at December 31, 2020	₱ 1,585,218	₱ 842,050	₱ 2,427,268
Additions	146,032	–	146,032
Depreciation for the period	(127,491)	(84,205)	(211,696)
<b>Carrying amounts at March 31, 2021</b>	<b>₱ 1,603,759</b>	<b>₱ 757,845</b>	<b>₱ 2,361,604</b>

Reconciliation of the carrying amounts are as follows:

	March 31, 2021		
	Office furniture & equipment	Motor vehicle	Total
<b>Cost</b>	<b>₱ 2,372,177</b>	<b>₱ 1,347,280</b>	<b>₱ 3,719,457</b>
<b>Accumulated depreciation</b>	<b>(600,008)</b>	<b>(757,845)</b>	<b>(1,357,853)</b>
<b>Carrying amount</b>	<b>₱ 1,772,169</b>	<b>₱ 589,435</b>	<b>₱ 2,361,604</b>

	December 31, 2020		
	Office furniture & equipment	Motor vehicle	Total
Cost	₱ 2,226,145	₱ 1,347,280	₱ 3,573,425
Accumulated depreciation	(472,517)	(673,640)	(1,146,157)
Carrying amount	₱ 1,753,628	₱ 673,640	₱ 2,427,268

As at March 31, 2021 and December 31, 2020, there is no indication of any impairment loss on the carrying amount of property & equipment since its recoverable amount exceeds its carrying amount.

The amount of depreciation is charged to general and administrative expenses (see Note 14).

None of the properties were pledged or mortgaged as collateral to secure any of the Group's loans.

## 10. Website Costs

Movement of this account is as follows:

	Website Costs
<b>Cost:</b>	
As at December 31, 2019	₱ 360,777
Additions	–
As at December 31, 2020	₱ 360,777
Additions	–
<b>As at March 31, 2021</b>	<b>₱ 360,777</b>

The Group's website is determined to have an indefinite useful life because considering all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group. Website cost is not amortized but is tested for impairment annually either individually or at the cash generating unit level.

As at March 31, 2021 and December 31, 2020, there is no indication of any impairment loss on the carrying amount of intangible assets since its recoverable amount exceeds its carrying amount.

## 11. Accounts & Other Payables

This account consists of:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Payable to a contractor	₱ 37,633,782	₱ 37,500,000
Accrued expenses	2,389,688	2,097,698
Accounts payable	1,256,480	745,143
Deferred output tax	818,036	818,036
Statutory payables	432,965	415,699
<b>Total</b>	<b>₱ 42,530,951</b>	<b>₱ 41,576,576</b>

Payable to a contractor pertains to the outstanding liability to Agbiag for the patent for the siphon vessel used in its exploration activities (see Note 8). It is unsecured and is payable on demand. Due to budgetary constraints, the Company is unable to pay the contractor and the contractor agreed to settle once the Company is able to do so.

Accrued expenses include professional fees and various unpaid expenses. Accounts payable consist of unsecured liabilities to suppliers and contractors. Statutory payables consist of withholding taxes and other payables to government agencies.

These liabilities are unsecured and noninterest-bearing and are normally settled within the next 12 months.

## 12. Interest-bearing Loans & Borrowings

This account consists of unsecured, long-term loan obtained by the Group from Cagayan Blue Ocean Offshore Aquamarine Services Corporation (CBO). Details are as follows:

	Principal				March 31, 2021 (Unaudited)	Balance December 31, 2020 (Audited)
	Mar. 31, 2021	Dec. 31, 2020	Interest Rate	Maturity		
Loans from CBO, interest and principal payable upon maturity, unsecured	₱50.8- million	₱37.6- million	Fixed at 6%	2 years	₱ 50,800,000	₱ 37,550,000
<b>Total</b>					<b>₱ 50,800,000</b>	<b>₱ 37,550,000</b>

### Loan Facility from CBO

In October 2019, JDVC obtained credit from CBO to finance the Group's working capital requirements. The loans were drawn from a series of promissory notes in various dates, and as of reporting date, ₱50,800,000 (2020: ₱37,550,000) have been availed from CBO.

The loans bear a fixed annual interest of 6% per annum and have maturities of 2 years, with the option to convert the loan and accrued interest into common shares of JDVC, at the option of CBO, at any time during the loan period with an exercise price of ₱100 per share. The Group is not required to maintain certain financial ratios or capital requirements with regards to this loan.

The interest-bearing loans & borrowings are classified in the interim condensed consolidated statements of financial position as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion	₱ 19,950,000	₱ 13,950,000
Non-current portion	30,850,000	23,600,000
<b>Total</b>	<b>₱ 50,800,000</b>	<b>₱ 37,550,000</b>



Total borrowing costs attributable to these loans amounted to ₱418,292 and ₱259,750 in March 31, 2021 and 2020, respectively, and were charged as Interest expense in the statements of comprehensive income (see Note 16).

#### Convertible Loan Agreement

On February 20, 2019, the BOD authorized the Parent Company to enter into a convertible loan agreement with a third party amounting to ₱50.0 million. The loan bears an interest of 5% per annum and will mature on February 20, 2021. The principal and interest are convertible to shares at ₱0.01 per share any time until the 10th day before the maturity date at the option of the third party (see Note 13).

### 13. Equity

Share capital consists of:

	<u>No. of Shares</u>		<u>Amount</u>	
	2021	2020	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Authorized – ₱0.01 par value	600,000,000,000	600,000,000,000	₱ 6,000,000,000	₱ 6,000,000,000
Subscribed, Issued, paid-up & outstanding:				
Balance at beginning of year	280,336,349,297	280,336,349,297	₱ 2,803,363,493	₱ 2,803,363,493
Balance at end of year	280,336,349,297	280,336,349,297	₱ 2,803,363,493	₱ 2,803,363,493
Ordinary share capital	280,336,349,297	280,336,349,297	₱ 2,803,363,493	₱ 2,803,363,493

Below is the track record of issuance of the Parent Company's securities:

Date of Approval	Nature	Authorized	No. of Shares Issue/Offer	Price
October 18, 2012	Listing of shares	100,000,000,000	27,800,000,000	₱1.00
October 9, 2017	Share swap	600,000,000,000	247,396,071,520	0.01
September 11, 2019	Loan conversion	600,000,000,000	5,140,277,777	0.01

As at March 31, 2021, the Parent Company has a total of 799 shareholders.

#### Increase in Authorized Capital Stock of APL

On October 9, 2017, the SEC approved the increase in the capital stock of the Parent Company from ₱1.0-billion divided into 100.0-billion shares to ₱6.0-billion divided into 600.0-billion shares both with a par value of ₱0.01.

#### Convertible Loan Agreement

On September 11, 2019, the third party exercised the right to convert the loan (see Note 12) at ₱0.01 per share. On the same date, the BOD approved the conversion of the principal amount, including the interest accrued up to date of the conversion amounting to ₱1,402,778. The Parent Company issued additional 5,140,277,777 shares as a result of the conversion. Consequently, such valuation was duly approved by the SEC on December 7, 2020.

### 14. General & Administrative Costs

The following shows the breakdown of general & administrative costs:

	Note/s	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Filing & processing fees		₱ 4,214,967	₱ –
Professional fees		853,700	751,100
Salaries & employee benefits	15	776,638	631,851
Mobilization costs		765,033	508,773
Annual listing fee		355,840	292,320
Representation		300,969	364,968

Taxes & licenses		263,847		–
Transportation & travel		186,023		–
Rent	20	134,155		143,546
Office supplies		101,163		42,457
Association dues		53,811		37,301
Allowances		50,000		–
Repairs & maintenance		33,700		633,503
Meetings & conference		16,500		–
Utilities expenses		15,470		–
Medical expenses		2,510		–
Depreciation	9	211,696		112,368
Miscellaneous		328,771		599,055
<b>Total</b>		<b>₱ 8,664,793</b>		<b>₱ 4,117,242</b>

## 15. Employee Benefits

Expenses recognized for salaries & employee benefits are presented below:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Short-term employee benefits	₱ 776,638	₱ 631,851
<b>Total</b>	<b>₱ 776,638</b>	<b>₱ 631,851</b>

The amount of salaries & employee benefits is charged to general & administrative costs (see Note 14).

### Post-employment Defined Benefits

The Group has not established a formal retirement plan. As at December 31, 2020, the Group employs less than ten (10) employees, most who do not qualify or meet the minimum requirements of Retirement Pay Law. Therefore, as of December 31, 2020, no accrued retirement benefit obligation has been recognized. However, it is required to pay qualified employees retirement benefits under Republic Act No. 7641 once it meets the requirements of said law.

The Group expects to hire additional employees in 2021 to deploy in its mining tenement, as well as additional support staff, upon commencement of commercial operations. The Group will conduct a valuation of its accrued retirement benefits under Republic Act No. 7641 in the 2021 annual financial statements.

## 16. Finance and Other Income (Losses)

Finance income consist of interest earned from local bank deposits which are net of 20% final tax, to wit:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Interest income from local bank deposits	₱ 248	₱ 2,517
<b>Total</b>	<b>₱ 248</b>	<b>₱ 2,517</b>

Finance costs consist of:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Interest expense on loans	₱ 418,292	₱ 259,750
<b>Total</b>	<b>₱ 418,292</b>	<b>₱ 259,750</b>

## 17. Income Tax

The schedule of deferred tax assets is as follows:

	Consolidated statements of financial position		Consolidated statements of comprehensive income	
	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
<b>Deferred tax assets:</b>				
NOLCO	₱ 6,154,303	₱ 6,154,303	₱ –	₱ –
Deferred tax assets – net	₱ 6,154,303	₱ 6,154,303		
Deferred tax benefit – net			₱ –	₱ –

The NOLCO of the business for any taxable year shall be carried over as a deduction from gross income for the next three (3) consecutive years. In effect, therefore, a tax benefit arises on the year the losses were incurred. Such tax benefits are reported in the statement of financial position as deferred tax assets and are reported at current statutory tax rates.

In 2020, the Government recognized the effect of COVID 19 pandemic to various Companies, therefore, enacted the Bayanihan to Recover as One Act (RA No. 11494). Under Section 4 (bbbb) of the Act, it allows qualified businesses which incurred net operating loss for taxable years 2020 and 2021 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The Group believes that it is not reasonably probable that future taxable profit against which the benefit of the Parent Company's deferred tax assets can be utilized.

Details of recognized and unrecognized deferred tax assets of the Group are as follows:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Unrecognized:</b>		
NOLCO	₱ –	₱ 4,732,786
Excess MCIT	–	90,892
	₱ –	₱ 4,823,678
<b>Recognized:</b>		
NOLCO	₱ 6,154,303	₱ 6,154,303

The amount of NOLCO and the applicable years these are valid and deductible from the taxable income are shown below:

Taxable Years	Valid Until	Original Amount	Used/Expired	Balance	Tax Effect
2020	2025*	₱ 13,850,107	₱ –	₱ 13,850,107	₱ 4,155,032
2019	2022	11,250,350	–	11,250,350	3,375,105
2018	2021	11,189,840	–	11,189,840	3,356,952
Total		₱ 36,290,297	₱ –	₱ 36,290,297	₱ 10,887,089

The amounts of MCIT and the applicable years these are valid and deductible from the taxable income are shown below:

Taxable Years	Valid Until	Original Amount	Used/Expired	Balance
2019	2022	₱ 45,446	₱ –	₱ 45,446
2018	2021	45,446	–	45,446
Total		₱ 90,892	₱ –	₱ 90,892

### Corporate Recovery and Tax Incentive for Enterprises (CREATE) Act

On March 26, 2021, the President of the Republic of the Philippines signed into law R.A. No. 11534, otherwise known as the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act, which amends certain

provisions of the National Internal Revenue Code of 1997, as amended, with veto on certain provisions and shall be effective 15 days after its publication. The CREATE Act seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based.

Among others, the key changes of the CREATE Act relevant to the Company are as follows:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0-million and with total assets not exceeding ₱100-million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Minimum corporate income tax (MCIT) is reduced from 2% to 1% for the period beginning July 1, 2020 until June 30, 2023;
- Imposition of improperly accumulated earnings tax of 10% is repealed;
- Allowable deduction for interest expense is reduced by 20% (from 33%) of the interest income subjected to final tax.

As clarified by the Philippine Financial Reporting Standards Council (FRSC) in its Philippine Interpretations Committee (PIC) Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive application on July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as at and for the year ended December 31, 2020 was computed and measured using the applicable income tax rates prior to CREATE i.e., 30% RCIT or 2% MCIT, for financial reporting purposes.

Applying the provisions of CREATE Act, the Company would have been subjected to lower RCIT rate of 27.5%. Management estimates the following impact on the balances of current and deferred income taxes as of December 31, 2020:

	Carrying Amount	Effect of Change in Tax Rate	Adjusted Carrying Amount
Deferred tax assets	₱ 6,154,303	₱ (1,025,717)	₱ 5,128,586

The effects of change in tax rates and any excess accrual of RCIT and MCIT will be considered in the 2021 annual financial statements.

## 18. Basic Loss Per Share

Basic loss per share is computed as follows:

	March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)
Loss attributable to ordinary shares	₱ (8,762,641)	₱ (4,103,276)
Divide by: Weighted average number of ordinary shares outstanding	280,336,349,297	280,336,349,297
Basic loss per share	₱ (0.00003)	₱ (0.00001)

There are no potential dilutive ordinary shares outstanding as at March 31, 2021 and 2020.

## 19. Related Party Transactions

The Group, in the normal course of business, has significant transactions with related parties pertaining to granting and availing of advances for operational expenses.

The details of the Group's related parties are summarized as follows:

Name of related party	Relationship	Country of Incorporation
Cagayan Ore Metal Mining Exploration Corporation	With common shareholders	Philippines
Catagayan Iron Sand Resources Corporation	With common shareholders	Philippines
Catagayan Mining Resources (Phils.) Inc.	With common shareholders	Philippines
Individuals	Key management personnel/shareholders	-

The Group, in the normal course of business, has entered into transactions with related parties principally consisting of:

Related Party	Nature	Terms & Conditions	Note/s	Amount of Transaction		Outstanding Balances		
				March 31, 2021 (Unaudited)	March 31, 2020 (Unaudited)	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	
Shareholders	Advances for working capital	Long-term, unsecured, non-interest bearing, repayable in cash	₱	32,618	₱	-	₱ (247,957,203)	₱ (208,784,715)
Key Management personnel	Advances for working capital purposes	Long-term, unsecured, non-interest bearing, repayable in cash		-	-	39,139,870	(39,139,870)	

### Advances from Related Parties

The Group often borrows funds to finance its operating expenses and working capital. The advances are unsecured, noninterest-bearing and are repayable in cash beyond 12 months. The Group has the discretion to refinance these advances on a long-term basis and expects to repay the advances when the Group has sustained sufficient financial capacity.

### Deposits for Future Stock Subscription

This account refers to amounts collected from existing shareholders of JDVC to issue a specified number of common shares of JDVC at par value. Deposits for future subscription were classified as non-current liabilities since the BOD of JDVC expects to apply for an increase in capital stock beyond 12 months from reporting date and it has not yet complied with all the criteria pursuant to SEC Financial Reporting Bulletin 006 to be classified as equity. The deposits are refundable upon the request of the shareholder if they wish to withdraw.

On July 6, 2020, the Board of Directors of JDVC has discarded its plans to apply for an increase in capital stock and have subsequently decided to reclassify the Deposits for Future Stock Subscription to Advances from Shareholders account. The advances are intended for temporary financing to JDVC and shall be noninterest-bearing, unsecured and repayable in cash within 2 years, with option to extend terms. These advances are classified as non-current liabilities since the Group expects to repay these advances when the Group can generate positive cash flows from operations.

### Key Management Personnel Compensation

Since the Group is in its pre-operating stages, there are no key management personnel compensation recognized in March 31, 2021 and 2020, since the officers offer their services pro-bono to save on operating costs. Likewise, the Group does not provide post-employment benefit plans or equity-based compensation benefits to any of its directors or executive officers.

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## 20. Commitments and Other Matters

### Lease Agreements

In 2016, the Subsidiary entered into a cancellable lease agreement with a third party for its office space. The lease term is for a period of 2 years commencing on December 15, 2016 until January 14, 2018. The contract was renewed thereafter but was terminated by the Subsidiary on February 15, 2018. Upon termination of the lease agreement, the Parent Company allows its Subsidiary to use its office space at no cost to the Subsidiary.

In 2019, the Parent Company entered into a lease agreement with a third party for its office space with a term of one year and is renewable upon mutual agreement of both parties. The lease agreement has an escalation clause of 5% per annum. Security deposit amounted to ₱71,772 as at March 31, 2021 and December 31, 2020 (see Note 6).

Total expense from these leases amounted to ₱134,155 in March 31, 2021 and ₱143,546 in March 31, 2020 which was charged to general & administrative costs (see Note 14).

### Royalty Agreement

On September 1, 2014, JDVC entered in a royalty agreement with Agbiag, operating contractor of JDVC, by granting the latter irrevocable and unrestricted rights and privileges to occupy, explore, develop, utilize, mine and undertake other activities to the mining area owned by JDVC in various areas in Cagayan Province, for twenty-five (25) years or the life of JDVC's MPSA No. 338-2010-II-OMR with the Republic of the Philippines, whichever is shorter.

All costs and expenses related to the MPSA, commercial extraction permits and such other fees required by the Government and for non-government related expenses which include community expenses and social compliances among others shall be for the account of Agbiag.

As consideration, the Subsidiary shall earn royalty income of US\$4.00 up to US\$9.33 per ton or specifically in accordance with the proposed slide-up-slide-down net share remittance, or size percent (6%) of cost, whichever is shorter. In 2017, JDVC received advance royalty payment from Agbiag amounting to ₱51.5-million.

In a special meeting held by the BOD on October 10, 2018, it was resolved that due to the failure of both parties to conduct full extraction operation during the year, the advance royalty payment will be returned by JDVC to Agbiag. This was presented under "Advances from contractor" account in the consolidated statements of financial position.

### Social and Environmental Responsibilities

In 2019, JDVC secured the regulatory approvals of the following programs:

#### *Social Development Management Program (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.

#### *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.

JDVC will start implementing these programs upon commencement of operations.

### COVID-19 Impact

In early 2020, the world was adversely affected by the COVID-19, which was declared a pandemic by the World Health Organization. In a move to contain the COVID-19 outbreak, the Philippine government initiated directives to impose stringent social distancing measures and guidelines under different levels of community quarantine depending on the assessment of the situation in the numerous parts of the country. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve.

The COVID-19 pandemic is continuing globally in 2021. Several variants or mutations, claimed to be more infectious and more contagious, have emerged and are now being monitored. COVID-19 cases are declining in most parts of the world while other parts are seeing spikes or resurgence. Vaccination efforts in the Philippines started on March 1, 2021.

The Group's timeline for the commencement of the offshore mining operations were delayed due to limited movement within the region and the start of monsoon season. A mining vessel has already been deployed in the mining tenement (see Note 25) and is commissioning the industrial siphon, conducting thorough calibration of the machinery, and performing final tests of the mineral product output prior to dispatch of commercial shipments to customers.

The overall impact of the COVID-19 pandemic is still uncertain and dependent on the progression of the virus and on actions taken by the government, businesses and individuals, which could result in different outcomes. Considering the evolving nature of the outbreak, the Group will continue to monitor the situation in subsequent periods.

## 21. Fair Value Measurement

### Carrying Amounts and Fair Values by Category

The carrying amounts and fair values of the categories of certain assets and liabilities presented in the interim condensed consolidated statements of financial position are as follows:

	Note/s	March 31, 2021		December 31, 2020	
		Carrying amounts	Fair Values	Carrying amounts	Fair Values
<b>Financial assets:</b>					
At amortized cost:					
Cash	5	₱ 1,220,436	₱ 1,220,436	₱ 909,057	₱ 909,057
Security deposits	6	71,772	71,772	71,772	71,772
Construction bond	6	50,000	50,000	50,000	50,000
<b>Total</b>		<b>₱ 1,342,208</b>	<b>₱ 1,342,208</b>	<b>₱ 1,030,829</b>	<b>₱ 1,030,829</b>
<b>Financial liabilities:</b>					
At amortized cost:					
Accounts & other payables	11	₱ 41,279,950	₱ 41,279,950	₱ 40,342,841	₱ 40,342,841
Loans & borrowings	12	50,800,000	50,800,000	37,550,000	37,550,000
Advances from related parties	19	247,957,203	247,957,203	208,784,715	208,784,715
<b>Total</b>		<b>₱ 340,037,153</b>	<b>₱ 340,037,153</b>	<b>₱ 286,677,556</b>	<b>₱ 286,677,556</b>

### Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities on a recurring or non-recurring basis and those financial assets, financial liabilities and non-financial assets not measured at fair value but for which fair value is disclosed with other relevant PFRSs, are categorized into three levels based on the significance of inputs used to measure fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for asset or liability that are not based on observable market data (unobservable inputs).

The following table summarizes the fair value hierarchy of the Group's financial assets and liabilities, which are measured at fair value or requires disclosure as prescribed by other PFRSs, as at March 31, 2021 and December 31, 2020:

		March 31, 2021				
Note/s	Level 1	Level 2	Level 3	Total		
<b>Financial assets:</b>						
At amortized cost:						
Cash	5	₱ 1,220,436	₱ –	₱ –	₱ 1,220,436	
Security deposits	6	–	–	71,772	71,772	
Construction bond	6	–	–	50,000	50,000	
<b>Total</b>		<b>₱ 1,220,436</b>	<b>₱ –</b>	<b>₱ 121,772</b>	<b>₱ 1,342,208</b>	
<b>Financial liabilities:</b>						
At amortized cost:						
Accounts & other payables	11	–	–	41,279,950	₱ 41,279,950	
Loans & borrowings	12	–	–	50,800,000	50,800,000	
Advances from related parties	19	–	–	247,957,203	247,957,203	
<b>Total</b>		<b>₱ –</b>	<b>₱ –</b>	<b>₱ 340,037,153</b>	<b>₱ 340,037,153</b>	
		December 31, 2020				
Note/s	Level 1	Level 2	Level 3	Total		
<b>Financial assets:</b>						
At amortized cost:						
Cash	5	₱ 909,057	₱ –	₱ –	₱ 909,057	
Security deposits	6	–	–	71,772	71,772	
Construction bond	6	–	–	50,000	50,000	
<b>Total</b>		<b>₱ 909,057</b>	<b>₱ –</b>	<b>₱ 121,772</b>	<b>₱ 1,030,829</b>	
<b>Financial liabilities:</b>						
At amortized cost:						
Accounts & other payables	11	–	–	40,342,841	₱ 40,342,841	
Loans & borrowings	12	–	–	37,550,000	37,550,000	
Advances from related parties	19	–	–	208,784,715	208,784,715	
<b>Total</b>		<b>₱ –</b>	<b>₱ –</b>	<b>₱ 286,677,556</b>	<b>₱ 286,677,556</b>	

As at March 31, 2021 and December 31, 2020, there are no financial assets or financial liabilities measured at fair value. There were no transfers between levels in 2021 and 2020.

#### Financial Instruments Not Measured at Fair Value for Which Fair Value is Disclosed

For financial assets with fair values included in Level 1, management considers that the carrying amounts of these financial instruments approximate their fair values due to their short-term duration.

The fair values of financial assets and financial liabilities included in Level 3, which are not traded in an active market, are determined based on the expected cash flows of the underlying net asset or liability base of the instrument where the significant inputs required to determine fair value of such instruments are not based on observable market data.

## 22. Financial Risk Management Policies and Objectives

### Introduction

The Group's principal financial instruments comprise of cash and cash equivalents, receivable and payables. The main purpose of these financial instruments is to raise finances for the Group's operations. The risks arising from the use of financial instruments are managed through a process of on-going identification, measurement, and monitoring. This process of risk management is critical to the Group's continuing profitability.

The BOD is ultimately responsible for overall risk management approach, monitoring risk exposures, and approving risk mitigation strategies and policies.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

### Interest Rate Risk

Interest rate risk is the risk that future cash flows from financial instruments or its fair value will fluctuate because of changes in market interest rates. As at March 31, 2021 and December 31, 2020, the Group does not have any repricable financial instruments subject to variable interest rates. There are no significant



interest rate risk exposures since the interest-bearing loans & borrowings are subject to fixed interest rates and all other financial assets and liabilities are non-interest bearing.

#### Credit Risk

Credit risk is the risk that the Group will incur a loss because its customers or counter parties failed to discharge their contractual obligations. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the interim condensed consolidated statements of financial position (or in the detailed analysis provided in the notes to the interim condensed consolidated financial statements).

As at March 31, 2021 and December 31, 2020, the Group has no financial assets for which credit risk has increased significantly since initial recognition and that are credit-impaired. The table below shows the credit quality of financial assets subject to 12-month ECL:

#### *Credit Risk Exposure*

The table below shows the gross maximum exposure to credit risk of the Group as at March 31, 2021 and December 31, 2020, without considering the effects of collaterals and other credit risk mitigation techniques:

	Note/s	2020	2019
Cash in banks	5	₱ 1,200,436	₱ 889,057
Security deposits	6	71,772	71,772
Construction bond	6	50,000	50,000
<b>Total</b>		<b>₱ 1,322,208</b>	<b>₱ 1,010,829</b>

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 per depositor per banking institution.

None of the Group's financial assets are secured by collateral or other credit enhancements, except for cash.

#### *Credit Quality per Class of Financial Assets*

The tables below show a comparison of the credit quality of the Group's financial assets as at March 31, 2021 and December 31, 2020:

<b>March 31, 2021</b> <b>(Unaudited)</b>	<b>Neither Past Due Nor Impaired</b>			<b>Past Due But Not</b>		<b>Total</b>
	<b>High Grade</b>	<b>Standard Grade</b>	<b>Substandard Grade</b>	<b>Impaired</b>	<b>Impaired</b>	
Cash in banks	₱ 1,200,436	₱ –	₱ –	₱ –	₱ –	₱ 1,200,436
Security deposits	71,772	–	–	–	–	71,772
Construction bond	50,000	–	–	–	–	50,000
<b>Total</b>	<b>₱ 1,322,208</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 1,322,208</b>

<b>December 31, 2020</b> <b>(Audited)</b>	<b>Neither Past Due Nor Impaired</b>			<b>Past Due But Not</b>		<b>Total</b>
	<b>High Grade</b>	<b>Standard Grade</b>	<b>Substandard Grade</b>	<b>Impaired</b>	<b>Impaired</b>	
Cash in banks	₱ 889,057	₱ –	₱ –	₱ –	₱ –	₱ 889,057
Security deposits	71,772	–	–	–	–	71,772
Construction bond	50,000	–	–	–	–	50,000
<b>Total</b>	<b>₱ 1,010,829</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ –</b>	<b>₱ 1,010,829</b>

The Group evaluates credit quality on the basis of the credit strength of the security and/or counterparty/issuer. High grade financial assets are those which collectability is assured based on past experience. Standard grade financial assets are considered moderately realizable and some accounts which would require some reminder follow-ups to obtain settlement from the counterparty. The Group determines if credit risk have increased significantly when financial assets are more than 30 days past due.

The Group's management considers none of the financial assets to be impaired or past due at the end of each financial reporting period.

*Cash in banks.* The credit risks for cash in banks are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

*Security deposits and Construction bond.* These pertain to receivables from counterparties which are not expected to default in settling its obligations, hence there is no perceived credit risk.

#### Liquidity Risk

Liquidity risk refers to the risk that the Group will not be able to meet its financial obligations as these fall due. To limit this risk, the Group closely monitors its cash flows and ensures that credit facilities are available to meet its obligations as and when these fall due. The Group also has a committed line of credit that it can access to meet liquidity needs.

#### *Maturity Profile of Financial Liabilities*

The tables below summarize the maturity profile of the Group's financial liabilities as at March 31, 2021 and December 31, 2020 based on the remaining undiscounted contractual cash flows:

	<b>March 31, 2021</b>			
	Carrying Value	On Demand	Within 1 year	Beyond 1 year
<b>Financial assets:</b>				
At amortized cost:				
Cash	₱ 1,220,436	₱ 889,057	₱ –	₱ –
Security deposits	71,772	–	71,772	–
Construction bond	50,000	–	50,000	–
<b>Total</b>	<b>₱ 1,342,208</b>	<b>₱ 889,057</b>	<b>₱ 121,772</b>	<b>₱ –</b>
<b>Financial liabilities:</b>				
At amortized cost:				
Accounts & other payables	₱ 41,279,950	₱ 37,633,782	₱ 3,646,168	₱ 23,600,000
Loans & borrowings	50,800,000	–	19,950,000	30,850,000
Advances from related parties	247,957,203	–	–	247,924,585
<b>Total</b>	<b>₱ 340,037,153</b>	<b>₱ 37,633,782</b>	<b>₱ 23,596,168</b>	<b>₱ 302,374,585</b>
<b>December 31, 2020</b>				
	Carrying Value	On Demand	Within 1 year	Beyond 1 year
<b>Financial assets:</b>				
At amortized cost:				
Cash	₱ 909,057	₱ 909,057	₱ –	₱ –
Security deposits	71,772	–	71,772	–
Construction bond	50,000	–	50,000	–
<b>Total</b>	<b>₱ 1,030,829</b>	<b>₱ 909,057</b>	<b>₱ 121,772</b>	<b>₱ –</b>
<b>Financial liabilities:</b>				
At amortized cost:				
Accounts & other payables	₱ 40,342,841	₱ 37,500,000	₱ 2,842,841	₱ –
Loans & borrowings	37,550,000	–	13,950,000	23,600,000
Advances from related parties	247,924,585	–	–	247,924,585
<b>Total</b>	<b>₱ 325,817,426</b>	<b>₱ 37,500,000</b>	<b>₱ 16,792,841</b>	<b>₱ 271,524,585</b>

As at reporting dates, the Group is experiencing a negative net working capital position. The shareholders support the Group's financing through advancing working capital requirements as they fall due and request extension of payment terms from suppliers or contractors when necessary.

## 23. Capital Management Objectives, Policies, & Procedures

The Group's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders or issue new shares. The Group considers its equity and loans & borrowings as capital.

The Group monitors its financial leverage using the debt-to-equity which is computed as total liabilities divided by total equity as shown in the table below:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Total liabilities	₱ 396,439,154	₱ 382,202,161
Total equity	₱ 2,956,145,673	₱ 2,965,228,510
Debt-to-equity ratio	0.13:1	0.13:1

The Group is not subject to any externally imposed capital requirements. There were no changes in the Group's approach to capital management during the year.

## 24. Supplemental Disclosure of Cash Flow Information

### Changes in Liabilities Arising from Financing Activities

The disclosure requirements enable users of interim condensed consolidated financial statements to evaluate changes in liabilities arising from financing activities of the Group.

The movement of liabilities from financing activities are as follows:

March 31, 2021 (Unaudited)	January 1, 2020	Cash Flows	Reclassification	Interest Expense	March 31, 2021
Loans & borrowings	₱ 37,550,000	₱ 13,250,000	₱ –	₱ –	₱ 50,800,000
Advances from related parties	247,924,585	32,618	–	–	247,957,203
Interest payable	–	(418,292)	–	418,292	–
<b>Total liabilities from financing activities</b>	<b>₱ 285,474,585</b>	<b>₱ 12,864,326</b>	<b>₱ –</b>	<b>₱ 418,292</b>	<b>₱ 298,757,203</b>

December 31, 2020 (Audited)	January 1, 2019	Cash Flows	Reclassification	Interest Expense	December 31, 2020
Loans & borrowings	₱ 13,950,000	₱ 23,600,000	₱ –	₱ –	₱ 37,550,000
Advances from related parties	1,682,983	92,040	246,149,562	–	247,924,585
Deposits for future stock subscriptions	246,149,562	–	(246,149,562)	–	–
Interest payable	–	(1,276,450)	–	1,276,450	–
<b>Total liabilities from financing activities</b>	<b>₱ 261,782,545</b>	<b>₱ 22,415,590</b>	<b>₱ –</b>	<b>₱ 1,276,450</b>	<b>₱ 285,474,585</b>

### Non-cash Activities

The Group had no material non-cash investing or financing activity-related transactions for the period ended March 31, 2021.

The Group had no material non-cash investing or financing activity-related transactions for the year ended December 31 2020, except for the reclassification of deposits for future subscription to advances from related parties (see Note 23).

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## 25. Events After the End of the Reporting Period

### Continuing COVID-19 Pandemic

From March 29, 2021 to April 4, 2021, following the spike in the number of new COVID-19 cases, the Philippine Government has placed cities comprising the Greater Metro Manila Region (NCR, Bulacan, Rizal, Cavite and Laguna) back to Enhanced Community Quarantine and was later extended to April 11, 2021.

Despite vaccination efforts starting worldwide, several variants or mutations, claimed to be more infectious and more contagious, have emerged and are now being monitored. COVID-19 cases are declining in most parts of the world while other parts are seeing spikes or resurgence.

The scale and duration of these developments remain uncertain as at reporting date. The COVID-19 pandemic could have a material impact on the Company's financial results for the rest of 2021 and even periods thereafter. Considering the evolving nature of the pandemic, the Company will continue to monitor the situation.

### Commencement of Operations

JDVC has effectively deployed and positioned the first deep sea siphon mining vessel, MB Siphon 1, into the offshore mining tenement area of operation as of April 14, 2021. MB Siphon 1 has completed all the necessary offshore commissioning stages and necessary permits to start production. JDVC will proceed into the developmental stage on the mining tenement area in preparation for commercial export shipments.

# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Supplementary Schedules under Annex 68-E

Pursuant to the Revised Securities Regulation Code (SRC) Rule 68

March 31, 2021

### Schedule of Financial Soundness Indicators

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>Liquidity Ratios:</b>		
<u>Current Ratio</u>		
Current Assets	₱ 5,744,358	₱ 4,851,067
Current Liabilities	₱ 117,631,951	₱ 110,677,576
	0.05 : 1	0.04 : 1
<u>Acid Test Ratio</u>		
Liquid Assets	₱ 1,220,436	₱ 909,057
Current Liabilities	₱ 117,631,951	₱ 110,677,576
	0.01 : 1	0.01 : 1
<b>Solvency Ratios:</b>		
<u>Debt-to-Equity Ratio</u>		
Total Liabilities	₱ 396,439,154	₱ 382,202,161
Total Equity	₱ 2,956,145,673	₱ 2,965,228,510
	0.13 : 1	0.13 : 1
<u>Asset-to-Equity Ratio</u>		
Total Assets	₱ 3,352,584,827	₱ 3,347,430,671
Total Equity	₱ 2,956,145,673	₱ 2,965,228,510
	1.13 : 1	1.13 : 1
<b>Profitability Ratios:</b>		
<u>Interest Coverage Ratio</u>		
Earnings Before Interest and Taxes	₱ N/A	₱ N/A
Interest Expense	₱ 418,292	₱ 1,276,450
	N/A	N/A
<u>Return on Assets</u>		
Net Profit	₱ N/A	₱ N/A
Total Assets	₱ 3,352,584,827	₱ 3,347,430,671
	N/A	N/A
<u>Return on Equity</u>		
Net Profit	₱ N/A	₱ N/A
Total Equity	₱ 2,956,145,673	₱ 2,965,228,510
	N/A	N/A
<u>Net Profit Margin</u>		
Net Profit	₱ N/A	₱ N/A
Revenues	₱ N/A	₱ N/A
	N/A	N/A

# APOLLO GLOBAL CAPITAL, INC. AND ITS SUBSIDIARY

## Supplementary Schedules under Annex 68-J

Pursuant to the Revised Securities Regulation Code (SRC) Rule 68

March 31, 2021

### Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Cash	N/A	₱1,220,436	N/A	₱248
Security deposits		71,772		–
Construction bond		50,000		–

### Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Non-current	Balance at end of period
			Amounts collected	Amounts written-off			
N/A	–	–	–	–	–	–	3,318,448

### Schedule C. Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Non-current	Balance at end of period
			Amounts collected	Amounts written-off			
JDVC Resources Corporation	9,198,954	N/A	(5,880,506)	–	–	–	3,318,448

### Schedule D. Long-Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position
Interest - bearing loans & borrowings	–	19,950,000	30,850,000

### Schedule E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Shareholders and Key Management Personnel	247,924,585	247,957,203

### Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

### Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	600,000,000,000	280,336,349,297	–	–	46,507,293,501	233,829,055,796