CR02344-2017

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
   Dec 31, 2016
2. SEC Identification Number
   12942
3. BIR Tax Identification No.
   470-00-104-320
4. Exact name of issuer as specified in its charter
   MARCVENTURES HOLDINGS, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   4th Floor, Citibank Center, Paseo de Roxas, Makati City
   Postal Code
   1227
8. Issuer's telephone number, including area code
   +632-8368609 or 632-8567976
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	1,821,359,599

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

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

(•) Yes ( ) No

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

(•) Yes ( ) No

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

773,450,598

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

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

(•) Yes ( ) No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

-

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

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

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

Marcventures Holdings, Inc.
MARC

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2016
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2016	Dec 31, 2015
Current Assets	579,236,747	580,377,409
Total Assets	3,385,340,239	3,426,868,202
Current Liabilities	264,106,910	307,805,437
Total Liabilities	412,968,147	462,732,429
Retained Earnings/(Deficit)	916,160,464	911,018,681
Stockholders' Equity	2,972,372,060	2,964,135,773
Stockholders' Equity - Parent	2,850,933,933	2,833,517,756
Book Value per Share	1.63	1.63

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2016	Dec 31, 2015
Operating Revenue	1,919,188,114	2,330,484,178
Other Revenue	15,836,026	29,449,659
Gross Revenue	1,935,024,140	2,359,933,837
Operating Expense	1,874,356,303	2,453,226,326
Other Expense	12,121,343	13,729,998
Gross Expense	1,886,477,646	2,466,956,324
Net Income/(Loss) Before Tax	48,546,494	-107,022,487
Income Tax Expense	43,404,711	12,032,265
Net Income/(Loss) After Tax	5,141,783	-119,054,752
Net Income/(Loss) Attributable to Parent Equity Holder	5,141,783	-119,054,752

Earnings/(Loss) Per Share (Basic)	0	-0.07
Earnings/(Loss) Per Share (Diluted)	0	-0.07

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2016	Dec 31, 2016
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	2.19	1.89
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	1.35	1.29
Solvency Ratio	**Total Assets / Total Liabilities**	8.2	7.41
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.12	0.14
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.14	0.16
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	5	-6.79
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.14	1.16
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.26	0.13
Net Profit Margin	**Net Profit / Sales**	0	-0.05
Return on Assets	**Net Income / Total Assets**	0	-0.03
Return on Equity	**Net Income / Total Stockholders' Equity**	0	-0.04
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	810	-30.6

Other Relevant Information
None.

Filed on behalf by:

Name	Raquel Frondoso
Designation	Compliance Officer

COVER SHEET

12942

SEC Registration Number

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

(Company's Full Name)

UNIT 4-3 4TH FLR. CITIBANK CENTER CONDOMINIUM 8741 PASEO DE ROXAS MAKATI CITY

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

ATTY. DIANE MADELYN C. CHING

(Contact Person)

831-44-79

(Company Telephone Number)

12 31

Month *Day*

(Calendar Year)

17-A

(Form Type)

Month *Day*

(Annual Meeting)

N/A

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

2,170

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

File Number: ______ **SEC Number:** 12942

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

For the calendar year ended
December 31, 2016

Industry Classification Code: (SEC Use Only)

APR 12 2017
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

MARCVENTURES HOLDINGS INC
(Company Name)

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

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

Unit 4-3 4th Floor Citibank Center 8741 Paseo de Roxas, Makati City
(Company's Address)

(Zip Code)

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

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

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding	Name of each stock exchange in which securities are listed
Common Stock (P1.00 par value)	1,821,358,599 common shares	Philippine Stock Exchange

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

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

The aggregate market value of voting stock held by non-affiliates is 773,450,598 shares equivalent to ₱1,314,866,016.60 based on the closing price of ₱1.70 at the Philippine Stock Exchange as of March 31, 2017.

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Background

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

On December 15, 2009, the Parent Company entered into a Memorandum of Agreement (MOA) between the shareholders of Marcventures Mining & Development Corporation (Investor Group) and their partners to exchange their ownership of MMDC for a total value of ₱1.3 billion consisting of: (i) new Parent Company shares worth ₱100 million representing the full payment of the balance for the subscription to the increase in authorized capital stock; (ii) additional Parent Company shares worth ₱1.15 billion to be issued from the authorized capital stock as increased, and the new par value of the Parent Company after its corporate restructuring; and (iii) 488 membership certificates of The Metropolitan Club, Inc. (Metroclub Certificates) with an agreed net value of 50 million together with the Parent Company's rights, obligation and interests. The consolidated financial statements assumed June 30, 2010 as the acquisition date.

In March 2010, the Company reduced the par value of its capital stock from ₱0.10 to ₱0.01, which resulted in a reduction in its issued and outstanding capital stock in the amount of ₱459 million and in a corresponding increase in its Additional Paid-in Capital account. Subsequently, the Company issued 5 billion new shares (par value of Php0.01) at a price of ₱0.02, which resulted in additional paid-in capital of ₱50 million. The Company also transferred the amount of ₱441 million from its Additional Paid-in Capital to reduce its Deficit account.

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

Marcventures Mining & Development Corporation (MMDC), the wholly-owned Subsidiary of the Parent Company, is incorporated in the Philippines and is engaged primarily to carry on the business of mining, smelting, extracting, smelting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource from the earth; to operate, manage and/or engage in the business of smelting, and/or operate smelting plant, to refine and/or convert metals, ore, and other precious metals into finished products within the commerce of man. On July 19, 2010 the Subsidiary was registered with the Board of Investments (BOI) in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, as a New Producer of Nickel Laterite Ore. As a BOI registered entity, the Subsidiary is entitled to an Income

Tax Holiday (ITH) for four (4) years from July 2010 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

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

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

The Company is listed in the Philippine Stock Exchange. The consolidated financial statements include those of the Parent Company and its wholly-owned subsidiary, Marcventures Mining & Development Corporation (MMDC).

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

Recent Developments

MMDC

The Company's 100% owned subsidiary, Marcventures Mining and Development Corporation ("MMDC") was subjected to the nationwide mining audit of the Department of Environment and Natural Resources ("DENR") pursuant to DMO 2016-01 issued in July 2016. On September 27, 2016, MMDC received a copy of the letter of the DENR enumerating only its major audit findings and to await the pertinent audit report. Subsequently, on October 28, 2016, MMDC received the full audit report of the DENR who directed MMDC to submit an explanation and comment within seven (7) days from receipt of the said letter. On November 4, 2016 MMDC submitted its explanation and comments to the audit report of the DENR.

On February 2, 2017, during a press conference, the DENR announced the closure of 21 mining operations due to alleged impairment of "functional" watersheds. MMDC was included in the list of mining companies for alleged closure according to newspaper articles. On the same day, Marcventures Holdings, Inc., (MHI) disclosed that MMDC has not received any closure order from the DENR and assured its stakeholders that MMDC is compliant to laws and regulations.

On February 14, 2017, MHI disclosed that MMDC received an Order dated February 8, 2017 from the Secretary of Environment and Natural Resources cancelling MMDC's Mineral Production Sharing Agreement No. 016-93-XIII. The Order stated that "the mining operation of MMDC in the MPSA contract area has impaired the functions of the watershed and that the company has not complied with the penalty of planting three million seedlings" and that MMDC had violated certain laws and regulations being implemented by the DENR.

MHI and MMDC expressed their strong objection to the DENR's findings considering MMDC's clean and responsible manner of mining, its prior legal right to conduct operations in a declared watershed as recognized under Proclamation No. 1747 given that MMDC's MPSA was approved in 1993 prior to the issuance of the said Proclamation in 2009 and the fact that MMDC was prevented from implementing the planting of three million seedlings due to previous inaction of the DENR to the program submitted by MMDC in February 2015 which was resolved by Secretary Lopez only in a letter dated December 01, 2016. The Company continues to stress that MMDC is environmentally compliant. Until this matter is given due course and resolved based on the merits, MMDC expects to continue operation and conduct business as usual.

MERGERS

The Board of Directors of Marcventures Holdings, Inc. (the ”Company") on 15 December 2016, approved the plan to merge Asia Pilot Mining Philippines Corp. (AMPC) and the holding company of Brightgreen Resources Corp. (BRC) with the Company as the surviving entity, subject to due diligence audit and approval of the shareholders.

Asia Pilot Mining Philippines Corp. (APMPC) is the owner of Alumina Mining Philippines Inc. (AMPI) and Bauxite Resources Inc. (BARI). AMPI holds MPSA 179-2002 VIII (SBMR) with an area of 6,694 Hectares located in Motiong, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002. On the other hand, Bauxite Resources Inc. holds MPSA 180-2002 VIII (SBMR) with an area of 5,435 Hectares located in Gandara, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002.

BrightGreen Resources Corp. (”BRC") holds MPSA 015—93—XIII approved on 01 July 1993, covering approximately 4,860 hectares of Carrascal and Cantilan, Surigao del Sur. BRC’s mining tenement is contiguous to the mining tenement of MHI's wholly-owned subsidiary, Marcventures Mining and Development Corp. (MMDC).

Considering the plans of the Company, the Board likewise approved the Amendment of the Company's Articles of Incorporation to Increase its Authorized Capital Stock from PhP 2.0B to PhP4.0B and to increase the number of directors from 9 to 11. Thereupon, the Board resolved to call a Special Shareholders Meeting to discuss the foregoing matters, among others. The Board delegated to the President the authority to determine the record date and date of the meeting for the Special Shareholders’ Meeting.

The Company is currently conducting Due Diligence to validate the Mineral Resource and other matters on the Mining Properties of the companies involved in the Plan. The Parties have not yet determined the final terms and conditions of the transaction, including the Price and Number of Shares to be issued.

On February 14, 2017, DENR Secretary Gina Lopez announced the cancellation of a total of 75 mineral production sharing agreements (MPSAs) in watersheds all over the country including that of BrightGreen Resources Corp. (BRC), Alumina Mining Philippines Inc. (Alumina) and Bauxite Resources, Inc. ("Bauxite"). As far as MHI is aware, Alumina and Bauxite are not located in a declared watershed and are in fact located in a mineral reservation in which mining is encouraged. As to BRC, while it is located in a watershed, it has prior legal rights considering that its MPSA was approved in 1993 which is prior to the issuance of the watershed declaration in 2009. There were no previous audits conducted on Alumina, Bauxite and BRC and no prior written notice were likewise issued relating to the status of their respective MPSA.

<u>Products/Sales/Competition</u>

The Company’s Subsidiary’s main product is nickel ore. All of its nickel ore production were exported to China. The principal market for nickel ore production from the Philippines is currently China. After Indonesia implemented a ban on nickel ore exports, the Philippines has become the main source of Chinese nickel ore – Chinese imports of ores from the Philippines accounted for 97% of total imports in 2015 and 2016[1]. Chinese companies prefer Philippine-sourced nickel ore due to savings in freight

[1] https://www.fastmarkets.com/base-metals-news/asia/2016-review-china-imports-philippine-laterite-ore-hit-year-denr-audit-125904/

costs because of the proximity of the Philippines to China. Nickel ore is sold to Chinese customers based on FOB shipping point and customers handle the charter of vessels. China also relies heavily on imported nickel ore due to insufficient domestic supplies. While the Company does not rely heavily on a single customer, it is affected by the market price of nickel ore depending on domestic and foreign supply and demand.

Sources and availability of Raw Materials

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

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

Mining Claim

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

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

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

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

Government Regulation and Approvals

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

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

Compliance with Environmental Laws

The Company is strongly committed to its policy of protecting and enhancing the environment. It spent ₱45.58 Million and ₱50.26 on its environmental and enhancement program (EPEP) in 2016 and 2015, respectively. With the amount spent for EPEP, ₱34.24 million and ₱11.41 million were classified as operating expenses for the year 2016 and 2015, respectively.

Related Party Transactions

As of December 31, 2016, the total advances to affiliates has an outstanding balance of ₱125.39 million which represents a non-interest bearing unsecured loan to be settled on demand.

On the other hand, the total advances from affiliates as of December 31, 2016 has an outstanding balance of ₱5.00 million which represents a non-interest bearing unsecured loan to be settled on demand.

Please refer to Note 20 on page 29 of the 2016 Audited Financial Statements (AFS).

Employees

- Parent Company
  The Company currently has a total of 8 employees, consisting of 1 executive position, 1 in legal, 2 in accounting/clerical, 2 in administrative, 2 messenger personnel. For the ensuing 12 months, the Company anticipates it will have the same number of employees. There is no employees' union and neither is there a collective bargaining agreement with the employees. There has not been a strike by the employees in the Company's history. The Company believes relations with the employees are good.

- Marcventures Mining & Development Corporation (MMDC)
  As of December 31, 2016, MMDC currently has a total of 587 employees, of which 563 are regular, 15 are probationary, and 2 are project employees.

  For the year 2016, MMDC engaged a total of 1,337 workers. Out of the 1,337 workers, 755 are employed by manpower and security agencies engaged by MMDC.

On May 22, 2015, MMDC entered into a collective bargaining agreement with the Samahan ng Responsableng Manggagawa ng Marcventures Mining & Development Corporation (SRMMDC). The agreement shall be in full force for a period of 5 years starting June 1, 2015.

Major Risks of the Business

Market Risk

Nickel Market Prices in 2017 appears to be on the upswing. Projected average for the 1st Quarter:

Limonite :$13.00
Saprolite :$37.23

Moving forward in 2017 we are projecting an average increase of $1-$3 per quarter for limonite, as we expect a slightly bullish market for the low grade nickel ore, while we are expecting a jump of $11.46 per quarter for the saprolite/mid grade nickel ore prices compared to the same periods in 2016.

This is mainly due to the fact that stockpiles of nickel ore in the Chinese ports are already depleted, and in spite of the fact that the Chinese government has said that they are closing several processing plants, the larger steel manufacturers are still open and the demand for carbon and stainless steel by these manufactures are up, thus the demand for ore from the Philippines.

Risks:
There are only two (2) major threats/market risks for 2017 nickel market:

First, is that the issuance of mine closure orders of the DENR to the mining companies.

Secondly, the proposed lifting of the export ban on raw, unprocessed ore in Indonesia, which might drive the prices down as the market will then be flooded with an over supply of mid grade nickel ore. As of this time though, the Indonesia government has yet to come out with the official rules and regulations for the lifting of their export bank on raw, unprocessed ore, to be followed by the miners. It is still a wait and see situation with Indonesia.

Foreign exchange risk

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

Other risks

Other risks affecting the Company were discussed in Note 26 on pages 33-36 of the 2016 AFS.

ITEM 2. DESCRIPTION OF PROPERTIES

Mineral Properties

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

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

RESOURCE	
Volume	Measured & Indicated Saprolite: 8.458 million WMT at 1.5% Nickel, 12.85% Iron Limonite 57.887 million WMT at 0.86% Nickel and 45.27% Iron Inferred Saprolite: 7.467 million WMT at 1.26% Nickel and 20.53% Iron Limonite: NA

These estimates were prepared by **Mr. Radegundo de Luna, a Competent Person in Geology**, to study the exploration data on the mineral property and verify its nickel resources

	RESOURCE
Volume	66.34 million WMT laterite ore
Ore Grade	Average 0.94% Ni grade, Fe 41.14%
Area	1,659 hectares

These estimates are based on the measured & indicated mineral resource computed which was readily convertible to prove and probable ore reserve. For other discussion of mining properties, please refer to Note 9, page 22 of the 2016 AFS.

Property and Equipment

Office Space

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

MMDC Properties

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

Land and Improvements owned

	Lot Area (sqm)	Amount
Haulage Roads	122,475	10,262,779
Stockyards	382,369	23,257,080
Causeway	38,856	4,000,000
Campsite	25,395	770,850
Butuan Lot	3,544	15,948,000
Others	98,224	3,694,705
Total land and improvements	670,863	57,933,414

Rented

	Lot Area (sqm)	Monthly Rental
Haulage Roads	345,584	424,636
Stockyards	65,123	69,948
Causeway	19,555	51,010
Others	25,695	34,695
Total land and Improvements	455,957	580,289

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

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

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

The Company's equipment mostly pertains to heavy and transportation equipment related to the mining operations. For details of the property and equipment, please refer to Note 8 on pages 20 of the 2016 AFS. The Company does not intend to acquire new heavy equipment within the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2016, the Company is not a party to any legal proceedings. Other than the DENR's Cancellation Order, it is not involved in any pending legal proceedings that may materially affect it or its subsidiaries.

Notably, Marcventures Mining & Development Corporation (MMDC) are involved in several legal proceedings arising from its business operations.

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

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

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

The Company submitted the following matters to a vote of the security holders during the 2016 Annual Meeting:

1. Approval of the minutes of last the Shareholders' meeting dated 29 May 2015
2. Approval of the Management Report and the Audited Financial Statements for the year ended 31 December 2015
3. Ratification and Approval of Corporate Act
4. Approval of the Amendment of the Articles of Incorporation to Increase the Authorized Capital Stock from PhP 2.0B to PhP 2.5B and to authorize the Company's Board of Directors to accept subscriptions of third parties to the increase, to determine the amount of common shares to be issued and the amount and form of payment thereon.
5. Election of Directors
6. Appointment of External Auditor.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Stock Prices – Common Shares

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

	Price per Share (In Pesos)**	
	High	Low
	2014	
January – March	4.22	2.70
April – June	5.41	3.66
July – September	8.20	4.82
October – December	7.48	5.56
	2015	
January – March	6.82	4.65
April – June	5.00	2.97
July - September	3.40	1.94
October – December	3.30	1.88
	2016	
January – March	2.47	1.36
April – June	2.40	1.67
July - September	1.95	1.27
October – December	2.73	1.37

Latest Market Price

On March 31, 2017 trading date, the closing market price of the Company's common stock was ₱1.70 per share.

Stockholders

The number of shareholders of record as of December 31, 2016 was 2,170. The outstanding shares as December 31, 2016 were 1,821,358,599 common shares, 98.81% of which are owned by Filipinos

MARCVENTURES HOLDINGS, INC.
TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2016

NAME	CITIZENSHIP	SHARES	RANK
PCD NOMINEE CORPORATION (FILIPINO)	Filipino	1,495,075,734	82.09%
STINSON PROPERTIES INC.	Filipino	87,834,569	4.82%
SUREGUARD PROPERTIES INC.	Filipino	86,514,534	4.75%
MYOLNER PROPERTIES INC.	Filipino	86,514,533	4.75%
GLORIOUS DECADE PROPERTIES, INC	Filipino	30,000,000	1.65%
PCD NOMINEE CORP. (NON-FILIPINO)	Foreign	19,723,061	01.08%
GLORIOUS DECADE PROPERTIES, INC.	Filipino	13,013,000	0.71%
ATC SECURITIES, INC.	Filipino	808,023	0.04%
WILLY O. DIZON OR NENE C. DIZON	Filipino	667,000	0.04%
BENJAMIN S. GELI	Filipino	100,000	0.01%
JOHN C. JOVEN	Filipino	100,000	0.01%
ANSALDO GODINEZ & CO., INC.	Filipino	92,255	0.01%
PACIFICO B. TACUB	Filipino	50,000	0.00%
OTILIA D. MOLO OR ELAINE D. MOLO	Fi1ipino	48,419	00.00
ARNOLD JANSSEN T. BANTUGANOR CHRIS	Filipino	45,000	0.00%
TERESITA N. LIM	Filipino	40,000	0.00%
VICENTE GOQUIOLAY & CO., INC.	Filipino	39,599	0.00%
ALBERTO MENDOZA&/OR JEANIE MENDOZA	Filipino	30,000	0.00%
ENRIQUE B. PERALTA	Filipino	23,000	0.00%
INDEPENDENT REALTY CORPORATION	Filipino	20,400	0.00%
TOTAL TOP 20 SHAREHOLDERS		**1,820,739,127**	**99.96%**

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

Dividends

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

Cash Dividends

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

Stock Dividends

There were no stock dividends declared for years 2014 to 2016.

Sales of Securities

As of December 31, 2016, there are no sales of unregistered or exempt Securities

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as of December 31, 2016 and 2015 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2016, 2015 and 2014 and as at December 31, 2016, 2015, and 2014 are discussed below.

A. Discussion for 2016 and 2015 Financial Results
Results of operations

	Audited (in million Pesos)		Increase(Decrease)	
	2016	2015	Amount	%
Revenues	**₱1,919.19**	₱2,330.48	(₱411.29)	(17.65%)
Cost of Sales	**1,421.75**	2,065.76	(644.01)	(31.18%)
Operating Expenses	**452.61**	387.47	65.14	16.81%

Revenues
For the year ended December 31, 2016, the subsidiary sold an aggregate 2,597,101 wet metric tonnes (WMT) of nickel ore or equivalent to 48 shipments to China, as compared to 3,339,068 WMT or equivalent to 61 shipments for the year 2015. The 22.22% decline in volume was largely due to lesser workable days in 2016 because of unfavorable weather condition in the area.

Cost of Sales
The Company's Cost of Sales amounted to ₱1,421.75 million in 2016 as compared to ₱2,065.76 million in 2015, a decrease of ₱644.01 million or 31.18%, due to lower volume of nickel ore shipped in 2016.

Operating Expenses
- Increase in Environmental expenses by ₱22.82 million or 199.94% due to water truck and other equipment rentals to maintain haul roads, silt ponds and increase in inland reforestation expenses.
- Increase in Taxes and licenses by ₱19.50 million or equivalent to 103.56% mainly due to the business taxes paid to the municipalities of Cantilan and Carrascal, Surigao Del Sur.
- Increase in Outside services by ₱13.71 million or 219.09% pertains to additional outsourced manpower, security services and pilotage.
- Increase in Depreciation by ₱9.42 million or 22.03% was mainly due to depreciation of transportation and heavy equipment acquired in mid-2015.

- Increase in the cost for Social Development Program by ₱2.95 million or equivalent to 11.04% is consistent with the increase in operating cost wherein 1.5% was allocated to the development of host and neighboring communities.
- Increase in Rental by ₱3.48 million or 404.85% due to hangarage, extension of office in Butuan and purchase of transport equipment for minesite use.
- Increase in Retirement benefit expense by ₱1.86 million or equivalent to 13.67% due to additional employees.
- Increase in other expenses by ₱20.17 million or 140.21% pertains mainly on 3 years tax deficiency paid in 2016.

The above increases in cost were partly offset by the following:
- Decrease in Professional fees by ₱11.94 million or equivalent to 24.40% due to the termination or end contract of technical personnel, and consultants.
- Decrease in Community relations by ₱11.26 million or equivalent to 63.03%.
- Decrease in Royalties by ₱3.98 million or 17.24% due to decrease in revenue from sale of nickel ore for the year 2016.
- Decrease in freight and shipping by ₱3.52 million or 17.55% due to decrease in volume of ore shipped in 2016.
- Decrease in Communication, light and water by ₱1.91 million or equivalent to 27.94% was largely due to the improvement in the communication lines between Surigao and Makati office thru a lease line.
- Decrease in Office supplies by ₱1.71 million or 35.90%.
- Decrease in Advertisement by ₱1.20 million or 93.02%

Financial Position

	Audited (in million Pesos)		Increase(Decrease)	
	2016	2015	Amount	%
Assets	**₱3,385.34**	₱3,426.87	(₱41.53)	(1.21%)
Liabilities	**412.97**	462.73	(49.76)	(10.75%)
Stockholders' Equity	**2,972.37**	2,964.14	8.23	0.28%

Assets
The consolidated total assets of the Company decreased to ₱41.53 million as of December 31, 2016 from ₱3,426.87 million as of December 31, 2015. The 1.21% decrease was mainly due to the net effect of the following:

- Cash decreased by ₱25.63 million or 13.48% is attributable to the payments of liabilities, acquisition of properties and equipment used for the mining operations.
- Trade receivables decreased by ₱140.43 million or 68.06% due to improvement in the collection of receivables for the 2016 shipments.
- Ore Inventory increased by ₱97.61 million or 273.29% from the 2015 level of ₱35.72 million to ₱133.33 million in 2016. The ore inventory increased by 66,540 wet metric tonnes (WMT) ore which is 101.00% higher than last year. The increase in inventory was due to the longer distance of loading and hauling as compared to last year.
- Advances to related parties increased by ₱52.88 million or 72.93% mainly due to advances of Bright Green Resources Corp. (formerly Carac-an Development Corp) which was used for its exploration and other related parties.
- Property and equipment decreased by ₱123.95 million or 24.05% was mainly due to depreciation.

Liabilities

As of December 31, 2016 the total liabilities of the Company decreased by ₱49.76 million or 10.75% from ₱462.73 million in December 2015 to ₱412.97 in 2016. The decrease was due to the following:

- Trade and other payable decreased by ₱62.48 million or 37.75%, primarily due to payment of company's payables and accrued expenses.
- Loans Payable decreased by ₱18.12 million or 9.41% due to partial settlement of loan.
- Income tax payable increased by ₱12.80 million or 66.66%.
- Retirement liability increased by ₱11.04 million or 31.63% due to recognition of higher retirement expense based on latest actuarial valuation

Stockholders' Equity

The stockholders' equity increased by ₱8.24 million from ₱2,964.14 million in 2015 to ₱2,972.37 million in 2016. The increase pertains to the Company's total comprehensive income for the year.

Consolidated Cash Flow

	Audited (in million Pesos)		Increase(Decrease)	
	2016	2015	Amount	**%**
Cash provided by operating activities	**₱215.30**	₱74.71	₱140.55	188.19
Cash used in investing activities	**212.65**	327.96	(115.31)	(35.16)
Cash used in financing activities	**28.24**	170.67	(142.43)	(83. 45)

The cash provided by operating activities increased from ₱74.71 million in 2015 to ₱215.30 million in 2016. The Company reported a net income before income tax of ₱48.55 million in 2016 as compared to 2015 that reported a net loss of ₱107.02 million.

In 2016, the company's net cash used in investing activities are primarily due to increase in mine and mining properties as these were utilized in various stockyards in the form of matting, a meter thick layer of nickel blanketing the ground to prevent dilution of the ore stockpile currently stored or beneficiated.

In 2016, the company's net cash used in financing activities are mainly due partial settlement of its interest bearing loan.

B. <u>Discussion for 2015 and 2014 Financial Results</u>

Results of operations

	Audited		**Increase(Decrease)**	
	2015	**2014**	**Amount**	**%**
	(in PhP Millions)			
Revenues	**2,330.48**	2,526.96	(196.48)	(7.78)
Cost of Sales	**2,030.11**	1,404.92	625.19	44.50
Operating Expenses	**423.11**	306.99	116.12	37.83

Revenues
For the year ended December 31, 2015, the subsidiary sold 3,339,068 wet metric tonnes (WMT) of nickel ore or equivalent to 61 shipments to China, as compared to 2,103,239 WMT or equivalent to 38 shipments for the year 2014.

Despite of an increase in tonnage by 58.76% the gross revenue dropped by ₱196.48 million or equivalent to 7.78% due to the decline in the selling price of nickel ore. At the same price levels, the revenue and net income would have been ₱4.1 billion and ₱1.0 billion due to 43.53% decline in nickel price. The impact of the fall in nickel price was cushioned by the 58.76% increase in production in 2015.

Due to the above mentioned dropped in revenue even with increase in volume, the operation resulted to a net loss of ₱119.05 million in 2015 as compared to net income of ₱841.26 in 2014.

Cost of Sales
The Company's cost of sales amounted to ₱2,030.11 million in 2015 as compared to ₱1,404.92 million in 2014 an increase of ₱625.19 million or 44.50%, was due to the higher volume shipped of nickel ore in 2015.

Operating Expenses
- Increase in Salaries and Wages by ₱5.92 million or equivalent to 5.51% due to appraisal increase and hiring of additional employees.
- Increase in Taxes and licenses by ₱7.80 million or equivalent to 70.73% mainly due to increase in business taxes, since 2015 business permit is based on 2014 gross revenue, and regulatory fees paid to MGB.
- Increase in Depreciation Expense by ₱24.74 million or 137.32% mainly due to depreciation of newly acquired service vehicles, office equipment, furniture & fixtures.
- Increase in Professional and Consultancy Fees by ₱16.97 million or equivalent to 53.06% due to the hiring of additional management, technical personnel, and consultants.
- Increase in the cost for Social Development Mining Program by ₱6.92 million or equivalent to 34.87% it is consistent with the increase in operating cost wherein 1.5% was allocated to the development of host and neighboring communities.
- Increase in Communication, Light and Water by ₱1.84 million or equivalent to 36.89% due to conversion of internet connection from DSL to Metro Eline and Igate a lease line between Surigao and Makati office. The lease line improved communication and will save travel expenses.
- Increase in Outside Services by ₱2.21million or 54.75% pertains to equipment maintenance and pilotage services.
- Inventory write-down of ₱35.65 million to reflect the net realizable value of the nickel ore.
- Increase in freight and shipping by ₱7.41 million or 58.76% due to increase in volume shipped in 2015.
- Increase in environmental expenses by ₱7.88 million or 222.80% due to water truck and equipment rentals to maintain haul roads and silt ponds.
- Increase in other expenses by ₱7.30 million or 102.09% due to pertains mainly on 2011 tax deficiency paid in 2015.

The above increases in cost were partly offset by the following:
- Decrease in Representation by ₱3.46 million or equivalent to 50.44%
- Decrease in Rental expense by ₱1.62 million or 65.39% due to purchase of condominium unit
- Decrease in Advertising expense by ₱5.29 million or 80.46%
- Decrease in Royalties by ₱2.27 million or 8.97% due to decrease on revenue from sale of nickel ore for the year 2015.

- Decrease in Retirement expense by ₱5.78 million or equivalent to 29.82%.

Financial Position

	Audited		Increase(Decrease)	
	2015	2014	Amount	%
Assets	**₱3,426.87**	₱3,716.58	(289.71)	(7.80)
Liabilities	**462.73**	637.60	(174.87)	(27.43)
Stockholders' Equity	**2,964.14**	3,078.98	(114.85)	(3.73)

Assets

The consolidated total assets of the Company decreased to ₱3,426.77 million as of December 31, 2015 from ₱3,716.58 million as of December 31, 2014. The 7.80% decrease was mainly due to the net effect of the following:

- Cash decreased by ₱423.93 million 69.03% is attributable to the payments of liabilities, acquisition of properties and equipment, and used for the mining operations.
- Trade receivables increased by ₱193.26 million or 1,478.18% due to ore allocation fees and shipments made by the company during the latter part of 2015.
- Ore Inventory decreased by 79.04% from the 2014 level of ₱170.37 million to ₱35.72 million in 2015. The decrease was due to the increased shipments partially coming from previous inventory and the write-down of ₱35.65 million to reflect the net realizable value of the nickel ore.
- Other current assets increased by ₱26.40 million or 53.66% due to increase in prepaid expenses by 74.65% mostly from the 15% creditable withholding tax withheld by the Subsidiary in connection with management services fee rendered by the parent company and increase in mining and office supplies by 41.20%.
- Advances to related parties increased by ₱11.53 million or 18.90% mainly due to advances of Bright Green Resources Corp. (formerly Carac-an Development Corp) which was used for its exploration.
- Property and equipment increased by ₱184.77 million net of disposal of ₱10.62 million. The increase was due to the acquisition heavy equipment, service vehicles, office furnitures and equipments, as a result an increase in accumulated depreciation of ₱183.98 million due to additional acquisition of asset.
- Other noncurrent assets increased by ₱125.00 million or 48.10% mainly due to advances to Contractor of ₱111.93 million and increase in accumulated Input tax amounting to ₱13.53 million.

Liabilities

As of December 31, 2015 the total liabilities of the Company decreased by 27.43% from ₱637.60 million in December 2014 to ₱462.73 in 2015 or equivalent to ₱174.87 million. The decrease was due to the following:

- Loans Payable increased by ₱91.77 million or 91.16% which was use to finance the acquisition of properties and equipment to be amortized for 60 months
- Trade and other payable decreased by ₱258.69 million or 45.66%, primarily due to payment of company's dividend payable amounted to ₱250.85 million to its stockholders
- Retirement liability increased by ₱7.60 million or 27.82% due to recognition of higher retirement expense based on latest actuarial valuation

Stockholders' Equity

The stockholders' equity decreased by ₱114.85 million from ₱3,078.99 million in 2014 to ₱2,964.14 million in 2015. The decrease pertains to the Company's total comprehensive loss for the year.

Consolidated Cash Flow

	Audited		Increase(Decrease)	
(in PhP Millions)	**2015**	**2014**	**Amount**	**%**
Cash provided by operating activities	**₱74.71**	₱949.34	(874.63)	(92.13)
Cash used in investing activities	**327.96**	444.10	(116.14)	(26.15)
Cash used in financing activities	**170.67**	194.60	(23.93)	(12.30)

The cash provided by operating activities decreased from ₱949.34 million in 2014 to ₱74.71 million in 2015. The company incurred a net loss before income tax in 2015 of ₱107.02 million as compared to 2014 that reported a net income of ₱838.38 million.

In 2015, the company's net cash used in investing activities are the acquisition of property and equipment worth ₱203.92 million and an increased in other noncurrent assets of ₱125.00 million.

In 2015, the Company paid dividends from 2014 dividend declaration to its stockholders in the amount of ₱250.84 million. The company secured a loan of ₱200.00 million to local Bank of which ₱100.00 million was paid on maturity date and the balance of ₱100.00 million is payable in 60 equal monthly installments.

C. Discussion for 2014 and 2013 Financial Results

Results of operations

	Audited		Increase(Decrease)	
(in PhP Millions)	**2014**	**2013**	**Amount**	**%**
		(in PhP Millions)		
Revenues	**₱2,526.96**	₱2,516.60	₱10.36	0.41
Cost of Sales	**1,404.92**	1,259.01	145.91	11.59
Operating Expenses	**306.99**	201.52	105.47	52.34

Revenues

The Company's revenue from nickel ore amounted to ₱2,526.96 million for the year 2014, ₱10.36 million or 0.41% higher as compared to ₱2,516.60 million in 2013. The increase is attributable to the increase in the average price of saprolite and limonite combined of US$26.04 in 2014 versus $21.22 in 2013 or an average increase of $4.82 per wet metric tonnes (WMT). For the year 2014, MMDC made 39 shipments to China for a total volume of 2,103,239 wet metric tonnes (WMT) of nickel ore as compared to 50 shipments with a total volume of 2,775,755 WMT or 11 vessels short in 2013. This is equivalent to a volume decrease of 672,517 (WMT) or 24.22% from last year. The significant drop of volume was primarily due to the suspension of extraction activities pursuant to the Order issued by MGB in April 2014.

Cost of Sales

The Company's cost of sales amounted to ₱1,404.92 million in 2014 as compared to ₱1,259.01 million in 2013, an increase of ₱145.91 million or 11.59%, due to longer distance in loading and hauling of its inventory and other cost related to mining.

Operating Expenses

- Increase in salaries and wages by ₱58.05 million or equivalent to 117.76% due to hiring of additional office personnel for both managerial and executives positions the increase also include salary adjustments of officers and employees in line with company's thrust to strengthen the corporate structure.
- Increase in Retirement expense by ₱14.57 million or equivalent to 302.97%, due to increase in number of regular employees.
- Increase in Taxes and licenses by ₱5.02 million or equivalent to 83.47% mainly due to increase in documentary stamp in connection with the increase in capital, fees paid to MGB for the extension of exploration period and other business taxes.
- Increase in Depreciation expense by ₱9.30 million or 106.81% mainly due to depreciation of newly acquired service vehicles, office equipment, furniture & fixtures.
- Increase in Advertisement by ₱6.42 million or 4,196.13% mainly due to the infomercial produced by Asian Business Channel ("ABC") for the Company. ABC is an independent production company that specializes in producing program that focus on the economic development.
- Increase in Professional and Consultancy Fees by ₱24.06 million or equivalent to. 303.71% due to the hiring of additional management, technical personnel, consultants and legal services.
- Increase in Office supplies by ₱1.26 million or equivalent to 38.26% due to printing of various forms for warehouse for office use and increase in other office equipment.
- Increase in the cost for social development mining program by ₱12.52 million consistent with the increase in operating cost wherein 1.5% was allocated to the development of host and neighboring communities.
- Increase in Communication, light and water by ₱4.04 million or equivalent to 424.70% due to additional light and power utility charges incurred.
- Increase in outside services by ₱1.68 million or 70.87% primarily due to special assessment dues of ₱1.1 million and fees of ₱0.5 million in related to due diligence.

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

- Decrease in Representation by ₱11.25 million or equivalent to 62.10%
- Decrease in Donation by ₱2.025 million or equivalent to10.00%.
- Decrease in freight and shipping by ₱4.04 million or 24.23% due to decrease in shipment of nickel ore in 2014.
- Decrease in rent by ₱0.307 million or 11.00% due to purchase of condominium unit for Makati office space.
- Decrease in royalties by ₱1.43 million or 5.34% due to decrease on sale of nickel ore for the year 2014.
- Decrease in other expenses by ₱2.64 million or 30.00% primarily due to payment of ₱1.9 million to SEC in 2013 relating to the increase in authorized capital stock.

Financial Position

	Audited		Increase(Decrease)	
(in PhP Millions)	**2014**	**2013**	**Amount**	**%**
Assets	**₱3,716.58**	₱2,928.52	₱ 788.06	26.91
Liabilities	**637.60**	159.29	478.31	300.28
Stockholders' Equity	**3,078.99**	2,769.23	309.76	11.19

Assets

The consolidated total assets of the Company increased to ₱788.06 million as of December 31, 2014 from ₱2,928.52 million as of December 31, 2013. The 26.91% increase was mainly due to the net effect of the following:

- Cash increased by ₱310.65 million 102.36% from the proceeds of the bank loan amounting to ₱100 million and collection of its credit sales.
- Trade receivables increased by ₱4.81 million or 58.23 % due to improved collection policy.
- Advances to related parties recorded the highest increase of ₱60.32 million or 9034.49% mainly due to advances of Carac-an Development Corp which was used for its exploration.
- Inventories of ready to ship ore increased by 110.39% from the 2013 level of ₱80.98 million to ₱ 170.37 million in 2014. The company maximized its resources in anticipation of higher sales volume in 2015.
- Other current assets increased by ₱15.65 million or 38.40% due to 15% creditable withholding tax withheld by MMDC in connection with management services fee rendered by the parent company.
- Other noncurrent assets increased by ₱13.46 million or 5.46% mainly due to the increase in accumulated Input tax amounting to ₱18.23 million on the other hand mining supplies used in operation decreased by ₱8.26 million.
- Property and equipment increased by ₱158.49 million or 44.51%. The capex was due to the acquisition and renovation of Makati head office, purchase of heavy equipment, service vehicles, office furnitures and equipments.

Liabilities

As of December 31, 2014, the total liabilities of the Company amounted to ₱637.60 million or 300.28% higher than ₱159.29 million as of December 31, 2013. The increase was due to the following:

- Loans Payable increased by ₱99.32 million or 7,369.95%, the company secured a ₱100 million short term loan which matured in January 16, 2015.
- Trade and other payable increased by ₱338.73 million or 266.51%, because of the company's dividend payable which amounted to P273.20 million and continued focus to catch up from the suspension. The company strengthened its loading and hauling capacity by increasing contractors deployed upon resumption of its operation which caused an increase in trade payable. The other reason for the increase were due to increase in taxes and other statutory payable.
- Provision for mine site rehabilitation increased by ₱42.17 million or 2,590.30%, the increase is mainly due to the amendment in estimated outflow of resources including economic benefits to settle the obligation and to rehabilitate the negative environment impact.
- Retirement liability increased by ₱1.91 million or 6.54% due to recognition of higher retirement expense based on latest actuarial valuation

Stockholders' Equity

As of year-end 2014, the stockholders' equity amounting to ₱3,078.99 million is higher by ₱309.76 million or 11.19% from the year-end 2013 level of ₱2,769.23. The increase was on the account of :

- Retained Earnings increased by ₱294.85 mainly due to the registered net comprehensive income of ₱841.26 million, partly offset by the declaration of cash dividends of ₱546.4 million which were paid in Oct 22, 2014 and January 6, 2015 respectively.

Consolidated Cash Flow

	Audited		Increase(Decrease)	
	2014	**2013**	**Amount**	**%**
	(in PhP Millions)			
Cash provided by operating activities	**949.34**	1,028.44	(79.10)	7.69
Cash used in investing activities	**444.10**	125.62	(145.67)	(53.70)
Cash used in financing activities	**194.60**	612.46	(417.86)	(68.23)

The cash provided by operating activities decreased from ₱1,028.44 million in 2013 to ₱949.34 million in 2014. This decrease is net of the ₱242.52 million cash required for working capital due to increase in the inventory level, increase in advances to related party and trade and other payables.

In 2014, the company's noncurrent assets increased by ₱318.48 million of which ₱263.67 million were invested in property and equipment and ₱140.26 million pertains to additions to mine properties, primarily in Cabangahan area.

With the positive results of operations the Company was able to pay dividends of ₱546.41 million to its stockholders.

Financial Indicators

Key Performance Indicators (KPI's)

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2016 and December 31, 2015:

	2016	2015
Net Income	₱5,141,782	(₱119,054,752)
Current assets	579,236,747	580,377,409
Total assets	3,385,340,239	3,426,868,202
Current liabilities	264,106,910	307,805,437
Total liabilities	412,968,180	462,732,429
Stockholders' Equity	2,972,372,059	2,964,135,773
No. of common shares outstanding	1,821,358,599	1,821,358,599

	2016	2015
Current ratio [1]	2.19	1.89
Book value per share [2]	1.63	1.63
Debt ratio [3]	0.14	0.16
Earnings per share [4]	0.0028	(0.07)
Return on assets [5]	0.0002	(0.03)

Note:

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

Other Information

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

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

ITEM 7. FINANCIAL STATEMENTS

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

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

	Year Ended December 31	
	2016	2015
Audit Fees	**₱610,000**	**₱550,000**
Audit-Related Fees	**61,000**	**55,000**
Total	**₱671,000**	**₱605,000**

Audit Fees. Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2016.

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

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

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

Changes in and disagreements with Accountants on Accounting and financial Disclosure

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

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

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

Name	Age	Citizenship	Position
Cesar C. Zalamea	88	Filipino	Chairman
Isidro C. Alcantara, Jr.	63	Filipino	President/ Director
Manuel Lazaro	81	Filipino	Independent Director
Macario U. Te	87	Filipino	Director
Augusto C. Serafica	55	Filipino	Director
Carlos Alfonso T. Ocampo	52	Filipino	Independent Director
Marianne Regina T. Dy	40	Filipino	Director
Reynato S. Puno	76	Filipino	Independent Director
Michael L. Escaler	66	Filipino	Director
Rolando S. Santos	66	Filipino	Treasurer/ SVP Finance & Administration

Roberto V. San Jose	74	Filipino	Corporate Secretary
Ana Maria A. Katigbak	47	Filipino	Asst. Corporate Secretary and Corporate Information Officer,
Diane Madelyn C. Ching	34	Filipino	Asst. Corporate Secretary and Corporate Information Officer and Compliance Officer
Reuben F. Alcantara	34	Filipino	Vice President for Marketing, Business Development and Strategic Planning and Investor Relations Officer
Ramon N. Santos	57	Filipino	Vice President for Project Development (Resigned on August 31, 2016)
Rhodel B. Salvador	35	Filipino	Asst. Vice President Finance

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

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

Mr. Isidro C. Alcantara Jr. was elected President last September 2014 and Director in August 2013. Before his election, he served as the Company's Executive Vice President. He currently sits as Vice Chairman and Director of MMDC, the Company's wholly owned subsidiary. He also serves as Chairman and Director of AG Finance, Inc. and presently Director and President of Bright Kindle Resources, Inc. Mr. Alcantara is the President of Financial Risk Resolutions Advisory, Inc. He has been a Director of Benguet Corp. since November 2008. He served as Senior Vice President and Head of Corporate & Institutional Banking at HSBC. He was elected President and Chief Executive officer of Philippine Bank of Communications (PBCom) in Manila Philippines from 2000 to 2004. In addition, he served as Executive Vice President of the Corporate Banking Group of Equitable PCI Bank (EPCIB) from 1981 to 2000. He served as Director of Bankers Association of the Philippines from 2000 to 2003. He also served at Bancom Finance Corporation, PCI Bank, and Insular Bank of Asia and America (a Bank of America affiliate) from 1975 to 1981. Mr. Alcantara Jr. is a Certified Public Accountant. He obtained his BSc in Accounting and BS in Economics degrees from De La Salle University, graduating *magna cum* *laude*. He also attended the Special Studies in International Banking at the Wharton School, University of Pennsylvania.

Atty. Manuel M. Lazaro was elected Director in May 2016_. He currently sits as Director for Philippine Airlines, Inc., (PAL), The Manila Hotel Corporation and Manila Golf & Country Club and Independent director of AG Finance Inc.. He is also the Chairman & CEO of Philippine Constitution Association (PHILCONSA) and served as its President and Governor for Four Terms from the year 1991 to 2011. He sat as Director for PHILIA Development Center, Inc. and is a member ofthe Board of Advisors of Ateneo Law School and Chairman ofAquila Legis Alumni Foundation, Inc.

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

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

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

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

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

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

Chief Justice Reynato S. Puno (ret.) was elected independent director on November 14, 2014, which took effect upon the Securities and Exchange Commission's approval of the Company's amendment of the Articles of Incorporation to increase the number of directors from seven to nine on January 13, 2015. He is an independent director of San Miguel Corp., San Miguel Brewery Hong Kong Limited, Commissioner of PT Delta Djakarta Tbk, Union Bank of the Philippines, Inc., and Manila Standard Today. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Supreme Court as an Associate Justice on June 1993 and was previously Associate Justice of the Court of Appeals (1986 to 1993), Appellate Justice of the Intermediate Appellate Court (1983), Assistant Solicitor General (1974 – 1982), and City Judge of Quezon City (1972 – 1974). He also served as Deputy Minister of Justice from 1984 to 1986. Chief Justice Puno completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern Methodist University, Dallas, Texas (1967).

Mr. Michael L. Escaler was elected Director on November 14, 2014**,** which took effect upon the Securities and Exchange Commission's approval of the Company's amendment of the Articles of Incorporation that increased the number of directors. He is the President and CEO of All Asian Countertrade Inc., the largest sugar trader in the Philippines, founded in 1994 in partnership with Louis Dreyfus and Nissho-Iwai. He is also the Chairman, President, and CEO of Pampanga Sugar Development Co. Inc. (PASUDECO), President and CEO of San Fernando Electric Company (SFELAPCO), Chairman and CEO of Sweet Crystals Integrated Mill Corp, Okeelanta Corporation, Balibago Walterworks System Inc., JSY Transport, Aldrew and Gray Transport, Silver Dragon Transport, and Metro Clark Waste Management Inc. He serves as a Director of Lorenzo Shipping Corporation, PowerSource Philippines Inc., Empire Insurance Co., Trinity Insurance Co., Trinity Healthcare Services Inc., MHI, and Leyte AgriCorp. A sugar trader in New York and London from 1974 to 1993, he began his career at Nissho-Iwai of America for two years and left for ACLI International, one of the largest privately held trading company. Later on, he transferred to Philipp Brothers as Vice President to head its white sugar trading operation before starting his own trading company in the Philippines. Mr. Escaler was a Hall of Fame Sprinter for Ateneo de Manila University, where he graduated *cum laude* in Economics. He obtained his MBA in International Marketing in New York University. A philanthropist, he supports various charities including Habitat for Humanity, Coca Cola Foundation, PGH Medical Foundation, Mano Amiga Academy, and Productive Internships in Dynamic Enterprise (PRIDE).

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

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

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

Atty. Diane Madelyn C. Ching was elected as Co-Assistant Corporate Secretary in August 2013. She also serves as General Counsel and Corporate Secretary of MMDC and Corporate Secretary of Bright Kindle Resources & Investments, Inc. She is a director and Assistant Corporate Secretary of Prime Media Holdings, Inc. She obtained her degrees in BSE Economics and AB Psychology from De La Salle University. She obtained her Bachelor of Laws from San Beda College-Mendiola in 2009 and was admitted to the Philippine Bar in 2010.

Mr. Reuben F. Alcantara is the Vice President for Marketing, Business Development, and Strategic Planning. He is also the Company's Investor Relations Officer. He joined the company in September 2013. He previously served as Relationship and Credit Officer for Security Bank and has had stints in Corporate Banking in Bank of Commerce and Maybank Philippines.

Mr. Ramon N. Santos was elected Vice President for Project Development on December 15, 2015. Mr. Santos is a mining engineer and geologist. He also obtained a Master Degree in Mining and Mineral Technology from the Western Australian School of Mines – Curtin University of Technology at Kalgoorlie, Western Australia and Master in Business Administration degree from the University of the Philippines in Diliman, Quezon City. He has 32 years of experience in the mining industry – mostly in the Philippines and in Indonesia with limited work experiences in Australia, Malaysia, Japan and Papua New Guinea. Mr. Santos resigned on August 31, 2016.

Mr. Rhodel B. Salvador was promoted to Assistant Vice President for Finance from Finance Manager in September 2014. He was an Audit Manager, Quality Assurance of MG Madrid & Co. from 2005 to 2013, and Project Manager and Business Processing Licensing for Business Solutions & Outsourcing Inc. (BSO) from 2007 to 2011. He is a Certified Public Accountant.

Period in Which Directors and Executive Officers Should Serve

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

Terms of Office of a Director

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

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

Significant Employees

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

Family Relationships

Mr. Isidro C. Alcantara, Jr., Director and President is the father of Mr. Reuben Alcantara, VP for Marketing, Business Development and Strategic Planning.

Except for Mr. Isidro Alcantara and Mr. Reuben Alcantara, the directors and executive officers named above are not related.

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

During the board meeting held September 19, 2014, the board of directors accepted the resignation of Regular Director Mr. Dy Chi Hing, and election of Ms. Marianne Regina Dy as his replacement as disclosed in the Company's 17-C Report on September 19, 2014.

On December 16, 2015, Mr. Antonio H. Ozaeta, ceased to be a Director of the Company due to death.

ITEM 10. EXECUTIVE COMPENSATION

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

SUMMARY OF COMPENSATION TABLE

Names	Position	SALARY	BONUS	OTHER COMPENSATION
Cesar Zalamea Isidro C. Alcantara, Jr. Roberto San Jose Diane Madelyn Ching Ana Maria Katigbak	Chairman President Corporate Secretary Asst. Corporate Secretary Asst. Corporate Secretary			
All **above named** officers as a group	2013	₱6,060,000	₱1,600,000	₱915,000
	2014	19,050,000	6,692,353	14,316,788
	2015	14,400,000	27,252,650	26,903,823
	2016	20,400,000	23,698,400	44,098,400
	2017 Estimated	20,400,000	22,525,002	42,925,002
All other officers and directors as group **unnamed**	2013	₱6,060,000	₱1,600,000	₱2,040,000
	2014	3,600,000	-	1,350,000
	2015	-	13,529,412	3,975,000
	2016	3,600,000	1,665,000	5,265,000
	2017 estimated	₱3,600,000	₱2,190,000	₱5,790,000

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

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

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain record (“r”) and beneficial (“b”) owners of five percent (5%) or more of the outstanding capital stock of the Registrant as of December 31, 2016:

Title of Class	Name , address of record owner and relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation (registered owner in the books of the stock transfer agent)	Bright Kindle Resources & Investments Inc.	Filipino	600,000,000	32.94%
		Dy Chi Hing	Filipino	218,500,000	12.00%
		Sonia T. Techico	Filipino	130,000,000	7.14%
		Arturo L. Tiu	Filipino	87,629,000	4.81%
		Except those enumerated above, the Company is not aware of other persons with lodged shares who are the beneficial owners of more than 5% of its outstanding capital stock. PCD authorizes its trading participants to vote the shares registered in their name.	Filipino	458,946,734	25.20%
			TOTAL	**1,495,075,734**	**82.09%**

As of December 31, 2016 the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 19,808,969 shares or equivalent to 01.09%

Security Ownership of Management – Record "r" and Beneficial "b" (direct/indirect) owners as of December 31, 2016:

Title of Class	Name of Beneficial Owner	Amount and nature of ownership (Indicate record ("r") and/or beneficial ("b")	Citizenship	Percent of Class
Common	Cesar C. Zalamea Chairman	1,000 "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Macario U. Te Director	1,000 "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Isidro C. Alcantara, Jr. Director & President	2,000 – "r" (direct) 5,600,000 "b" (indirect)	Filipino	0.00% 0.31%
Common	Marianne Regina T. Dy* Director	1– "r" (direct) 5,999,999- "b" (indirect)	Filipino	0.00% 0.33%
Common	Manuel M. Lazaro Independent Director	1,000– "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Carlos T. Ocampo Independent Director	1,000– "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Augusto C. Serafica, Jr. Director	10,000 – "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Reynato S. Puno Independent Director	1,000 – "r" (direct)	Filipino	0.00%
Common	Michael L. Escaler Director	1 – "r" (direct)	Filipino	0.00%
Common	Rolando S. Santos Treasurer	-0- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Roberto V. San Jose Corporate Secretary	-0- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Ana Katigbak Asst. Corporate Secretary	-0- "r" (direct) 150,000 "b" (indirect)	Filipino	0.01%
Common	Diane Madelyn C. Ching Asst. Corporate Secretary	-0- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Reuben F. Alcantara VP Marketing, Business Development and Strategic Planning and Investor Relations Officer	-0- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Ramon N. Santos VP Project Development	-0- "r" (direct) -0- "b" (indirect)		0.00%
Common	Rhodel S. Salvador Asst. VP for Finance	-0- "r" (direct) 12,000 "b" (indirect)		
		17,002 "r" **11,599,999"b"**		0.64%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of December 31, 2016 the related transactions has an outstanding balance of ₱125,391,740 which represents a non-interest bearing unsecured loan to be settled on demand. Please refer to Note 20 on page 29 of the 2016 Audited Financial Statements (AFS).

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

The Company is involved in nickel mining operations in Surigao del Sur, through its subsidiary Marcventures Mining & Development Corporation (MMDC), a wholly-owned company. The area covered by MMDC's Mineral Production Sharing Agreement, No. 016-93-XIII, is physiologically located in the Diwata mountain range of Surigao del Sur and covers an area of 4,799 hectares. The mine is covered by ECC NO. 0807-022-1093 issued by the Department of the Environment and Natural Resources. Please refer to Note 1 of the 2016 AFS.

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

PART IV - EXHIBITS AND SCHEDULES

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

(a) Exhibits
(b) Reports on SEC Form 17-C

1/6/2016	Death of Mr. Antonio Ozaeta
1/5/2016	Board attendance 2015
4/8/2016	Notice of Annual Stockholders' Meeting
4/22/2016	Amended Notice of Stockholders' Meeting
5/26/2016	Press release MMDC ISO Certification
5/30/2016	Certification of Independent Director_Ocampo
5/30/2016	Certification of Independent Director_Lazaro
5/30/2016	Results of May 27, 2016 ASM
8/28/2016	Clarification of News Article
8/30/2016	Resignation of an Officer
9/28/2016	Clarification of News Report
9/30/2016	Press release on DENR Audit Findings
10/19/2016	Clarification of News Article
10/21/2016	Notice to Marcventures Stakeholders
11/2/2016	Notice receipt of DENR Audit report
11/7/2016	Notice submission of explanation/comments of MMDC on DENR Audit Report
12/16/2016	Voluntary Trading halt
12/16/2016	Results of BOD meeting
12/16/2016	Amendment of Articles of Incorporation

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on ________, 2017.

By:

ISIDRO C. ALCANTARA, JR
President

ROLANDO S. SANTOS
SVP Finance

ATTY. DIANE MADELYN C. CHING
Asst. Corporate Secretary (In the absence of Atty. Roberto San Jose Corporate Secretary)

SUBSCRIBED AND SWORN to before me this ______ day of 12 APR 2017, 2017 at MAKATI CITY, affiant(s) exhibiting to me their Valid ID as follows:

Name	Passport Number	Date/Place Issued
Isidro C. Alcantara, Jr.	Passport # EB8303097	06/04/13 / DFA MANILA
Rolando S. Santos	Senior Citizen card # 1003235	March 2010 /Antipolo
Atty. Diane Madelyn C. Ching	Driver's license #N04-99-451455	Valid until-12/06/17

ATTY. VIRGILIO R. BATALLA Notary Public
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN 29,2008
PTR No. 580-90-32 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Doc. No. 484
Page No. 97
Book No. 16
Series of 2017.

MARCVENTURES
HOLDINGS INC.

March 31, 2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Marcventures Holdings, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended **December 31, 2016 and 2015**, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CESAR C. ZALAMEA
Chairman of the Board

ISIDRO C. ALCANTARA JR.
President

ROLANDO S. SANTOS
SVP-Finance

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

SUBSCRIBED AND SWORN to before me this ______ day of [1 2 APR 2017] ________________, 2017
at ___ CITY affiant(s) exhibiting to me their valid ID's as follows:

Name	ID	Date/Place Issued
Isidro C. Alcantara, Jr.	Passport#EB8303097	06/04/13
Rolando S. Santos	Senior Citizen#1003235	March 2010/Antipolo
Atty. Diane Madelyn C. Ching	Driver's License#N04-99-45155	Valid until 12/06/17

Doc. No. 485
Page No. 98
Book No. 16
Series of 2017.

Notary Public
ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN 29,2009
PTR No. 590-50-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

Marcventures Holdings, Inc. and Subsidiary

Consolidated Financial Statements
December 31, 2016, 2015 and 2014

With independent auditor's report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

COMPANY NAME

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

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

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

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mhicorporate@marcventures.com.ph	(02) 831-4479	09989850229

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,170	May 27	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Rolando S. Santos	rolly.santos@marcventures.com.ph	(02) 831-4479	09989850229

CONTACT PERSON'S ADDRESS

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

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

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

MARCVENTURES
HOLDINGS, INC.

March 31, 2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Marcventures Holdings, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended **December 31, 2016 and 2015**, has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CESAR C. ZALAMEA
Chairman of the Board

ISIDRO C. ALCANTARA JR.
President

ROLANDO S. SANTOS
SVP-Finance

4th Floor, Citibank Center, 8741 Paseo de Roxas
Makati City [illegible]
TRUNKLINES: (632) 831-4479 FAX NO.: (632) [illegible]
(632) [illegible]
(632) 831-[illegible]

RIAN CEASAR P. SOLIMAN
• CERTIFIED PUBLIC ACCOUNTANT •

Practitioner's Compilation Report

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

I have compiled the accompanying consolidated financial statements of Marcventures Holdings, Inc. and Subsidiary (or the Group) based on information you have provided. These consolidated financial statements comprise the consolidated statements of financial position of the Group as at December 31, 2016, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These consolidated financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to us to compile these consolidated financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these consolidated financial statements are prepared in accordance with PFRS.

Rian Soliman

RIAN CEASAR P. SOLIMAN
CPA Certificate No. 0141071
BOA A.N.: 5925
Valid Until December 31, 2017
BIR Accreditation No.: 06-006384-001-2016
Valid Until March 7, 2019
TIN No. 309-973-133-000
PTR No. 6016643 issued January 10, 2017
City of Manila

March 31, 2017

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Marcventures Holdings, Inc. and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016, 2015 and 2014, and notes to financial statements, including summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits 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.

Emphasis of Matter

We draw attention to Note 1 to the financial statements which discusses that on February 13 2017, Marcventures Mining and Development Corporation, the Subsidiary, received an order dated February 8, 2017 from the Department of Environment and Natural Resources cancelling the Subsidiary's Mineral Production Sharing Agreement No. 016-93-X (SMR). The management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the subsidiary's operations. Further disclosures are discussed in Note 25 to the financial statements.

Key Audit Matter

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

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

Assessment of Mining Rights on Explored Resources and Mine and Mining Properties for Impairment

The Group carries significant amounts of mining rights on explored resources and mine and mining properties as at December 31, 2016 and 2015. Under PFRS, the Group is required to assess the carrying values of these assets if there is any indicator of impairment. The assessment is significant to our audit because the assessment process requires significant judgments, assumptions and estimates .

We performed procedures by verifying the historical accuracy of management's estimates along with the latest estimate of recoverable reserves and evaluated whether a reasonably possible change in assumptions could cause the carrying amount to exceed the estimated recoverable amounts. Based on procedures performed, we considered management's key assumptions to be within a reasonable range.

Further disclosures are included in Note 3, *Significant Judgments, Accounting Estimates and Assumptions - Estimating Depletion Rate and Recoverable Reserves* and Note 9, *Mining Rights on Explored Resources and Mine and Mining Properties.*

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, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's 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 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 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, they 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Belinda B. Fernando.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

March 31, 2017
Makati City, Metro Manila

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Securities and Exchange Commission Electronic Records Management Division
APR 12 2017
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash	4	**₱164,574,543**	₱190,206,924
Trade and other receivables	5	**65,897,770**	206,331,617
Inventories	6	**133,329,632**	35,717,894
Advances to related parties	20	**125,391,740**	72,511,953
Other current assets	7	**90,043,062**	75,609,021
Total Current Assets		**579,236,747**	580,377,409
Noncurrent Assets			
Property and equipment	8	**391,403,309**	515,351,252
Mining rights on explored resources	9	**1,044,207,566**	1,098,559,100
Mine and mining properties	9	**959,875,897**	831,818,187
Net deferred tax assets	23	**12,427,520**	15,857,627
Other noncurrent assets	10	**398,189,200**	384,904,627
Total Noncurrent Assets		**2,806,103,492**	2,846,490,793
		₱3,385,340,239	₱3,426,868,202
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱103,050,469**	₱165,534,536
Current portion of loans payable	13	**119,102,704**	118,116,126
Income tax payable		**31,998,383**	19,199,421
Dividends payable	14	**4,955,354**	4,955,354
Advances from a related party	20	**5,000,000**	–
Total Current Liabilities		**264,106,910**	307,805,437
Noncurrent Liabilities			
Loans payable - net of current portion	13	**55,213,782**	74,316,486
Provision for mine rehabilitation and decommissioning	12	**47,707,979**	45,709,730
Retirement benefit liability	19	**45,939,509**	34,900,776
Total Noncurrent Liabilities		**148,861,270**	154,926,992
Equity			
Capital stock		**1,821,358,599**	1,821,358,599
Additional paid-in capital (APIC)		**212,655,494**	212,655,494
Retained earnings		**916,160,463**	911,018,681
Remeasurement gain on retirement benefit liability	19	**22,197,503**	19,102,999
Total Equity		**2,972,372,059**	2,964,135,773
		₱3,385,340,239	₱3,426,868,202

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

			Years Ended December 31	
	Note	**2016**	2015	2014
REVENUE	15	**₱1,919,188,114**	₱2,330,484,178	₱2,526,963,186
COST OF SALES	16	**1,421,749,117**	2,065,758,686	1,404,921,526
GROSS INCOME		**497,438,997**	264,725,492	1,122,041,660
OPERATING EXPENSES	17	**452,607,187**	387,467,640	306,993,513
INCOME (LOSS) FROM OPERATIONS		**44,831,810**	(122,742,148)	815,048,147
INTEREST EXPENSE	13	**(12,121,343)**	(13,729,998)	(877,027)
INTEREST INCOME	4	**280,563**	377,478	1,013,040
OTHER INCOME - Net	18	**15,555,463**	29,072,181	23,196,098
INCOME (LOSS) BEFORE INCOME TAX		**48,546,493**	(107,022,487)	838,380,258
PROVISION FOR (BENEFIT FROM) INCOME TAX	23	**43,404,711**	12,032,265	(2,881,094)
NET INCOME (LOSS)		**5,141,782**	(119,054,752)	841,261,352
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss				
Remeasurement gain on retirement benefit liability - net of deferred income tax	19	**3,094,504**	4,202,857	14,900,142
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱8,236,286**	(₱114,851,895)	₱856,161,494
Basic and diluted earnings (loss) per share	24	**₱0.00**	(₱0.07)	₱0.46

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2016**	2015	2014
CAPITAL STOCK - ₱1 par value				
Authorized - 2,000,000,000 shares				
Issued and outstanding - 1,821,358,599		**₱1,821,358,599**	₱1,821,358,599	₱1,821,358,599
ADDITIONAL PAID-IN CAPITAL		**212,655,494**	212,655,494	212,655,494
RETAINED EARNINGS				
Balance at beginning of year		**911,018,681**	1,030,073,433	735,219,661
Net income (loss)		**5,141,782**	(119,054,752)	841,261,352
Dividends declared	14	**–**	–	(546,407,580)
Balance at end of year		**916,160,463**	911,018,681	1,030,073,433
OTHER COMPREHENSIVE INCOME				
Balance at beginning of year		**19,102,999**	14,900,142	–
Remeasurement gain on retirement benefit liability - net of deferred income tax	19	**3,094,504**	4,202,857	14,900,142
Balance at end of year		**22,197,503**	19,102,999	14,900,142
		₱2,972,372,059	₱2,964,135,773	₱3,078,987,668

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the Years Ended December 31		
		2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱48,546,493**	(₱107,022,487)	₱838,380,258
Adjustments for:				
Depreciation	8	**144,442,593**	189,295,483	131,877,483
Depletion	9	**104,313,561**	104,050,406	44,140,938
Interest expense	13	**12,121,343**	13,729,998	877,027
Interest income	4	**(280,563)**	(377,478)	(1,013,040)
Loss on disposal of assets	8	**853,793**	685,172	–
Operating income before working capital changes		**309,997,220**	200,361,094	1,014,262,666
Decrease (increase) in:				
Trade and other receivables		**140,433,847**	(192,770,808)	(4,811,436)
Inventories	16	**(97,611,738)**	134,656,725	(89,393,499)
Advances to related parties		**(52,879,787)**	(11,526,437)	(60,317,876)
Other current assets		**(16,234,041)**	(23,572,623)	(13,650,963)
Increase (decrease) in:				
Trade and other payables		**(62,438,753)**	(44,715,235)	85,365,115
Advances from a related party		**5,000,000**	–	–
Retirement benefit liability		**15,459,453**	13,599,920	19,375,901
Net cash generated from operations		**241,726,201**	76,032,636	950,829,908
Income tax paid		**(26,701,858)**	(1,701,000)	(2,500,000)
Interest received		**280,563**	377,478	1,013,040
Net cash provided by operating activities		**215,304,906**	74,709,114	949,342,948
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Mine and mining properties	9	**(168,304,994)**	(346,729)	(132,797,750)
Property and equipment	8	**(31,063,186)**	(203,916,606)	(297,839,996)
Other noncurrent assets		**(13,284,573)**	(125,001,676)	(13,457,734)
Proceeds from disposal of assets		**–**	1,302,778	–
Net cash used in investing activities		**(212,652,753)**	(327,962,233)	(444,095,480)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		**–**	(250,854,017)	(293,042,070)
Availment of loans		**–**	200,000,000	99,958,754
Payments of:				
Loans		**(18,116,126)**	(108,233,788)	(639,993)
Interest		**(10,168,408)**	(11,586,498)	(877,027)
Net cash used in financing activities		**(28,284,534)**	(170,674,303)	(194,600,336)
NET INCREASE (DECREASE) IN CASH		**(25,632,381)**	(423,927,422)	310,647,132
CASH AT BEGINNING OF YEAR		**190,206,924**	614,134,346	303,487,214
CASH AT END OF YEAR		**₱164,574,543**	₱190,206,924	₱614,134,346
NONCASH FINANCIAL INFORMATION				
Reclassification from construction-in-progress to mine and mining properties	8	**₱–**	₱8,521,769	₱7,468,240

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

General Information

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

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

The Parent Company's shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2016 and 2015, 1,821,358,599 shares of the Parent Company's shares of stock are listed in the PSE.

On January 13, 2015, the SEC approved the change of the registered address of the Parent Company from 16th floor Citibank Tower to 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

The Parent Company owns 100% interest in Marcventures Mining and Development Corporation (MMDC), a corporation incorporated in the Philippines and primarily engaged in the business of extracting, mining, smelting, refining and converting mineral ores.

The consolidated financial statements as at December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014 were approved and authorized for issue by the Board of Directors on March 31, 2017.

Mining Operations

MMDC has been granted by the Department of Environment and Natural Resources (DENR) an MPSA covering an area of approximately 4,799 hectares located in Cantilan, Surigao Del Sur.

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

On April 23, 2013, MMDC was granted authorization to develop and operate the 4,799 hectares area covered in the MPSA.

On September 17, 2015, MMDC was granted by the DENR an increase to its allowable Annual Nickel Ore Production from 3.0 million wet metric tons (WMT) to 5.0 million WMT.

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

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. The management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations (see Note 25). Accordingly, the management has assessed that the Company will continue as a going concern.

Registration with Board of Investment (BOI)
On July 19, 2010, MMDC was registered with the BOI in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, as a New Producer of Nickel Laterite Ore. As a BOI registered entity, MMDC is entitled to an Income Tax Holiday (ITH) for four (4) years from July 2010 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. On September 18, 2014, the BOI approved the extension of the ITH for another year until July 18, 2015.

2. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

Further disclosures are included in Note 26, Financial Risk Management Objectives and Policies.

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 Company adopted effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38*, Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements of the Company. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

Effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

  PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

  For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

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

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiary, MMDC, as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases.

All intra-company balances, transactions, income and expenses and profits and losses are eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

<u>Financial Assets and Liabilities</u>

a. Recognition

Financial assets and liabilities are recognized in the consolidated statements of financial position when the Company becomes a party to the contractual provision of a financial instrument. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting. The initial measurement of the financial instruments, except for those classified at fair value through profit or loss (FVPL), includes transaction costs.

"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the profit or loss unless it qualifies for recognition as some other types of assets. 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 the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

b. Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2016 and 2015, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables 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 any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

This category includes cash in banks, trade and other receivables (excluding advances to officers and employees), advances to related parties, and rehabilitation cash fund (RCF), monitoring trust fund (MTF) and rental deposit (classified under "Other noncurrent assets").

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

This category includes trade and other payables (excluding statutory payables), dividends payable, loans payable and advances from a related party.

c. Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

- the right to receive cash flows from the asset has expired; or

- the Company 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 Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

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

A financial liability is derecognized when the obligation under the 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 the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

d. Offsetting

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. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the consolidated statements of financial position.

e. Impairment of Financial Assets

Loans and Receivables. The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment been recognized.

Inventories

Inventories, which consist of ore stockpile are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. Cost is determined using the moving average method.

Other Current Assets

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

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

Mining and office supplies. Mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method.

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

Property and Equipment

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

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

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

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

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

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

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

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

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

Mining Rights on Explored Resources

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

Mining rights are subject to amortization or depletion from the commencement of production on a unit of production basis, 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.

Mine and Mining Properties
Upon start of commercial operations, mine development costs and deferred exploration costs are capitalized as part of mine and mining properties and presented as a separate line item in the consolidated statements of financial position. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves, which is reviewed periodically to ensure that the estimated depletion is consistent with the expected pattern of economic benefits from the mine and mining properties.

Development costs, including the construction-in-progress incurred on an already operating mine area, are stated at cost and included as part of mine and mining properties. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, which are not depleted or amortized until the development has been completed and become available for use.

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

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

Employee Benefits

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

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

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

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

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

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

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

Borrowing Costs

Borrowing costs directly attributable to the development, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the asset. Capitalization of borrowing costs commences when activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Borrowing costs consist of interest and other financing costs that the Company incurs in connection with the borrowing of funds.

All other borrowing costs are recognized and charged to profit or loss as incurred.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding.

APIC. APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock.

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows:

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

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

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

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

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

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

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

Leases
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 inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating Lease - Company as 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. For income tax purposes, expenses under operating lease agreements are treated as deductible expense in accordance with the terms of the lease agreements.

Foreign Currency-Denominated Transactions

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

For income tax reporting purposes, foreign exchange gains or losses are treated as taxable income or deductible expenses in the period such are realized.

Income Taxes

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

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

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

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

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

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

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

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

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

Deferred Input VAT
In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Related Parties
Parties are considered to be 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 to be related if they are subject to common control or common significant influence.

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

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

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

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

Earnings Per Share

Basic. Basic earnings per share is calculated by dividing the net income attributable to the ordinary stockholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares.

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

Events After the Reporting Date

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

Segment Reporting

The Company has one operating segment which consists of mining exploration and development.

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3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

Assessing the Ability of the Company to Continue as a Going Concern. The Company received an order from the DENR for the cancellation of its MPSA. The management and its legal counsel believe that the order has no basis and the outcome of the legal actions taken will not have a material adverse effect on the Company's operations. Accordingly, the management has assessed that the company will continue as a going concern.

Establishing Control over MMDC. The Company determined that it has control over MMDC 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 are also considered:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual agreements; and
- the Company's voting rights and potential voting rights

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

Determination of Operating Segments. Determination of operating segments is based on the information about components of the Company that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's BOD, in order to allocate resources to the segment and assess its performance. The Company reports separate information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; and (c) the assets of the segment are 10% or more of the combined assets of all operating segments.

Management has assessed that the Company has only one operating segment.

Accounting for Operating Lease - Company as Lessee. The Company has an operating lease agreement for its office space. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease.

Provisioning for Contingencies. The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

Provision for mine site rehabilitation and decommissioning amounted ₱47.7 million and ₱45.7 million as at December 31, 2016 and 2015, respectively (see Note 12).

Accounting Estimates and Assumptions

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

Estimating Allowance for Impairment of Receivables. The Company maintains allowance for receivable impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customer, the customer's payment behavior and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

Allowance for receivable impairment amounted to ₱11.0 million as at December 31, 2016 and 2015 (see Note 5).

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

	Note	**2016**	2015
Trade and other receivables	5	**₱65,897,770**	₱206,331,617
Advances to related parties	20	**125,391,740**	72,511,953

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

The carrying amount of inventories, which is measured at lower of cost and NRV, amounted to ₱133.3 million and ₱35.7 million as at December 31, 2016 and 2015, respectively (see Note 6).

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

The carrying amount of input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱283.5 million and ₱266.6 million as at December 31, 2016 and 2015, respectively (see Note 10).

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

There were no changes in estimated useful lives of property and equipment in 2016 and 2015. Property and equipment, net of accumulated depreciation, amounted to ₱391.4 million and ₱515.4 million as at December 31, 2016 and 2015, respectively (see Note 8).

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

	Note	**2016**	2015
Mining rights on explored resources	9	**₱1,044,207,566**	₱1,098,559,100
Mine and mining properties	9	**959,875,897**	831,818,187

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

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; or

- significant negative industry or economic trends.

No impairment loss was recognized in 2016, 2015 and 2014.

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

	Note	**2016**	2015
Property and equipment	8	**₱391,403,309**	₱515,351,252
Mining rights on explored resources	9	**1,044,207,566**	1,098,559,100
Mine and mining properties	9	**959,875,897**	831,818,187
Other noncurrent assets (excluding financial assets and input VAT)	10	**108,736,546**	112,342,955

Estimating Provision for Mine Rehabilitation and Decommissioning. The obligation to rehabilitate and decommission a mine generally arises when the ground/environment is disturbed at the production location. The amount of provision depends on the completeness of rehabilitation and decommissioning activities performed by the Company during and immediately after every mining operation. Changes in rehabilitation and decommissioning costs are recognized as additions or charges to the corresponding provision when these occur.

Provision for mine site rehabilitation and decommissioning amounted ₱47.7 million and ₱45.7 million as at December 31, 2016 and 2015, respectively (see Note 12).

Estimating Asset Retirement Obligation. The Company recognizes provision for its obligation to decommission and rehabilitate mine sites at the end of term of its MPSA. The provision represents the best estimate of the expenditures required to settle the present obligation at the current reporting date.

While the Company has made its best estimate in establishing the decommissioning and rehabilitation provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and rehabilitation activities, the ultimate provision requirements could either increase or decrease significantly from the Company's current estimates. Changes in decommissioning and rehabilitation obligation that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to or deducted from the amount of asset recognized.

Mine rehabilitation asset, recognized under the mine and mining properties, amounted to ₱38.0 million and ₱40.0 million as at December 31, 2016 and 2015, respectively (see Note 9).

Provision for mine rehabilitation and decommissioning amounted ₱47.7 million and ₱45.7 million as at December 31, 2016 and 2015, respectively (see Note 12).

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

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

Retirement benefit liability amounted to ₱45.9 million and ₱34.9 million as at December 31, 2016 and 2015, respectively (see Note 19).

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

The Company's recognized deferred tax assets amounted to ₱14.0 million and ₱21.5 million as at December 31, 2016 and 2015, respectively (see Note 23).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability as at December 31, 2016 and 2015 because the management believes that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.

The Company's unrecognized deferred tax assets amounted to ₱16.4 million and ₱31.0 million as at December 31, 2016 and 2015, respectively (see Note 23).

4. Cash

This account consists of:

	2016	2015
Cash on hand	**₱259,726**	₱150,951
Cash in banks	**164,314,817**	190,055,973
	₱164,574,543	₱190,206,924

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

	Note	**2016**	2015	2014
Cash in banks		**₱236,242**	₱333,664	₱976,460
Other noncurrent assets	10	**44,321**	43,814	36,580
		₱280,563	₱377,478	₱1,013,040

5. Trade and Other Receivables

This account consists of:

	2016	2015
Trade receivables	**₱39,773,558**	₱184,280,933
Advances to officers and employees	**24,377,320**	18,818,508
Others	**12,783,419**	14,268,703
	76,934,297	217,368,144
Allowance for impairment	**(11,036,527)**	(11,036,527)
	₱65,897,770	₱206,331,617

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

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

Others primarily pertain to advances to former related parties which are fully provided with allowance.

No provision for impairment loss was recognized in 2016, 2015 and 2014.

6. Inventories

This account pertains to nickel ore which is carried at lower of cost and NRV. Comparison of cost and NRV are as follows:

	2016	2015
Cost	**₱133,329,632**	₱71,365,112
NRV	**199,791,825**	35,717,894
Lower of cost or NRV	**₱133,329,632**	₱35,717,894

In 2016, the Company recognized the reversal of inventory write-down incurred in 2015 amounting to ₱35.6 million which are presented as part of “Net movement in inventories” account under “Cost of sales” in the statements of comprehensive income (see Note 16).

7. Other Current Assets

This account consists of:

	2016	2015
Prepaid income tax	**₱38,349,000**	₱27,299,000
Mining and office supplies	**32,438,783**	34,452,989
Prepaid expenses	**8,714,578**	4,269,301
Advances to contractors and suppliers	**4,999,993**	7,884,524
Others	**5,540,708**	1,703,207
	₱90,043,062	₱75,609,021

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

Prepaid expenses pertain to insurance and rent.

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

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

8. Property and Equipment

Movements in this account are as follows:

	2016					
	Land	**Building and Improvements**	**Office Equipment and Furniture and Fixtures**	**Heavy and Transportation Equipment**	**Construction-in-progress**	**Total**
Cost						
Balance at beginning of year	**₱57,217,484**	**₱132,049,286**	**₱64,037,464**	**₱829,301,223**	**₱6,636,103**	**₱1,089,241,560**
Additions	**715,930**	**1,068,200**	**18,110,796**	**3,672,872**	**7,495,388**	**31,063,186**
Disposal	**–**	**–**	**–**	**(4,129,464)**	**–**	**(4,129,464)**
Reclassification	**–**	**2,383,824**	**–**	**–**	**(2,383,824)**	**–**
Balance at end of year	**57,933,414**	**135,501,310**	**82,148,260**	**828,844,631**	**11,747,667**	**1,116,175,282**
Accumulated Depreciation						
Balance at beginning of year	**–**	**27,586,965**	**39,939,991**	**506,363,352**	**–**	**573,890,308**
Depreciation	**–**	**12,493,033**	**14,226,007**	**127,438,296**	**–**	**154,157,336**
Disposal	**–**	**–**	**–**	**(3,275,671)**	**–**	**(3,275,671)**
Balance at end of year	**–**	**40,079,998**	**54,165,998**	**630,525,977**	**–**	**724,771,973**
Net Carrying Amount	**₱57,933,414**	**₱95,421,312**	**₱27,982,262**	**₱198,318,654**	**₱11,747,667**	**₱391,403,309**

	2015					
	Land	Building and Improvements	Office Equipment and Furniture and Fixtures	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	₱47,078,744	₱113,158,652	₱48,108,631	₱677,103,094	₱19,020,120	₱904,469,241
Additions	10,138,740	1,711,194	14,694,879	158,902,304	18,469,489	203,916,606
Disposal	–	–	–	(10,622,518)	–	(10,622,518)
Reclassification	–	17,179,440	1,233,954	3,918,343	(30,853,506)	(8,521,769)
Balance at end of year	57,217,484	132,049,286	64,037,464	829,301,223	6,636,103	1,089,241,560
Accumulated Depreciation						
Balance at beginning of year	–	17,281,047	30,069,300	342,560,153	–	389,910,500
Depreciation	–	10,305,918	9,870,691	169,118,874	–	189,295,483
Disposal	–	–	–	(5,315,675)	–	(5,315,675)
Balance at end of year	–	27,586,965	39,939,991	506,363,352	–	573,890,308
Net Carrying Amount	₱57,217,484	₱104,462,321	₱24,097,473	₱322,937,871	₱6,636,103	₱515,351,252

Construction-in-progress pertains to on-going mine developments which is expected to be completed in 2017 for an additional cost of ₱3.0 million. Reclassifications to mine and mining properties in 2015 mainly pertain to mine development costs in Cabangahan and Pili area (see Note 9).

Heavy and transportation equipment with carrying value of ₱92.4 million and ₱121.0 million as at December 31, 2016 and 2015, respectively, are held as collaterals for loans payable (see Note 13).

In 2016 and 2015, the Company disposed transportation equipment with a carrying value of ₱0.9 million and ₱5.3 million resulting to loss of ₱0.9 million and ₱0.7 million (see Note 18).

Depreciation is allocated to profit or loss as follows:

	Note	**2016**	2015	2014
Charged to:				
Cost of sales	16	**₱92,267,699**	₱146,539,445	₱113,861,206
Operating expenses	17	**52,174,894**	42,756,038	18,016,277
		144,442,593	189,295,483	131,877,483
Capitalized to mine development costs	9	**9,714,743**	–	–
		₱154,157,336	₱189,295,483	₱131,877,483

Fully depreciated property and equipment with cost of ₱32.7 million and ₱26.4 million as at December 31, 2016 and 2015, respectively, are still being used by the Company and retained in the accounts.

9. Mining Rights on Explored Resources and Mine and Mining Properties

Movements in mining rights on explored resources and mine and mining properties are as follows:

	2016				
		Mine and Mining Properties			
	Mining Rights on Explored Resources	**Mine Development Costs**	**Mine Rehabilitation Asset**	**Total**	**Total**
Cost					
Balance at beginning of year	**₱1,294,766,157**	**₱932,174,993**	**₱42,170,134**	**₱974,345,127**	**₱2,269,111,284**
Additions	**–**	**178,019,737**	**–**	**178,019,737**	**178,019,737**
Balance at end of year	**1,294,766,157**	**1,110,194,730**	**42,170,134**	**1,152,364,864**	**2,447,131,021**
Accumulated Depletion					
Balance at beginning of year	**196,207,057**	**140,370,156**	**2,156,784**	**142,526,940**	**338,733,997**
Depletion	**54,351,534**	**47,982,355**	**1,979,672**	**49,962,027**	**104,313,561**
Balance at end of year	**250,558,591**	**188,352,511**	**4,136,456**	**192,488,967**	**443,047,558**
Net Carrying Amount	**₱1,044,207,566**	**₱921,842,219**	**₱38,033,678**	**₱959,875,897**	**₱2,004,083,463**

	2015				
		Mine and Mining Properties			
	Mining Rights on Explored Resources	Mine Development Costs	Mine Rehabilitation Asset	Total	Total
Cost					
Balance at beginning of year	₱1,294,766,157	₱923,306,495	₱42,170,134	₱965,476,629	₱2,260,242,786
Additions	–	346,729	–	346,729	346,729
Reclassifications	–	8,521,769	–	8,521,769	8,521,769
Balance at end of year	1,294,766,157	932,174,993	42,170,134	974,345,127	2,269,111,284
Accumulated Depletion					
Balance at beginning of year	136,992,974	97,690,617	–	97,690,617	234,683,591
Depletion	59,214,083	42,679,539	2,156,784	44,836,323	104,050,406
Balance at end of year	196,207,057	140,370,156	2,156,784	142,526,940	338,733,997
Net Carrying Amount	₱1,098,559,100	₱791,804,837	₱40,013,350	₱831,818,187	₱1,930,377,287

Mining rights on explored resources represent the excess of the fair value of shares issued by the Company over the book value of the net assets of MMDC when the Company acquired 100% ownership in MMDC.

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

Additions and reclassifications from "Construction-in-progress" under "Property and equipment" account represent mine development costs in Cabangahan and Pili area.

In 2016, additions include depreciation of matting equipment amounting to ₱9.7 million (see Note 8).

10. Other Noncurrent Assets

This account consists of:

	Note	2016	2015
Input VAT		**₱283,517,108**	₱266,592,646
Advances to contractor		**107,238,890**	111,925,000
RCF		**5,381,089**	5,337,605
MTF		**163,299**	162,462
Rental deposit	21	**391,158**	468,959
Others		**1,497,656**	417,955
		₱398,189,200	₱384,904,627

Advances to contractor are advanced payments made to the contractor to build and operate a nickel processing plant.

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

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

Interest income from RCF and MTF amounted to ₱44,321, ₱43,814 and ₱36,580 in 2016, 2015 and 2014 respectively (see Note 4).

11. Trade and Other Payables

This account consists of:

	Note	2016	2015
Trade payables		**₱64,157,349**	₱121,099,163
Accrued expenses:			
Excise tax and other statutory payables		**35,056,523**	35,320,445
Interest payable	13	**186,590**	231,904
Salaries and wages		**4,493**	44,467
Other accrued expenses		**2,854,168**	8,757,636
Others		**791,346**	80,921
		₱103,050,469	₱165,534,536

Trade payables primarily consist of liabilities arising from transactions with contractors and suppliers related to the normal course of business. These are noninterest and interest-bearing at 12% interest rate and are generally on a 90-day credit term.

Interest expense related to trade payable amounted to nil, ₱0.2 million and ₱0.6 million in 2016, 2015 and 2014, respectively (see Note 13).

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

Others pertain to advances from a former related party.

12. Provision for Mine Rehabilitation and Decommissioning

The movements in this account are as follows:

	Note	**2016**	2015
Balance at beginning of year		**₱45,709,730**	₱43,798,134
Accretion of interest	13	**1,998,249**	1,911,596
		₱47,707,979	₱45,709,730

A provision is recognized for the estimated rehabilitation costs of the Company's mine site upon termination of the Company's ore extraction activities, which is about 13 years. The provision is calculated by the Company's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 4.53% as the effective interest rate in 2016 and 2015.

13. Loans Payable

This account consists of:

	2016	2015
Short-term loan	**₱100,000,000**	₱100,000,000
Long-term loans	**74,316,486**	92,432,612
	174,316,486	192,432,612
Less current portion	**119,102,704**	118,116,126
	₱55,213,782	₱74,316,486

<u>Short-term Loan</u>

MMDC obtained a short-term loan from a local bank to finance working capital requirements. The short-term loan bears interest rates ranging from 5.00% to 5.50% to be repriced every month in 2016 and 2015 and has maturity of not more than one year.

On January 12, 2015, MMDC obtained credit facility amounting to ₱200.0 million, ₱100.0 million of which was paid in November 2015, and domestic bills purchase line amounting to ₱5.0 million from a local bank. The credit facility is secured by the interests and rights of the Parent Company over 647,692 shares of stocks of MMDC.

<u>Long-term Loans</u>

On July 15, 2015, the Company obtained a five (5) year promissory note of ₱100.0 million from a financing company. The note which is covered by a chattel mortgage on transportation equipment, bear an annual interest rate at 6% and is maturing on July 15, 2020. The proceeds were used for working capital purposes.

The carrying amount of transportation equipment held as collateral amounted to ₱92.4 million and ₱121.0 million as at December 31, 2016 and 2015, respectively (see Note 8).

In 2013, the Company obtained a three (3) year loan from a local bank amounting to ₱1.5 million to meet working capital requirements. The loan which bears an annual interest rate at 11.81% is secured by heavy and transportation equipment. The loan was fully settled in 2016.

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

	Note	**2016**	2015	2014
Loans payable		**₱10,123,094**	₱11,660,627	₱320,255
Provision for mine rehabilitation	12	**1,998,249**	1,911,596	–
Trade payable	11	**–**	157,775	556,772
		₱12,121,343	₱13,729,998	₱877,027

Interest payable amounted to ₱0.2 million as at December 31, 2016 and 2015.

14. Retained Earnings

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Payment Date
November 14, 2014	₱0.15	₱273,203,790	December 19, 2014	On or after January 16, 2015
September 19, 2014	0.15	273,203,790	October 1, 2014	October 22, 2014

Dividends payable amounted to ₱5.0 million as at December 31, 2016 and 2015.

15. Revenue

This account consists of:

	2016	2015	2014
Sale of ore	**₱1,819,748,114**	₱2,198,716,173	₱2,415,263,186
Reservation fee for ore allocation	**99,440,000**	131,768,005	111,700,000
	₱1,919,188,114	₱2,330,484,178	₱2,526,963,186

16. **Cost of Sales**

This account consists of:

	Note	**2016**	2015	2014
Contractual services		**₱868,374,361**	₱1,194,755,300	₱837,267,603
Production overhead		**182,434,748**	185,108,158	213,707,059
Personnel costs		**137,924,319**	₱209,212,344	₱170,985,668
Depletion	9	**104,313,561**	104,050,406	44,140,938
Demurrage costs		**94,385,355**	52,682,180	66,047,287
Depreciation	8	**92,267,699**	146,539,445	113,861,206
Excise tax		**39,660,812**	38,754,128	48,305,264
		1,519,360,855	1,931,101,961	1,494,315,025
Net movement in inventories		**(97,611,738)**	134,656,725	(89,393,499)
		₱1,421,749,117	₱2,065,758,686	₱1,404,921,526

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

Under Section 80 of the Republic Act No. 7942, *The Mining Act of 1995*, government share in an MPSA shall be an excise tax of 2.0% on gross output on mineral products.

17. **Operating Expenses**

This account consists of:

	Note	**2016**	2015	2014
Salaries and allowances		**₱111,752,671**	₱113,260,555	₱107,342,308
Depreciation	8	**52,174,894**	42,756,038	18,016,277
Taxes and licenses		**38,322,335**	18,826,285	11,033,998
Professional fees		**37,009,784**	48,952,781	31,982,689
Environmental expenses		**34,238,744**	11,415,097	3,536,235
Social development program		**29,700,421**	26,746,937	19,831,654
Outside services		**19,969,239**	6,258,272	4,043,996
Royalties	22	**19,107,355**	23,086,520	25,360,264
Freight and shipping		**15,582,608**	20,034,408	12,619,434
Retirement benefit expense	19	**15,459,453**	13,599,920	19,375,901
Transportation and travel		**14,787,932**	7,635,571	291,162
Community relations		**21,603,210**	17,864,896	17,801,352
Communication, light and water		**4,924,130**	6,833,794	4,992,049
Rental	21	**4,339,188**	859,495	2,483,664
Repairs and maintenance		**4,041,641**	3,265,362	519,926
Representation		**3,366,159**	3,402,641	6,865,219
Office supplies		**3,053,021**	4,763,040	4,558,078
Dues and subscriptions		**2,589,491**	2,234,532	2,646,254
Advertisement		**89,605**	1,284,313	6,573,943
Others		**20,495,306**	14,387,183	7,119,110
		₱452,607,187	₱387,467,640	₱306,993,513

18. **Other Income** - Net

This account consists of:

	Note	**2016**	2015	2014
Foreign exchange gain		**₱11,687,034**	₱29,526,583	₱22,874,060
Service income	20	**5,000,000**	–	–
Loss on disposal of assets	8	**(853,793)**	(685,172)	–
Others		**(277,778)**	230,770	322,038
		₱15,555,463	₱29,072,181	₱23,196,098

19. **Retirement Benefit Liability**

The Company has an unfunded, noncontributory defined benefit plan covering all its regular full-time employees. An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation was dated January 27, 2017.

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

	2016	2015	2014
Current service cost	**₱13,732,263**	₱12,321,708	₱17,917,358
Net interest cost	**1,727,190**	1,278,212	1,458,543
	₱15,459,453	₱13,599,920	₱19,375,901

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2016 and 2015 and changes in the present value of defined benefit obligation are as follows:

	2016	2015
Balance at beginning of year	**₱34,900,776**	₱27,304,938
Current service cost	**13,732,263**	12,321,708
Net actuarial gain/losses	**(4,420,720)**	(6,004,082)
Net interest cost	**1,727,190**	1,278,212
Balance at end of year	**₱45,939,509**	₱34,900,776

The principal actuarial assumptions used to determine retirement benefit for 2016 and 2015 are as follows:

	2016	2015
Discount rates	**5.36%**	4.95%
Salary increase rates	**5.00%**	5.00%

Sensitivity analysis on defined benefit obligation as at December 31, 2016 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+100	(₱6,186,703)
	-100	7,740,140
Salary increase rate	+100	7,255,140
	-100	(5,951,228)

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

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

The cumulative actuarial gains recognized in other comprehensive income as at December 31 follows:

	2016		
	Accumulated Actuarial Gain	**Deferred Tax Liability**	**Net Actuarial Gain**
Balance at beginning of year	**₱27,289,999**	**(₱8,187,000)**	**₱19,102,999**
Actuarial gain	**4,420,720**	**(1,326,216)**	**3,094,504**
Balance at end of year	**₱31,710,719**	**(₱9,513,216)**	**₱22,197,503**

	2015		
	Accumulated Actuarial Gain	Deferred Tax Liability	Net Actuarial Gain
Balance at beginning of year	₱21,285,917	(₱6,385,775)	₱14,900,142
Actuarial gain	6,004,082	(1,801,225)	4,202,857
Balance at end of year	₱27,289,999	(₱8,187,000)	₱19,102,999

The expected future benefit payments follow:

Financial Year	Amount
2017	₱10,302,967
2018	490,082
2019	882,558
2020	1,228,190
2021	743,465
2022 and after	1,686,848,044

20. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

	Transaction Amounts		Outstanding Balances		
Related Parties	**2016**	2015	**2016**	2015	Nature and Terms
Advances to related parties	**₱52,879,787**	₱16,559,934	**₱125,391,740**	₱72,511,953	Working fund; unsecured; noninterest-bearing; payable on demand
Advances from a related party	**₱5,000,000**	–	**₱5,000,000**	–	Working fund; unsecured; noninterest-bearing; payable on demand

As at December 31, 2016 and 2015, the Company has not provided any allowance for impairment losses for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

Compensation of Key Management Personnel

Compensation of key management personnel consists of benefits amounting to ₱104.1 million, ₱109.0 million, and ₱108.1 million in 2016, 2015 and 2014, respectively.

21. Lease Commitments

The Company leases an office space for its operations. The lease is for a period of five (5) years and renewable in 2015 for another two (2) years. Rental deposit amounted to ₱0.4 million and ₱0.5 million as at December 31, 2016 and 2015 (see Note 10).

Rental expense charged to operations amounted to ₱4.3 million, ₱0.9 million and ₱2.5 million in 2016, 2015 and 2014 (see Note 17).

At year-end, the Company has outstanding commitments under noncancellable operating lease that fall due as follows:

	2016	2015
Within 1 year	**₱100,000**	₱300,000
More than 1 year but within 5 years	**–**	100,000
	₱100,000	₱400,000

22. Royalty Agreement

In July 2008, the Company entered into a memorandum of agreement with the Indigenous Cultural Communities/Indigenous People (ICC/IP) and NCIP whereby royalties equivalent to a certain percentage of gross revenue shall be paid to the ICC/IP.

Royalty payable presented under “Excise tax and other statutory payables” amounted to ₱1.0 million and ₱0.3 million in 2016 and 2015, respectively. Royalty expense amounted to ₱19.1 million, ₱23.1 million and ₱25.4 million in 2016, 2015 and 2014, respectively (see Note 17).

23. **Income Taxes**

As discussed in Note 1, MMDC is registered with the BOI in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, as a New Producer of Nickel Laterite Ore and enjoys ITH for a period of four years until June 2014. On September 18, 2014, the BOI approved the extension for one year of the ITH incentive for the period July 18, 2014 to July 18, 2015. MMDC, however, did not avail of the ITH incentive for the period January 1 to July 18, 2015. ITH incentive availed in 2014 amounted to ₱261.6 million.

Components of provision for (benefit from) income tax are shown below:

	2016	2015	2014
Current	**₱41,300,820**	₱20,900,421	₱2,500,000
Deferred	**2,103,891**	(8,868,156)	(5,381,094)
	₱43,404,711	₱12,032,265	(₱2,881,094)

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

	2016	2015	2014
Income (loss) at statutory rate	**₱14,563,948**	(₱32,106,746)	₱251,514,077
Changes in unrecognized deferred tax assets	**(14,645,172)**	7,603,579	7,356,515
Add (deduct) income tax effects of:			
Nondeductible expenses	**32,742,053**	33,679,570	125,364
Expired NOLCO	**10,828,051**	2,969,106	–
Interest income subjected to final tax	**(84,169)**	(113,244)	(303,912)
Income covered by ITH	**–**	–	(261,573,138)
	₱43,404,711	₱12,032,265	(₱2,881,094)

The Company's net deferred tax assets arising from temporary differences as at December 31, 2016 and 2015 are summarized as follows:

	2016	2015
Deferred tax assets:		
Retirement benefit liability	**₱11,449,777**	₱8,915,997
Allowance for impairment losses on:		
Inventories	**–**	10,694,165
Trade and other receivables	**1,341,890**	1,341,890
Provision for mine rehabilitation	**1,172,954**	573,479
	13,964,621	21,525,531
Deferred tax liability on unrealized foreign exchange gain	**1,537,101**	5,667,904
	₱12,427,520	₱15,857,627

Management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized. Details of unrecognized deferred tax assets are as follows:

	2016	2015
NOLCO	**₱8,060,125**	₱25,283,137
MCIT	**6,001,000**	4,201,000
Retirement benefit liability	**2,332,075**	1,554,235
	₱16,393,200	₱31,038,372

Details of NOLCO of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2016	2019	₱–	₱–	₱–	₱–
2015	2018	26,867,083	–	–	26,867,083
2013	2016	57,410,040	(21,316,538)	(36,093,502)	–
		₱84,277,123	(₱21,316,538)	(₱36,093,502)	₱26,867,083

Details of MCIT of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2016	2019	₱1,800,000	₱–	₱–	₱1,800,000
2015	2018	1,701,000	–	–	1,701,000
2014	2017	2,500,000	–	–	2,500,000
		₱6,001,000	₱–	₱–	₱6,001,000

24. **Earnings Per Share**

Earnings per share are computed as follows:

	2016	2015	2014
Net income shown in the consolidated statements of comprehensive income (a)	**₱5,141,782**	(₱119,054,752)	₱841,261,352
Weighted average number of common shares adjusted for the effect of dilution (b)	**1,821,358,599**	1,821,358,599	1,821,358,599
Basic earnings (loss) per share (a/b)	**₱0.00**	(₱0.07)	₱0.46

25. **Contingencies**

On February 13, 2017, MMDC received an Order from the DENR cancelling its MPSA due to alleged impairment of the functions of the watershed caused by MMDC's operation, failure to comply with the penalty of planting three million seedlings and violation of environment-related laws and regulations.

The management and its legal counsel have assessed that the Order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining. It has implemented all the necessary measures to ensure that it is environmentally compliant. While its operation is within a proclaimed watershed, Presidential Proclamation No. 1747 recognizes its prior legal right to mine in the area considering that its MPSA was approved in 1993 prior to the issuance of the said proclamation in 2009.

As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to previous inaction of the DENR. The Company submitted the program for the tree planting of three million seedlings as early as February 24, 2015. There were several communications between MMDC and the DENR/MGB regarding this matter. In a letter dated April 22, 2016, MMDC informed MGB that there is a strong objection from the Local Government Units (LGU) in the host communities of MMDC since they will not benefit from the Program as MGB directed MMDC to plant in different regions. Thereupon, MMDC suggested DENR/MGB to implement the program through its National Greening Project to be funded by MMDC. After several follow-ups, on December 21, 2016, MMDC received a letter from Secretary Lopez dated December 1, 2016 finally directing MMDC to plant the three million seedlings in its host communities. MMDC immediately coordinated with the Regional Director of DENR. Hence, an inventory of seedlings available in the area was then made. Based on the report of DENR Region XIII, a total of 1,513,928 seedlings are available in the area. To ensure immediate and proper implementation of the tree planting activity, MMDC entered into a Memorandum of Agreement with the mayors of the municipalities in its host communities on February 9, 2017. This action demonstrates MMDC's readiness and willingness to implement program. Thus, no fault can be attributed to MMDC with regard to the implementation of the three million seedlings.

With regard to alleged violations of environmental laws and regulations, the DENR failed to specify the facts and the provisions of law which MMDC allegedly violated.

It bears to note that the Technical Committee Report on MMDC shows only a recommendation for fine and suspension. Thus, the management strongly believes that the cancellation of MMDC's MPSA is unwarranted and should be overturned.

Thus, on February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum.

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26. Financial Risk Management Objectives and Policies

General

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

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as trade and other receivables, trade and other payables, related party receivables and payables and rental deposit, which arise directly from its operations. The main risks arising from the use of these financial instruments are foreign currency risk, credit risk, interest rate risk and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

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

The Company's transactional currency exposures arise from its trade receivables and advances from customers which are denominated in currencies other than the Company's functional currency. The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk.

The following table shows the Company's US dollar-denominated monetary financial assets and liabilities and their Philippine Peso equivalent as at December 31, 2016 and 2015:

	2016		2015	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Current financial assets:				
Cash in banks	**₱101,059,394**	**$2,032,570**	₱6,696,826	$142,304
Trade receivables	**39,773,558**	**799,951**	182,395,147	3,875,800
	140,832,952	**2,832,521**	189,091,973	4,018,104
Current financial liabilities:				
Trade payables	**–**	**–**	39,104,117	830,942
Net financial assets	**₱140,832,952**	**$2,832,521**	₱149,987,856	$3,187,162

For purposes of restating the outstanding balances of the Company's foreign currency-denominated financial assets and liabilities as at December 31, 2016 and 2015, the exchange rate applied was ₱49.72 and ₱47.06 per US$1, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2016 and 2015 (due to changes in the fair value of financial assets and liabilities). There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2016	**+2.66**	**₱7,534,506**
	-2.66	**(7,534,506)**
December 31, 2015	+0.94	2,995,932
	-0.94	(2,995,932)

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

The tables below show the credit quality per class of financial assets and an aging analysis of financial assets that are past due but not impaired as at December 31, 2016 and 2015.

Credit Quality per Class of Financial Assets

	December 31, 2016					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash in banks	**₱164,314,817**	**₱–**	**₱–**	**₱–**	**₱–**	**₱164,314,817**
Trade and other receivables*	**–**	**39,773,558**	**1,746,892**	**–**	**11,036,527**	**52,556,977**
Advances to related parties	**–**	**125,391,740**	**–**	**–**	**–**	**125,391,740**
RCF and MTF	**5,544,388**	**–**	**–**	**–**	**–**	**5,544,388**
Rental deposit	**–**	**391,158**	**–**	**–**	**–**	**391,158**
	₱169,859,205	**₱165,556,456**	**₱1,746,892**	**₱–**	**₱11,036,527**	**₱348,199,080**

**Excluding advances to officers and employees amounting to ₱24.4 million in 2016.*

	December 31, 2015					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱190,055,973	₱–	₱–	₱–	₱–	₱190,055,973
Trade and other receivables*	–	187,041,097	472,011	–	11,036,527	198,549,635
Advances to related parties	–	72,511,953	–	–	–	72,511,953
RCF and MTF	5,500,067	–	–	–	–	5,500,067
Rental deposit	–	468,959	–	–	–	468,959
	₱195,556,040	₱260,022,009	₱472,011	₱–	₱11,036,527	₱467,086,587

**Excluding advances to officers and employees amounting to ₱18.8 million in 2015.*

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

Cash in banks, RCF and MTF are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade and other receivables are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

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

The Company's short-term loan is exposed to changes in market interest rates since the loans are subject to variable interest rates.

The table below set forth the estimated change in the Company's income before tax to a reasonably possible change in the market prices of loans payable brought about by reasonably possible change in interest rates as at December 31, 2016.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2016	**+4.15%**	**₱184,947**
	-4.15%	**(184,947)**
December 31, 2015	+0.09%	1,029,162
	-0.09%	(1,029,162)

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2016 and 2015, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

	On Demand	Less than three months	Three to six months	Six to 12 months	More than one year	Total
December 31, 2016						
Trade and other payables*	**₱56,991,260**	**₱832,928**	**₱–**	**₱9,983,168**	**₱–**	**₱67,807,356**
Dividends payable	**–**	**–**	**–**	**4,955,354**	**–**	**4,955,354**
Loans payable**	**100,000,000**	**6,342,560**	**6,367,568**	**6,367,568**	**63,725,409**	**182,803,105**
Advances from a related party	**5,000,000**	**–**	**–**	**–**	**–**	**5,000,000**
	₱161,991,260	**₱7,175,488**	**₱6,367,568**	**₱21,306,090**	**₱63,725,409**	**₱260,565,815**
December 31, 2015						
Trade and other payables*	₱39,990,219	₱50,119,125	₱7,160,082	₱25,249,012	₱7,463,749	₱129,982,187
Dividends payable	–	4,955,354	–	–	–	4,955,354
Loans payable**	100,000,000	4,453,356	4,514,056	9,148,714	87,875,700	205,991,826
	₱139,990,219	₱59,527,835	₱11,674,138	₱34,397,726	₱95,339,449	₱340,929,367

**Excluding statutory payables and interest payable aggregating ₱35.2 million and ₱35.6 million in 2016 and 2015, respectively.*
***Including interest payable to maturity amounting to ₱8.5 million and ₱13.6 million as at December 31, 2016 and 2015 .*

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidated sale.

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

	2016		2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash in banks	**₱164,314,817**	**₱164,314,817**	₱190,055,973	₱190,055,973
Trade and other receivables*	**41,520,450**	**41,520,450**	187,513,108	187,513,108
Advances to related parties	**125,391,740**	**125,391,740**	72,511,953	72,511,953
RCF and MTF	**5,544,388**	**5,544,388**	5,500,067	5,500,067
Rental deposit	**391,158**	**391,158**	468,959	468,959
	₱337,162,553	**₱337,162,553**	₱456,050,060	₱456,050,060

**Excluding advances to officers and employees amounting to ₱24.4 million and ₱18.8 million in 2016 and 2015, respectively.*

	2016		2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables*	**₱67,807,356**	**₱67,807,356**	₱129,982,187	₱129,982,187
Dividends payable	**4,955,354**	**4,955,354**	4,955,354	4,955,354
Loans payable	**174,316,486**	**178,259,168**	192,432,612	198,225,208
Advances from a related party	**5,000,000**	**5,000,000**	–	–
	₱252,079,196	**₱256,021,878**	₱327,370,153	₱333,162,749

**Excluding statutory payables amounting to ₱35.1 million and ₱35.3 million in 2016 and 2015, respectively.*

Cash, Trade and other receivables, Advances to Related Parties, Trade and other payables, Dividends payable. and Advances from a Related Party Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

RCF and MTF. Fair values of RCF and MTF approximate the amount of consideration at reporting period.

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

Loans Payable. The estimated fair value of the loans was calculated using the quoted (unadjusted) market prices in active market (Level 1).

27. Capital Management Objectives, Policies and Procedures

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

The Company monitors its capital using the debt to equity ratio, which is the total debt divided by the total equity. The Company includes total liabilities within the total debt. Equity includes capital stock, additional paid-in capital, retained earnings, and other comprehensive income.

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BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Marcventures Holdings, Inc. and Subsidiary (the Group) as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 included in this Form 17-A and have issued our report thereon dated March 31, 2017. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2016 are the responsibility of the Group's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Financial Ratios
- Schedule of Parent Company's Retained Earnings Available for Dividend Declaration
- Schedules required by Part II of SRC Rule 68, as Amended

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68 Part II, as amended, and are not part of the consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
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Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

March 31, 2017
Makati City, Metro Manila

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**REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

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

We have audited the accompanying consolidated financial statements of Marcventures Holdings, Inc. (the Company) and Subsidiary as at and for the year ended December 31, 2016, on which we have rendered our report dated March 31, 2017.

In compliance with Securities Regulations Code Rule 68, as amended, we are stating that the Company has 939 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

March 31, 2017
Makati City, Metro Manila

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2016

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information ‘Elsewhere in the Interim Financial Report’			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

FINANCIAL RATIOS

DECEMBER 31, 2016

Below is a schedule showing financial soundness indicators in the years 2016 and 2015.

	2016	2015
Current/Liquidity Ratio	**2.19**	1.89
Current assets	**₱579,236,747**	₱580,377,409
Current liabilities	**264,106,910**	307,805,437
Solvency Ratio	**0.72**	0.40
Income before income tax, depreciation, depletion and amortization	**₱297,302,647**	₱186,323,402
Total liabilities	**412,968,180**	462,732,429
Debt-to-equity Ratio	**0.14**	0.16
Total liabilities	**₱412,968,180**	₱462,732,429
Total equity	**2,972,372,059**	2,964,135,773
Asset-to-equity Ratio	**1.14**	1.16
Total assets	**₱3,385,340,239**	₱3,426,868,202
Total equity	**2,972,372,059**	2,964,135,773
Interest rate coverage Ratio	**5.01**	(6.79)
Pretax income before interest	**₱60,667,836**	(₱93,292,489)
Interest expense	**12,121,343**	13,729,998
Profitability Ratio	**0.00**	(0.04)
Net income	**₱5,141,782**	(₱119,054,752)
Total equity	**2,972,372,059**	2,964,135,773

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2016

	Amount
Unappropriated retained earnings available for dividend declaration at the beginning of year	₱886,974,054
Net income during the year closed to retained earnings	5,141,782
Add movements in the deferred tax assets*	2,103,891
Net income earned during the year	894,219,727
Less cash dividends	–
Total retained earnings available for dividend declaration at end of year	₱894,219,727

Reconciliation:

	Amount
Unappropriated retained earnings at beginning of year as shown in the financial statements	₱911,018,681
Less deferred tax assets at beginning of year*	(24,044,627)
Total unappropriated retained earnings available for dividend declaration at beginning of year	₱886,974,054

	Amount
Unappropriated retained earnings at end of year as shown in the financial statements	₱916,160,463
Less deferred tax assets at end of year*	(21,940,736)
Total unappropriated retained earnings available for dividend declaration at end of year	₱894,219,727

**Excludes amount presented in other comprehensive income.*

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2016

Table of Contents

Schedule A. Financial Assets
December 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end reporting period	Income received and accrued
Cash in banks	N/A	₱164,314,817	₱164,314,817	₱–
Trade and other receivables*	N/A	41,520,450	41,520,450	–
Advances to related parties	N/A	125,391,740	125,391,740	–
RCF and MTF	N/A	5,544,388	5,544,388	–
Rental deposit	N/A	391,158	391,158	–
		₱337,162,553	₱337,162,553	₱–

**Excluding advances to officers and employees amounting to ₱24.4 million.*

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2016

Name and designation of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
Related Parties							
BrightGreen Resources Corporation	₱72,203,512	₱31,443,787	₱–	₱–	₱103,647,299	₱–	₱103,647,299
RYM Business Managemet Corp.	–	20,000,000	–	–	20,000,000	–	20,000,000
Benguet Management Corp.	308,441	–	–	–	308,441	–	308,441
BenguetCorp Nickel Mines, Inc.	–	1,436,000	–	–	1,436,000	–	1,436,000
	₱72,511,953	₱52,879,787	₱–	₱–	₱125,391,740	₱–	₱125,391,740

Schedule C. Amounts Receivable from Related Parties Eliminated during the Consolidation of Financial Statements
December 31, 2016

Name of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
Marcventures Mining and Development Corporation.	₱198,615,401	₱64,055,952	₱–	₱–	₱–	₱262,671,353	₱262,671,353

Schedule D. Intangible Asset
December 31, 2016

Description	Beginning Balance	Additions at cost	Charge to cost and expenses	Charge to other accounts	Other charges additions (deduction)	Ending balance
Mining rights on explored resources	₱1,098,559,100	₱–	(54,351,534)	₱–	₱–	₱1,044,207,566

Schedule E. Long - term Debt
December 31, 2016

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term debt"	Amount shown under caption "Long-Term portion of long-term debt"
Notes Payable		
Philippine Business Bank	100,000,000	–
Orix Metro Leasing and Finance Corp.	19,102,704	55,213,782
	119,102,704	55,213,782

Schedule F. Indebtedness to Related Parties
December 31, 2016

Name of related party	Beginning Balance	Ending balance
Bright Kindle Resources & Investments, Inc.	₱–	₱5,000,000

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee

-Not Applicable -

Schedule H. Capital Stock

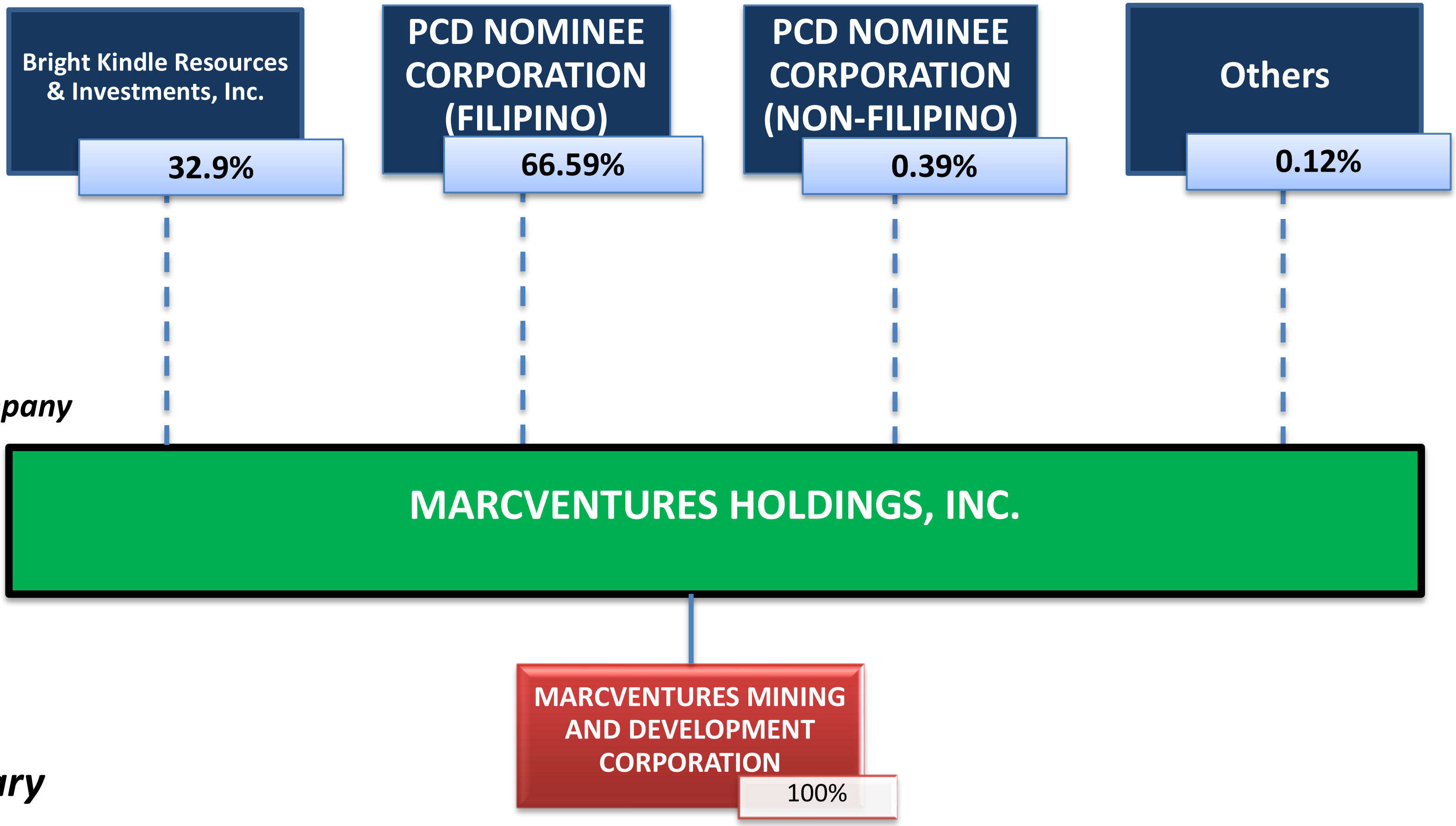
Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by related parties	Directors officers and employees	Others
Common Stock	2,000,000,000	1,821,358,599	–	–	11,496,502	1,809,862,097

SCHEDULE I. CONGLOMERATE MAP

Stockholders

Parent Company

Subsidiary



Marcventures Holdings, Inc.

Separate Financial Statements
December 31, 2016 and 2015

With independent auditor's report provided by

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

C O M P A N Y   N A M E

MARCVENTURES HOLDINGS, INC.

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

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

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

C O M P A N Y   I N F O R M A T I O N

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,170	May 27	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

MARCVENTURES
HOLDINGS INC.

March 31, 2017

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Marcventures Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended **December 31, 2016 and 2015**, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CESAR C. ZALAMEA
Chairman of the Board

ISIDRO C. ALCANTARA JR.
President

ROLANDO S. SANTOS
SVP-Finance

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
REVENUE DISTRICT OFFICE NO. 50
SOUTH MAKATI
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APR 12 2017

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

RIAN CEASAR P SOLIMAN
• CERTIFIED PUBLIC ACCOUNTANT •

Practitioner's Compilation Report

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

I have compiled the accompanying financial statements of Marcventures Holdings, Inc. (or the Company) based on information you have provided. These financial statements comprise the statement of financial position of the Company as at December 31, 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS.

RIAN CEASAR P. SOLIMAN
CPA Certificate No. 0141071
BOA A.N.: 5925
Valid Until December 31, 2017
BIR Accreditation No.: 06-006384-001-2016
Valid Until March 7, 2019
TIN No. 309-973-133-000
PTR No. 6016643 issued January 10, 2017
City of Manila

March 31, 2017

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying separate financial statements of Marcventures Holdings, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2016 and 2015, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2016, 2015 and 2014, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 7 to the financial statements which discusses that on February 13, 2017, Marcventures Mining and Development Corporation, the Subsidiary, received an order dated February 8, 2017 from the Department of Environment and Natural Resources cancelling the Subsidiary's Mineral Production Sharing Agreement No. 016-93-X (SMR). The management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Subsidiary's operations.

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

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

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REVENUE DISTRICT OFFICE NO. 52
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In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

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

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

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

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

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
REVENUE DISTRICT OFFICE NO. 50
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INITIAL: DATE:
2017

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

The engagement partner on the audit resulting in this independent auditor's report is Belinda B. Fernando.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-004-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

March 31, 2017
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
REVENUE DISTRICT OFFICE NO. 50
SOUTH MAKATI
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2017

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF FINANCIAL POSITION

APR 1 2 2017

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash	4	₱12,091,380	₱66,669,710
Dividends and other receivables	5	929,012,277	928,384,973
Other current assets	6	38,388,595	27,333,933
Total Current Assets		979,492,252	1,022,388,616
Noncurrent Assets			
Investment in a subsidiary	7	1,545,000,000	1,545,000,000
Due from related parties	12	268,171,353	198,615,401
Property and equipment	8	80,503,533	87,073,169
Other noncurrent assets	9	690,283	939,200
Total Noncurrent Assets		1,894,365,169	1,831,627,770
		₱2,873,857,421	₱2,854,016,386
LIABILITIES AND EQUITY			
Current Liabilities			
Dividends payable and other current liabilities	10	₱17,101,981	₱16,783,991
Noncurrent Liabilities			
Retirement benefit liability	14	4,984,902	3,086,290
Deferred tax liability	15	836,605	628,349
Total Noncurrent Liabilities		5,821,507	3,714,639
Equity			
Capital stock		1,821,358,599	1,821,358,599
Additional paid-in capital (APIC)		212,655,494	212,655,494
Retained earnings	11	814,967,764	798,037,518
Other comprehensive income	14	1,952,076	1,466,145
Total Equity		2,850,933,933	2,833,517,756
		₱2,873,857,421	₱2,854,016,386

See accompanying Notes to Separate Financial Statements.

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8 - MAKATI
REVENUE DISTRICT OFFICE NO. 50
SOUTH MAKATI
RECEIVED
APR 12 2017

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2016**	2015	2014
INCOME				
Management income	12	**₱85,000,000**	₱85,000,000	₱125,000,000
Service income	12	**5,000,000**	–	–
Interest income	4	**6,507**	25,599	129,852
Dividend income	7	**–**	–	800,000,000
Other income		**–**	50,000	–
		90,006,507	85,075,599	925,129,852
OPERATING EXPENSES	13	**71,276,261**	114,941,322	78,349,511
INCOME (LOSS) BEFORE INCOME TAX		**18,730,246**	(29,865,723)	846,780,341
PROVISION FOR INCOME TAX	15	**1,800,000**	1,701,000	2,500,000
NET INCOME (LOSS)		**16,930,246**	(31,566,723)	844,280,341
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss				
Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax	14	**485,931**	1,699,666	(233,521)
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱17,416,177**	(₱29,867,057)	₱844,046,820

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2016**	2015	2014
CAPITAL STOCK - ₱1 par value				
Authorized - 2,000,000,000 shares				
Issued and outstanding		**₱1,821,358,599**	₱1,821,358,599	₱1,821,358,599
ADDITIONAL PAID-IN CAPITAL		**212,655,494**	212,655,494	212,655,494
RETAINED EARNINGS	11			
Balance at beginning of year		**798,037,518**	829,604,241	531,731,480
Net income (loss)		**16,930,246**	(31,566,723)	844,280,341
Dividends declared		**–**	–	(546,407,580)
Balance at end of year		**814,967,764**	798,037,518	829,604,241
OTHER COMPREHENSIVE INCOME (LOSS)	14			
Balance at beginning of year		**1,466,145**	(233,521)	–
Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax		**485,931**	1,699,666	(233,521)
		1,952,076	1,466,145	(233,521)
		₱2,850,933,933	₱2,833,517,756	₱2,863,384,813

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.

SEPARATE STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱18,730,246**	(₱29,865,723)	₱846,780,341
Adjustments for:				
Depreciation	8	**7,216,836**	7,423,315	7,581,405
Interest income	4	**(6,507)**	(25,599)	(129,852)
Loss on disposal of property and equipment	8	**–**	93,055	–
Operating income (loss) before working capital changes		**25,940,575**	(22,374,952)	854,231,894
Increase in:				
Dividends and other receivables		**(627,304)**	(4,741,953)	(253,582,270)
Other current assets		**(11,054,662)**	(11,079,000)	(15,786,843)
Increase (decrease) in:				
Dividends payable and other current liabilities		**317,990**	(17,069,874)	(1,879,543)
Retirement benefit liability		**2,592,799**	2,705,201	1,438,920
Net cash generated from (used for) operations		**17,169,398**	(52,560,578)	584,422,158
Income tax paid		**(1,800,000)**	(1,701,000)	(2,500,000)
Interest received		**6,507**	25,599	129,852
Net cash provided by (used in) operating activities		**15,375,905**	(54,235,979)	582,052,010
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments from (advances to) related parties		**(69,555,952)**	85,789,390	(23,459,770)
Acquisition of property and equipment	8	**(647,200)**	(5,799,788)	(92,995,764)
Decrease in other noncurrent assets		**248,917**	973,452	5,387,969
Proceeds from disposal of property and equipment	8	**–**	1,302,778	–
Net cash provided by (used in) investing activities		**(69,954,235)**	82,265,832	(111,067,565)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		**–**	(250,854,017)	(293,042,070)
NET INCREASE (DECREASE) IN CASH		**(54,578,330)**	(222,824,164)	177,942,375
CASH AT BEGINNING OF YEAR		**66,669,710**	289,493,874	111,551,499
CASH AT END OF YEAR		**₱12,091,380**	₱66,669,710	₱289,493,874

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.

NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information

Marcventures Holdings, lnc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957 with a primary purpose to acquire by purchase, exchange, assignment, gift or otherwise, and to hold, own and use for investment or otherwise, and to transfer any and all properties of every kind and description and wherever situated to the extent permitted by law provided it shall not engage in the business of an open-end or close-end investment company as defined in the Republic Act 2629, *Investment Company Act*, or act as a securities broker or dealer. On August 7, 2007, the SEC approved the extension of the corporate life of the Company for another 50 years.

The Company's shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2016, 2015 and 2014, 1,821,358,599 shares of the Company are listed in the PSE.

The Company owns 100% interest in Marcventures Mining and Development Corporation (MMDC), a company incorporated in the Philippines and engaged in mining and mine development activities.

On January 13, 2015, the SEC approved the change of the principal office address of the Company from Unit 16A, 16th Floor, Citibank, Center, Paseo de Roxas, Makati City to 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

The Company's separate financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, were approved and authorized for issue by the Board of Directors (BOD) on March 31, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

The Company also prepares and issues consolidated financial statements in accordance with PFRS. In the consolidated financial statements, the undertakings of the subsidiary have been fully consolidated. Users of these separate financial statements should refer to the consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 in order to obtain full information on the consolidated financial position, consolidated financial performance and consolidated cash flows. The consolidated financial statements are available for public use and can be obtained at the Company's registered office address, the SEC and PSE.

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

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

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

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

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

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

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

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

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

Further disclosures are included in Note 16, Financial Risk Management Objectives and Policies.

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 Company adopted effective for annual periods beginning on or after January 1, 2016:

- Amendment to PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- Amendments to PFRS 10, IFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38*, Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The adoption of the foregoing new and amended PFRS did not have any material effect on the separate financial statements of the Company. Additional disclosures have been included in the notes to separate financial statements, as applicable.

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2016 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

Effective for annual periods beginning on or after January 1, 2018

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract. It will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Effective for annual periods beginning on or after January 1, 2019

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

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

<u>Financial Assets and Liabilities</u>

a. Recognition

Financial assets and liabilities are recognized in the separate statements of financial position when the Company becomes a party to the contractual provision of a financial instruments. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting. The initial measurement of the financial instruments, except for those classified at fair value through profit or loss (FVPL), includes transaction costs.

"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the profit or loss unless it qualifies for recognition as some other types of assets. 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 the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference amount.

b. Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market. Management determines the classification of the financial assets and financial liabilities at initial recognition and where allowed and appropriate, reevaluates such designation at every reporting date.

As at December 31, 2016 and 2015, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables 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 any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

This category includes cash in banks, dividends and other receivables (excluding advances to officers and employees), due from related parties and rental deposit (classified under "Other noncurrent assets").

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

This category includes dividends payable and other current liabilities (excluding statutory payables).

c. Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

- the right to receive cash flows from the asset has expired; or

- the Company 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 Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

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

A financial liability is derecognized when the obligation under the 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 the new liability, and the difference in the respective carrying amount is recognized in profit or loss.

d. Offsetting

Financial assets and liabilities are offset and the net amount reported in the separate 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. This is not generally the case with master netting agreements where the related assets and liabilities are presented gross in the separate statements of financial position.

e. Impairment of Financial Assets

Loans and Receivables. The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying amount of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying amount will not exceed the amortized cost determined had no impairment been recognized.

Other Current Assets
This account consists of prepaid income tax and other prepaid expenses.

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

Investment in a Subsidiary
The Company's investment in a subsidiary is accounted for in the separate financial statements at cost less impairment, if any.

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

A subsidiary is an entity in which the Company has control. Control is achieved when the 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. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its returns.

When the Company has less than majority of the voting or similar rights of an investee, the 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 arrangement; and

- The Company's voting rights and potential voting rights.

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

An assessment of the carrying amount of the investment in a subsidiary is performed when there is an indication that these investments have been impaired.

Property and Equipment
Property and equipment are initially measured at cost less accumulated depreciation and impairment losses, if any. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

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

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

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

	Number of Years
Building and improvements	5-20
Office equipment, furniture and fixtures	1-5
Transportation equipment	3-5

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

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

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

Impairment of Nonfinancial Assets

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

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

Employee Benefits

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

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

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

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

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

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

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

Equity

Capital Stock. Capital stock is measured at par value for all shares issued.

APIC. APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock.

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

Dividend Distribution. Dividends are recognized as liability and deducted from retained earnings when declared by the BOD and stockholders of the Company.

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

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is recognized as follows:

Management Income. Management income is recognized on an annual basis as stated in the management contract.

Service Income. Service income is recognized when earned during the period.

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

Dividend Income. Dividend income is recognized as revenue when the right to receive the dividends is established.

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

<u>Operating Expenses</u>
Expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Operating expenses include the cost of administering the business and are expensed as incurred. Expenses are presented using the nature of expense method.

<u>Leases</u>
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 inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating Lease - Company as 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. For income tax purposes, expenses under operating lease agreements are treated as deductible expense in accordance with the terms of the lease agreements.

Income Taxes

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

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

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

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

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

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

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

Value-Added Tax (VAT)

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax payable to the taxation authority is included as part of “Dividends payable and other current liabilities” in the separate statements of financial position.

Deferred Input VAT
In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Related Parties
Parties are considered to be 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 to be related if they are subject to common control or common significant influence.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Contingencies
Contingent liabilities are not recognized in the separate financial statements. These are disclosed in the notes to separate financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the separate financial statements but are disclosed in the notes to separate 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 Company's financial position at the end of reporting date (adjusting events) are reflected in the separate financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to separate financial statements when material.

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3. Significant Judgment, Accounting Estimates and Assumptions

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

Judgment
In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimates, which has the most significant effect on the amounts recognized in the separate financial statements.

Establishing Control over MMDC. The Company determined that it has control over MMDC 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 are also considered:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual agreements
- the Company's voting rights and potential voting rights

Accounting Estimates and Assumptions

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

Estimating Allowance for Impairment of Receivables. The Company maintains allowance for receivable impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with debtor, the debtor's payment behavior and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

There are no indicators that the Company's receivables may be impaired. Accordingly, no impairment loss was recognized on receivables in 2016, 2015 and 2014.

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

	Note	**2016**	2015
Dividends and other receivables	5	**₱929,012,277**	₱928,384,973
Due from related parties	12	**268,171,353**	198,615,401

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

There were no changes in the estimated useful lives of the Company's property and equipment in 2016 and 2015.

Property and equipment, net of accumulated depreciation, amounted to ₱80.5 million and ₱87.1 million as at December 31, 2016 and 2015, respectively (see Note 8).

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

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

The recoverable amount of nonfinancial assets represents the higher of value in use or fair value less cost to sell. Estimating the value-in-use requires the Company to make an assessment of the expected future cash flows from nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on management's assessment, the nonfinancial assets are not impaired.

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

	Note	**2016**	2015
Investment in a subsidiary	7	**₱1,545,000,000**	₱1,545,000,000
Property and equipment	8	**80,503,533**	87,073,169
Other noncurrent assets (excluding rental deposit)	9	**690,283**	888,411

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

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

Retirement benefit liability amounted to ₱5.0 million and ₱3.1 million as at December 31, 2016 and 2015, respectively (see Note 14).

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

The Company's unrecognized deferred tax assets amounted to ₱16.4 million and ₱31.0 million as at December 31, 2016 and 2015, respectively (see Note 15). Management believes that there will be no sufficient future taxable profits against which the deferred tax assets can be utilized.

4. Cash

This account consists of:

	2016	2015
Cash on hand	**₱15,000**	₱15,000
Cash in banks	**12,076,380**	66,654,710
	₱12,091,380	₱66,669,710

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱6,507, ₱25,599, and ₱129,852 in 2016, 2015 and 2014, respectively.

5. Dividends and Other Receivables

This account consists of:

	Note	2016	2015
Dividends receivable	7	**₱923,592,420**	₱923,592,420
Advances to officers and employees		**61,708**	78,070
Others		**5,358,149**	4,714,483
		₱929,012,277	₱928,384,973

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

Others include claims from regulatory agency for erroneously remitted final withholding tax.

6. Other Current Assets

This account consists of:

	2016	2015
Prepaid income tax	**₱38,349,000**	₱27,299,000
Prepaid expenses	**39,595**	34,933
	₱38,388,595	₱27,333,933

7. Investment in a Subsidiary

On June 30, 2010, the Company acquired all the issued shares and outstanding common stock of MMDC consisting of two million shares valued at ₱1,300.0 million in exchange for the Company's common stock with par value of ₱1,250.0 million and Metroclub shares valued at ₱50.0 million. In 2013 and 2012, the Company made additional investments to MMDC by way of converting advances amounting to ₱65.0 million and ₱180.0 million, respectively. The conversion was approved by the SEC in January 2014.

Dividend income from the investment amounted ₱800.0 million in 2014. Dividends receivable amounted to ₱923.6 million as at December 31, 2016 and 2015 (see Note 5).

The summarized financial information of MMDC is as follows:

	2016	2015
Total assets	**₱2,199,375,630**	₱2,142,128,886
Total liabilities	**1,577,145,070**	1,565,069,969
Net sales	**1,919,188,114**	2,330,484,178
Costs and expenses	**1,835,020,333**	2,348,426,859
Net income (loss)	**84,167,781**	(17,942,681)

On February 13, 2017, MMDC received an Order from the DENR cancelling its MPSA due to alleged impairment of the functions of the watershed caused by MMDC's operation, failure to comply with the penalty of planting three million seedlings and violation of environment-related laws and regulations. The management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations.

8. Property and Equipment

Movements in this account are as follows:

	2016			
	Building and Improvements	**Office Equipment, Furniture and Fixtures**	**Transportation Equipment**	**Total**
Cost				
Balance at beginning of year	**₱92,040,022**	**₱5,064,262**	**₱5,530,357**	**₱102,634,641**
Acquisitions	**508,200**	**139,000**	**–**	**647,200**
Disposal	**–**	**–**	**(2,080,357)**	**(2,080,357)**
Balance at end of year	**92,548,222**	**5,203,262**	**3,450,000**	**101,201,484**
Accumulated Depreciation				
Balance at beginning of year	**12,294,958**	**1,534,319**	**1,732,195**	**15,561,472**
Depreciation	**4,384,747**	**1,046,426**	**1,785,663**	**7,216,836**
Disposal	**–**	**–**	**(2,080,357)**	**(2,080,357)**
Balance at end of year	**16,679,705**	**2,580,745**	**1,437,501**	**20,697,951**
Net Carrying Amount	**₱75,868,517**	**₱2,622,517**	**₱2,012,499**	**₱80,503,533**

	2015			
	Building and Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱90,686,123	₱4,068,373	₱5,430,357	₱100,184,853
Acquisitions	1,353,899	995,889	3,450,000	5,799,788
Disposal	–	–	(3,350,000)	(3,350,000)
Balance at end of year	92,040,022	5,064,262	5,530,357	102,634,641

(Forward)

	2015			
	Building and Improvements	Office Equipment, Furniture and Fixtures	Transportation Equipment	Total
Accumulated Depreciation				
Balance at beginning of year	₱7,939,415	₱564,169	₱1,588,740	₱10,092,324
Depreciation	4,355,543	970,150	2,097,622	7,423,315
Disposal	–	–	(1,954,167)	(1,954,167)
Balance at end of year	12,294,958	1,534,319	1,732,195	15,561,472
Net Carrying Amount	₱79,745,064	₱3,529,943	₱3,798,162	₱87,073,169

In 2016, the Company disposed a fully depreciated transportation equipment.

In 2015, the Company disposed transportation equipment with carrying amount of ₱1.4 million for ₱1.3 million resulting to a loss of ₱93,055 (see Note 13).

Fully depreciated property and equipment with cost of ₱0.3 million as at December 31, 2016 and 2015 are still being used by the Company and retained in the accounts.

9. Other Noncurrent Assets

This account consists of:

	2016	2015
Deferred input VAT	**₱640,482**	₱888,411
Rental deposit	**–**	50,789
Others	**49,801**	–
	₱690,283	₱939,200

10. Dividends Payable and Other Current Liabilities

This account consists of:

	Note	**2016**	2015
Statutory payables		**₱11,473,542**	₱11,578,187
Dividends payable	11	**4,955,354**	4,955,354
Accrued expenses		**641,845**	219,210
Others		**31,240**	31,240
		₱17,101,981	₱16,783,991

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

Accrued expenses primarily pertain to utilities and settled within the month after the end of the reporting period.

11. Retained Earnings

Cash dividends declared by the Company are as follows:

Date Approved	Per Share	Total Amount	Stockholders of Record Date	Payment Date
November 14, 2014	₱0.15	₱273,203,790	December 19, 2014	On or after January 16, 2015
September 19, 2014	0.15	273,203,790	October 1, 2014	October 22, 2014

Dividends payable amounted to ₱5.0 million as at December 31, 2016 and 2015 (see Note 10).

12. Related Party Transactions

Transactions with a related party are as follows:

	Transaction Amounts		Outstanding Balances			
Related Parties	**2016**	2015	**2016**	2015	Nature	Terms and Conditions
Due from related parties						
Subsidiary						
MMDC	**₱102,526,150**	₱218,140,383	**₱180,221,353**	₱116,165,401	Working fund	Unsecured; noninterest-bearing; settled on demand
	85,000,000	85,000,000	**82,450,000**	82,450,000	Management fee	Unsecured; noninterest-bearing; settled on demand
Under common control						
BrightGreen Resources Corporation	**5,000,000**	–	**5,500,000**	–	Service fee	Unsecured; noninterest-bearing; settled on demand
			₱268,171,353	₱198,615,401		

Management Contract

In December 2014, the Company entered into a management contract with MMDC to oversee and supervise MMDC's operations. The management contract shall be effective for a period for three (3) years commencing January 1, 2014. Consideration for the Company's service and the related income are recognized in the separate statements of comprehensive income as follows:

Year	Amount
2016	₱85,000,000
2015	85,000,000
2014	125,000,000

As at December 31, 2016 and 2015, the Company has not provided any allowance for impairment losses for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related party operates.

Compensation of Key Management Personnel

Compensation of key management personnel consists of benefits amounting to ₱37.8 million and ₱51.5 million in 2016 and 2015, respectively.

13. **Operating Expenses**

This account consists of:

	Note	**2016**	2015	2014
Salaries and allowances		**₱40,499,531**	₱54,358,697	₱35,944,230
Professional fees		**13,143,000**	37,144,007	17,222,795
Depreciation	8	**7,216,836**	7,423,315	7,581,405
Retirement benefit expense	14	**2,592,799**	2,705,201	1,438,920
Dues and subscriptions		**2,589,491**	2,234,532	2,646,254
Outside services		**1,187,151**	3,953,949	4,043,996
Communication, light and water		**923,125**	1,060,579	755,744
Taxes and licenses		**719,095**	2,614,240	4,409,985
Representation		**341,377**	389,247	414,387
Loss on disposal of property and equipment	8	**–**	93,055	–
Others		**2,063,856**	2,964,500	3,891,795
		₱71,276,261	₱114,941,322	₱78,349,511

14. **Retirement Benefit Liability**

The Company has an unfunded, noncontributory defined benefit retirement plan covering all its regular employees. An independent actuary conducted an actuarial valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation was dated January 21, 2017.

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

	2016	2015	2014
Current service cost	**₱2,440,063**	₱2,573,696	₱1,400,563
Net interest cost	**152,736**	131,505	38,357
	₱2,592,799	₱2,705,201	₱1,438,920

The retirement benefit liability recognized in the separate statements of financial position as at December 31, 2016 and 2015 and changes in the present value of defined benefit obligation are as follows:

	2016	2015
Balance at beginning of year	**₱3,086,290**	₱2,809,184
Current service cost	**2,440,063**	2,573,696
Net actuarial gain	**(694,187)**	(2,428,095)
Net interest cost	**152,736**	131,505
	₱4,984,902	₱3,086,290

The principal actuarial assumptions used to determine retirement benefit liability for 2016 and 2015 are as follows:

	2016	2015
Discount rate	**5.33%**	4.95%
Salary increase rate	**5.00%**	5.00%

Sensitivity analysis on defined benefit liability as at December 31, 2016 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+100	(₱252,264)
	-100	320,772
Salary increase rate	+100	301,243
	-100	(244,076)

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

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

The cumulative actuarial gain (loss) recognized in other comprehensive income (loss) as at December 31 are as follows:

	2016		
	Accumulated Actuarial Gain (Loss)	**Deferred Tax Asset (Liability)**	**Net Actuarial Gain (Loss)**
Balance at beginning of year	**₱2,094,494**	**(₱628,349)**	**₱1,466,145**
Actuarial gain (loss)	**694,187**	**(208,256)**	**485,931**
Balance at end of year	**₱2,788,681**	**(₱836,605)**	**₱1,952,076**

	2016		
	Accumulated Actuarial Gain (Loss)	Deferred Tax Asset (Liability)	Net Actuarial Gain (Loss)
Balance at beginning of year	(₱333,601)	₱100,080	(₱233,521)
Actuarial gain (loss)	2,428,095	(728,429)	1,699,666
Balance at end of year	₱2,094,494	(₱628,349)	₱1,466,145

The expected future benefit payments follow:

Financial Year	Amount
2017	₱6,412,521
2021	613,829
Beyond 2021	28,475,329

15. **Income Taxes**

The current provision for income tax represents MCIT amounting to ₱1.8 million and ₱1.7 million in 2016 and 2015, respectively.

Deferred income tax liability amounting to ₱0.8 million and ₱0.6 million as at December 31, 2016 and 2015, respectively, pertains to remeasurement gain on retirement liability.

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

	2016	2015	2014
Income (loss) computed at statutory tax rate	**₱5,619,074**	(₱8,959,717)	₱254,034,102
Change in unrecognized deferred tax assets	**(14,645,172)**	7,603,578	(11,495,147)
Add (deduct) tax effects on:			
Expired NOLCO	**10,828,050**	2,969,106	–
Interest income subjected to final tax	**(1,952)**	(7,680)	(38,955)
Nondeductible expenses	**–**	95,713	–
Dividend income exempt from tax	**–**	–	(240,000,000)
	₱1,800,000	₱1,701,000	₱2,500,000

Management believes that it may not be probable that future taxable profit will be available in the near future against which the deferred tax assets can be utilized. Details of unrecognized deferred tax assets are as follows:

	2016	2015
NOLCO	**₱8,060,124**	₱25,283,136
MCIT	**6,001,000**	4,201,000
Retirement benefit liability	**2,332,075**	1,554,235
	₱16,393,199	₱31,038,371

Details of NOLCO are as follows:

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2015	2018	₱26,867,079	₱–	₱–	₱26,867,079
2013	2016	57,410,040	(21,316,538)	(36,093,502)	–
		₱84,277,119	(₱21,316,538)	(₱36,093,502)	₱26,867,079

Details of MCIT are as follows:

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2016	2019	₱1,800,000	₱–	₱–	₱1,800,000
2015	2018	1,701,000	–	–	1,701,000
2014	2017	2,500,000	–	–	2,500,000
		₱6,001,000	₱–	₱–	₱6,001,000

16. Financial Risk Management Objectives and Policies

General

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

Financial Risk Management Objectives and Policies

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

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

The tables below show the credit quality per class of financial assets and an aging analysis of financial assets that are neither past due nor impaired as at December 31, 2016 and 2015.

Credit Quality per Class of Financial Assets

	December 31, 2016					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	**₱12,076,380**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,076,380**
Dividends and other receivables*	**928,950,569**	–	–	–	–	**928,950,569**
Due from related parties	**268,171,353**	–	–	–	–	**268,171,353**
	₱1,209,198,302	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,209,198,302**

**Excluding advances to officers and employees amounting to ₱0.1 million.*

	December 31, 2015					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱66,654,710	₱–	₱–	₱–	₱–	₱66,654,710
Dividends and other receivables*	928,306,903	–	–	–	–	928,306,903
Due from related parties	198,615,401	–	–	–	–	198,615,401
Rental deposit	–	50,789	–	–	–	50,789
	₱1,193,577,014	₱50,789	₱–	₱–	₱–	₱1,193,627,803

**Excluding advances to officers and employees amounting to ₱0.1 million.*

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

Cash in banks are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency.

The Company assessed the dividends and other receivable and due from related parties to be of high grade due to high probability of collection since the Company trades only with related parties.

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2016 and 2015, based on contractual undiscounted payments.

	On Demand	**Less than three months**	**Three to six months**	**Six to 12 months**	**More than one year**	**Total**
December 31, 2016						
Dividends payables and other current liabilities*	**₱–**	**₱5,628,439**	**₱–**	**₱–**	**₱–**	**₱5,628,439**
December 31, 2015						
Dividends payables and other current liabilities*	₱–	₱5,205,804	₱–	₱–	₱–	₱5,205,804

**Excluding statutory payables amounting to ₱11.5 million and ₱11.6 million as at December 31, 2016 and 2015, respectively.*

Fair Value of Financial Assets and Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidated sale.

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

	2016		2015	
	Carrying Value	**Fair Values**	Carrying Value	Fair Value
Financial Assets				
Cash in banks	**₱12,076,380**	**₱12,076,380**	₱66,654,710	₱66,654,710
Dividends and other receivables*	**928,950,569**	**928,950,569**	928,306,903	928,306,903
Due from related parties	**268,171,353**	**268,171,353**	198,615,401	198,615,401
Rental deposit	–	–	58,000	58,000
	₱1,209,198,302	**₱1,209,198,302**	₱1,193,635,014	₱1,193,635,014

**Excluding advances to officers and employees amounting to ₱0.1 million as at December 31, 2016 and 2015.*

	2016		2015	
	Carrying Value	**Fair Values**	Carrying Value	Fair Value
Financial Liabilities				
Dividends payable and other current liabilities**	**₱5,628,439**	**₱5,628,439**	₱5,205,804	₱5,205,804

***Excluding statutory liabilities amounting to ₱11.5 million and ₱11.6 million as at December 31, 2016 and 2015, respectively.*

Cash in banks, Dividends and other receivable, Due from related parties, Dividends payables and other current liabilities. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

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

17. Capital Management Objectives, Policies and Procedures

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

The Company monitors its capital using the debt to equity ratio, which is the total debt divided by the total equity. The Company includes total liabilities within the total debt. Equity includes capital stock, APIC, retained earnings and other comprehensive income.

18. **Supplemental Information Required Under Revenue Regulations**

Revenue Regulations No. 15-2010

The information required by the above regulation for the year ended December 31, 2016 is presented below:

Output VAT

Output VAT declared by the Company for the year ended December 31, 2016 and the revenues upon which the same was based amounted to ₱10,800,000 and ₱90,000,000, respectively.

Input VAT

Movements in input VAT for the year ended December 31, 2016 are shown below.

Balance at beginning of year	₱888,411
Add: Domestic purchases of services	726,295
Capital goods not exceeding ₱1.0 million	41,784
Domestic purchase of goods other than capital goods	21,248
Capital goods exceeding ₱1.0 million	19,200
Less input tax on capital goods deferred for the succeeding period	(640,482)
	₱1,056,456

Output VAT payable amounting to ₱9,743,544 was presented under "Dividends payable and other current liabilities" account in the separate statements of comprehensive income.

All Other Local Taxes

All other local taxes paid and accrued for the year ended December 31, 2016 consist of the following:

Municipal tax	₱658,495
Community tax	10,500
Annual registration fee	500
Others	49,600
	₱719,095

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

Withholding Taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2016 consist of:

	Paid	Accrued
Fringe benefit tax	₱4,637,825	₱1,243,607
Withholding tax on compensation	6,073,304	305,108
Expanded withholding tax	1,582,366	150,326
	₱12,293,495	₱1,699,041

Withholding taxes accrued are presented as part of "Dividends payables and other current liabilities" account in the separate statements of financial position.

Tax Assessment and Case
The Company has no outstanding tax assessment and case as at December 31, 2016.

Revenue Regulations No. 19-2011
The information required by the above regulation for the year ended December 31, 2016 is presented below:

Taxable Services
The Company has a taxable services amounting to ₱90,000,000 for the services rendered to related parties in 2016.

Deductible Cost of Services
The Company has no deductible cost of services in 2016.

Other Deductible Expenses

Salaries and allowances	₱40,499,531
Applied NOLCO	21,316,538
Professional fees	13,143,000
Depreciation	7,216,836
Dues and subscriptions	2,589,491
Outside services	1,187,151
Communication, light and water	923,125
Taxes and licenses	719,095
Representation	341,377
Others	2,063,856
	₱90,000,000

The difference between the other deductible expenses shown above and the "Operating expenses" in the separate statements of comprehensive income pertains to retirement benefit expense amounting to ₱2,592,799 and applied NOLCO amounting to ₱21,316,538.

Other Taxable Income
Interest income amounting to ₱6,507 is already subjected to final tax.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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8741 Paseo de Roxas
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Fax +632 982 9111
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REPORT OF INDEPENDENT AUDITOR
TO ACCOMPANY SEPARATE FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

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

We have audited the accompanying separate financial statements of Marcventures Holdings, Inc. (the Company) as at and for the year ended December 31, 2016, on which we have rendered our report dated March 31, 2017.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 939 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-1 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-4-2017
Valid until January 13, 2020
PTR No. 5908526
Issued January 3, 2017, Makati City

March 31, 2017
Makati City, Metro Manila

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

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

We have audited in accordance with Philippines Standards on Auditing, the separate financial statements of Marcventures Holdings, Inc. (the Company) as at and for the year ended December 31, 2016 and have issued our report thereon dated March 31, 2017. Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the Company's management. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the separate financial statements. This information has been subjected to the procedures applied in the audit of the separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
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Issued January 3, 2017, Makati City

March 31, 2017
Makati City, Metro Manila

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

MARCVENTURES HOLDINGS, INC.

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2016

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities	✓		
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓