CR03595-2017

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
   Mar 31, 2017
2. SEC Identification Number
   12942
3. BIR Tax Identification No.
   470-000-104-320
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)831-4479 or (+632)831-4483
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	1,821,358,599

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 Exchange, Common Shares
12. Indicate by check mark whether the registrant:

   (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 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

Marcventures Holdings, Inc.
MARC

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Mar 31, 2017
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2017	Dec 31, 2016
Current Assets	554,626,791	579,236,747
Total Assets	3,341,912,677	3,385,340,239
Current Liabilities	292,856,096	264,106,910
Total Liabilities	441,717,366	412,968,147
Retained Earnings/(Deficit)	843,983,715	916,160,464
Stockholders' Equity	2,900,195,311	2,972,372,060
Stockholders' Equity - Parent	2,834,033,234	2,850,933,933
Book Value per Share	1.59	1.63

Income Statement

	Current Year-To-Date	Previous Year-To-Date	Current Year (3 Months)	Previous Year (3 Months)
Operating Revenue	23,307,552	-	23,307,552	-

Other Revenue	30,884	20,116	30,884	20,116
Gross Revenue	23,338,436	20,116	23,338,436	20,116
Operating Expense	94,281,820	73,396,192	94,281,820	73,396,192
Other Expense	1,233,364	1,446,259	1,233,364	1,446,259
Gross Expense	95,515,184	74,842,451	95,515,184	74,842,451
Net Income/(Loss) Before Tax	-72,176,748	-74,822,335	-72,176,748	-74,822,335
Income Tax Expense	-	-	-	-
Net Income/(Loss) After Tax	-72,176,748	-74,822,335	-72,176,748	-74,822,335
Net Income Attributable to Parent Equity Holder	-72,176,748	-74,822,335	-72,176,748	-74,822,335
Earnings/(Loss) Per Share (Basic)	-0.04	-0.04	-0.04	-0.04
Earnings/(Loss) Per Share (Diluted)	-0.04	-0.04	-0.04	-0.04

Other Relevant Information
None.

Filed on behalf by:

Name	Raquel Frondoso
Designation	Compliance Officer

1	2	9	4	2					

SEC Registration Number

MARC VENTURES HOLDINGS INC.

(Company's Full Name)

UNIT 4-3 CITIBANK CENTER COND.

8741 PASEO DE ROXAS MAKATI CITY

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

Diane Madelyn Ching	**02-8314479**
(Contact Person)	(Company Telephone Number)

1 2	3 1	17-Q		
Month	*Day*	(Form Type)	*Month*	*Day*
(Calendar Year)			(Annual Meeting)	

N.A.

Secondary License Type, If Applicable)

Finance Department	March 31, 2017
Dept. Requiring this Doc.	Period Ending Date

Total Amount of Borrowings

2,160	N/A	N/A
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
SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2017**

2. Commission identification number **12942**

3. BIR Tax Identification No. **470-000-104-320**

4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC.**

5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: **(SEC Use Only)**

7. Address of registrant's principal office:

Unit 4-3 Citibank Center Cond.
8741 Paseo de Roxas , Makati City

8. Registrant's telephone number, including area code: **(63 2) 831-4479**

9. Former name, former address and former fiscal year, if changed since last report. **N A.**

10. 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
Common Stock (₱1.00 par value)	1,821,358,599 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes. The common shares are listed on the Philippine Stock Exchange.
Note: only 1,821,327,687 are listed with PSE

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 12 months (or for such shorter period the registrant was required to file such reports)

Yes

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

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

The unaudited Consolidated Financial Statement of Marcventures Holdings Inc. as of March 31, 2017 and for the three month period ended March 31, 2016 with comparative audited figure as of December 31, 2016 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Consolidated Balance Sheet as of March 31, 2017 and December 31, 2016

	March 31, 2017 Unaudited (₱'000)	Dec. 31, 2016 Audited (₱'000)	March 31, 2017 vs. Dec. 31, 2016 Amount Increase (decrease) (₱'000)	Percentage Increase (decrease)
Current assets	**₱554,627**	₱579,237	(₱24,610)	(4.25%)
Noncurrent assets	**2,787,286**	2,806,103	(18,818)	(0.67%
Total Assets	**₱3,341,913**	₱3,385,340	(43,428)	(1.28%)
Current Liabilities	**₱292,856**	₱264,107	28,749	10.89%
Noncurrent liabilities	**148,861**	148,861	-	–
Total Stockholders' Equity	**2,900,196**	2,972,372	(72,177)	(2.43%)
Total Liabilities and Stockholders' Equity	**₱3,314,913**	₱3,385,340	(₱43,428)	(1.28%)

Summary of Consolidated Income Statement for the three months period ended March 31, 2017 and 2016.

	For three months ending March		March 31, 2017 vs. March 31, 2016	
	2017 (₱'000)	2016 (₱'000)	Amount Increase (decrease) (₱'000)	Percentage Increase (decrease)
Revenues	**₱51,163**	₱ -	₱51.163	-
Cost of Sales	**27,856**	-	27,856	-
Gross Profit	**23,307**	-	23,307	-
Operating expenses	**(94.282)**	(73.396)	20,886	28.46%
Income from operations	**(70,975)**	(73.396)	2,421	(3.30%)
Other Income (Expenses)	**(1,202)**	(1.426)	224	(15.67%)
Net income (loss) for the period	**(₱72,177)**	(₱74.822)	₱2,645	(3.53)%

Summary of Consolidated Statement of Cash Flows for the three months period ending March 31, 2017 and 2016.

	For Three Month Ending	
	2017	2016
	(₱'000)	(₱'000)
Cash used in operating activities	**₱(103,393)**	(₱76,201)
Cash used in investing activities	**(16,907)**	(8,613)
Cash provided by (used in) financing activities	**(6,969)**	(4,669)
Net decrease in cash and cash equivalent	**(127,269)**	(89,483)
Cash - beginning	**164,575**	190,207
Cash -ending	**₱37,305**	₱100,724

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion is based on the unaudited interim consolidated financial statements for the first quarter period ending March 31, 2017, with comparative figures for the corresponding periods in 2016 and audited consolidated financial statements as of December 31, 2016, prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

Financial Condition and Results of Operation:

Three months ended March 31, 2017 compared with three months March 31, 2016

Results of Operation:

Revenues

For the period January-March 2017, Marcventures Mining and Development Corp. (MMDC) 100% wholly owned subsidiary was able to ship one (1) vessel of nickel ore with sales amount of ₱51.16 million inspite of unfavorable weather conditions in the area as compared to no shipment last year. Due to the persistent heavy rains, operations focused mainly on preparatory activities such as maintenance operations for the various mountain roads that form part of the haulage network, as well as the Company's causeway. Rehabilitation works were also performed on the Company's fleet of heavy equipment

Operating expenses

Operating expenses increased by 28.46% or ₱20.89 million from ₱73.40 million for the 1st quarter period last year to ₱94.28 million this year. The increase was mainly accounted for by the following:

- **Increase in Taxes and licenses** by ₱11.72 million or equivalent to 188% due to payment of business permits to the municipalities of Cantilan and Carrascal.
- **Increase in Outside services** by ₱2.12 million or equivalent to 48.97% mainly due to corporate audio visual production , manpower agencies and other services.
- **Increase in Representation by** ₱3.0 million or equivalent to 164.34% due to various meeting with prospective client.

- **Incease in Environmental expenses** amounting ₱1.32 million or equivalent to 74.82% Equipment rental for desilting and maintenance of settling ponds.
- **Increase in Director's Fee** by ₱1.01 million or equivalent to 37.64% per diem of board of directors for board meetings.
- **Increase in advertisement by ₱0.92 million** due to media and publishing expenses
- **Increase in Royalties of ₱0.54** due to shipment of nickel ore for the quarter**.**
- **Increase in Communication light and water by** ₱0.40 or equivalent to 40.78% due to additional PLDT lease line in Butuan.
- **Increase in loading fee of ₱0.36 million** due to shippment of nickel ore for the quarter
- **Increase in Rental by ₱0.14** million or equivalent to 17.98% mainly due subscription to bloomberg and rental of hangarage for aircraft
- **Increase in Other expenses by ₱2.76 million** or equivalent to 68.61% mainly due to membership fees and special assessment of Chamber of Mines and other site expenses.

The above cost increases were partly offset by the following :

- **Decrease in Salaries and allowances** by ₱1.63 million or equivalent to 6.43% due to resigned and terminated employees.
- **Decrease in Social development program** by ₱0.50 million or equivalent to 24.90%.
- **Decrease in Repairs and Maintenance** by ₱0.17 million or equivalent to 66.10%
- **Decrease in Community relation** by ₱0.69 million or equivalent to 26.58%
- **Decrease in Supplies** by ₱0.28 million or equivalent to 24.41% , due limited and controlled purchase of supplies.

Statement of Financial Position

March 31, 2016 vs. December 31, 2015

Assets

The consolidated total assets of the Company decreased by ₱43.43 million from ₱3,385.34 million as of December 31, 2016 to ₱3,341.91 million as of March 31, 2017. The 1.28% decrease was mainly due to the following:

- **Decrease in total current assets** from ₱579.24 million as of December 31, 2016 to ₱554.63 million as of March 31, 2017. The 4.25% or ₱24.61 decrease was attributable to the following:
  - **Decrease in cash** from ₱164.57 million to ₱37.31 million or reduction of ₱127.26 million or 77.33%, due to payment of loans, trade payables and operating expenses.
  - **Increase in Trade and other receivables** from ₱65.90 million to ₱117.30 million. The increase of ₱51.40 million or 78.00% was due to shipment made in 2017.
  - **Increase in Inventory** from ₱133.33 million to ₱188.80 million. The increase of ₱55.47 or 41.60% pertains to the inventory buildup in preparation for the shipment operations.
  - **Increase in other current assets** from ₱90.04 million to ₱94.68 million. The increase of ₱4.64 million or 5.15% was mainly due to prepaid lot rental and insurances.

- **Decrease in Property and equipment by** ₱31.16 million mainly due to depreciation.
- **Decrease in advances to related parties by** ₱8.84 million from ₱125.39 million to ₱116.55 million due to partial payment of advances.

Liabilities

The total consolidated liabilities of the Company increased by ₱28.75 million or a 6.96% from ₱412.97 million as of December 31, 2016 to ₱441.72 million as of March 31, 2017. The increase was primarily due to accrual of contractor's fee, fuel and other mining related expenses.

Equity

The stockholders' equity of the Company decreased by ₱72.17 million or 7.88% from ₱2,972.37 million as of December 31, 2016 to ₱2,900.20 million as of March 31, 2017, due to decrease in retained earnings from net loss for the quarter.

STATEMENT OF CASH FLOWS

The net cash used in operating activities amounted to ₱103.39 million for the three months ended March 31, 2017 as compared to the same period last year which amounted to ₱76.20 million. The decrease in cash from operating activities is the net result of the following:

- Net loss generated during the first quarter this year.
- Increase in inventory and receivables
- Increase in current liabilities

Net cash used in investing activities amounted to ₱16.91 million as compared to ₱8.61 million for the same period in 2016 due to increase other non current assets.

Net cash used in financing activities amounted to ₱6.97 million as compared to ₱7.11 million last year due to payment of interest and partial settlement of loans.

The net effect of the foregoing operating, investing and financing activities is a decrease of ₱127.27 million and a balance of ₱37.31 million in cash as of March 31, 2017 as compared to a decrease of ₱ 89.48 million and a balance of ₱100.72 million as of March 31, 2016.

Horizontal and Vertical Analysis:

	Consolidated		Increase(decrease)	
	March 31, 2017	**December 2016**	Amount	Percentage
ASSETS				
Current Assets				
Cash	**₱37,305,379**	₱164,574,543	(₱127,269,164)	(77.33%)
Trade and other receivables	**117,301,049**	65,897,770	51,403,279	78.00%
Inventories	**188,796,405**	133,329,632	55,466,773	41.60%
Advances to related parties	**116,545,305**	125,391,740	(8,846,435)	(7.06%)
Other current assets	**94,678,653**	90,043,062	4,635,591	5.15%
Total Current Assets	**554,626,791**	579,236,747	(24,609,956)	(4.25%)
Non-current Assets				
Property and equipment	**360,248,060**	391,403,309	(31,155,249)	(7.96%)
Mining rights on explored resources	**1,042,630,586**	1,044,207,566	(1,576,980)	(0.15%)
Mine and mining properties	**959,949,881**	959,875,897	73,984	0.01%
Deferred tax assets	**12,925,211**	12,427,520	497,691	4.00%
Other non current assets	**411,532,148**	398,189,200	13,342,948	3.35%
Total Noncurrent assets	**2,787,285,886**	2,806,103,492	(18,817,606)	(0.67%)
TOTAL ASSETS	**₱3,341,912,677**	₱3,385,340,239	(₱43,427,562)	(1.28%)
LIABILITIES AND EQUITY				
Current Liabilities				
Current portion -long term loans	**₱114,438,327**	₱119,102,704	(₱4,664,377)	(3.92%)
Trade and other payable	**135,966,340**	103,050,469	32,915,877	31.94%
Income tax payable	**32,496,074**	31,998,383	497,691	1.56%
Dividend payable	**4,955,354**	4,955,354	–	–
Advances from related party	**5,000,000**	5,000,000	–	–
Total Current liabilities	**292,856,095**	264,106,910	28,749,185	10.89%
Non current Liabilities				
Long-term loans - net of current portion	**55,213,782**	55,213,782	–	–
Provision for mine site rehabilitation	**47,707,979**	47,707,979	–	–
Retirement liability	**45,939,509**	45,939,509	–	–
Total Non current liabilities	**148,861,270**	148,861,270	–	–
	₱441,717,365	₱412,968,180	₱28,749,185	6.96%
Equity				
Capital stock	**1,821,358,599**	1,821,358,599	–	–
Additional paid in capital	**212,655,494**	212,655,494	–	–
Retained Earnings	**843,983,716**	916,160,463	(72,176,747)	(7.88%)
Actuarial Gain	**22,197,503**	22,197,503	–	–
Total Equity	**2,900,195,312**	2,972,372,059	(72,176,747)	(2.43%)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱3,341,912,677**	₱3,385,340,239	(₱43,427,562)	(1.28%)

OTHER INFORMATION

a. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

d. There are no material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

   The board of directors of Marcventures Mining and Development Corp (MMDC), the subsidiary company approved the appropriation of retained earnings aggregating ₱99.8 million to fund the capital expenditures including, but mot limited to, acquisition or replacement of equipment, construction of additional facilities, which is expected to be completed in 2018.

e. Aside from the volatile prices of ore in the market and USD exchange rate, 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 net sales or revenues or income from continuing operations

f. The causes for the material changes from period to period in the financial accounts were explained in the management's discussion and analysis of financial condition and results of operation.

g. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.

h. There are no seasonal aspects that had a material effect on the financial condition or results of operations.

i. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

j. There are no new Issuances, repurchases, and repayments of debt and equity securities.

k. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

l. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

m. There are no contingent liabilities or contingent assets since the last annual balance sheet date.

n. There are no material contingencies and other material events or transactions during the interim period.

o. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Key Performance Indicators

Marcventures' management uses the following KPIs for the Company' and its subsidiaries:

	March 31, 2017	March 31, 2016
Net Loss	**(₱72,176,748)**	(₱74,822,335)
Quick assets	**154,606,428**	141,923,708
Current assets	**554,626,791**	465,850,958
Total Assets	**3,341,912,677**	3,276,248,316
Current liabilities	**292,856,095**	232,007,885
Total liabilities	**441,717,365**	386,934,877
Stockholders' Equity	**2,900,195,312**	2,889,313,438
Number of common shares outstanding	**1,821,358,599**	1,821,358,599

Liquidity ratios:		
Current ratio (1)	**1.89:1**	2.00:1
Quick ratio (2)	**0.53:1**	0.61:1
Solvency Ratios:		
Debt ratio (3)	**0.13:1**	0.12:1
Debt to Equity ratio (4)	**0.15:1**	0.13:1
Profitability ratios:		
Earning (loss) per share (5)	**(0.04)**	(0.04)
Book value per share (6)	**1.59**	1.58

Note:
1. Current assets / Current liabilities
2. Quick assets / Current liabilities
3. Total liabilities / Total assets
4. Total Liabilities / Shareholders' equity
5. Net income (loss) / common shares outstanding
6. Stockholders' equity / common shares outstanding

PART II - OTHER INFORMATION

Any information not previously reported in a report on SEC Form 17-C

NONE

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a. Current Ratio
   Total Current Assets/ Total Current Liabilities = 1.89:1
b. Quick Ratio
   Quick asset / Total Current Laibilities = 0.53:1

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets = 0.13:1
b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = 0.15:1

Profitabilty Ratio

a. Return on Equity Ratio
   Net income (loss) / Average shareholder's equity = (0.02):1
b. Return on Assets
   Net income (loss)/ Average Total assets = (0.02):1
c. Fixed Assets Turnover Ratio :
   Revenue/Property Plant and Equipment = 0.14:1
d. Asset to Equity Ratio:
   Total Assets / Stockholders' Equity = 1.15:1
e. Asset Turnover
   Revenue/Total Assets = 0.015:1

Interest Coverage Ratio
Net Income (loss) / Interest expense = (31.31):1

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **MARCVENTURES HOLDINGS INC.**

Signature and Title: **ROLANDO S. SANTOS**
SVP-Finance

Date: May 10, 2017

Signature and Title: **RENITA S. TY**
Accountant

Date: May 10, 2017

Marcventures Holdings, Inc. and Subsidiary

Consolidated Financial Statements
March 31, 2017 and December 31, 2016

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)
2167	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. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	March 31, 2017	December 31,2016
ASSETS			
Current Assets			
Cash	4	**₱37,305,379**	₱164,574,543
Trade and other receivables	5	**117,301,049**	65,897,770
Inventories	6	**188,796,405**	133,329,632
Advances to related parties	20	**116,545,305**	125,391,740
Other current assets	7	**94,678,653**	90,043,062
Total Current Assets		**554,626,791**	579,236,747
Noncurrent Assets			
Property and equipment	8	**360,248,060**	391,403,309
Mining rights on explored resources	9	**1,042,630,586**	1,044,207,566
Mine and mining properties	9	**959,949,881**	959,875,897
Net deferred tax assets	23	**12,925,211**	12,427,520
Other noncurrent assets	10	**411,532,148**	398,189,200
Total Noncurrent Assets		**2,787,285,886**	2,806,103,492
		₱3,341,912,677	₱3,385,340,239

	Note		
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱135,966,341**	₱103,050,469
Current portion of loans payable	13	**114,438,327**	119,102,704
Income tax payable		**32,496,074**	31,998,383
Dividends payable	14	**4,955,354**	4,955,354
Advances from a related party	20	**5,000,000**	5,000,000
Total Current Liabilities		**292,856,096**	264,106,910
Noncurrent Liabilities			
Loans payable - net of current portion	13	**55,213,782**	55,213,782
Provision for mine rehabilitation and decommissioning	12	**47,707,979**	47,707,979
Retirement benefit liability	19	**45,939,509**	45,939,509
Total Noncurrent Liabilities		**148,861,270**	148,861,270
Equity			
Capital stock		**1,821,358,599**	1,821,358,599
Additional paid-in capital (APIC)		**212,655,494**	212,655,494
Retained earnings		**843,983,715**	916,160,463
Remeasurement gain on retirement benefit liability	19	**22,197,503**	22,197,503
Total Equity		**2,900,195,311**	2,972,372,059
		₱3,341,912,677	₱3,385,340,239

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		March 31,	
	Note	**2017**	2016
REVENUE	15	**₱51,163,200**	₱–
COST OF SALES	16	**27,855,648**	–
GROSS INCOME		**23,307,552**	–
OPERATING EXPENSES	17	**94,281,820**	73,396,192
INCOME (LOSS) FROM OPERATIONS		**(70,974,268)**	(73,396,192)
INTEREST EXPENSE	13	**(2,305,122)**	(2,441,863)
INTEREST INCOME	4	**30,884**	20,116
OTHER INCOME - Net	18	**1,071,758**	995,604
INCOME (LOSS) BEFORE INCOME TAX		**(72,176,748)**	(74,822,335)
PROVISION FOR (BENEFIT FROM) INCOME TAX	23	–	–
NET INCOME (LOSS)		**(72,176,748)**	(74,822,335)
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss			
Remeasurement gain on retirement benefit liability - net of deferred income tax	19		
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱72,176,748)**	(₱74,822,335)
Basic and diluted earnings (loss) per share	24	**(₱0.04)**	(₱0.04)

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2017 AND MARCH 31, 2016

	Note	**2017**	2016
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
RETAINED EARNINGS			
Balance at beginning of year		**916,160,463**	911,018,681
Net income (loss)		**(72,176,748)**	(74,822,335)
Balance at end of year		**843,983,715**	836,196,346
OTHER COMPREHENSIVE INCOME			
Balance at beginning of year		**22,197,503**	19,102,999
		₱2,900,195,311	₱2,888,313,438

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Quarter Ended March 31	
	Note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**(₱72,176,748)**	(₱74,822,335)
Adjustments for:			
Depreciation	8	**33,195,850**	44,706,236
Depletion	9	**3,026,601**	–
Interest expense	13	**2,305,122**	2,441,863
Interest income	4	**(30,884)**	(20,116)
Operating loss before working capital changes		**(33,680,059)**	(27,694,352)
Decrease (increase) in:			
Trade and other receivables		**(51,403,279)**	165,130,952
Inventories	16	**(55,466,773)**	(126,210,339)
Advances to related parties		**8,846,435**	(1,504,811)
Other current assets		**(4,635,590)**	(12,373,232)
Increase (decrease) in:			
Trade and other payables		**32,915,871**	(71,128,212)
Net cash generated from operations		**(103,423,395)**	(73,779,994)
Interest received		**30,884**	20,116
Net cash used by operating activities		**(103,392,511)**	(73,759,878)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Mine and mining properties	9	**(1,523,605)**	(4,233,843)
Property and equipment	8	**(2,040,601)**	(2,039,699)
Other noncurrent assets		**(13,342,948)**	(2,339,259)
Net cash used in investing activities		**(16,907,154)**	(8,612,801)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans		**(4,664,377)**	(4,669,339)
Interest		**(2,305,122)**	(2,441,863)
Net cash used in financing activities		**(6,969,499)**	(7,111,202)
NET (DECREASE) IN CASH		**(127,269,164)**	(89,483,881)
CASH AT BEGINNING OF YEAR		**164,574,543**	190,206,924
CASH AT END OF YEAR		**₱37,305,379**	₱100,723,043

See accompanying Notes to Consolidated Financial Statements.

1. **Corporate Information**

General Information

Marcventures Holdings, lnc. (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 quarter ended MARCH 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

- 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 March 31, 2017 and for the year ended December 31, 2016.

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 March 31, 2017 and December 31, 2016, 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.

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 as of March 31, 2017 and December 31, 2016 (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 March 31, 2017 and December 31, 2016 (see Note 5).

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

	Note	**March 31, 2017**	Dec. 31,2016
Trade and other receivables	5	**₱117,301,049**	₱65,897,770
Advances to related parties	20	**116,545,305**	125,391,740

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 ₱ 188.8 million and ₱133.3 million as at March 31, 2017 December 31, 2016, 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 ₱284.71 million and ₱283.52 million as at March 31, 2017 and December 31, 2016 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 March 2017 and December 2016. Property and equipment, net of accumulated depreciation, amounted to ₱360.25 million and ₱391.40 million as at March 31, 2016 and December 31, 2016, 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	**2017**	2016
Mining rights on explored resources	9	**₱1,042,630,586**	₱1,044,207,566
Mine and mining properties	9	**959,949,881**	959,875,897

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**	2016
Property and equipment	8	**₱360,248,060**	₱391,403,309
Mining rights on explored resources	9	**1,042,630,586**	1,044,207,566
Mine and mining properties	9	**959,949,881**	959,875,897
Other noncurrent assets (excluding financial assets and input VAT)	10	**120,881,281**	108,736,546

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 ₱47.71 million and at March 31, 2017 and December 31, 2016 (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 ₱42.71 million as at March 31, 2017 and December 31, 2016 (see Note 9).

Provision for mine site rehabilitation and decommissioning amounted ₱47.71 million and at March 31, 2017 and December 31, 2016 (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 ₱34.94 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 ₱12.9 million and ₱12.4 million as at March 31, 2017 and December 31, 2016, respectively.

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability as at March 31, 2017 and December 31, 2016 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 as at March 31, 2017 and December 31, 2016 (see Note 23).

4. **Cash**

This account consists of:

	March 31,2017	**Dec. 31, 2016**
Cash on hand	**₱259,726**	₱259,726
Cash in banks	**37,045,653**	164,314,817
	₱37,305,379	₱164,574,543

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

	Note	**March 31,2017**	**Dec. 31, 2016**
Cash in banks		**₱29,049**	₱236,242
Other noncurrent assets	10	**1,835**	44,321
		₱30,884	₱280,563

5. **Trade and Other Receivables**

This account consists of:

	March 31,2017	**Dec. 31, 2016**
Trade receivables	**₱65,319,458**	₱39,773,558
Advances to officers and employees	**9,457,534**	24,377,320
Others	**53,560,584**	12,783,419
	128,337,576	76,934,297
Allowance for impairment	**(11,036,527)**	(11,036,527)
	₱117,301,049	₱65,897,770

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 2017 and 2016.

Aging of Trade receivables

Current	*1 to 30 days past due*	*31 to 60 days past due*	*61 to 90*	*120+ past due*	*Total*
₱'000	*₱'000*	*₱'000*	*₱'000*	*₱'000*	*₱'000*
₱25,546	*₱–*	*₱–*	*₱37,887*	*₱1,886*	*₱65,319*

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:

	March 31,2017	Dec. 31, 2016
Cost	₱188,796,405	₱133,329,632
NRV	193,965,371	199,791,825
Lower of cost or NRV	₱188,796,405	₱133,329,632

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:

	March 31,2017	Dec. 31, 2016
Prepaid income tax	₱38,353,933	₱38,349,000
Mining and office supplies	31,060,849	32,438,783
Prepaid expenses	13,779,512	8,714,578
Advances to contractors and suppliers	5,843,651	4,999,993
Others	5,640,708	5,540,708
	₱94,678,653	₱90,043,062

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:

	March 31, 2017					
	Land	Building and Improvements	Office Equipment and Furniture and Fixtures	Heavy and Transportation Equipment	Construction-in-progress	Total
Cost						
Balance at beginning of year	₱57,933,414	₱135,501,310	₱82,148,260	₱828,844,631	₱11,747,667	₱1,116,175,282
Additions	–	418,201	601,094	–	1,021,306	2,040,601
Balance at end of year	57,933,414	135,919,511	82,749,354	828,844,631	12,768,973	1,118,215,883
Accumulated Depreciation						
Balance at beginning of year	–	40,079,998	54,165,998	630,525,977	–	724,771,973
Depreciation	–	2,925,349	3,921,818	26,348,683	–	33,195,850
Balance at end of year	–	43,005,347	58,087,816	656,874,660	–	757,967,823
Net Carrying Amount	₱57,933,414	₱92,914,164	₱24,661,538	₱171,969,971	₱12,768,973	₱360,248,060

	December 31, 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**

Construction-in-progress pertains to on-going mine developments which is expected to be completed in 2017 for an additional cost of ₱1.02 million.

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

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

Depreciation is allocated to profit or loss as follows:

	Note	**March 31,2017**	**Dec. 31, 2016**
Charged to:			
Cost of sales	16	**₱20,146,419**	**₱92,267,699**
Operating expenses	17	**13,049,431**	**52,174,894**
		33,195,850	**144,442,593**
Capitalized to mine development costs	9	**–**	**9,714,743**
		₱33,195,850	**₱154,157,336**

Fully depreciated property and equipment with cost of ₱32.7 million December 31, 2016 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:

	MARCH 31, 2017				
		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**	**₱1,110,194,730**	**₱42,170,134**	₱1,152,364,864	**₱2,447,131,021**
Additions	–	**1,523,6058**	–	**1,523,605**	**1,523,605**
Balance at end of year	**1,294,766,157**	**1,111,718,327**	**42,170,134**	**1,153,888,461**	**2,448,654,618**
Accumulated Depletion					
Balance at beginning of year	250,558,591	188,352,511	4,136,456	192,488,967	443,047,558
Depletion	**1,576,980**	**1,392,182**	**57,439**	**1,449,621**	**3,026,601**
Balance at end of year	**252,135,571**	**189,744,685**	**4,193,895**	**193,938,580**	**446,074,151**
Net Carrying Amount	**₱1,042,630,856**	**₱921,973,642**	**₱37,976,239**	**₱959,949,881**	**₱2,002,580,467**

	December 31, 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
Reclassifications					
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	196,207,057	140,370,156	2,156,784	142,526,940	338,733,997
Balance at beginning of year	54,351,534	47,982,355	1,979,672	49,962,027	104,313,561
Depletion					
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

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	March 31,2017	Dec. 31, 2016
Input VAT		**₱284,710,320**	₱283,517,108
Advances to contractor		**109,874,751**	107,238,890
RCF		**5,381,089**	5,381,089
MTF		**163,299**	163,299
Rental deposit	21	**396,158**	391,158
Others		**11,006,530**	1,497,656
		₱411,532,147	₱398,189,200

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 ₱1,835 and ₱44,321 in March 31, 2017 and December 31, 2016 respectively. (see Note 4).

11. Trade and Other Payables

This account consists of:

	Note	March 31,2017	Dec. 31, 2016
Trade payables		**₱33,145,947**	₱64,157,349
Accrued expenses:			
Excise tax and other statutory payables		**13,473,552**	35,056,523
Advances from customer		**78,995,263**	
Interest payable	13	**186,590**	186,590
Salaries and wages		**0**	4,493
Other accrued expenses		**9,498,922**	2,854,168
Others		**852,656**	791,346
		₱135,966,340	₱103,050,469

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, and related to loan payable are ₱2.31 million and ₱2.06 million in March 31, 2017 and 2016 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	March 31,2017	Dec. 31, 2016
Balance at beginning of year		**₱47,707.979**	₱45,709,730
Accretion of interest	13	**-**	1,998,249
		₱47,707,979	₱47,707,979

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:

	March 31,2017	Dec. 31, 2016
Short-term loan	**₱100,000,000**	₱100,000,000
Long-term loans	**69,652,109**	74,316,486
	169,652,109	174,316,486
Less current portion	**114,438,327**	119,102,704
	₱55,213,782	₱55,213,782

Short-term Loan

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 2017and 2016 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.

Long-term Loans

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 as at December 31, 2016.(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:

		March	
	Note	**2017**	**2016**
Loans payable		**₱2,305.122**	₱2,441,863
Provision for mine rehabilitation	12	**–**	–
		₱2,305,122	₱2,441,863

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 March 31, 2017 and December 31, 2016.

15. **Revenue**

This account consists of:

	MARCH 31,	
	2017	2016
Sale of ore	**₱51,163,200**	₱–
Reservation fee for ore allocation	**–**	–
	₱51,163,200	₱–

16. **Cost of Sales**

This account consists of:

		March 31,	
	Note	**2017**	2016
Contractual services		**₱12,833,849**	₱-
Production overhead		**10,105,809**	-
Personnel costs		**11,868,677**	-
Depletion	9	**8,222,505**	-
Depreciation	8	**3,026,601**	-
		₱46,057,441	-
Net movement in inventories		**(18,201,795)**	-
		₱27,855,646	-

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:

		March	
	Note	**2017**	2016
Salaries and Allowances		**₱23,761,249**	**₱25,394,084**
Taxes and licenses		**17,956,529**	6,234,965
Depreciation	8	**13,049,431**	13,123,938
Professional fees		**6,218,725**	6,259,005
Outside services		**6,461,201**	4,337,331
Representation		**4,820,626**	1,823,643
Directors Fee		**3,675,000**	2,670,000
Environmental expenses		**3,076,151**	1,759,573
Community relations		**1,901,415**	2,589,626
Social development program		**1,514,422**	2,016,497
Communication, light and water		**1,380,517**	980,647
Advertisement		**921,581**	–
Rental	21	**896,088**	759,534

	Note	March 2017	2016
Office supplies		**879,227**	1,163,204
Royalties	22	**537,214**	–
Loading Fee		**360,000**	–
Repairs and maintenance		**88,373**	260,725
Others		**6,784,071**	4,023,421
		₱94,281,820	₱73,396,193

18. **Other Income** - Net

This account consists of:

	Note	March 31, 2016	2015
Foreign exchange gain		**₱360,541**	₱1,409,572
Interest income	4	**30,884**	15,877
Interest expense	13	**(2,305,122)**	(2,055,803)
Others		**1,420,300**	–
		(₱1,202,479)	(₱630,354)

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:

	March 31, 2017	Dec. 31, 2016
Current service cost	**₱–**	**₱13,732,263**
Net interest cost	–	1,727,190
	₱–	**₱15,459,453**

The retirement benefit liability recognized in the consolidated statements of financial position as at March 31, 2017 and December 31, 2016 and changes in the present value of defined benefit obligation are as follows:

	March 31, 2017	Dec. 31, 2016
Balance at beginning of year	**₱45,939,509**	₱34,900,776
Current service cost	–	13,732,263
Net actuarial gain/losses	–	(4,420,720)
Net interest cost	–	1,727,190
Balance at end of year	**₱45,939,509**	₱45,939,509

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

	2017	2016
Discount rates	**5.36%**	**5.36%**
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:

	March 31, 2017		
	Accumulated Actuarial Gain	**Deferred Tax Liability**	**Net Actuarial Gain**
Balance at beginning of year	**₱31,710,719**	**(₱9,513,216)**	**₱22,197,503**
Actuarial gain	–	–	–
Balance at end of year	**₱31,710,719**	**(₱9,513,216)**	**₱22,197,503**

	December 31, 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

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	**March 31, 2017**	Dec. 31, 2016	**March 31, 2017**	Dec. 31, 2016	Nature and Terms
Advances to related parties	**(₱8,846,435)**	₱52,879,787	**₱116,545,305**	₱125,391,740	Working fund; unsecured; noninterest-bearing; payable on demand
Advances from a related party	**₱–**	₱5,000,000	**₱5,000,000**	₱5,000,000	Working fund; unsecured; noninterest-bearing; payable on demand

As at March 31, 2017 and December 31, 2016, 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.

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 March 31, 2017 and 2016 (see Note 10).

Rental expense charged to operations amounted to, ₱0.9 million and ₱0.8 million in March 31, 2017 and 2016 (see Note 17).

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

	2017	2016
Within 1 year	**₱100,000**	₱100,000
More than 1 year but within 5 years	**–**	–
	₱100,000	₱100,000

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 ₱0.6 million and ₱1.0 million in March 31, 2016 and December 31, 2016, respectively. Royalty expense amounted to ₱0.54 million March 31, 2017 and nil in 2016 (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.

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:

	March 31, 2017	Dec. 31, 2016
NOLCO	₱8,060,125	₱8,060,125
MCIT	6,001,000	6,001,000
Retirement benefit liability	2,332,075	2,332,075
	₱16,393,200	₱16,393,200

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:

	March 31	
	2016	2015
Net income shown in the consolidated statements of comprehensive income (a)	**(₱72,176748)**	(₱74,822,335)
Weighted average number of common shares adjusted for the effect of dilution (b)	**1,821,358,599**	1,821,358,599
Basic earnings (loss) per share (a/b)	**(₱0.04)**	(₱0.04)

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.

---

26. **Financial Risk Management Objectives and Policies**

<u>General</u>

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 March 31, 2017 and December 31, 2016:

	March 31, 2017		December 31, 2016	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Current financial assets:				
Cash in banks	**₱1,968,241**	**$39,239**	₱101,059,394	$2,032,570
Trade receivables	**1,014,498**	**20,225**	39,773,558	799,951
	2,987,739	**59,464**	140,832,952	2,832,521
Current financial liabilities:				
Trade payables	**–**	**–**	–	–
Net financial assets	**₱2.987,739**	**$59,464**	₱140,832,952	$2,832,521

For purposes of restating the outstanding balances of the Company's foreign currency-denominated financial assets and liabilities as at March 31, 2017 and December 31,2016, the exchange rate applied was ₱50.16 and ₱49.72 per US$1, respectively.

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 March 31, 2017 and December 31, 2016.

Credit Quality per Class of Financial Assets

	March 31, 2017
	Neither Past Due nor Impaired

	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	**₱37,305,379**	**₱–**	**₱–**	**₱–**	**₱–**	**37,045,621**
Trade and other receivables*	**–**	**65,319,457**	**28,176,479**	**–**	**11,036,527**	**104,532,463**
Advances to related parties	**–**	**116,545,305**	**–**	**–**	**–**	**116,545,305**
RCF and MTF	**5,544,388**	**–**	**–**	**–**	**–**	**5,544,388**
Rental deposit	**–**	**396,158**		**–**	**–**	**396,158**
	₱42,849,767	**₱182,260,920**	**₱28,176,479**	**₱–**	**₱11,036,527**	**₱264,063,935**

**Excluding advances to officers and employees amounting to ₱8.7 million in 2017.*

	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 ₱10.9 million in 2016.*

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.

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 March 31, 2017 and December 31, 2016, 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
March 31, 2017						
Trade and other	**₱22,052,818**	**₱88,242,667**	**₱3,881,078**	**₱–**	**₱8,661,573**	**122,838,136**

payables*						
Dividends payable	**–**	**–**	**–**	**4,955,354**	**–**	**4,955,354**
Loans payable**	**100,000,000**	**5,799,840**	**5,799,840**	**11,599,681**	**54,122,226**	**117,321,587**
Advances from a related party	**5,000,000**	**–**	**–**	**–**	**–**	**5,000,000**
	₱42,590,009	**94,042,507**	**₱9,680,918**	**₱16,555,035**	**₱62,783,799**	**₱310,115,077**
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	₱340,929,367

**Excluding statutory payables and interest payable aggregating ₱13.5million and ₱35.1 million in 2017 and December 31, 2016, respectively.*

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:

	MARCH 31, **2017**		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash in banks	**₱37,305,379**	**₱37,305,379**	₱164,314,817	₱164,314,817
Trade and other receivables*	**117,301,049**	**117,301,049**	41,520,450	41,520,450
Advances to related parties	**116,545,305**	**116,545,305**	125,391,740	125,391,740
RCF and MTF	**5,544,388**	**5,544,388**	5,544,388	5,544,388
Rental deposit	**396,158**	**396,158**	391,158	391,158
	₱277,092,639	**₱277,092,639**	₱337,162,553	₱337,162,553

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

	MARCH 31, **2017**		December 31, 2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables*	**₱135,966,340**	**₱135,966,340**	₱67,807,356	₱67,807,356
Dividends payable	**4,955,354**	**4,955,354**	4,955,354	4,955,354
Loans payable	**169,652,109**	**169,652,109**	174,316,486	178,259,168
Advances from a related party	**5,000,000**	**5,000,000**	5,000,000	5,000,000
	₱315,573,803	**₱315,573,803**	₱252,079,196	₱256,021,878

**Excluding statutory payables amounting to ₱13.5million and ₱35.3 million in 2017 and 2016, 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.