SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - ○ Preliminary Information Statement
   - ◉ Definitive Information Statement
2. Name of Registrant as specified in its charter
   Marcventures Holdings, Inc.
3. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
4. SEC Identification Number
   12942
5. BIR Tax Identification Code
   000-104-320-000
6. Address of principal office
   4th Floor, Citibank Center, Paseo de Roxas, Makati City
   Postal Code
   1227
7. Registrant's telephone number, including area code
   (+632)831-4479 or (+632)831-4483
8. Date, time and place of the meeting of security holders
   Dec 19, 2018, 2PM, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   Nov 27, 2018
10. In case of Proxy Solicitations:

   Name of Person Filing the Statement/Solicitor
   -
   Address and Telephone No.
   -

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

COMMON	3,014,820,305

13. 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

Marcventures Holdings, Inc.
MARC

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	Dec 19, 2018
Type (Annual or Special)	Annual
Time	2PM
Venue	Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City
Record Date	Oct 26, 2018

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information
The Placing and Subscription Transaction have not yet been approved by MARC's Board of Directors and that the final number of shares, price and terms and conditions have not yet been determined.

Filed on behalf by:

Name	Raquel Frondoso

Designation	Compliance Officer

COVER SHEET

1	2	9	4	2					

SEC Registration Number

MARC VENTURES HOLDINGS, INC.
(formerly AJO.NET HOLDINGS, INC.)

(Company's Full Name)

4th Floor Citibank Center
Paseo de Roxas Makati City
Metro Manila

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

Raquel Frondoso
(Contract Person)

(02) 8314479
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Fiscal Year)

2 0 - I S
(Form Type)

0 6 **2 8**
Month *Day*
(Annual Meeting)

DEFINITIVE INFORMATION STATEMENT
Secondary License Type, If Applicable)

Corporation Finance Department
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

2169
Total No. of Stockholders

Domestic	Foreign
	N/A

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 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
DEC 04 2018
MARKET REGULATION DEPT.
BY: [signature] TIME: 8:10

1. Check the appropriate box:

[ ] Preliminary Information Statement
[x] Definitive Information Statement

2. **MARCVENTURES HOLDINGS, INC.**
Name of the Registrant as specified in its charter

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

4. SEC Identification Number **12942**

5. BIR Tax Identification Code **000-104-320-000**

6 **4th Floor, Citibank Center, Paseo de Roxas, Makati City**
Address of principal office Postal Code **1227**

7. **(02) 831-4479 or 856-7976**
Registrant's telephone numbers, including area code

8. December 19, 2018 **at 2:00 pm, at the Kamagong Function Room, Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City**
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders – **November 27, 2018**

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor:	**MARCVENTURES HOLDINGS INC.**
Address and Telephone No.:	**4th Floor Citi Center Bldg.** **Paseo de Roxas, Makati City** **Metro Manila, Philippines** **Tel. (632) 831-4479** **Attn: Ms. Raquel Frondoso**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Stock	**3,014,820,305***

*** As of 30 September 2018**

Are any or all of registrant's securities listed in a Stock Exchange?

YES [X] NO [ ]

If yes, disclose the name of such Stock Exchange and the class of securities therein:

Philippine Stock Exchange - Common Stock

MARCVENTURES
HOLDINGS INC.

NOTICE ANNUAL STOCKHOLDERS' MEETING

To All Stockholders:

Please be advised that the annual meeting of stockholders of **MARCVENTURES HOLDINGS, INC.** (the "Corporation") will be held on **December 19, 2018 (Wednesday) at 2:00 p.m.**, at the Kamagong Function Room, Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City, with the following agenda:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of Previous Stockholders' Meeting
4. Approval of the Management Report and Audited Financial Statements
5. Ratification of Management's Acts
6. Amendment of the Articles of Incorporation to (i) increase the authorized capital stock from Php4,000,000,000.00 to up to Php7,000,000,000.00; and (ii) create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php 1,000,000,000.00;
7. Approval of Authority to enter into Placing and Subscription Transactions
8. Approval of Authority to Issue Warrants
9. Election of Directors
10. Appointment of the Independent External Auditor
11. Other Matters
12. Adjournment

For purposes of the meeting, stockholders of record as of October 26, 2018 are entitled to receive notice and to vote at the said meeting. Registration for the meeting begins at 1:00 p.m. For convenience in registering your attendance, present your valid identification, such as, a driver's license, voter's ID, TIN card, SSS card or passport.

If you will not be able to attend the meeting but would like to be represented thereat, you must submit a duly signed and accomplished proxy form to the Office of the Corporate Secretary of Marcventures Holdings, Inc., 4th Floor Citi Center, 8741 Paseo de Roxas, Makati City or on before 6:00 p.m., of December 8, 2018. Beneficial owners whose shares are lodged with Philippine Depository and Trust Corporation or registered under the name of a broker, bank, or other fiduciary allowed by law, must likewise present a notarized certification from the owner of record (i.e. the broker, bank, or other fiduciary) that he is the beneficial owner and indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized

Secretary's Certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting.

Validation of proxies shall take place on December 14, 2018 at the principal office of Marcventures Holdings, Inc.

Makati City, 28 November 2018.

ROBERTO V. SAN JOSE
Corporate Secretary

Attachments to this Notice:

1. The Rationale and Explanation for each Agenda item requiring stockholders' approval

ANNEX "A"

AGENDA
Details and Rationale

1. **Call to order**

The Chairman of the Board of Directors, Mr. Cesar C. Zalamea, will call the meeting to order.

2. **Proof of notice and certification of quorum**

The Corporate Secretary, Atty. Roberto V. San Jose, will certify that copies of this Notice have been sent to all stockholders of record as of October 26, 2018, and whether the attendees represented at the meeting hold a sufficient number of shares for quorum for the valid transaction of business.

3. **Approval of the Minutes of Previous Stockholders' Meeting**

Copies of the draft minutes will be distributed before the meeting and are available for examination at the Corporation's website www.marcventuresholdings.com. The stockholders will be requested to approve the draft minutes. The following is the proposed resolution:

*"**RESOLVED**, that the minutes of the Annual Stockholders' Meeting of Marcventures Holdings, Inc. held on October 23, 2017 be, as it is hereby, approved."*

4. **Management Report & Audited Financial Statements**

The President, Mr. Isidro C. Alcantara, Jr., will present the Management Report, the Corporation's operational highlights and financial results and the Audited Financial Statements for the year ended December 31, 2017. The audited financial statements were prepared by the Corporation's external auditor, Reyes Tacandong & Co., and approved by the Corporation's Audit and Governance Committee and the Board of Directors. In compliance with regulatory requirements, the audited financial statements have also been submitted to the Securities and Exchange Commission and Bureau of Internal Revenue.

5. **Ratification of All Acts of Board of Directors and Management**

The acts, contracts, resolutions and deeds of the Board of Directors and Management of the Corporation were significant towards achieving the Corporation's performance and results, and the stockholders will be requested to ratify the same. The following is the proposed resolution:

*"**RESOLVED**, that all acts, contracts, resolutions and actions, authorized and entered into by the Board of Directors and Management of the Corporation from the date of the last annual stockholders' meeting up to the present, including resolutions authorizing the Corporation to act as surety or guarantor of its subsidiary, Marcventures Mining and Development Corporation, be, as they are hereby, approved, ratified, and confirmed."*

6. **Amendment of the Articles of Incorporation to (i) increase the authorized capital stock from Four Billion Pesos (Php4,000,000,000.00) to up to Seven Billion Pesos (Php7,000,000,000.00); and (ii) create a class of up to One Hundred Million (100,000,000) non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php 1,000,000,000.00;**

The President, Mr. Isidro C. Alcantara, Jr., will present the proposed amendment of the articles of incorporation to increase the authorized capital stock from Php4,000,000,000.00 to up to Php7,000,000,000.00, and creation of a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 equivalent to Php 1,000,000,000.00. The stockholders will be requested to authorize the Board of Directors to fix the size of the increase in authorized capital stock, the number of Preferred Shares, as well as terms and conditions of issuance including the dividend rate of the Preferred Shares.

7. Authority to Enter into Placing and Subscription Transactions

The President, Mr. Isidro C. Alcantara, Jr., will present a proposal to enter into Placing and Subscription Transactions to raise capital and issue up to Six Hundred Million (600,000,000) new common shares from the existing authorized capital stock, and to authorize the Board of Directors to fix the number of shares, price, and terms and conditions of the Placing and Subscription Transaction.

8. Authority to Issue Warrants

The President, Mr. Isidro C. Alcantara, Jr., will present the proposal to issue warrants and terms and conditions thereof. The stockholders will be requested to authorize the Board of Directors to fix the number of warrants and underlying shares to be issued, price, as well as terms and conditions of issuance.

6. Election of Directors

It is proposed to elect the following members of the Board of Directors. The biographical profiles of the Directors-Nominees are provided in the Information Statement that has been sent together with copies of this Notice to all stockholders of record. The Director-Nominees are the following:

For Regular Directors:
1. Cesar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Macario U. Te
4. Michael Escaler
5. Marianne Dy
6. Augusto C. Serafica, Jr.
7. Ruby Sy
8. Yulo E. Perez
9. Antony M. Te

For Independent Directors:
1. Vicente V. Mendoza
2. Carlos Alfonso T. Ocampo

11. Appointment of Independent External Auditor

Upon the favorable recommendation of the Corporation's Audit and Governance Committee, the Corporation's external auditor, Reyes Tacandong & Co., is proposed to be reappointed for the current year 2018-2019. The audit partner-in-charge is currently Ms. Belinda B. Fernando, but she will be replaced by Ms. Carolina P. Angeles. The following is the proposed resolution:

*"**RESOLVED**, that the audit firm Reyes Tacandong & Co. be, as it is hereby, reappointed as the Corporation's external auditor for the current year 2018-2019."*

12. **Other Matters**

Stockholders may propose to discuss other issues and matters.

13. **Adjournment**

After all matters in the agenda have been taken up, the Chairman shall entertain a motion to adjourn the meeting.

MARCVENTURES HOLDINGS, INC.
ANNUAL STOCKHOLDERS' MEETING
December 19, 2018

PROXY FORM

This proxy is being solicited on behalf of the Board of Directors and Management of Marcventures Holdings, Inc. (the "Company") for voting at the annual stockholders' meeting to be held on December 19, 2018 at the Kamagong Function Room, Manila Golf and Country Club, Harvard Road, Forbes Park, Makati City.

I, the undersigned stockholder of the Company, do hereby appoint, name and constitute the Company's Chairman, Cesar C. Zalamea or President, Mr. Isidro C. Alcantara, Jr.

Or

____

as my attorney-in-fact and proxy, to represent me at the Annual Stockholders' Meeting of the Company to be held on December 19, 2018 at 2:00 p.m. and any postponement(s) and adjournment(s) thereof, as fully and to all intents and purposes as I might or could do if present and voting in person, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof. In particular, I hereby direct my said proxy to vote on the agenda items set forth below as I have expressly indicated by marking the same with an "X".

AGENDA ITEMS	ACTION		
Item 1. Call to Order	No action necessary.		
Item 2: Proof of Notice and Certification of Quorum	No action necessary.		
	FOR	AGAINST	ABSTAIN
Item 3: Approval of the Minutes of the Previous Stockholders' Meeting			
Item 4: Approval of the Management Report and Audited Financial Statements			
Item 5: Ratification of Management's Acts			
Item 6: Approval of the Amendment of the Articles of Incorporation to increase the authorized capital stock from Php4,000,000,000.00 to up to Php7,000,000,000.00			
Item 7: Approval of the Amendment of the Articles of Incorporation to create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php 1,000,000,000.00;			
Item 8: Approval of Authority to enter into Placing and Subscription Transactions			
Item 9: Approval of Authority to Issue Warrants			
Item 10: Election of Directors For Regular Directors:			
1. Cesar C. Zalamea			
2. Isidro C. Alcantara, Jr.			
3. Macario U. Te			
4. Michael Escaler			
5. Marianne Dy			

6. Augusto C. Serafica, Jr.			
7. Ruby Sy			
8. Yulo E. Perez			
9. Antony M. Te			
For Independent Directors:			
1. Carlos Alfonso T. Ocampo			
2. Vicente V. Mendoza			
Item 11: Approval of Appointment of Reyes Tacandong & Co. as the Company's External Auditor			
Item 12: Other Matters	According to Proxy's Discretion		
Item 13: Adjournment			

IN CASE A PROXY FORM IS SIGNED AND RETURNED IN BLANK

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

- FOR the approval of the minutes of previous meeting of the stockholders;
- FOR the approval of the Management Report and audited financial statements for year ended December 31, 2017;
- FOR the confirmation and ratification of all acts and resolutions of the Board of Directors and Management from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;
- For the amendment of the Articles of Incorporation to increase the authorized capital stock from PhP 4,000,000,000.00 to up to PhP 7,000,000,000.00;
- For the amendment of the Articles of Incorporation to create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php 1,000,000,000.00;
- For the approval of authority to enter into a Placing and Subscription Transactions;
- For approval of authority to issue warrants;
- FOR the election of the following directors:

    For Regular Directors:

    1. Cesar C. Zalamea
    2. Isidro C. Alcantara, Jr.
    3. Macario U. Te
    4. Michael Escaler
    5. Marianne Dy
    6. Augusto C. Serafica, Jr.
    7. Ruby Sy
    8. Yulo E. Perez
    9. Anthony M. Te

    For Independent Directors:

    1. Carlos Alfonso T. Ocampo
    2. Vicente V. Mendoza

- FOR the approval of the appointment of Reyes Tacandong & Co. as the Company's external auditor; and
- To authorize the Proxy to vote according to discretion of the Company's President or Chairman of the Meeting on any matter that may be discussed under "Other Matters".

A Proxy Form that is returned without a signature shall not be valid.

VALIDATION OF PROXIES

If you will not be able to attend the meeting but would like to be represented thereat, you must submit a duly signed and accomplished proxy form to the Office of the Corporate Secretary of Marcventures Holdings, Inc., 4th Floor Citi Center, 8741 Paseo de Roxas, Makati City or on before 6:00 p.m., of December 8, 2018. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank, or other fiduciary allowed by law, must likewise present a notarized certification from the owner of record (i.e. the broker, bank, or other fiduciary) that he is the beneficial owner indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized Secretary's Certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting. Validation of proxies shall be made on December 14, 2018 at the principal office of Marcventures Holdings, Inc.

REVOCATION OF PROXIES:

A stockholder giving a proxy has the power to revoke it any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person.

Signed this _______________ 2018 at _________________.
(DATE) (PLACE)

________________________	________________________
Printed Name of Stockholder	Signature of Stockholder or Authorized Signatory

PLEASE DATE AND SIGN YOUR PROXY

PLEASE MARK, SIGN, AND RETURN YOUR PROXY BY HAND OR MAIL (IN TIME FOR IT TO REACH THE COMPANY) ON OR BEFORE 6:00 P.M. OF DECEMBER 8, 2018

Sample Secretary's Certificate

REPUBLIC OF THE PHILIPPINES)
CITY OF)S.S

SECRETARY'S CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

I, ______________________, of legal age, Filipino and with business address at the _______________________________________, under oath, depose and state that:

I am the Corporate Secretary of _____________________, the ("Corporation"), a corporation duly organized and existing under the laws of the Philippines, with principal office and place of business at ______________________.

I hereby certify that at a meeting of the Board of Directors of the said Corporation held at its principal office on ______________ at which a quorum was present and acting throughout, the following resolution was unanimously approved:

> "RESOLVED, as it is hereby resolved, that _____________, be appointed by the Corporation to represent it at the meeting of the stockholders of MARCVENTURES HOLDINGS, INC. scheduled on December 19, 2018 and at any postponement or adjournments thereof, and in connection therewith, to vote all shares registered in the name of the Corporation or to execute or give any proxies as he/she may deem proper."

IN WITNESS WHEREOF, I have hereunto set my hand on this ____ day of ___________ at _______________.

____
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this _______ day of ______, affiant exhibiting to me his _______________ issued at __________ on _________ showing his photograph and signature.

Doc No._____;
Page No.: ____;
Book No. _____;
Series of 2018.

INFORMATION STATEMENT
(SEC FORM 20-IS)

PART 1: GENERAL INFORMATION

Item 1. DATE, TIME AND PLACE OF MEETING OF SECURITY HOLDERS

Date of meeting :	December 19, 2018 (Wednesday)
Time of meeting :	2:00 pm
Place of meeting :	Kamagong Room, Manila Golf & Country Club, Harvard Road, Forbes Park, Makati City
Approximate mailing date of this statement including proxy form:	November 27, 2018
Complete mailing address of the principal office of the registrant :	4th Floor, Citi Center Condominium, 8741 Paseo de Roxas, Makati City.

Item 2. DISSENTERS' RIGHT OF APPRAISAL

The appraisal right shall be available when the following matter is taken up: creation of class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of PhP 10.00 per share equivalent to PhP 1B under such terms and conditions to be determined by the Board of Directors;

Any stockholder of the Corporation may exercise his appraisal right against the proposed action which qualifies as instances that give rise to the exercise of such right, pursuant to the provisions and procedures set forth under Title X of the Corporation Code. The application of such right is limited to the following instances:

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);

b. In case of the sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets (Section 81);

c. In case of merger or consolidation (Section 81);

d. In case of investments in another corporation, business or purpose (Section 42).

The Corporation Code of the Philippines (Sec. 82) provides that the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

No incumbent member of the Board of Directors, or nominee for election as Director, at any time since the beginning of the last fiscal year has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting other than election to office.

No director has informed MARC in writing that he intends to oppose any action to be taken by MARC at the meeting.

B. CONTROL & COMPENSATION INFORMATION

Item 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

(1) The Registrant has 3,014,820,305 outstanding common shares as of September 30, 2018. Each common share shall be entitled to one vote with respect to all matters to be taken up during the annual stockholders' meeting.

(2) The record date for determining stockholders entitled to notice and to vote during the annual stockholders meeting and also to this information statement is on October 26, 2018.

(3) The election of the board of directors for the current fiscal year will be taken up and all stockholders have the right to cumulate their votes in favor of their chosen nominees for director in accordance with Section 24 of the Corporation Code. Section 24 provides that a stockholder, may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the corporation multiplied by the whole number of directors to be elected.

(4) **Security Ownership of Certain Record and Beneficial Owners and Management of more than 5%**

Security ownership of certain record ("r") and beneficial ("b") owners of five percent (5%) or more of the outstanding capital stock of the Registrant as of September 30, 2018:

Title of Class	Name, address of record owner and relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation (registered owner in the books of the stock transfer agent)	Bright Kindle Resources & Investments Inc.	Filipino	600,000,000	19.9%
		Rodolfo Yu	Filipino	430,312,500	14.27%
		RYM Business Management Corp.	Filipino	377,999,946	12.54%
		Dy Family	Filipino	348,500,000	11.56%
		Ruby Sy	Filipino	168,615,000	5.59%
		Except those enumerated above, the Company is not aware of other persons with lodged shares who are the beneficial owners of more than 5% of its outstanding capital stock. PCD authorizes its trading participants to vote the shares registered in their name.	Filipino	341,428,206	11.32%
			TOTAL	**2,266,855,652**	**75.18%**

Mr. Isidro C. Alcantara, Jr. shall represent and vote the shares held by Bright Kindle Resources and Investments Inc. in the Annual Stockholders' Meeting.

As of September 30, 2018 the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 76,057,566 common shares or equivalent to 2.52%.

Security Ownership of Management – Record "r" and Beneficial "b" (direct/indirect) owners as of September 30, 2018:

Title of Class	Name of Beneficial Owner	Amount and nature of ownership (Indicate record ("r") and/or beneficial ("b")	Citizenship	Percent of Class
Common	Cesar C. Zalamea Chairman	1,000 "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Macario U. Te Director	1,000 "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Isidro C. Alcantara, Jr. Director & President	68,463,724 – "r" (direct) 52,772,982 "b" (indirect)	Filipino	3.76% 1.75%
Common	Marianne Regina T. Dy Director	1– "r" (direct) 5,999,999- "b" (indirect)	Filipino	0.00% 0.20%
Common	Vicente V. Mendoza Independent Director	-1- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Carlos T. Ocampo Independent Director	1,000– "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Augusto C. Serafica, Jr. Director	10,000 – "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Ruby Sy Director	-168,615,000- "r" (direct) -0- "b" (indirect)	Filipino	5.59%
Common	Anthony M. Te Director	-27,000,500- "r" (direct) -2,629,100- "b" (indirect)	Filipino	0.90% 0.08%
Common	Reuben F. Alcantara Director	499- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Michael L. Escaler Director	1 – "r" (direct)	Filipino	0.00%
Common	Rolando S. Santos Treasurer	-1- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Roberto V. San Jose Corporate Secretary	-0- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Ana Katigbak Asst. Corporate Secretary	-0- "r" (direct) 150,000 "b" (indirect)	Filipino	0.00%
Common	Diane Madelyn C. Ching Asst. Corporate Secretary	-18- "r" (direct) -0- "b" (indirect)	Filipino	0.00%
Common	Rhodel B. Salvador Asst. VP for Finance	-0- "r" (direct) 12,000 "b" (indirect)	Filipino	

Voting trust holders of 5% or More

No person holds more than five per centum (5%) of a class under a voting trust agreement or similar arrangement.

Changes in control

There are no arrangements which may result in a change in control of the registrant.

Item 5. DIRECTORS AND EXECUTIVE OFFICERS

Board of Directors and Executive Officers

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

Name	Age	Citizenship	Position
Cesar C. Zalamea	88	Filipino	Chairman
Isidro C. Alcantara, Jr.	63	Filipino	President/ Director
Macario U. Te	87	Filipino	Director
Augusto C. Serafica, Jr.	55	Filipino	Director
Carlos Alfonso T. Ocampo	52	Filipino	Independent Director
Marianne Regina T. Dy	40	Filipino	Director
Michael L. Escaler	66	Filipino	Director
Vicente V. Mendoza	84	Filipino	Independent Director
Ruby Sy	66	Filipino	Director
Anthony M. Te	48	Filipino	Director
Reuben F. Alcantara	34	Filipino	Director
Rolando S. Santos*	66	Filipino	Treasurer/ SVP Finance & Administration
Roberto V. San Jose	74	Filipino	Corporate Secretary
Ana Maria A. Katigbak	47	Filipino	Asst. Corporate Secretary and Corporate Information Officer,
Diane Madelyn C. Ching	34	Filipino	Asst. Corporate Secretary and Corporate Information Officer and Compliance Officer
Rhodel B. Salvador	35	Filipino	Asst. Vice President Finance

***until April 10, 2018**

Directors

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

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

Mr. Isidro C. Alcantara, Jr. is the President of Marcventures Holdings, Inc., a position he has held since he was elected in September 2014. Before his presidency, he was elected Director in August 2013 and had served as the Company's Executive Vice President. He currently sits as Vice Chairman and Director of Marcventures Mining and Development Corporation, the Company's wholly owned subsidiary; as Director and President of Bright Kindle Resources and Investment Inc. and Financial Risk Resolutions Advisory, Inc.; as Chairman of BrightGreen Resources, Corp.; Alumina Mining Philippines Inc.; and Bauxite Resources, Inc.

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

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

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

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

Asian Institute of Management and earned Certificates from The Harvard Kennedy School of Government for the IME program in 2017 and MN program in 2016. In 2013, he was named as a leading adviser as well as a commercial law expert by Acquisition International and Global Law Experts, respectively.

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

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

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

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

Michael L. Escaler was elected Director on November 14, 2014. He is the President and CEO of All Asian Countertrade Inc. known as the largest sugar trader in the Philippines, founded in 1994 in partnership with Louis Dreyfus and Nissho-Iwai. He is also the Chairman and President of PASUDECO Development Corp. and All Asian Oils and Fats Corporatio; Chairman and CEO of Sweet Crystals Integrated Mill Corporation and Okeelanta Corporation; Chairman of Balibago Waterworks System Inc., South Balibago Resources Inc., Megaworld Capital Town Inc., JSY Transport Services Inc., Aldrew and Gray Transport Inc., Silverdragon Transport Inc. and Metro Clark Waste Management Inc.; President of San Fernando Electric Light and Power Company Inc. and Stanwich Philippines Inc. He serves as an Independent Director of Lorenzo Shipping Corporation, Director of PowerSource Philippines Inc., Empire Insurance Company, Trinity Insurance Brokers Inc., Trinity Healthcare Services Inc., Omnigrains Trading Corporation and Leyte Agri Corporation.

A sugar trader in New York and London from 1974 to 1993, Mr. Escaler began his career at Nissho-Iwai of America for two years and left for ACLI International, one of the largest privately held trading company. Later on, he transferred to Philipp Brothers as Vice-President to head its white sugar trading operations. Afterwards he started his own trading company in the Philippines.

He is a Hall of Fame Sprinter for Ateneo de Manila University, where he graduated Cum Laude in Bachelor of Arts in Economics. He obtained his Masters in Business Administration in International Marketing in New York University.

A Philanthropist, Mr. Escaler supports various charities including Habitat for Humanity, Coca Cola Foundation, PGH Medical Foundation, Mano Amiga Academy, and Productive Internships in Dynamic Enterprise (PRIDE).

Justice Vicente V. Mendoza was elected Independent Director in February 2018. He was as an Associate Justice of the Supreme Court from 1994 to 2003. In 1980, he served as an Associate Justice of the Court of Appeals until his appointment as its Presiding Justice in 1994. He was a member of the Presidential Electoral Tribunal from 1994-2003 and of the House of Representatives Electoral Tribunal from 1999-2003. He served in the office of the Solicitor General, Department of Justice, first as a Solicitor from 1971-1973 and later as Assistant Solicitor General from 1973 to 1980, successfully handling constitutional litigation for the Government. He has been a Faculty member at the University of the Philippines College of Law since 1967 to the present and gave bar review classes from 1978 to 1994.

Justice Mendoza was admitted to the Philippine Bar in 1958 and was a visiting scholar at the Harvard Law School in the fall term in 1976. He has authored several law books and has written several articles published in law journals. He was conferred an LLM degree by Yale Law School in 1971 and graduated from the UP College of Law in 1957.

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

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

Mr. Reuben F. Alcantara was elected director in October 2017. He is also the Vice President for Marketing, Business Development, and Strategic Planning, as well as the Company's Investor Relations Officer. He joined the Company in September 2013 and likewise serves as Vice President for Marketing of Marcventures Mining and Development Corporation and Bright Kindle Resources and Investments, Inc. He previously served as the Vice President of Marketing for AG finance, Inc., as Relationship and Credit Officer for Security Bank and has had stints in Corporate Banking in Bank of Commerce and Maybank Philippines. Mr. Alcantara obtained his Executive Masters in Business Administration Degree from the Asian Institute of Management in the year 2016.

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

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

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

Atty. Diane Madelyn C. Ching was elected as Co-Assistant Corporate Secretary in August 2013. She also serves as General Counsel and Corporate Secretary of MMDC. She also serves as Corporate Secretary of Bright Kindle Resources & Investments Inc., Asian Appraisal Co. Inc., and BrightGreen Resources Corp. She is a director and Corporate Secretary of Prime Media Holdings, Inc. She is a member of the Integrated Bar of the Philippines.

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

Nomination Committee and Nominees for Election as Members of the Board of Directors

The Nominations Committee has screened the following nominees for election or re-election on 11 December 2018. The Nominations Committee determined that the candidates possess all the qualifications and none the disqualifications as director or independent director.

Nominees for Regular Directors

1. Cezar C. Zalamea
2. Isidro C. Alcantara, Jr.
3. Macario U. Te
4. Michael Escaler
5. Marianne Dy
6. Augusto C. Serafica, Jr.
7. Ruby Sy
8. Yulo E. Perez
9. Anthony M. Te

Nominees for Independent Director

1. Carlos Alfonso T. Ocampo
2. Vicente V. Mendoza

All nominations for regular and independent director have been reviewed and approved by the Company's Nomination and Compensation Committee.

Please refer to the above biographical details of current directors that have been renominated.

Mr. Yulo E. Perez . Engr. Yulo E. Perez graduated from the University of the Philippines and has 39 years of successful experience in leading mining projects here and abroad. He is currently the President and CEO of Marcventures Mining and Development Corporation.

Prior to his appointment as such, he served as the President and COO of Silangan Mindanao Mining Company, Inc., which is a 100%-owned subsidiary of Philex Mining. He was also former Chief Operating Officer and General Manager of TVI Resource Development Philippines, Inc., and of TVI Resources, Inc. – both subsidiaries of a Canadian mining firm.

Most importantly, he spent 11 years at PT INCO Indonesia, one of the largest Nickel laterite operations in the world with an annual production of ore and smelting of 15.0 Million WMT. PT

INCO is owned 58.0% by VALE INCO of Brazil, one of the biggest mining companies in the world, and 20.0% by Sumitomo Metal Mining of Japan.

His accomplishments span the development of mining properties – from planning, design, and engineering, to construction and commissioning, onto commercial operations and general management.

Independent Directors

As of the date of this Information Statement, the Nominations Committee has received and approved the nominations of the following nominees for independent directors of the Company:

1. **Carlos Alfonso T. Ocampo**

   Atty. Ocampo possessed all the qualifications and none of the disqualifications as independent director since his election in the year 2013.

2. **Vicente V. Mendoza**

   Justice Vicente V. Mendoza possessed all the qualifications and none of the disqualifications as independent director since his election in the year 2017.

The Independent Directors named above were nominated by Isidro C. Alcantara, Jr, who has no relations to the nominees.

The nomination and election of independent director shall be in accordance with Section 38, as amended of Republic Act 8799 or the Securities Regulation Code.

The Nomination Committee is composed of Cesar C. Zalamea, Jr. as Chairman and Messrs. Augusto Serafica, Jr., Carlos Alfonso T. Ocampo as members.

In accordance with SEC Memorandum Circular No.4 Series of 2017, both Independent Directors (ID) have not exceeded the maximum cumulative term of nine (9) years. Furthermore, the Company understands that after a term of (9) years, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director. At the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and Reckoning of the cumulative nine-year term is from 2012.

Period in Which Directors and Executive Officers Should Serve

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

Term of Office of a Director

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

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

Significant Employees

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

Family Relationships

Mr. Isidro Alcantara, Jr., the Company's President is the father of Director Reuben Alcantara, who is likewise the Company's Vice President for Marketing, Business Development and Strategic Planning and Investor Relations Officer while Director Macario U .Te is the father of Director Anthony M. Te.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, there has been no occurrence during the past five years up to the date of this information statement of any of the following events since its incorporation which are material to an evaluation of the ability or integrity of any director, person nominated to become a director, executive officer, or control person of the Company:

1. Any insolvency or bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the insolvency or within two years prior to that time;

2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or any pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any final and executory order, judgment, or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting involvement in any type of business, securities, commodities, or banking activities; and

4. Any final and executory judgment by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC, or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, for violation of a securities or commodities law.

Certain Relationships and Related Transactions

As at December 31, 2017, the total advances to related parties has an outstanding balance of ₱42.8 million which represents a non-interest bearing unsecured and payable on demand.

On the other hand, the total advances from related parties as at December 31, 2017 has an outstanding balance of ₱10.0 million which represents a non-interest bearing unsecured loan payable on demand.

Please refer to Note 21 on page 34 of the 2017 Audited Consolidated Financial Statements (ACFS).

Item 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Executive Compensation

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

Table Summary of Compensation

Names	Position	SALARY	BONUS	OTHER COMPENSATION	
Cesar Zalamea Isidro C. Alcantara, Jr. Roberto San Jose Diane Madelyn Ching Ana Maria Katigbak	Chairman President Corporate Secretary Asst. Corporate Secretary Asst. Corporate Secretary				
All above named officers as a group	2014	₱19,050,000	₱6,692,353	₱14,316,788	
	2015	14,400,000	27,252,650	26,903,823	
	2016	20,400,000	23,698,400	44,098,400	
	2017			6,370,000	
	2018 Estimated			6,380,000	
All other officers and directors as group unnamed	2014	3,600,000	-	1,350,000	
	2015	-	13,529,412	3,975,000	
	2016	3,600,000	1,665,000	5,265,000	
	2017	–		5,055,000	
	2018 estimated	₱–	₱	₱7,290,000	

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

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

Item 7. <u>INDEPENDENT PUBLIC ACCOUNTANTS</u>

Independent Public Accountants, Reyes Tacandong & Co. ("RTC") will stand for re-election as the Corporation's auditor for the year 2018 which shall be subject to shareholders' approval during the Annual Meeting.

RTC is currently the Company's Independent Public Accountant. Representatives of RTC will be present during the annual meeting and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

In compliance with SRC Rule 68, Paragraph 3(b)(iv) which provides that the external auditor should be rotated every five (5) years or earlier or the handling partner shall be changed. The previous account partner handling the Corporation, Belinda B. Fernando, who has been the handling partner since December 2013 will be replaced by Carolina P. Angeles. A two year cooling off period shall be observed in the re-engagement of the same signing partner or individual.

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

The following are members of the Audit Committee:

Chairman:	Carlos Alfonso T. Ocampo (ID)	Members:	Augusto C. Serafica, Jr Anthony M. Te

Item 8. <u>COMPENSATION PLANS</u>

There is no action proposed to be taken during the stockholders' meeting with regard to any bonus, profit sharing, pension/retirement plan, granting of any extension of options, warrants or rights to purchase any securities.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. Authorization or Issuance of Securities other than for Exchange

Please refer to Annex "A"

Item 10. Modification or Exchange of Securities

Please refer to Annex "A"

Item 11. Financial and Other Information

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2017, 17Q or the Quarterly Financial Statement as of 30 September 2018 are attached hereto.

The Management's Discussion and Analysis of Financial Condition and Result of the Operations are discussed in the attached Management Report. The notes to the Consolidated Financial Statements are incorporated hereto by reference.

The Company has not made any changes in and has not had any disagreements with its external auditor on accounting and financial disclosures.

Representatives of the Company's external auditor, Reyes Tacandong & Co., are expected to be present at the shareholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

There is no action to be taken with respect to any merger, consolidation, or acquisition.

Item 13. Acquisition or Disposition of Property

No action is to be taken with respect to the acquisition or disposition of any property.

D. <u>OTHER MATTERS</u>

Item 15. ACTION WITH RESPECT TO REPORTS & OTHER PROPOSED ACTION/S

The following matters shall be submitted to the vote of stockholders of the Company during the stockholders' meeting.

1. Approval of Minutes of the Annual Meeting of the Stockholders held on October 23, 2017
2. Approval of Management Report and Audited Financial Statements
3. Ratification of Management's Acts
4. Amendment of the Articles of Incorporation to (i) increase the authorized capital stock from Php4,000,000,000.00 to up to Php7,000,000,000.00; and (ii) create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate value of Php 1,000,000,000.00;
5. Approval of Authority to enter into Placing and Subscription Transactions
6. Approval of Authority to Issue Warrants
7. Election of Directors
8. Appointment of the Independent External Auditor
9. Other Matters
10. Adjournment

Item 16. <u>MATTERS NOT REQUIRED TO BE SUBMITTED</u>

All corporate actions to be taken up at the annual stockholders' meeting this December 19, 2018 will be submitted to the stockholders of the Registrant for their approval in accordance with the requirements of the Corporation Code.

Matters not required to be submitted are the Call to Order and Certification of Notice and Quorum.

ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

Amendment of Articles of Incorporation to Increase Authorized Capital Stock

The Board of Directors is submitting for the stockholders' approval the authority to amend the Articles of Incorporation to (i) increase the authorized capital stock from Php4,000,000,000.00 to up to Php7,000,000,000.00; and (ii) create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php 1,000,000,000.00.

ITEM 18. OTHER PROPOSED ACTIONS

Action is to be taken on the ratification and approval of the acts of the Board of Directors and management from the last shareholders' meeting until the date of the 2018 Annual Stockholders' Meeting. The resolution to be adopted will be the ratification and approval of the acts of the Board of Directors and Management for the year 2017 until the date of the 2018 Annual Stockholders' Meeting, including the following:

- Approval of the issuance of the Audited Financial Statements for the year ended 31 December 2016.
- Updates on the Merger Plans and Projects
- Approval to call the Annual Stockholders' Meeting
- Appointment of Reyes Tacandong & Co. as External Auditor for 2016-2017
- Ratification of the Competent Person's Report
- Approval of the Code of Corporate Governance
- Approval of the Subscription of Mr. Isidro C. Alcantara, Jr. to subscribe to 22,730,000 shares in Marcventures Holdings Inc. at PhP 2.20 per share or a total of PhP 50,006,000.00.
- Approval to subscribe to additional shares in Marcventures Mining and Development Corp.
- Authority of the Chairman of the Board, President, or Treasurer to Accept Investments For Additional Subscriptions
- Updates on Financial Reports
- Approval of the Merger Plan of Marcventures Holdings, Inc., Asia Pilot Mining Phils. Corporation, and Brightgreen Resources Holdings, Inc. with Marcventures Holdings, Inc. as the surviving entity
- Approval of authority to enter into Management Contract with Marcventures Mining and Development Corp.
- Approval of the Retirement Plan
- Authority of the Company to substitute APMPC in the cases filed by APMPC against Reliance Surety and Insurance Co. pending before the Insurance Commission and the designation of authorized representatives of the Company
- Election of Officers
- Appointment of Board Members to Board Committees
- Updates on the Merger of Marcventures Holdings, Inc., Asia Pilot Mining Phils. Corporation, and Brightgreen Resources Holdings, Inc.
- Authority to the President seek, explore, evaluate potential, obtain and accept investments
- Authority to subscribe to additional shares of MMDC
- Authority to call and schedule regular meetings for 2018
- Authority of the Company to act as guarantor/ surety for the following transactions: (i) loan/credit accommodation/ facility in the aggregate principal amount of P105,000,000 granted by the Philippine Business Bank to MMDC; and (ii) credit accommodation in the form of Omnibus Line in the aggregate principal amount of not more than P200,000,000.00 granted by United Coconut Planters Bank to MMDC.
- Approval of the Subscription of Mr. Isidro C. Alcantara, Jr. to subscribe to 45,731,706 shares in Marcventures Holdings Inc. at PhP 1.64 per share or a total of PhP 74,999,997.84.
- Election of Regular Director in lieu of resignation of a Regular Director
- Reorganization of Board Committees
- Approval of Audited Financial Statements for 2017
- Postponement of Annual Stockholders' Meeting for 2018 and Authority of the President to determine the new date of the meeting
- Nomination of Authorized Representatives of the Corporation
- Bauxite Project Updates
- Financial Highlights for the period ended June 30, 2018
- Creation of Ad-Hoc Committee to study and propose capital raising activities
- Election/ Replacement of Data Privacy Officer
- Sale of motor vehicle to Mr. Miguel Antonio Ozaeta

Item 19. <u>VOTING PROCEDURES</u>

(a) the vote required for approval or election

A majority of the subscribed capital present in person or represented by proxy, shall be sufficient at a stockholders meeting to constitute a quorum for the transaction of any business whatsoever, except in those cases in which the Corporation Code requires the affirmative vote of a greater portion.

During the election of directors, every stockholder entitled to vote shall have the right to vote the number of shares of stock standing, in his own name on the stock books of the Corporation; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit: Provided, That the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

The Chairman shall ensure that two seats or at least 20% of the number of directors to be elected, whichever is lesser, shall be allotted for the election of independent directors as required by the SRC and Corporation's Code of Corporate Governance.

(b) Method by which Votes will be counted

At each meeting of the stockholders, every stockholder shall be entitled to vote in person or by proxy, for each share of stock held by him, which has voting power upon the matter in question.

The method and manner of counting the votes of shareholders shall be by *viva voce* and/or by ballots. The votes shall be counted by the Corporate Secretary and Assistant Corporate Secretary, who shall be assisted by the stock transfer agent.

PART II: INFORMATION REQUIRED IN A PROXY FORM

PLEASE USE THE ATTACHED PROXY FORM

Item 1. Identification

This proxy is solicited by the Board of Directors and Management of Marcventures Holdings Inc. The solicited proxy shall be exercised by the Chairman, Cesar C. Zalamea or the President, Isidro C. Alcantara, Jr., or the stockholder's authorized representative.

Item 2. Instruction

a. For all agenda items other than "Call to Order", "Proof of Notice and Certification of Quorum", the proxy form shall be accomplished by marking in the appropriate box either "FOR", "AGAINST" or "ABSTAIN" according to the stockholder's/proxy's preference.

If no instructions are indicated on a returned and duly signed proxy, the shares represented by the proxy will be voted:

- FOR the approval of the minutes of previous meeting of the stockholders;
- FOR the approval of the Management Report and audited financial statements for year ended December 31, 2017;
- FOR the confirmation and ratification of all acts and resolutions of Board of Directors and Management from the date of the last stockholders' meeting to date as reflected in the books and records of the Company;

- FOR the election of the following directors:

  For Regular Directors

  1. Cesar C. Zalamea
  2. Isidro C. Alcantara, Jr.
  3. Macario U. Te
  4. Michael Escaler
  5. Marianne Dy
  6. Augusto C. Serafica, Jr.
  7. Ruby Sy
  8. Yulo E. Perez
  9. Anthony M. Te

  For Independent Director

  1. Carlos Alfonso T. Ocampo
  2. Vicente V. Mendoza

- Amendment of the Articles of Incorporation to (i) increase the authorized capital stock from Php4,000,000,000.00 to up to Php7,000,000,000.00; and (ii) create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php 1,000,000,000.00;
- Approval of Authority to enter into Placing and Subscription Transactions;
  Approval of Authority to Issue Warrants;
- FOR the approval of the appointment of Reyes Tacandong & Co. as the Company's external auditor; and to authorize the Proxy to vote according to discretion of the Company's President or Chairman of the Meeting on any matter that may be discussed under "Other Matters".

b. A Proxy Form that is returned without a signature shall not be valid.

c. The matters to be taken up in the meeting are enumerated opposite the boxes on the accompanying Proxy Form. The names of the nominee directors are likewise enumerated opposite an appropriate space.

d. If a stockholder will not be able to attend the meeting but would like to be represented thereat, he may submit his Proxy Form, duly signed and accomplished, to the Office of the Corporate Secretary at the head office of Marcventures Holdings Inc., 4th Floor Citi Center Bldg, Paseo de Roxas, Makati City, on or before December 8, 2018. Beneficial owners whose shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary allowed by law must, in addition to the required I.D., present a notarized certification from the owner of record (i.e. the broker, bank or other fiduciary) that he is the beneficial owner, indicating thereon the number of shares. Corporate shareholders shall likewise be required to present a notarized secretary's certificate attesting to the authority of its representative to attend and vote at the stockholders' meeting.

   Validation of proxies will take place on December 14, 2018, at the office of the principal office of the Company.

Item 3. Revocability of Proxy

A shareholder may revoke his proxy on or before the date of the Annual Meeting. The proxy may be revoked by the shareholder's written notice to the Corporate Secretary advising the latter of the revocation of the proxy, or by a shareholder's personal attendance during the meeting and appropriate advice to the Corporate Secretary of such revocation.

Item 4. Persons Making the Solicitation

This solicitation is made by the Company. No director has informed the Company in writing or otherwise of his intention to oppose any action intended to be taken up at the meeting.

Solicitation of proxies will be done mainly by mail. Certain regular employees of the Company will also solicit proxies in person or by telephone.

The estimated amount to be spent by the Company to solicit proxies is PhP 20,000. The cost of solicitation will be borne by the Company.

Item 5. Interest of Certain Persons in Matters to be Acted Upon

Other than the interest of those persons mentioned below, no member of the Board of Directors or executive officer since the beginning of the last fiscal year, or nominee for election as director, or their associates, has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

PART III: SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on 04 December 2018.

MARCVENTURES HOLDINGS INC.

By: akatigbak
Ana Maria A. Katigbak
Asst. Corporate Secretary

THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED, UPON HIS WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. AT THE DISCRETION OF MANAGEMENT, A REASONABLE FEE MAY BE CHARGED FOR THE EXPENSE INCURRED IN PROVIDING A COPY OF THE EXHIBITS. ALL REQUESTS MAY BE SENT TO THE COMPANY'S HEAD OFFICE AND ADDRESSED TO:

Attention: **RAQUEL S. FRONDOSO**
MARCVENTURES HOLDINGS INC.
4th Floor Citi Center, Paseo de Roxas, Makati City

ANNEX "A"

It is proposed to undertake Placing and Subscription Transactions wherein certain major shareholders of the Company intend to enter into Placing Agreements with potential investors involving up to 600,000,000 listed common shares of the Company; and in turn, the same major shareholders will enter into Subscription Agreements with the Company for the same number of common shares sold in the Placing tranche and apply the cash proceeds thereof to the subscription price to be paid to the Company.

It is also proposed to issue warrants to subscribers under such other terms and conditions as may be determined by the Board of Directors.

Management also proposes to amend the Articles of Incorporation to (i) increase the authorized capital stock from Php4,000,000,000.00 to up to Php7,000,000,000.00; and (ii) create a class of up to 100,000,000 non-voting, non-participating, cumulative, and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php 1,000,000,000.00. As amended, the relevant portion of the Seventh Article of the Company's Articles of Incorporation shall state:

> "SEVENTH. That the authorized capital stock of the corporation is SEVEN BILLION PESOS (P7,000,000,000.00) and said capital stock is divided into: SIX BILLION (6,000,000,000) common shares with a par value of One Peso (P1.00) each share or an aggregate par value of SIX BILLION PESOS (P6,000,000,000.00); AND ONE HUNDRED MILLION (100,000,000) Preferred Shares with a par value of TEN PESOS (P10.00) each share or an aggregate par value of ONE BILLION PESOS (P1,000,000,000.00)."

The proceeds raised from the Placing and Subscription Transaction, exercise of the warrants, and issuance of common and preferred shares are intended to be used by the Company for capital expenditures, expansion of operations, repayment of loans and operational expenses.

The foregoing shall all be subject to stockholders' approval and compliance with applicable laws, rules, and regulations.

Under the current Amended Articles of Incorporation of the Company, "no stockholder shall, because of his ownership of stock, have a pre-emptive right or other right to purchase, subscribe for or take any part of any stock or of any securities convertible into or carrying options or warrant to purchase stock of the corporation, whether out of its unissued authorized capital stock of the corporation, whether out of its unissued authorized capital stock or any future increases thereof. Any part of such stock or securities may at any time be issued, optioned for sale, and sold or disposed of the Corporation pursuant to resolution of its Board of Directors, to such persons and upon such terms Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders."

Item 10. Modification or Exchange of Securities

The Board proposes to create 100,000,000 non-voting, non-participating, cumulative and redeemable Preferred Shares with a par value of Php10.00 per share or aggregate par value of Php

1,000,000,000.00. The Preferred Shares are intended to be issued for cash consideration. Please refer to discussion above relating to the Preferred Shares.

Under the Amended Articles of Incorporation of the Company, "no stockholder shall, because of his ownership of stock, have a pre-emptive right or other right to purchase, subscribe for or take any part of any stock or of any securities convertible into or carrying options or warrant to purchase stock of the corporation, whether out of its unissued authorized capital stock of the corporation, whether out of its unissued authorized capital stock or any future increases thereof. Any part of such stock or securities may at any time be issued, optioned for sale, and sold or disposed of the Corporation pursuant to resolution of its Board of Directors, to such persons and upon such terms Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders."

MARCVENTURES HOLDINGS INC.

MANAGEMENT REPORT
Pursuant to SRC Rule 20

For the Annual Stockholders' Meeting
On December 19, 2018

I. Consolidated Audited Financial Statements

The Consolidated Audited Financial Statements of Marcventures Holdings, Inc. (the "Company") for the year ended as of December 31, 2017 and unaudited financial statements for the period ended September 30, 2018 are attached to this report.

II. Disagreements with Accountants on Accounting and Financial Disclosures

There was no event in the past years where **Reyes Tacandong & Co. ("RTC**") the Company's Independent Public Accountant and the Company had any disagreements with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

ITEM 1. BUSINESS

<u>Background</u>

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

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

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

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

Marcventures Mining & Development Corporation (MMDC), the wholly-owned Subsidiary of the Parent Company, is incorporated in the Philippines and is engaged primarily to carry on the business of mining, smelting, extracting, smelting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource from the earth; to operate, manage and/or engage in the business of smelting, and/or operate smelting plant, to refine and/or convert metals, ore, and other precious metals into finished products within the commerce of man. On July 19, 2010 the Subsidiary was registered with the Board of Investments (BOI) in accordance with the provisions of the Omnibus Investments Code of 1987, as amended, as a New Producer of Nickel Laterite Ore. As a BOI registered entity, the Subsidiary is entitled to an Income Tax Holiday (ITH) for four (4) years from July 2010 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

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

Going beyond regulatory demand, MMDC integrated 3 management systems to raise business standards and more importantly, protect the environment and people. After rigorous, simultaneous audits, MMDC's Surigao Nickel Mining project obtained International Organization for Standardization (ISO)certification for Environmental Management System (ISO 14001:2015),Quality Management System (ISO 9001:2015), and the Occupational Health and Safety Management System (ISO18001:2007). The British certifying body National Quality Assurance (NQA), which granted MMDC the ISO certification in September 2017, also certified the Company's integrated Management Systems (IMS)

On December 29, 2017, the Securities and Exchange Commission approved the merger of MHI with Asia Pilot Mining Philippines Corp. (APMPC) and BrightGreen Resources Holdings Inc. ("BHI") with MHI as the surviving entity. The merger resulted to MHI's acquisition of APMPC's subsidiaries, namely, Alumina Mining Philippines Inc. ("AMPI") and Bauxite Resources Inc. ("BARI") as well as BHI's subsidiary, BrightGreen Resources Corp. ("BRC").

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

The Company is listed in the Philippine Stock Exchange. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 and BGRC, AMPI and BARI as at December 31, 2017.

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

Subsidiaries

Below are the Parent Company ownership interests in its subsidiaries:

Subsidiaries	2017	2016
Marcventures Mining and Development Corporation	100%	100%
BrightGreen Resources Corporation (BGRC)	100%	–
Alumina Mining Philippines Inc. (AMPI)	100%	–
Bauxite Resources Inc. (BARI)	100%	–

Updates and Developments

Merger of the Parent Company, Brightgreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC)

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as the surviving entity and the increase in authorized capital stock of the Parent Company to accommodate the merger from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

BHI owns 100% interest in BrightGreen Resources Corporation (BGRC) and APMPC owns 100% interest in Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI).

Information about the Subsidiaries

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

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

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

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

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

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations (see Note 25). Accordingly, the Company has continued its mining operations in areas covered by the MPSA.
BGRC. BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business.

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

AMPI. AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 179-2002-VIII-SBMR covering 6,694 hectares in the municipalities of San Jose de Buan and Paranas Samar in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.
BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

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

BGRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. BGRC submitted a reply explaining that it has a prior legal right. While AMPI and BARI submitted replies that their contract areas are not part of any watershed and are even declared as Bauxite Mineral Reservations which allows development of bauxite deposits.

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

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

The Company's Subsidiary's main product is nickel ore. All of its nickel ore production were exported to China. The principal market for nickel ore production from the Philippines is currently China. After Indonesia implemented a ban on nickel ore exports, the Philippines has become the main source of Chinese nickel ore – Chinese imports of ores from the Philippines accounted for 97% of total imports in 2015 and 2016. Chinese companies prefer Philippine-sourced nickel ore due to savings in freight costs because of the proximity of the Philippines to China. Nickel ore is sold to Chinese customers based on FOB shipping point and customers handle the charter of vessels. China also relies heavily on imported nickel ore due to insufficient domestic supplies. While the Company does not rely heavily on a single customer, it is affected by the market price of nickel ore depending on domestic and foreign supply and demand.

Sources and availability of Raw Materials

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

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

Mining Claim

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

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

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

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

Aside from the above discussed MPSA, the approval of the Merger of the Parent Company with Asia Pilot Mining Philippines Corp. (AMPC) and the holding company of Brightgreen Resources Corp. (BRC) gave the Company 3 additional mining claims, particularly, under MPSA 179-2002 VIII (SBMR) with an area of 6,694 Hectares located in Motiong, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002 to Alumina Mining Philippines Inc. and MPSA 180-2002 VIII (SBMR) with an area of 5,519 Hectares located in Gandara, San Jose De Buan and Wright, Province of Samar issued on December 5, 2002 in favor of Bauxite Resources Inc. and MPSA 015-93-XIII issued to BrightGreen Resources Corp. which was approved on 01 July 1993, covering approximately 4,860 hectares of Carrascal and Cantilan, Surigao del Sur.

Government Approvals; Effect of Existing or Probable Government Regulations on the Business

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

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

Compliance with Environmental Laws

The Company is strongly committed to its policy of protecting and enhancing the environment. It spent ₱62.2 million and ₱34.2 million on its environmental and enhancement program (EPEP) in 2017 and 2016, respectively.

Business Transactions with Related Parties

As of December 31, 2017, the total advances to affiliates has an outstanding balance of ₱42.83 million which represents a non-interest bearing unsecured loan to be settled on demand.

On the other hand, the total advances from affiliates as of December 31, 2017 has an outstanding balance of ₱10.00 million which represents a non-interest bearing unsecured loan to be settled on demand.

Please refer to Note 21 on page 34 of the 2017 Audited Consolidated Financial Statements (ACFS).

Employees

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

- Marcventures Mining & Development Corporation (MMDC)
  As of December 31, 2017, MMDC currently has a total of 526 employees, of which 515 are regular, 11 are contractual/seasonal employees.

Table below show the distribution of our workforce:

	Head Office	**Minesite**	**Total**
Senior Management	8	7	15
Managers	7	16	23
Supervisors	18	120	138
Rank and File	15	649	664
Total	48	792	839

The table below show a breakdown of the workforce hired from the local communities:

	From Local Community	**Indigenous People**
Regular	431	141
Probationary	22	0
Seasonal	660	245
Total	**1,113**	**386**

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

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

Major Risks of the Business

Market Risk

Our revenue is dependent on both the volume and on the world market price of nickel. The sales price of nickel or is correlated with the world market price of nickel. The nickel price is subject to volatile price movements over time and is affected by numerous factors that are beyond the Company's control.

From the start of the Company's shipment operations, 100% of our revenue are derived from sale of nickel ore into China. While China has become a significant source of global demand for commodities, our exposure to the Chinese Market and our short-term supply agreements with Chinese customers have resulted in increased volatility in our business.

Operational Risk

The Mining operations are influenced by changing conditions that can affect the production levels and cost for varying periods that can diminish revenues and income. Severe weather conditions, changing prices of fuels and other supplies, increase in taxes and repair costs could have significant impact on the productivity of the Company's operating results.

Foreign exchange risk

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

Other risks

Other risks affecting the Company were discussed in Note 26 on pages 38-42 of the 2017 AFS.

Item 2 : DESCRIPTION OF PROPERTIES

Mineral Properties

MHI currently has four (4) mining subsidiaries, namely, Marcventures Mining and Development Corporation, ("MMDC"), BrightGreen Resources Corp. ("BRC"), Alumina Mining Philippines Inc. ("AMPI") and Bauxite Resources Inc. ("BARI").

MMDC

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

BRC

BrightGreen Resources Corp., another subsidiary of The Company holds MPSA No. 015-93-XIII approved on 01 July 1993, covering approximately 4,860 hectares of the Municipalities of Carrascal and Cantilan in the Province of Surigao del Sur.

AMPI

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

BARI
Bauxite Resources Inc. holds MPSA No. 180-2002 VIII (SBMR), with an area of 5,519 hectares located in the Province of Samar, issued on December 5, 2002.

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

RESOURCE	MMDC	BRC	AMPI	BARI
Volume	Measured & Indicated Saprolite: 8.106 million WMT at 1.44% Nickel, 13.48% Iron Limonite 55.437 million WMT at 0. 85% Nickel and 45.36% Iron Inferred Saprolite: 6.836 million WMT at 1.26% Nickel and 13.47% Iron Limonite: NA	Measured & Indicated Saprolite: 3.055 million WMT at 1.59% Nickel, 14.85% Iron Limonite 12.972 million WMT at 1.07% Nickel and 39.73% Iron Inferred Saprolite: 0.329 million WMT at 1.61% Nickel and 14.25% Iron Limonite: 4.698 million WMT at 0.90% Nickel and 39.61% Iron	Measured & Indicated Bauxite Ore: 41.713 million WMT At 40.06% Al2O3 and 14.50% SiO2 Inferred Bauxite Ore 17.275 million WMT at 38.96% Al2O3 and 16.59% SiO2	Measured & Indicated Bauxite Ore: 31.469 million WMT At 43.78% Al2O3 and 7.96% SiO2 Inferred Bauxite Ore 28.436 million WMT at 43.75% Al2O3 and 8.09% SiO2

These estimates were prepared by Mr. Tomas D. Malihan, a Competent Person in Geology, to study the exploration data on the mineral property and verify its nickel resources

	RESOURCE
Volume	66.543 million WMT laterite ore
Ore Grade	Average 0.92% Ni grade, Fe 41.29%
Area	1,659 hectares

These estimates are based on the measured & indicated mineral resource computed which was readily convertible to prove and probable ore reserve. For other discussion of mining properties, please refer to Note 10, page 25-26 of the 2017 AFS.

Property, Plant and Equipment

Office Space

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

In November 2017, the company acquired another condominium unit also located at the 4th Floor Citi Center Condominium, 8741 Paseo de Roxas, Makati City, with with an approximate area of 220 square meters inclusive one (1) parking slot amounting to twenty five million (₱25,000,000.00). The property is covered by Condominium Certificates of Title No. 006-2012006781. The said condominium unit was purchased for the Makati office expansion.

MMDC Properties

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

Land and Improvements owned

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

Rented

	Lot Area (sqm)	Monthly Rental
Haulage Roads	345,584	424,636
Stockyards	119,945	124,770
Causeway	19,555	51,010
Others	29,565	38,565
Total land and Improvements	514,649	638,981

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2017, the Company is not a party to any legal proceedings.

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

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

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

OPERATIONAL AND FINANCIAL INFORMATION

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

<u>Market Information</u>

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

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

	Price per Share (In Pesos)**	
	High	Low
	2016	
January – March	2.47	2.47
April – June	2.40	2.40
July - September	1.95	1.95
October – December	2.73	2.73
	2017	
January – March	2.77	1.60
April – June	2.21	1.65
July - September	2.28	1.76
October – December	2.07	1.62
	2018	
January – March	1.81	1.40
April – June	1.76	1.40
July - September	1.67	1.15

Latest Market Price

On October 23, 2018 trading date, the closing market price of the Company's common stock was ₱1.23 per share.

Stockholders

The number of shareholders of record as of September 30, 2018 was 2,176. The outstanding shares as September 30, 2018 were 3,014,820,305common shares, 95.70% of which are owned by Filipinos

MARCVENTURES HOLDINGS, INC.
TOP 20 STOCKHOLDERS
AS OF SEPTEMBER 30, 2018

NAME	SHARES	PERCENTAGE
PCD NOMINEE CORPORATION (FILIPINO)	1,439,121,287	47.73%
RODOLFO P. YU	430,312,500	14.27%
RYM BUSINESS MANAGEMENT CORPORATION	377,999,946	12.54%
RUBY SY	168,615,000	5.59%
STINSON PROPERTIES INC.	87,834,569	2.91%
SUREGUARD PROPERTIES INC.	86,514,534	2.87%
MYOLNER PROPERTIES INC.	86,514,533	2.87%
ISAGANI P. YU	75,937,500	2.52%
PCD NOMINEE CORP. (NON-FILIPINO)	75,689,658	2.51%
ISIDRO C. ALCANTARA,JR.	68,463,724	2.27%
CAULFIELD HEIGHTS INC.	44,999,982	1.49%

GLORIOUS DECADE PROPERTIES, INC	30,000,000	1.00%
ANTHONY M. TE	27,000,500	0.90%
GLORIOUS DECADE PROPERTIES, INC.	13,013,000	0.43%
ATC SECURITIES, INC.	808,023	0.03%
WILLY O. DIZON OR NENE C. DIZON	667,000	0.02%
BENJAMIN S. GELI	100,000	0.00%
JOHN C. JOVEN	100,000	0.00%
ANSALDO GODINEZ & CO., INC.	92,255	0.00%
KAREN C. DELA CRUZ	67,500	0.00%
TOTAL	**3,013,851,511**	**99.95%**

*Out of the total shares lodged under the PCD, Bright Kindle Resources and Investment Corp. owns 600,000,000 shares or 32.94% of MARC as of June 30, 2017.

In July 2017, Mr. Isidro C. Alcantara, Jr. subscribed to 22,730,000 shares in the Company at PhP 2.20 per share or a total of PhP 50,006,000. Thus, as of 31 August 2017, the total oustanding capital stock of the Corporation is 1,844,088,599.

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

__**Dividends**__

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

Cash Dividends

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

Stock Dividends

There were no stock dividends declared for years 2014 to the second quarter of 2018.

Discussion on Compliance with leading practice on Corporate Governance

In compliance with SEC Memorandum Circular 15 series of 2017, The Company submitted its Integrated Annual Corporate Governance Report (" I-ACGR") in 2018 which shall be used as a tool to disclose Publicly-Listed Companies' compliance/non-compliance with the recommendations provided under the Code of Corporate Governance for Publicly-Listed Companies, which follows the "comply or explain" approach, and for harmonizing the corporate governance reportorial requirements of the SEC and the Philippine Stock Exchange (PSE).

The Company's corporate governance principles, structures and processes are established and articulated in two fundamental policies: The Manual on Corporate Governance (CG Manual) and the Code of Business Conduct and Ethics. These policies are responsive to the Company's operations, business environment and laws, rules and regulations applicable to the Company. As part of Board oversight, the Company's corporate governance policies and their effectiveness are reviewed on a periodic basis to ensure that they continue to be compliant, appropriate and effective.

The CG Manual institutionalizes the principles of good corporate governance in the entire organization and embodies the framework of rules, systems and processes that governs the performance by the Board and Management of their respective duties and responsibilities to the shareholders and other stakeholders.

Sales of Securities

As of December 31, 2017, there are no sales of unregistered or exempt Securities

In view of the approval of the Merger between Marcventures Holdings Inc., Asia Pilot Mining Phils. Corp. and BrightGreen Resources Holdings Inc. with Marcventures Holdings Inc. as the surviving entity by the Securities and Exchange Commission on December 29, 2017 and approval of the request for ruling by the Bureau of Internal Revenue on January 29, 2018, MARC issued 1,125,000,000 new shares or 675,000,000 new shares in favor of Asia Pilot shareholders and 450,000,000 new shares in favor of BHI shareholders at an issue price of ₱ 1.00 per share today February 23, 2018. Asia Pilot shareholders will receive 675 new MARC shares in exchange for 1 Asia Pilot share and BHI shareholders will receive 18 new MARC shares in exchange for 1 BHI share.

Change(s) in Number of Issued and Outstanding Shares

Type of Security/Stock Symbol	**Before**	**After**
MARC	1,844,088,599	2,969,088,599

Further, pursuant to the merger, the following directors and officers acquired additional shares in exchange for their BHI shares as follows:

Name	
Isidro C. Alcantara/President & CEO	45,000,000
Anthony M. Te/Director	27,000,000
Diane Madelyn/Asst. Corporate Secretary	18

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION FOR MARCVENTURES HOLDINGS INC.

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as of December 31, 2017 and 2016 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2017, 2016 and 2015 and as at December 31, 2017, 2016, and 2015 are discussed below.

A. <u>Discussion for 2017 and 2016 Financial Results</u>

Results of operations

	Audited (in million Pesos)		Increase(Decrease)	
	2017	2016	Amount	%
Revenues	**₱2,040.86**	₱1,919.19	₱121.67	6.34%
Cost of Sales	**1,335.91**	1,421.75	(85.84)	(6.04%)
Operating Expenses	**562.34**	452.61	109.73	24.24%

Revenues

For the year ended December 31, 2017, mmdc sold an aggregate 2,179,657 wet metric tonnes (WMT) of nickel ore, or equivalent to 40 shipments of which 26.5 vessels of saprolite and 13.5 vessels of limonite, as compared to 2,597,102 WMT or equivalent to 48 shipments of which 13 vessels of saprolite and 35 vessels of limonite for the year 2016. Due to continous decrease in Limonite ore price MMDC shipped more tonnage of its saprolite ore that resulted to higher revenue in 2017 compared to 2016.

Cost of Sales

The Company's cost of sales amounted to ₱1,335.91 million in 2017 as compared to ₱1,421.75 million in 2016, a decrease of ₱85.84 million or 6.04%, due to lower volume of nickel ore shipped in 2017.

The increase in revenue was due to higher volume of saprolite nickel ore shipped out during the period. Shipment details of volume and prices are as follows:

WMT

	2017	2016	Increase (decrease)
Limonite	744,679	1,895,	(1,150,433)
Saprolite	1,434,978	701,990	732,988
	2,179,657	2,597,102	(417,445)

Operating Expenses
The Company's total operating expenses amounted to ₱562.34 million in 2017 as compared to ₱452.61 million in 2016, an increase of ₱109.73 million or 24.24%, due to the following:

- Environmental expenses increased by ₱27.98 million or 81.71% due to the company's commitment to comply with the environmental responsibilities.
- Taxes and licenses increased by ₱19.13 million or equivalent to 49.93% mainly due to the business taxes paid to the municipalities of Cantilan and Carrascal, Surigao Del Sur and payment of taxes on the acquisition of condo unit for office expansion.
- Outside services increased by ₱23.80 million or 119.19% pertains to additional outsourced manpower and security services.
- Professional fees increased by ₱2.67 million or equivalent to 7.23% due to hiring of consultants.
- Social Development Program increased by ₱3.38 million or equivalent to 11.37% is consistent with the increase in operating cost in 2016 wherein 1.5% was allocated to the development of host and neighboring communities.

- Loading fee increased by ₱6.51 million or 41.78% inspite of lower volume of ore shipped in 2017 due to additional loading fees charged by another local government unit.
- Royalties increased by ₱1.29 million or 6.74% due to higher amount of gross sales of nickel ore for the year 2017.
- Transportation and travel by ₱2.0 million or 13.51% due various seminars and conferences
- Rental increased by ₱4.33 million or 99.85% due to rental of equipment, service vehicle and subscription to Bloomberg.
- Office supplies increased by ₱5.61 million or 183.83%.
- Representation increased by ₱3.97 million or 117.94% due to meetings with various stakeholders (employees, IPs and regulatory agencies such as NCIP, DOLE and others) and existing and prospective customers.
- Communication, light and water increased by ₱0.57 million or equivalent to 11.66% was largely due to the improvement in the communication lines between Surigao and Makati office thru a lease line.
- Dues and subscriptions increased by ₱1.27 million or 49%.
- Increase in Advertisement by ₱2.27 million or 2537.90% in 2017 due to the engagement of a media partner to promote awareness in the social commitments of the Company.
- Increase in other expenses by ₱29.12 million or 142.10%, a significant increase mainly due to moisture penalty.

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

- Community relations decreased by ₱16.76 million or equivalent to 77.56%.
- Repairs and maintenance decreased by ₱2.54 million or equivalent to 62.94% due to the sale of fully depreciated heavy equipment.
- Retirement benefit expense decreased by ₱6.05 million or equivalent to 39.11% due to the decrease in number of employees in 2017.

Financial Position

	Audited (in million Pesos)		Increase(Decrease)	
	2017	2016	Amount	%
Assets	**₱5,316.11**	₱3,385.34	₱1,930.77	57.03%
Liabilities	**1,108.19**	412.97	695.22	168.35%
Stockholders' Equity	**4,207.93**	2,972.37	1,235.55	41.57%

<u>Assets</u>

The consolidated total assets of the Company increased to ₱5,316.11 million as of December 31, 2017 from ₱3,385.34 million as of December 31, 2016. The 57.03% increase was mainly due to the net effect of the following:

- Cash decreased by ₱117.51 million or 71.40% is attributable to the payments of liabilities, acquisition of property and equipment used for the mining operations.
- Trade receivables increased by ₱166.90 million or 253.26% as a result of the sale of nickel ore in the last quarter of 2017. The company expected to collect these receivables in the first half of 2018.
- Ore inventory increased by ₱96.12 million or 72.09% from the 2016 level of ₱133.33 million to ₱229.45 million in 2017. The ore inventory increased by 66,540 wet metric tonnes (WMT) which is 101.00% higher than last year.
- Advances to related parties decreased by ₱82.56 million or 65.84% as a result of the merger with BrightGreen Resources Corporation.

- Mining rights and other mining assets increased by ₱1,861.76 million or equivalent to 92.90% was largely due mining assets of the subsidiaries AMPI, BARI and BRC and for the increase in MMDC mining asset.

Liabilities

As of December 31, 2017 the total liabilities of the Company increased by ₱695.22 million or 168.35% from ₱412.97 million in December 2016 to ₱1,108.19 in 2017. The increase was due to the following:

- Trade and other payable increased by ₱184.77 million or 179.30%, primarily due to coractors and suppliers.
- Loans payable decreased by ₱20.0 million or 20% due to partial settlement of bank loan.
- Advances from related party increased by ₱5.0 million or 100 percent due to additional loan from BKR ("to" ba or "from"????)
- Dividend payable decreased by ₱0.25 million or equivalent to 5% due to replacement of stale checks issued to stockholders.
- Income tax payable increased by ₱8.72 million or 27.24% due to increase of net income for the period.
- Retirement liability decreased by ₱9.54 million or 20.76% due to retrenchment of employees.

Stockholders' Equity

The stockholders' equity increased by ₱1.24 million from ₱2.97 million in 2016 to ₱4.21 million in 2017. The increase pertains to the Company's total comprehensive income for the year and merger of the Parent Company, BHI and APMPC, with the Parent Company as the surviving entity and the increase in authorized capital stock of the Parent Company to accommodate the merger from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

BHI owns 100% interest in BrightGreen Resources Corporation (BGRC) and APMPC owns 100% interest in Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI).

Consolidated Cash Flow

	Audited (in million Pesos)		Increase(Decrease**)**	
	2017	2016	Amount	**%**
Cash provided by operating activities	**₱173.68**	₱215.30	(₱41.62)	(19.33)
Cash used in investing activities	**368.56**	212.65	155.91	73.32
Cash used in financing activities	**77.37**	28.28	49.09	173.59

The cash provided by operating activities decreased from ₱215.30 million in 2016 to ₱173.68 million in 2017. The Company reported a net income before income tax of ₱115.49 million in 2017 as compared to 2016 of a net income of ₱48.55 million.

In 2017, the company's net cash used in investing activities are primarily due to the increase in property and equipment amounting to ₱120.36 million and increase in mine and mining properties amounting to ₱273.23 million as these were utilized in various stockyards in the form of matting, a meter thick layer of nickel blanketing the ground to prevent dilution of the ore stockpile currently stored or beneficiated.

In 2017, the company's net cash used in financing activities are mainly due additional issuance of shares and deposit of future subscription these were partially offset on partial settlement of its interest bearing loan.

B. Discussion for 2016 and 2015 Financial Results

Results of operations

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

Revenues

For the year ended December 31, 2016, the subsidiary sold an aggregate 2,597,101 wet metric tonnes (WMT) of nickel ore or equivalent to 48 shipments to China, as compared to 3,339,067 WMT or equivalent to 61 shipments for the year 2015. The 22.22% decline in volume was largely due to lesser workable days in 2016 because of unfavorable weather condition in the area.

Cost of Sales

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

Operating Expenses

- Increase in environmental expenses by ₱22.82 million or 199.94% due to water truck and other equipment rentals to maintain haul roads, silt ponds and increase in inland reforestation expenses.
- Increase in taxes and licenses by ₱19.50 million or equivalent to 103.56% mainly due to the business taxes paid to the municipalities of Cantilan and Carrascal, Surigao Del Sur.
- Increase in outside services by ₱13.71 million or 219.09% pertains to additional outsourced manpower, security services and pilotage.
- Increase in depreciation by ₱9.42 million or 22.03% was mainly due to depreciation of transportation and heavy equipment acquired in mid-2015.
- Increase in the cost for Social Development Program by ₱2.95 million or equivalent to 11.04% is consistent with the increase in operating cost wherein 1.5% was allocated to the development of host and neighboring communities.
- Increase in rental by ₱3.48 million or 404.85% due to hangarage, extension of office in Butuan and purchase of transport equipment for minesite use.
- Increase in retirement benefit expense by ₱1.86 million or equivalent to 13.67% due to additional employees.
- Increase in other expenses by ₱20.17 million or 140.21% pertains mainly on 3 years tax deficiency paid in 2016.

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

- Decrease in professional fees by ₱11.94 million or equivalent to 24.40% due to the termination or end contract of technical personnel, and consultants.
- Decrease in community relations by ₱11.26 million or equivalent to 63.03%.
- Decrease in Royalties by ₱3.98 million or 17.24% due to decrease in revenue from sale of nickel ore for the year 2016.
- Decrease in loading fee by ₱3.52 million or 17.55% due to decrease in volume of ore shipped in 2016.
- Decrease in communication, light and water by ₱1.91 million or equivalent to 27.94% was largely due to the improvement in the communication lines between Surigao and Makati office thru a lease line.
- Decrease in office supplies by ₱1.71 million or 35.90%.
- Decrease in advertisement by ₱1.20 million or 93.02%

Financial Position

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

Assets

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

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

Liabilities

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

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

Stockholders' Equity

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

Consolidated Cash Flow

	Audited (in million Pesos)		Increase(Decrease)	
	2016	2015	Amount	**%**
Cash provided by operating activities	**₱215.30**	₱74.71	₱140.60	188.19
Cash used in investing activities	**212.65**	327.96	(115.31)	(35.16)
Cash used in financing activities	**28.28**	170.67	(142.39)	(83. 43)

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

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

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

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

Results of operations

	Audited 2015	**2014**	**Increase(Decrease) Amount**	**%**
	(in PhP Millions)			
Revenues	**2,330.48**	2,526.96	(196.48)	(7.78)
Cost of Sales	**2,065.76**	1,404.92	661.81	47.04
Operating Expenses	**387.47**	306.99	80.48	26.22

Revenues

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

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

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

Cost of Sales

The Company's cost of sales amounted to ₱2,065.76 million in 2015 as compared to ₱1,404.92 million in 2014 an increase of ₱660.84 million or 47.04%, was due to the higher volume shipped of nickel ore in 2015.

Operating Expenses

- Increase in salaries and wages by ₱5.92 million or equivalent to 5.51% due to appraisal increase and hiring of additional employees.
- Increase in taxes and licenses by ₱7.80 million or equivalent to 70.62% mainly due to increase in business taxes, since 2015 business permit is based on 2014 gross revenue, and regulatory fees paid to MGB.
- Increase in depreciation expense by ₱24.74 million or 137.32% mainly due to depreciation of newly acquired service vehicles, office equipment, furniture & fixtures.
- Increase in professional and consultancy fees by ₱16.97 million or equivalent to 53.06% due to the hiring of additional management, technical personnel, and consultants.
- Increase in the cost for Social Development Mining Program by ₱6.92 million or equivalent to 34.87% it is consistent with the increase in operating cost wherein 1.5% was allocated to the development of host and neighboring communities.
- Increase in communication, light and water by ₱1.84 million or equivalent to 36.89% due to conversion of internet connection from DSL to Metro Eline and Igate a lease line between Surigao and Makati office. The lease line improved communication and will save travel expenses.
- Increase in outside services by ₱2.21million or 54.75% pertains to equipment maintenance and pilotage services.
- Inventory write-down of ₱35.65 million to reflect the net realizable value of the nickel ore.
- Increase in freight and shipping by ₱7.41 million or 58.76% due to increase in volume shipped in 2015.
- Increase in environmental expenses by ₱7.88 million or 222.80% due to water truck and equipment rentals to maintain haul roads and silt ponds.
- Increase in other expenses by ₱7.27 million or 102.09% due to pertains mainly on 2011 tax deficiency paid in 2015.

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

- Decrease in representation by ₱3.46 million or equivalent to 50.44%
- Decrease in rental expense by ₱1.62 million or 65.39% due to purchase of condominium unit
- Decrease in advertising expense by ₱5.29 million or 80.46%
- Decrease in royalties by ₱2.27 million or 8.97% due to decrease on revenue from sale of nickel ore for the year 2015.
- Decrease in retirement expense by ₱5.78 million or equivalent to 29.82%.

Financial Position

	Audited		Increase(Decrease)	
	2015	2014	Amount	%
Assets	**₱3,426.87**	₱3,716.58	(289.71)	(7.80)
Liabilities	**462.73**	637.60	(174.87)	(27.43)
Stockholders' Equity	**2,964.14**	3,078.99	(114.85)	(3.73)

Assets

The consolidated total assets of the Company decreased to ₱3,426.87 million as of December 31, 2015 from ₱3,716.58 million as of December 31, 2014. The 7.80% decrease was mainly due to the net effect of the following:

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

Liabilities

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

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

Stockholders' Equity

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

Consolidated Cash Flow

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

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

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

In 2015, the Company paid dividends from 2014 dividend declaration to its stockholders in the amount of ₱250.85 million. The company secured a loan of ₱200.00 million to local Bank of which ₱100.00 million was paid on maturity date and the balance of ₱100.00 million is payable in 60 equal monthly installments.

Financial Indicators

Key Performance Indicators (KPI's)

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2017 and December 31, 2016:

	2017	2016
Net Income	₱47,281,213	₱5,141,782
Current assets	645,861,140	579,236,747
Total assets	5,316,113,360	3,385,340,239
Current liabilities	444,607,449	264,106,910
Total liabilities	1,108,188,218	412,968,180
Stockholders' Equity	4,207,925,143	2,972,372,060
No. of common shares outstanding	2,969,088,599	1,821,358,599

	2017	2016
Current ratio [1]	1.45	2.19
Book value per share [2]	1.42	1.63
Debt to equity ratio [3]	0.26	0.14
Earnings per share [4]	0.16	0.0028
Return on assets [5]	0.011	0.002

Note:

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

Other Information

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

1. Except as disclosed in the management discussion and notes to the financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
2. Except as disclosed in the management discussion and notes to the financial statements, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from operations.
3. All significant elements of income or loss from continuing operations are already discussed in the management discussion and notes to financial statements. Likewise any significant elements of income or loss that did not arise from the registrant's continuing operations are disclosed either in the management discussion or notes to financial statements.
4. There is no material off-balance sheet transaction, arrangement, obligation, and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

5. The company does not expect any liquidity or cash problem within the next twelve months.
6. There no known trends, events or uncertainties that have had or that are reasonably expected to have material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between cost and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.
7. There are no significant elements of income or loss that did not arise from the registrant's continuing operations;
8. The Company's mining operations starts during dry season and ends during rainy season.

ITEM 7. FINANCIAL STATEMENTS

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

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

	Year Ended December 31	
	2017	2016
Audit Fees	**₱748,000**	₱610,000
Audit-Related Fees	**74,800**	61,000
Total	**₱822,800**	₱671,000

Audit Fees. Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2017.

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

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

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

Changes in and disagreements with Accountants on Accounting and financial Disclosure

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

Management's Discussion and Analysis of Financial Condition and Results of Operation for the 3rd Quarter

The following discussion is based on the unaudited interim consolidated financial statements as at September 30, 2018 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2017) and for the three-month and nine-month period ended September 30, 2018 and 2017, 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:

Nine-month period ended September 30, 2018 compared with nine months ended September 30, 2017

Revenues:

For the nine-month period ended September 30, 2018, total revenues amounted to ₱978.64 million, lower by ₱903.68 million or 48.01% as compared with ₱1,882.32 million reported in the same period of prior year.

Sale of Ore:

For the nine months ended September 30, 2018, the subsidiary shipped out 19 vessels of nickel ore of which 11 vessels of saprolite and 8 vessels of limonite. In the same period last year, the subsidiary shipped out 36 vessels of nickel ore of which 25.5 vessels of saprolite and 10.5 vessels of limonite. The decrease in revenue was due to lesser number of ore shipped out during the period. Shipment details of volume and prices are as follows:

Shipped ore in WMT

	2018	2017	Increase (decrease)
Limonite	428,909	569,129	(140,220)
Saprolite	603,430	1,383,758	(780,328)
Total tons shipped	1,032,339	1,952,887	(920,548)

Price pew wmt (in US$)

	2018	2017	Increase (decrease)
Limonite	$8.42	$9.91	($1.49)
Saprolite	24.11	22.51	1.60
Average price	$17.59	$18.81	($1.22)

Cost of Sales

Cost of sales increased by 1.51% or ₱8.91 million from ₱589.7 million to ₱598.6 million due to the following:

- **Personnel costs** decreased by ₱102.0 million due cost saving measures implemented for the nine-month period

- **Despatch** amounted to ₱29.4 million this year compared to demurrage in prior year amounted to ₱17.3 million since during the year, most of loadings were completed before the laytime expired

- **Depreciation** decreased by ₱29.4 million due to equipment disposals in the latter part of prior year, thus affecting depreciation.

- **Inventory movement presented as part of Cost of Sales (COS)** Inventory movement presented as part of COS increased by ₱189.29 million due to the higher number of nickel ore sold than mined for the current year 2018 compared with the same period in the prior year 2017 wherein, we had a higher number of nickel ore mined than sold.

The decreased in cost of sales anchored to the decrease in total sales such as contractual services, production overhead, excise tax and depletion.

Operating expenses

Operating expenses decreased by 15.5% or ₱58.2 million from ₱375.7 million to ₱317.4 million in prior year. The decrease was mainly accounted for by the following:

- **Royalties** decreased by ₱7.7 million was due to the decrease in total sales

- **Outside services and professional fees** decreased by ₱35.0 million due to lesser outside service engagements and professional fees such as consultancy arrangements.

- **Representation and advertisement expenses** decreased by ₱8.4 million in line with the Group's effort to reduce expenses

- **Depreciation** decreased by ₱23.9 million due to equipment disposals in the latter part of prior year, thus affecting depreciation.

- **Freight and shipping cost** decreased by ₱11.2 million due to lesser number of shipments

Other expenses such as such as loading fees, community relations and transportation expenses also contributed to the total decrease in operating expenses.

The decreased in expenses are partially offset by the increase of the following expenses:

- **Taxes and licenses** increased by ₱18.05 million mainly attributable to business permits paid to Cantillan and Carrascal for the period.

- **Repairs and maintenance** increased by ₱1.9 million mainly for the maintenace of aircraft.

- **Salaries and wages** increased by ₱7.5 million due to management reorganization to promote efficiency.

Other expenses offset by minimal upturns in various accounts such as expenses incurred for social development programs (SDP), and Utilities. MMDC follows the implementing rules and regulation of 1995 Phil. Mining Act which requires that 1.5% of operating cost be allocated for the development of host and neighboring mining communities.

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Revenues

For the three-month period ended September 30, 2018, MMDC reported a total revenue amounted to ₱177.9 million, lower by ₱795.8 million 81.73% decreased of the total revenue reported in the same period of prior year which amounted to ₱973.7 million. To compared with same period in prior year, there were lesser number of vessels shipped. For 2018, MMDC has shipped a total of 3 vessels while in 2017, MMDC has transported a total of 16 vessels.

Cost of Sales

Cost of sales for the three-month period ended September 30, 2018 decreased minimally by 94.7% or ₱558.5 million compared with the same period in prior year. Majority was due to the following:

- **Personnel costs** decreased by ₱77.6 million cost saving measures implemented for the nine-month period

- **Despatch** amounted to ₱15.1 million this year compared to demurrage in prior year amounted to ₱14.2 million since during the year, most of loadings were completed before the laytime expired.

- **Depreciation** decreased by ₱9.9 million due to equipment disposals in the latter part of prior year, thus affecting depreciation

- **Inventory movement presented as part of COS** Inventory movement presented as part of COS increased by ₱233.1 million due to the higher number of nickel ore sold than mined for the current year 2018 compared with the same period in the prior year 2017 wherein, we had a higher number of nickel ore mined than sold.

  The decreased in cost of sales anchored to the decrease in total sales such as contractual services, production overhead, excise tax and depletion.

Operating Expenses

Operating expenses for the three-month period ended September 30, 2018 is lower by 29.54% or approximately ₱43.9 million compared with the same period in prior year, noted decrease was driven by the following:

- **Royalties** decreased by ₱2.9 million was due to the decrease in total sales.

- **Outside services and professional fees** decreased by ₱27.6 million due to lesser outside service engagements and professional fees such as consultancy arrangements.

- **Representation and advertisement expenses** decreased by ₱2.5 million in line with the Group's effort to reduce expenses

- **Depreciation** decreased by ₱25.9 million due to equipment disposals in the latter part of prior year, thus affecting depreciation.

- **Freight and shipping cost** decreased by ₱5.8 million due to lesser number of shipments.

Various accounts such as SDMP, community relation, office supplies, and rental expenses has also contributed to the decrease in total in operating expense. MMDC follows SDP implementing rules and regulation of 1995 Phil. Mining Act which requires that 1.5% of operating cost be allocated for the development of host and neighboring mining communities.

The decreased in expenses are partially offset by the increase of the following expenses:

- **Taxes and licenses** increased by ₱22.2 million mainly attributable to business permits paid to Cantillan and Carrascal for the period.

- **Repairs and maintenance** increased by ₱1.6 million mainly for the maintenace of aircraft.

- **Utilities** increased by ₱1.7 million mainly attributable to upgrading the lease line for the improvement of internet connection.

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 vs. December 31, 2017

Assets

The consolidated total assets of the Company increased by ₱752.4 million from ₱5,316.11 million as of December 31, 2017 to ₱6,068.5 million as of September 30, 2018. The 14.15% increase was mainly due to the following:

- **Increase in Cash** amounted to ₱146.5 million or 311.34% from ₱47.06 million to ₱193.6 million due to loan availments during the year counterbalanced by cash outflows for the Group's operations.

- **Increase in Trade and other receivables** from ₱232.79 million to ₱250 million or increase of ₱17.2 million equivalent to 7.39% of prior year balance due to sales in the latter part of the second quarter yet to be collected as of September 30, 2018.

- **Increase in Inventory** from ₱229.45 million to ₱337.4 million. The increase of ₱108.0 or 47.05% is attributable to the inventory buildup in preparation for the shipment operations.

Liabilities
The total consolidated liabilities of the Group increased by ₱655.8 million or 59.18% from ₱1,108.19 million as of December 31, 2017 to ₱1,763.99 million as of September 30, 2018. The increase notes payable is due to additional loan during the year.

Equity
The stockholders' equity of the Company increased by ₱1,164.34 million or 21.9% from ₱4,207.93 million as of December 31, 2017 to ₱4,304.54 million as of September 30, 2018 due issuances of shares and reported net income during the year.

STATEMENT OF CASH FLOWS

The net cash provided by operating activities amounted to ₱80.52 million for the nine months ended September 30, 2018, lower by ₱79.18 million compared with the net cash provided by the operating activities in the same period in prior year. The decreased in cash from operating activities is the result of the following:

- Lower consolidated net income compared with same period in prior year
- Significant decreased in trade and other receivables and inventory
- Significant increase in trade and other payable due to loan availed during the period
- Payment of interest expenses anchored to the loan availed.

Net cash used in investing activities amounted to ₱501.09 million for the period ended September 30, 2018, higher compared to ₱392.17 million for the same period in 2017 mainly due to increase in mine and mining properties.

Net cash provided by financing activities amounted to ₱567.09 million during the year, significantly higher than the total cash used in financing activities amounted to ₱549.95 million last year due to loan availed during the year.

The effect of operating, investing and financing activities is a net increase of ₱146.52 million and a balance of ₱193.59 million in cash as of September 30, 2018.

Horizontal and Vertical Analysis:

	Consolidated		Increase (Decrease)	
	September 30, 2018	**Dec. 31, 2017**	Amount	Percentage
ASSETS				
Current Assets				
Cash	**₱193,585,712**	₱47,062,535	₱146,523,177	311.34%
Trade and other receivables	**249,987,110**	232,793,388	17,193,722	7.39%
Inventories	**337,398,818**	229,447,620	107,951,198	47.05%
Advances to related parties	**33,303,034**	42,828,377	(9,525,343)	(22.24%)
Other current assets	**158,057,097**	93,729,220	64,327,877	68.63%
Total Current Assets	**972,331,771**	645,861,140	326,470,631	50.55%
Non-current Assets				
Property and equipment	**382,898,339**	381,263,997	1,634,342	0.43%
Mining rights on explored resources	**4,293,342,095**	3,865,845,679	427,496,416	11.06%
Net deferred tax assets	**11,308,435**	11,308,435	–	–
Other non-current assets	**408,643,606**	411,834,110	(3,190,504)	(0.77%)
Total Noncurrent assets	**5,096,192,474**	4,670,252,221	425,940,253	9.12%
TOTAL ASSETS	**₱6,068,524,245**	₱5,316,113,361	₱752,410,884	14.15%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payable	**₱476,495,595**	₱287,820,914	₱188,674,681	65.55%
Loan payable	**468,454,846**	101,364,876	367,089,970	362.15%
Income tax payable	**15,750,001**	40,713,773	(24,963,772)	(61.32%)
Dividend payable	**4,707,886**	4,707,886	–	–
Advances from related party	**10,000,000**	10,000,000	–	–
Total Current liabilities	**975,408,328**	444,607,449	530,800,879	119.39%
Noncurrent Liabilities				
Long-term loans - net of current portion	**237,120,206**	37,120,206	200,0000,000	538.79%
Provision for mine site rehabilitation and decommisioning	**49,796,810**	49,796,810	–	–
Retirement liability	**36,400,994**	36,400,994	–	–
Deposit for future subscription	**–**	75,000,000	(75,000,000)	(100.00%)
Deferred tax liability	**465,262,759**	465,262,759	–	–
Total Noncurrent liabilities	**788,580,769**	663,580,769	125,000,000	18.84%
	1,763,989,097	1,108,188,218	655,800,879	59.18%
Equity				
Capital stock	**3,014,820,305**	2,969,088,599	45,731,706	1.54%
Additional paid in capital	**269,199,786**	239,931,494	29,268,292	12.20%
Retained Earnings	**985,051,683**	963,441,676	21,610,007	2.24%
Actuarial Gain	**35,463,374**	35,463,374	-	0.00%
Total Equity	**4,304,535,148**	4,207,295,143	96,610,005	2.30%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱6,068,524,245**	₱5,316,113,361	₱752,410,884	14.15%

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. Marcventures Mining and Development Corporation (MMDC) 2018 plan for capital expenditures are as follows:

Project	Status
Carac-an Bridge Construction	Completed
Phase 2, Causeway Expansion	Completed
Almio Bridge Construction	95% Complete
Banban Bridge Construction	60%
Road improvement	Completed

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 items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

i. 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.

j. 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.

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

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

Key Performance Indicators

Marcventures' management uses the following KPIs:

	Sept. 30, 2018	Sept. 30, 2017
Net income Loss	₱21,610,007	₱178,395,981
Quick assets	443,572,822	708,840,305
Current assets	972,331,771	1,280,707,212
Total Assets	6,068,524,245	3,995,185,981
Current liabilities	975,408,328	644,132,764
Total liabilities	1,763,989,097	794,411,941
Stockholders' Equity	4,304,535,148	3,200,774,040
Number of common shares outstanding	2,999,576,403	1,826,409,710

Liquidity ratios:		
Current ratio (1)	1;00:1	1.99:1
Quick ratio (2)	0.45:1	1.10:1
Solvency Ratios:		
Debt ratio (3)	0.29:1	0.20:1
Debt to Equity ratio (4)	0.41:1	0.25:1
Profitability ratios:		
Return on equity (5)	0.01	0.06
Return on assets (6)	0.004	0.05
Earning (loss) per share (7)	0.007	0.10

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) / Ave. Shareholders' equity
6. Net income (loss) / Ave. Total Assets
7. Net Income (loss) / 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. C

urrent Ratio

Total Current Assets/ Total Current Liabilities 1.00:1

b. Q

uick Ratio

Quick asset / Total Current Liabilities = 0.45:1

Solvency Ratio

a. D

ebt Ratio

Total liabilities / Total assets = 0.29:1

b. D

ebt to Equity Ratio

Total liabilities / Shareholder's Equity = 0.41:1

Profitability Ratio

a. R

eturn on Equity Ratio

Net Income / Average shareholder's equity = 0.005 :1

b. R

eturn on Assets

Net Income / Average Total assets = 0.004:1

c. F

ixed Assets Turnover Ratio :

Revenue/Property Plant and Equipment = 0.056:1

d. A

sset to Equity Ratio:

Total Assets / Ave. Stockholders' Equity = 1.43:1

e. A

sset Turnover

Revenue/Total Assets = 0.004:1

Interest Coverage Ratio

Income / Interest expense = 1.02:1

- as compared with earlier quarters

THE COMPANY WILL PROVIDE WITHOUT CHARGE TO EACH PERSON SOLICITED, UPON HIS WRITTEN REQUEST, A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. AT THE DISCRETION OF MANAGEMENT, A REASONABLE FEE MAY BE CHARGED FOR THE EXPENSE INCURRED IN PROVIDING A COPY OF THE EXHIBITS. ALL REQUESTS MAY BE SENT TO THE COMPANY'S HEAD OFFICE AND ADDRESSED TO:

Attention: **RAQUEL S. FRONDOSO**
MARCVENTURES HOLDINGS INC.
4th Floor Citi Center, Paseo de Roxas, Makati City

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

CERTIFICATION

I, **ANA MARIA A. KATIGBAK**, of legal age, Filipino, with office address at the 3rd Floor, The Valero Tower, 122 Valero Street, Salcedo Village, Makati City, being the duly elected Assistant Corporate Secretary of **MARCVENTURES HOLDINGS, INC.** (the "Corporation"), a corporation duly organized and existing in accordance with Philippine law, with principal office address at the 4th Floor, Citibank Center, Paseo de Roxas, Makati City, hereby certify that as of the date of this Certification, none of the directors or officers of the Corporation are employed by or connected with any government agencies or its instrumentalities.

IN WITNESS WHEREOF, I have hereunto signed this Certification this 26th day of November 2018 at Makati City.

ANA MARIA A. KATIGBAK
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Makati, Philippines, this NOV 26 2018 affiant who is personally known to me and whose identity I have confirmed through her Passport ID No. P1893381A, issued on February 7, 2017 bearing the affiant's photograph and signature.

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Book No. VIII
Series of 2018.

DAISY MARGARET V. DUCEPEC
NOTARY PUBLIC
ROLL NO. 70138
MAKATI CITY, PHILIPPINES

DAISY MARGARET V. DUCEPEC
Appointment No. M-532
Notary Public for Makati City
Until December 31, 2018
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 6616069;01-04-2018;Makati City
IBP No. 022622;01-04-2018;Makati Chapter
Roll No. 70138

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SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
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Company Representative

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Company Information

SEC Registration No.	0000012942
Company Name	MARCVENTURES HOLDINGS, INC.
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

Document ID	111162018001242
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	November 14, 2018
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	

COVER SHEET

1 2 9 4 2

SEC Registration Number

MARCVENTURES HOLDINGS, INC.
(FORMERLY AJO NET HOLDINGS, INC

(Company's Full Name)

4TH FLR. CITI CENTER 8741
PASEO DE ROXAS, MAKATI
CITY

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

Diane Madelyn C. Ching	831-4479
Contact Person	Company Telephone Number

1 2	3 1		0 5	
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Certification for Independent Director (Carlos Alfonso T. Ocampo)

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARLOS ALFONSO T. OCAMPO**, Filipino, of legal age and with office Address at 6th Floor, Pacific Star Building, Makati Avenue corner Sen. Gil Puyat Avenue, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **MARCVENTURES HOLDINGS INC.** ("MARC") and have been its independent director since August 2013 (where applicable).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Bright Kindle Resources & Investments, Inc,	Independent Director	January 2014 to Present
Ocampo & Manalo Law Firm	Senior Partner	October 1997 to present
MAA General Assurance Phils., Inc.	Director	March 2003 to Present
South Forbes City College Corporation	Director	May 2009 to Present
Columbian Autocar Corporation	Director	October 2009 to April 2012
Asian Carmakers Corporation	Director	April 2008 to Present
Jam Transit, Inc.	Director	July 2009 to Present
Prestige Cars	Director	June 2006 to Present
Timebound Trading Corporation	Director	April 2013 to Present
Monpierre Foods Corporation	Director	December 2011 to Present
The Medical City - South Luzon	Corporate Secretary	June 2010 to Present
Adrianse Phils. Inc.	Director/ Corporate Secretary	March 2012 to Prese
Bluelion Motors Corp.	Director/ Corporate Secretary	February 1999 to Present
First Charters & Tours Transport Corp.	Director/ Corporate Secretary	July 2012 to Present
Brycl Resorts International Inc.	Director/ Corporate Secretary	July 2009 to Present
Autohaus Quezon City, Inc.	Director/ Corporate Secretary	April 2008 to Present
AVK Philippines, Inc.	Director/ Corporate Secretary	July 2000 to Present
Jam Liner, Inc.	Director/ Corporate Secretary	July 2009 to Present
Manila Golf & Country Club	Director/ Corporate Secretary	April 2008 to Present
Solen Innovations Holdings Inc.	Director	Nov 2016 to Present
Integrated Bar of the Philippines	Member	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code, (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
NA	NA	NA

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NA	NA	NA

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in , pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of any changes in the above mentioned information within five days from its occurrence.

Done, this NOV 14 2018 day of ________ at Makati City

CARLOS ALFONSO T. OCAMPO
Affiant

SUBSCRIBED AND SWORN to before me this NOV 14 2018 day of ______ at Makati City affiant personally appeared before me and exhibited to me his Passport with Passport Number P2096384A issued at DFA Manila on 02 March 2017 and valid until 01 March 2022.

Doc. No. 493;
Page No. 100;
Book No. I;
Series of 2018;

RAYMOND JOSEPH V. MERCADO
Appointment No. M-248 (2018-2019)
Until 31 December 2019
Roll No. 69899
IBP No. 011986; 07/18/17; Makati City
PTR No. 6614472; 01/04/18; Makati City
28th Flr., Pacific Star Bldg., Makati City

103122018001136

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000012942
Company Name	MARCVENTURES HOLDINGS, INC.
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

Document ID	103122018001136
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Document Code	LTR
Period Covered	March 09, 2018
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	

COVER SHEET

1 2 9 4 2

SEC Registration Number

MARCVENTURES HOLDINGS, INC.
(FORMERLY AJO NET HOLDINGS, INC

(Company's Full Name)

4TH FLR. CITI CENTER 8741
PASEO DE ROXAS, MAKATI
CITY

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

Diane Madelyn C. Ching
Contact Person

831-4479
Company Telephone Number

CERTIFICATION OF INDEPENDENT DIRECTOR
(VICENTE V. MENDOZA)

1 2 (Month) 3 1 (Day)
Fiscal Year

FORM TYPE

0 5 (Month) Day
Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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CERTIFICATE OF INDEPENDENT DIRECTOR

I, **Vicente V. Mendoza**, Filipino, or legal age and with address at **No. 3 Aster St., West Fairview, Quezon City,** after having been duly sworn to in accordance with law do hereby declare that:

1. I was elected independent director of **MARCVENTURES HOLDINGS INC. ("MARC")** last 15 February 2018.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
(NONE)		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of, as provided for in Section 38 of the Securities Regulation Code, its implementing Rules and Regulations and other SEC issuances.

4. I am not related to any director/officer/substantial shareholder of Marcventures Holdings Inc. and its subsidiaries and affiliates.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of any changes in the above mentioned information within five days from its occurrence.

VICENTE V. MENDOZA
Affiant

SUBSCRIBED AND SWORN to before me on MAR 0 9 2018 in MAKATI CITY, Philippines, by affiant who is personally known to me and whose identity I have confirmed through his ID TIN 113-342-528-000, issued on September 11, 2000.

Doc. No. 311;
Page No. 64;
Book No. 187
Series of 2018.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPOINTMENT NO. M-40
UNTIL DECEMBER 31, 2019
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. V-0016...
IBP O.R No.705782-LIFETIME MEMBER JAN. 29, 2007
PTR No. 6607610 - JAN. 03, 2018
EXECUTIVE BLDG. CENTER
MAKATI AVE., COR., JUPITER

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

COMPANY NAME

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

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	0998-985-0229

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,165	May 27	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

MARCVENTURES
HOLDINGS INC.

April 10, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Marcventures Holdings, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein for the years ended **December 31, 2017 and 2016** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended **December 31, 2017 and 2016** has audited the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

CESAR C. ZALAMEA
Chairman of the Board

ISIDRO C. ALCANTARA JR.
President

ROLANDO S. SANTOS
SVP-Finance

4th Floor, Citibank Center, 8741 Paseo de Roxas
Makati City 1227
(632) 831-4479 (632) 856-7976
(632) 831-4483
(632) 831-4484

SUBSCRIBED AND SWORN to before me this ______ day of APR 25 2018, 2018 at MAKATI CITY affiant(s) exhibiting to me their Passport as follows:

Name	Valid ID	Date/Place Issued
Cesar C. Zalamea	Senior#14467	12-19-08/ Mandaluyong
Isidro C. Alcantara	Passport# EB8303097	06-04-13/DFA-MANILA
Rolando S. Santos	Senior#1003235	March 2010/Antipolo

Doc. No. 130
Page No. 26
Book No. IV
Series of 2018.

ATTY. GERVACIO B. ORTIZ, JR.
Notary Public
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2018
PTR NO. 5909514 / 01-03-2017 / MAKATI
IBP NO 656155 LIFETIME MEMBER
APPT. NO. M 104 / 2017 / ROLL NO. 40091
MCLE COMPLIANCE NO. V-0006934
UNIT 102 PENINSULA COURT BLDG
8735 MAKATI AVE., MAKATI CITY

NICK JULE B. TORRES

Certified Public Accountant

CPA License No. 0141184
BOA Accreditation No. 8238

Unit 305 Pacific Century Tower,
Quezon Avenue, South Triangle
Quezon City 1800 Philippines
Phone : +632 426 5245
Mobile : +63 917 852 0190
E-mail : [illegible]

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

PRACTITIONER'S COMPILATION REPORT
DECEMBER 31, 2017 and 2016

NICK JULE B. TORRES
Certified Public Accountant

CPA License No. 0141184
BOA Accreditation No. 6238

Unit 395 Pacific Century Tower,
Quezon Avenue, South Triangle
Quezon City 1800 Philippines
Phone : +632 426 5245
Mobile : +63 917 852 0190
E-mail : nick.torres@dpcph.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT ON AN ENGAGEMENT TO COMPILE FINANCIAL STATEMENTS

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

Report on the Financial Statements

I have compiled the accompanying financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Group), which comprise the statement of financial position of as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

Based on the information provided by the management, I have applied my expertise in accounting and financial reporting to assist the Group in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information provided by the management for compilation. I have not conducted an audit nor a review of the accompanying financial statements. Accordingly, I do not express an audit opinion and provide any assurance, or a review conclusion on whether the financial statements are in accordance with the PFRS for SMEs.

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

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

NBT20180006

NICK JULE B. TORRES

Certified Public Accountant

CPA License No. 0141184
BOA Accreditation No. 8238

Unit 305 Pacific Century Tower,
Quezon Avenue, South Triangle
Quezon City 1500 Philippines
Phone : +632 426 5245
Mobile : +63 917 852 0190
E-mail : nick.torres@[illegible]

Practitioner's Responsibility

My responsibility is to perform this compilation engagement in accordance with Philippine Standards on Related Services 4410 (Revised) – *Compilation Engagements*, issued by Auditing Standards and Practices Council of the Philippines.

The objective of this compilation engagement is to assist the management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Practitioner's Independence

I am independent and had no direct financial interest with respect to the Group, in all material aspects of this compilation engagement during, the year ended December 31, 2017.

NICK JULE B. TORRES
Practitioner
CPA Certificate No. 0141184
Issued on July 12, 2015; valid until July 12, 2018
BOA Accreditation No. 8238
Issued on February 8, 2018; Valid until July 12, 2021
Tax Identification No. 273-144-666-0000
PTR No. 4457893

April 10, 2018

NBT20180006

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017, 2016 and 2015, and notes to financial statements, including summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017, 2016 and 2015 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements which discusses that on February 13 2017, Marcventures Mining and Development Corporation, the Subsidiary, received an order dated February 8, 2017 from the Department of Environment and Natural Resources cancelling the Subsidiary's Mineral Production Sharing Agreement (MPSA) No. 016-93-X (SMR) (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 subsidiary's operations. The Group has continued its mining operation in the areas covered by the MPSA. Further disclosures are discussed in Note 25 to the consolidated financial statements.

Key Audit Matters

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

<u>Assessment of Recoverability of Mining Rights on Explored Resources and Mine and Mining Properties</u>
The Group carries significant amounts of mining rights and other mineral assets with aggregate carrying amount of ₱3.9 billion and ₱2.0 billion as at December 31, 2017 and 2016, respectively (see Note 10). Under the PFRS, the Group is required to assess the carrying amounts of these assets if there is any indicator of impairment. The assessment is significant to our audit because the assessment process requires significant judgment, assumptions and estimates.

We performed procedures by verifying the historical accuracy of management's estimates along with the latest estimate of recoverable reserves and evaluated whether a reasonably possible change in assumptions could cause the carrying amount to exceed the estimated recoverable amounts.

Further disclosures are included in Note 3, *Significant Judgment, Accounting Estimates and Assumptions - Estimating Depletion Rate and Recoverable Reserves* and Note 10, *Mining Rights and Other Mining Assets.*

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our Auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this Auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-004-2017
Valid until January 13, 2020
PTR No. 6607958
Issued January 3, 2018, Makati City

April 10, 2018
Makati City, Metro Manila

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2017	2016
ASSETS			
Current Assets			
Cash	5	**₱47,062,535**	₱164,574,543
Trade and other receivables	6	**232,793,388**	65,897,770
Inventories	7	**229,447,620**	133,329,632
Advances to related parties	21	**42,828,377**	125,391,740
Other current assets	8	**93,729,220**	90,043,062
Total Current Assets		**645,861,140**	579,236,747
Noncurrent Assets			
Property and equipment	9	**381,263,997**	391,403,309
Mining rights and other mining assets	10	**3,865,845,679**	2,004,083,463
Net deferred tax assets	23	**11,308,435**	12,427,521
Other noncurrent assets	11	**411,834,110**	398,189,200
Total Noncurrent Assets		**4,670,252,221**	2,806,103,493
		₱5,316,113,361	₱3,385,340,240
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱287,820,914**	₱103,050,469
Loans payable	14	**80,000,000**	100,000,000
Current portion of long-term debt	14	**21,364,876**	19,102,704
Advances from a related party	21	**10,000,000**	5,000,000
Dividends payable	15	**4,707,886**	4,955,354
Income tax payable		**40,713,773**	31,998,383
Total Current Liabilities		**444,607,449**	264,106,910
Noncurrent Liabilities			
Long-term debt - net of current portion	14	**37,120,206**	55,213,782
Provision for mine rehabilitation and decommissioning	13	**49,796,810**	47,707,979
Retirement benefit liability	20	**36,400,994**	45,939,509
Deposit for future stock subscription	15	**75,000,000**	–
Deferred tax liability	4	**465,262,759**	–
Total Noncurrent Liabilities		**663,580,769**	148,861,270
Total Liabilities		**1,108,188,218**	412,968,180
Equity			
Capital stock	15	**2,969,088,599**	1,821,358,599
Additional paid-in capital (APIC)	15	**239,931,494**	212,655,494
Retained earnings		**963,441,676**	916,160,463
Other comprehensive income	20	**35,463,374**	22,197,504
Total Equity		**4,207,925,143**	2,972,372,060
		₱5,316,113,361	₱3,385,340,240

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2017**	2016	2015
REVENUE	16	**₱2,040,859,226**	₱1,919,188,114	₱2,330,484,178
COST OF SALES	17	**1,335,907,606**	1,421,749,117	2,065,758,686
GROSS INCOME		**704,951,620**	497,438,997	264,725,492
OPERATING EXPENSES	18	**562,340,607**	452,607,187	387,467,640
INCOME (LOSS) FROM OPERATIONS		**142,611,013**	44,831,810	(122,742,148)
INTEREST EXPENSE	14	**(11,856,932)**	(12,121,343)	(13,729,998)
INTEREST INCOME	5	**215,379**	280,563	377,478
OTHER INCOME (CHARGES) - Net	19	**(15,475,531)**	15,555,463	29,072,181
INCOME (LOSS) BEFORE INCOME TAX		**115,493,929**	48,546,493	(107,022,487)
PROVISION FOR INCOME TAX	23	**68,212,716**	43,404,711	12,032,265
NET INCOME (LOSS)		**47,281,213**	5,141,782	(119,054,752)
OTHER COMPREHENSIVE INCOME				
Not to be reclassified to profit or loss				
Remeasurement gain on retirement benefit liability - net of deferred income tax	20	**13,265,870**	3,094,504	4,202,857
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱60,547,083**	₱8,236,286	(₱114,851,895)
Basic and diluted earnings (loss) per share	24	**₱0.026**	₱0.002	(₱0.065)

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2017**	2016	2015
CAPITAL STOCK - ₱1 par value	15			
Authorized - 4,000,000,000 shares in 2017 and 2,000,000,000 shares in 2016				
Issued and outstanding:				
Balance at beginning of year		**₱1,821,358,599**	₱1,821,358,599	₱1,821,358,599
Issuance during the year		**1,147,730,000**	–	–
Balance at end of year		**2,969,088,599**	1,821,358,599	1,821,358,599
ADDITIONAL PAID-IN CAPITAL	15			
Balance at beginning of year		**212,655,494**	212,655,494	212,655,494
Proceeds in excess of par value		**27,276,000**	–	–
Balance at end of year		**239,931,494**	212,655,494	212,655,494
RETAINED EARNINGS	15			
Balance at beginning of year		**916,160,463**	911,018,681	1,030,073,433
Net income (loss)		**47,281,213**	5,141,782	(119,054,752)
Balance at end of year		**963,441,676**	916,160,463	911,018,681
OTHER COMPREHENSIVE INCOME				
Balance at beginning of year		**22,197,504**	19,103,000	14,900,143
Remeasurement gain on retirement benefit liability - net of deferred income tax	20	**13,265,870**	3,094,504	4,202,857
Balance at end of year		**35,463,374**	22,197,504	19,103,000
		₱4,207,925,143	₱2,972,372,060	₱2,964,135,774

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**₱115,493,929**	₱48,546,493	(₱107,022,487)
Adjustments for:				
Depletion	10	**130,120,696**	104,313,561	104,050,406
Depreciation	9	**74,340,114**	144,442,593	189,295,483
Loss on disposal of assets	9	**19,540,862**	853,793	685,172
Interest expense	14	**11,856,932**	12,121,343	13,729,998
Interest income	5	**(215,379)**	(280,563)	(377,478)
Operating income before working capital changes		**351,137,154**	309,997,220	200,361,094
Decrease (increase) in:				
Trade and other receivables		**(166,895,618)**	140,433,847	(192,770,808)
Inventories		**(96,117,988)**	(97,611,738)	134,656,725
Advances to related parties		**82,968,433**	(52,879,787)	(11,526,437)
Other current assets		**(2,010,959)**	(16,234,041)	(23,572,623)
Increase (decrease) in:				
Trade and other payables		**179,891,933**	(62,438,753)	(44,715,235)
Advances from a related party		**(120,860,136)**	5,000,000	–
Retirement benefit liability		**9,412,728**	15,459,453	13,599,920
Net cash generated from operations		**237,525,547**	241,726,201	76,032,636
Income tax paid		**(64,063,613)**	(26,701,858)	(1,701,000)
Interest received		**215,379**	280,563	377,478
Net cash provided by operating activities		**173,677,313**	215,304,906	74,709,114
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	9	**(120,359,684)**	(31,063,186)	(203,916,606)
Mine and mining properties	10	**(262,553,454)**	(168,304,994)	(346,729)
Other noncurrent assets		**(13,644,910)**	(13,284,573)	(125,001,676)
Proceeds from disposal of assets	9	**28,000,000**	–	1,302,778
Net cash used in investing activities		**(368,558,048)**	(212,652,753)	(327,962,233)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Deposit for future stock subscription	15	**75,000,000**	–	–
Issuance of shares	15	**50,006,000**	–	–
Payments of:				
Loans		**(39,204,861)**	(18,116,126)	(108,233,788)
Interest		**(9,816,144)**	(10,168,408)	(11,586,498)
Availment of loans		**1,631,200**	–	200,000,000
Dividends paid		**(247,468)**	–	(250,854,017)
Net cash provided by (used in) financing activities		**77,368,727**	(28,284,534)	(170,674,303)

	Note	2017	2016	2015
		Years Ended December 31		
NET DECREASE IN CASH		**(₱117,512,008)**	(₱25,632,381)	(₱423,927,422)
CASH AT BEGINNING OF YEAR		**164,574,543**	190,206,924	614,134,346
CASH AT END OF YEAR		**₱47,062,535**	₱164,574,543	₱391,130,898
NONCASH FINANCIAL INFORMATION				
Capitalized depreciation to mine and mining properties	10	**₱10,680,519**	₱9,714,743	₱–
Reclassification from construction-in-progress to mine and mining properties	9	**–**	–	8,521,769
		₱10,680,519	₱9,714,743	₱8,521,769

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

General Information

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

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

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, 2017 and 2016, 1,821,358,599 shares of the Parent Company's shares of stock are listed in the PSE.

The registered address of the Parent Company is at 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

The consolidated financial statements as at December 31, 2017 and 2016, and for the years ended December 31, 2017, 2016 and 2015 were approved and authorized for issue by the Board of Directors (BOD) on April 10, 2018.

Merger of the Parent Company, Brightgreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC)

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as the surviving entity and the increase in authorized capital stock of the Parent Company to accommodate the merger from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

BHI owns 100% interest in BrightGreen Resources Corporation (BGRC) and APMPC owns 100% interest in Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI).

Information about the Subsidiaries

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

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

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

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

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

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations (see Note 25). Accordingly, the Company has continued its mining operations in areas covered by the MPSA.

BGRC. BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business.

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

AMPI. AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

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

BARI. was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

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

BGRC, AMPI and BARI received Show-Cause Orders dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation (see Note 25).

BGRC submitted a reply explaining that it has prior legal right.

AMPI and BARI submitted replies that their contract areas are not part of any watershed and are even declared as Bauxite Mineral Reservations which allows development of bauxite deposits (see Note 25).

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 (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Measurement Bases

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the 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 relevant amended PFRS which the Company adopted effective for annual periods beginning January 1, 2017:

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

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and the fair value is below the asset's tax base (e.g. deferred tax asset related to unrealized losses on debt instruments measured at fair value), as well as certain other aspects of accounting for deferred tax assets.

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 in Issue But Not Yet Effective
Relevant new PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below. The Company intends to adopt these standards when they become effective.

Effective for annual periods beginning 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; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

  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.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15 - *Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

Effective for annual periods beginning January 1, 2019

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement 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 accounts of the Parent Company and its subsidiaries, MMDC as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, and BGRC, AMPI and BARI as at December 31, 2017.

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

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

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

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

Financial Assets and Liabilities

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.

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

As at December 31, 2017 and 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, 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 excise tax and other statutory payables), loans payable, long-term debt, advances from a related party and dividends payable.

Derecognition of Financial Assets and Liabilities

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

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

Financial Liabilities. 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.

Offsetting Financial Assets and Liabilities
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.

Impairment of Financial Assets
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.

Cash
Cash in the consolidated statements of financial position comprise cash on hand and in banks, excluding any restricted cash. Restricted cash, which includes RCF and MTF, is not available for use by the Company and therefore is not considered highly liquid.

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

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

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

Mining and Office Supplies. Mining and office supplies comprise purchase costs of mechanical, electrical and other materials determined on a moving average method.

Prepaid Expenses. 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.

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

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 furniture, fixtures and equipment	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 and Other Mining Assets

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

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

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

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

Exploration and evaluation activities include:

- Gathering exploration data through geological studies;
- Exploratory drilling and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

Once the reserves are established and development is sanctioned, deferred exploration costs are tested for impairment and reclassified to mine development costs.

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

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

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount, which is the greater of fair value less 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.

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

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

Remeasurements comprising actuarial gains and losses 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 (OCI) 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. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's operating results, dividend distributions, effect of change in accounting policy and other capital adjustments.

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

Deposit for Future Stock Subscription
Deposit for future subscription represents funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Deposit for future stock subscription is recognized as equity if and only if, all of the following elements set forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

- There is BOD and stockholders' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);

- The application for the approval of the proposed increase has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a 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 during the period.

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 when the related goods are sold.

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

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 and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as 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 by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any.

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

Events After the Reporting Date

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

Segment Reporting

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

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3. Significant Judgment, Accounting Estimates and Assumptions

PFRS requires management to make judgment and estimates that affect the amounts reported in the consolidated financial statements. The judgment 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.

Judgment

In the process of applying the Company's accounting policies, management has made the following judgment, 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 (see Note 1). Accordingly, the management has assessed that the company will continue as a going concern.

Establishing Control over the Subsidiaries. The Parent Company determined that it has control over the subsidiaries 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.

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

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

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

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.

Rent expense amounted to ₱8.7 mllion, ₱4.3 million and ₱0.9 million in 2017, 2016 and 2015, respectively (see Note 18).

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

Allowance for receivable impairment amounted to ₱11.0 million as at December 31, 2017 and 2016 (see Note 6).

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

	Note	**2017**	2016
Trade and other receivables	6	**₱232,793,388**	₱65,897,770
Advances to related parties	21	**42,828,377**	125,391,740

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

The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱229.4 million and ₱133.3 million as at December 31, 2017 and 2016, respectively (see Note 7).

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 ₱302.4 million and ₱283.5 million as at December 31, 2017 and 2016, respectively (see Note 11).

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 2017 and 2016. Property and equipment, net of accumulated depreciation, amounted to ₱381.3 million and ₱391.4 million as at December 31, 2017 and 2016, respectively (see Note 9).

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

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

	Note	2017	2016
Mining rights	10	**₱2,625,357,305**	₱1,044,207,566
Mine and mining properties	10	**1,162,652,800**	959,875,897

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

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

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of "Mining assets" in the statements of financial position, amounted to ₱35.9 million and ₱38.0 million as at December 31, 2017 and 2016, respectively (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱49.8 million and ₱47.7 million as at December 31, 2017 and 2016, respectively (see Note 13).

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 2017, 2016 and 2015.

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

	Note	2017	2016
Mining rights and other mining assets	10	**₱3,865,845,679**	₱2,004,083,463
Property and equipment	9	**381,263,997**	391,403,309
Other current assets	8	**93,729,220**	90,043,062
Other noncurrent assets (excluding financial assets and input VAT)	11	**103,397,035**	108,736,546

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 ₱36.4 million and ₱45.9 million as at December 31, 2017 and 2016, respectively (see Note 20).

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 ₱11.6 million and ₱14.0 million as at December 31, 2017 and 2016, respectively (see Note 23).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability as at December 31, 2017 and 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 ₱15.8 million and ₱16.4 million as at December 31, 2017 and 2016, respectively (see Note 23).

4. Acquisition of Group of Assets

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as surviving entity (see Note 1). As at the acquisition date, BHI's and APMPC's assets consist mainly of mining rights and deferred exploration costs. Management determined that based on the substance of the underlying circumstances at that date, BHI and APM did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed in the group based on their relative fair values.

Allocation of the acquisition cost of the group of assets and liabilities of BHI and APM are as follows:

	BHI	APM	Allocation
Assets			
Current assets	₱2,862,560	₱111,725	₱2,974,285
Mining rights	695,649,865	945,163,500	1,640,813,365
Deferred exploration costs	75,640,185	2,195,389	77,835,574
Property and equipment	2,062,499	–	2,062,499
	776,215,109	947,470,614	1,723,685,723
Liabilities			
Due to related parties	111,856,563	14,897,589	126,754,152
Deferred tax liability	211,153,999	254,108,760	465,262,759
Loans payable	1,742,257	–	1,742,257
Other liabilities	1,462,290	3,464,265	4,926,555
	326,215,109	272,470,614	598,685,723
Net assets acquired	₱450,000,000	₱675,000,000	₱1,125,000,000

The consideration for the acquisition cost consists of 1,125,000,000 common shares of the Parent Company issued at ₱1 per share.

The fair value of the mining rights used as basis for allocating the acquisition cost are based on report by Competent Persons (CP) dated June 30, 2017 and was arrived at using the Discounted Cash Flow method (DCF) under the income approach methodology. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. Under the DCF method, the forecasted cash flows is discounted back to the valuation date, resulting in a present value of the asset.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the Group's mining rights follows:

	BHI	APM
Mining life	10	20
Discount rate	12%	12%
Estimated mineral ore reserves (WMT):		
Nickel ore	9,513,459	–
Bauxite ore	–	28,904,888
Market price (per WMT)	₱850 to ₱1,550	₱1,350 to ₱1,550
Estimated annual shipment of mineral ore (WMT)	951,345	1,445,244
Production costs:		
Average variable cost	₱477 to ₱479	₱663
Fixed	₱448	₱490
Operating costs (percentage of gross revenue)	18%	19% to 33%
Estimated project costs	₱976,901,820	₱1,693,192,588
Exchange rate of Philippine Peso to US Dollar	₱50: $1	₱50: $1

Discount Rate. The risk inherent in the pre-feasibility study stage and scale of production was considered in determining the Risk Adjusted Discount Rate that was used to discount the net cash flows generated from shipments during the period of analysis.

Estimated Mineral Ore Reserves. Ore reserve estimation is performed by the CP in accordance with Philippine Mineral Reporting Code.

Market Prices. Market prices are based on the Bloomberg conservative Nickel ore price forecast and Shanghai metal market for the nickel and bauxite mineral ore, respectively.

Production Costs. Estimated costs incurred in extracting mineral ores that composed of variable and fixed costs.

Operating Cost. Estimated cost of administering the business and costs incurred to sell and market goods.

Estimated Project Costs. Project costs pertain to project-related capital expenditures such as mining equipment fleet, mine support services equitment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitiation and decommissioning program.

Sensitivity Analysis
Significant increases (decreases) in estimated mineral ore reserves, market price and exchange rate in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate, production and operating costs and estimated project costs in isolation would result in a lower (higher) fair value measurement.

Information about the absorbed companies

BHI. BHI was incorporated and registered with SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BGRC (see Note 1).

APMPC. APMPC was incorporated and registered with SEC on August 14, 2013 to engage in mining activities. APM owns 100% interests in AMPI and BARI (see Note 1).

5. Cash

This account consists of:

	2017	2016
Cash on hand	**₱155,951**	₱259,726
Cash in banks	**46,906,584**	164,314,817
	₱47,062,535	₱164,574,543

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

	Note	**2017**	2016	2015
Cash in banks		**₱171,058**	₱243,983	₱333,664
Other noncurrent assets	11	**44,321**	36,580	43,814
		₱215,379	₱280,563	₱377,478

6. Trade and Other Receivables

This account consists of:

	2017	2016
Trade receivables	**₱201,115,654**	₱39,773,558
Advances to officers and employees	**28,547,655**	24,377,320
Others	**14,166,606**	12,783,419
	243,829,915	76,934,297
Allowance for impairment	**(11,036,527)**	(11,036,527)
	₱232,793,388	₱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 include advances to former related parties which are fully provided with allowance.

No provision for impairment loss was recognized in 2017, 2016 and 2015.

7. Inventories

This account consists of beneficiated nickel ore amounting to ₱229.4 million and ₱133.3 million which is stated at cost as at December 31, 2017 and 2016. The cost of inventories is lower than its NRV.

Inventories charged to "Cost of sales" account in the consolidated statements of comprehensive income amounted ₱1,335.9 million, ₱1,421.7 million and ₱2,065.8 million in 2017, 2016 and 2015, respectively (see Note 17).

8. Other Current Assets

This account consists of:

	2017	2016
Prepaid income tax	**₱49,646,183**	₱38,349,000
Mining and office supplies	**22,537,023**	32,438,783
Prepaid expenses	**7,926,806**	8,714,578
Advances to contractors and suppliers	**5,825,769**	4,999,993
Others	**7,793,439**	5,540,708
	₱93,729,220	₱90,043,062

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

Mining and office supplies include mechanical, electrical and other materials that will be used in the 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).

9. Property and Equipment

Movements in this account are as follows:

	2017					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	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	–	33,363,609	6,324,538	55,965,429	24,706,108	120,359,684
Acquired through merger (Note 4)	–	–	–	2,062,499	–	2,062,499
Disposal	–	–	(7,444,571)	(510,001,039)	–	(517,445,610)
Balance at end of year	57,933,414	168,864,919	81,028,227	376,871,520	36,453,775	721,151,855
Accumulated Depreciation						
Balance at beginning of year	–	40,079,998	54,165,998	630,525,977	–	724,771,973
Depreciation	–	11,073,093	16,533,178	57,414,362	–	85,020,633
Disposal	–	–	(4,630,071)	(465,274,677)	–	(469,904,748)
Balance at end of year	–	51,153,091	66,069,105	222,665,662	–	339,887,858
Net Carrying Amount	₱57,933,414	₱117,711,828	₱14,959,122	₱154,205,858	₱36,453,775	₱381,263,997

	2016					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	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 are expected to be completed in 2019.

Heavy and transportation equipment with carrying value of ₱63.8 million and ₱92.4 million as at December 31, 2017 and 2016, respectively, are held as collaterals for loans payable. In 2017, the Company obtained additional long-term debt with transportation equipment held as collateral with carrying amount of ₱1.5 million (see Note 14).

In 2017, 2016 and 2015, the Company disposed of property and equipment with a carrying value of ₱47.5 million, ₱0.9 million and ₱5.3 million resulting to loss of ₱19.5 million, ₱0.9 million and ₱0.7 million, respectively (see Note 19).

Depreciation is allocated to profit or loss as follows:

	Note	2017	2016	2015
Charged to:				
Cost of sales	17	**₱21,473,667**	₱92,267,699	₱146,539,445
Operating expenses	18	**52,866,447**	52,174,894	42,756,038
		74,340,114	144,442,593	189,295,483
Capitalized to mine development costs	10	**10,680,519**	9,714,743	–
		₱85,020,633	₱154,157,336	₱189,295,483

Fully depreciated property and equipment with cost of ₱72.3 million and ₱32.7 million as at December 31, 2017 and 2016, respectively, are still being used by the Company and retained in the accounts.

10. Mining Rights and Other Mining Assets

This account consists of:

	2017					
			Mine and Mining Properties			
	Mining Rights	Deferred Exploration Costs	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	**–**	**–**	**273,233,973**	**–**	**273,233,973**	**273,233,973**
Acquired through merger (Note 4)	**1,640,813,365**	**77,835,574**	**–**	**–**	**–**	**1,718,648,939**
Balance at end of year	**2,935,579,522**	**77,835,574**	**1,383,428,703**	**42,170,134**	**1,425,598,837**	**4,439,013,933**
Accumulated Depletion						
Balance at beginning of year	**250,558,591**	**–**	**188,352,511**	**4,136,456**	**192,488,967**	**443,047,558**
Depletion	**59,663,626**	**–**	**68,283,913**	**2,173,157**	**70,457,070**	**130,120,696**
Balance at end of year	**310,222,217**	**–**	**256,636,424**	**6,309,613**	**262,946,037**	**573,168,254**
Net Carrying Amount	**₱2,625,357,305**	**₱77,835,574**	**₱1,126,792,279**	**₱35,860,521**	**₱1,162,652,800**	**₱3,865,845,679**

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

Mining Rights

Mining rights of the Group consist of:

	Note	2017	2016
Mining rights on explored resources		**₱984,543,940**	₱1,044,207,566
Mining rights of BGRC, AMPI and BARI	4	**1,640,813,365**	–
		₱2,625,357,305	₱1,044,207,566

Mining Rights of MMDC. Mining rights of MMDC 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.

Deferred Exploration Costs

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

Mine and Mining Properties

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

The additions in mine and mining properties include construction of roads, bridges and mine yards, and depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱10.7 million and ₱9.7 million in 2017 and 2016, respectively (see Note 9).

Mine Rehabilitation Asset. Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of MMDC's ore activities, as required in MMDC's MPSA (see Note 13).

11. **Other Noncurrent Assets**

This account consists of:

	Note	2017	2016
Input VAT		**₱302,373,370**	₱283,517,108
Advances to a contractor		**101,139,441**	107,238,890
RCF		**5,433,209**	5,381,089
MTF		**164,537**	163,299
Rental deposit	22	**465,959**	391,158
Others		**2,257,594**	1,497,656
		₱411,834,110	₱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 ₱44,321, ₱36,580 and ₱43,814 in 2017, 2016 and 2015 respectively (see Note 5).

12. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade payables		**₱230,248,768**	₱64,157,349
Excise tax and other statutory payables		**40,576,834**	35,056,523
Accrued expenses:			
Interest	14	**138,547**	186,590
Salaries and wages		**–**	4,493
Others		**14,649,017**	2,854,168
Others		**2,207,748**	791,346
		₱287,820,914	₱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 generally noninterest bearing except for a portion which is bearing interest at 12% per annum. Trade payables are generally on a 90-day credit term.

Interest expense related to trade payable amounted to ₱0.2 million in 2015, respectively (see Note 14).

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

Other accrued expenses include accrual of expenditures for social development management program as required by the MGB.

Others pertain to advances from a former related party.

13. Provision for Mine Rehabilitation and Decommissioning

The movements in this account are as follows:

	Note	2017	2016
Balance at beginning of year		**₱47,707,979**	₱45,709,730
Accretion of interest	14	**2,088,831**	1,998,249
		₱49,796,810	₱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.

14. Loans Payable

This account consists of:

	2017	2016
Short-term loan – MMDC	**₱80,000,000**	₱100,000,000
Long-term debt:		
MMDC	**₱56,742,825**	₱74,316,486
BGRC	**1,742,257**	–
	58,485,082	74,316,486
Less current portion	**21,364,876**	19,102,704
	₱37,120,206	₱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 has maturity of not more than one year.

On January 12, 2015, MMDC obtained credit facility amounting to ₱200.0 million, ₱20.0 million and ₱100.0 million of which was paid in 2017 and 2015, respectively, 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 Debt

MMDC

In 2017, the Company obtained a five (5) year promissory note of ₱1.6 million from a local bank. The note which is covered by a chattel mortgage on transportation equipment, bears an annual interest rate of 10.34% and is maturing on July 11, 2022.

The carrying amount of transportation equipment held as collateral amounted to ₱1.5 million as at December 31, 2017 (see Note 9).

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, bears an annual interest rate of 6% and is maturing on July 15, 2020.

The carrying amount of transportation equipment held as collateral amounted to ₱63.8 million and ₱92.4 million as at December 31, 2017 and 2016, respectively (see Note 9).

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.

BGRC
On June 30, 2016, BGRC obtained secured promissory notes with chattel mortage from a local bank amounting to ₱2.6 million. The loans bear a fixed interest rate of 9.02% per annum. The principal and interest are payabe monthly starting July 30, 2016 until May 30, 2020.

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

	Note	2017	2016	2015
Loans payable Long-term debt		**₱9,768,101**	₱10,123,094	₱11,660,627
Provision for mine rehabilitation	13	**2,088,831**	1,998,249	1,911,596
Trade payable	12	**–**	–	157,775
		₱11,856,932	₱12,121,343	₱13,729,998

Interest payable amounted to ₱0.1 million and ₱0.2 million as at December 31, 2017 and 2016, respectively (see Note 12).

15. Equity

Movements in this account are as follows:

	2017	2016
Authorized capital stock - ₱1 par value	**₱4,000,000,000**	₱2,000,000,000
Capital stock		
Balance at beginning of year	**₱1,821,358,599**	₱1,821,358,599
Issuance during year:		
Issuance	**1,125,000,000**	–
Additional subscription by a stockholder	**22,730,000**	–
Balance at end of year	**₱2,969,088,599**	₱1,821,358,599
Additional paid-in capital		
Balance at beginning of year	**₱212,655,494**	₱212,655,494
Proceeds in excess of par value	**27,276,000**	–
Balance at end of year	**₱239,931,494**	₱212,655,494

On December 29, 2017, the SEC approved the increase in authorized capital stock of the Parent Company to accommodate the merger, as stated in Note 1, from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

In 2017, a stockholder subscribed additional 22,730,000 shares of the Parent Company at ₱2.2 per share with the total proceeds of ₱50.0 million resulting to ₱27.3 million proceeds in excess of par value.

In 2017, the Parent Company received an advances from a stockholder amounting ₱75.0 million intended for future stock subscription.

Retained Earnings

Cash dividends declared by the Company are as follows:

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

Dividends payable amounted to ₱4.7 million and ₱5.0 million as at December 31, 2017 and 2016, respectively.

16. Revenue

This account consists of:

	2017	2016	2015
Sale of ore	**₱1,965,721,726**	₱1,819,748,114	₱2,198,716,173
Reservation fee for ore allocation	**75,137,500**	99,440,000	131,768,005
	₱2,040,859,226	₱1,919,188,114	₱2,330,484,178

17. Cost of Sales

This account consists of:

	Note	2017	2016	2015
Contractual services		**₱878,415,391**	₱868,374,361	₱1,194,755,300
Personnel costs		**137,032,654**	137,924,319	₱209,212,344
Production overhead		**132,745,664**	182,434,748	185,108,158
Depletion	10	**130,120,696**	104,313,561	104,050,406
Demurrage costs		**93,557,647**	94,385,355	52,682,180
Excise tax		**38,679,875**	39,660,812	38,754,128
Depreciation	9	**21,473,667**	92,267,699	146,539,445
		1,432,025,594	1,519,360,855	1,931,101,961
Net movement in inventories		**(96,117,988)**	(97,611,738)	134,656,725
		₱1,335,907,606	₱1,421,749,117	₱2,065,758,686

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

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

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

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

18. Operating Expenses

This account consists of:

	Note	**2017**	2016	2015
Salaries and allowances		**₱112,225,365**	₱111,752,671	₱113,260,555
Environmental expenses	22	**62,216,496**	34,238,744	11,415,097
Taxes and licenses		**57,454,881**	38,322,335	18,826,285
Depreciation	9	**52,866,447**	52,174,894	42,756,038
Outside services		**43,771,015**	19,969,239	6,258,272
Professional fees		**39,684,090**	37,009,784	48,952,781
Social development program	22	**33,077,690**	29,700,421	26,746,937
Loading fees		**22,092,383**	15,582,608	20,034,408
Moisture penalty		**20,580,742**	–	–
Royalties	22	**20,394,770**	19,107,355	23,086,520
Transportation and travel		**16,785,170**	14,787,932	7,635,571
Retirement benefit expense	20	**9,412,728**	15,459,453	13,599,920
Rent expense	22	**8,671,875**	4,339,188	859,495
Office supplies		**8,665,461**	3,053,021	4,763,040
Representation		**7,336,179**	3,366,159	3,402,641
Communication, light and water		**5,498,512**	4,924,130	6,833,794
Community relations		**4,847,803**	21,603,210	17,864,896
Dues and subscriptions		**3,858,466**	2,589,491	2,234,532
Advertisement		**2,363,687**	89,605	1,284,313
Repairs and maintenance		**1,497,695**	4,041,641	3,265,362
Others		**29,039,152**	20,495,306	14,387,183
		₱562,340,607	₱452,607,187	₱387,467,640

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

19. **Other Income (Charges)** - Net

This account consists of:

	Note	**2017**	2016	2015
Loss on disposal of assets	9	**(₱19,540,862)**	(₱853,793)	(₱685,172)
Income from sale of scrap		**1,631,825**	–	–
Foreign exchange gain		**808,738**	11,687,034	29,526,583
Service income		**–**	5,000,000	–
Others		**1,624,768**	(277,778)	230,770
		(₱15,475,531)	₱15,555,463	₱29,072,181

20. **Retirement Benefit Liability**

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

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2017.

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

	2017	2016	2015
Current service cost	**₱6,939,581**	₱13,732,263	₱12,321,708
Net interest cost	**2,473,147**	1,727,190	1,278,212
	₱9,412,728	₱15,459,453	₱13,599,920

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

	2017	2016
Balance at beginning of year	**₱45,939,509**	₱34,900,776
Current service cost	**6,939,581**	13,732,263
Net interest cost	**2,473,147**	1,727,190
Net actuarial gain	**(18,951,243)**	(4,420,720)
Balance at end of year	**₱36,400,994**	₱45,939,509

The principal actuarial assumptions used to determine retirement benefit for 2017 and 2016 are as follows:

	2017	2016
Discount rates	**5.68%**	5.36%
Salary increase rates	**5.00%**	5.00%

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

Sensitivity analysis on defined benefit obligation as at December 31, 2017 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+100	(₱4,127,508)
	-100	5,018,493
Salary increase rate	+100	5,006,393
	-100	(4,175,499)

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:

	2017		
	Accumulated Actuarial Gain	**Deferred Tax Liability (see Note 23)**	**Net Actuarial Gain**
Balance at beginning of year	**₱31,710,719**	**(₱9,513,215)**	**₱22,197,504**
Actuarial gain	**18,951,243**	**(5,685,373)**	**13,265,870**
Balance at end of year	**₱50,661,962**	**(₱15,198,588)**	**₱35,463,374**

	2016		
	Accumulated Actuarial Gain	Deferred Tax Liability (see Note 23)	Net Actuarial Gain
Balance at beginning of year	₱27,289,999	(₱8,186,999)	₱19,103,000
Actuarial gain	4,420,720	(1,326,216)	3,094,504
Balance at end of year	₱31,710,719	(₱9,513,215)	₱22,197,504

The expected future benefit payments follow:

Financial Year	Amount
2018	₱2,445,076
2019	10,820
2020	13,465
2021	550,785
2022 and after	14,722,072

21. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

	Transaction Amounts		Outstanding Balances		
Related Parties	**2017**	2016	**2017**	2016	Nature and Terms
Advances to related parties	**₱42,828,377**	₱52,879,787	**₱42,828,377**	₱125,391,740	Working fund; unsecured; noninterest-bearing; payable on demand
Advances from a related party	**₱5,000,000**	₱5,000,000	**₱10,000,000**	₱5,000,000	Working fund; unsecured; noninterest-bearing; payable on demand

As at December 31, 2017 and 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.

Compensation of Key Management Personnel

Compensation of key management personnel consists of benefits amounting to ₱98.0 million, ₱104.1 million and ₱109.0 million in 2017, 2016 and 2015, respectively.

22. Commitments

Social and Environmental Responsibility

Social Development Management Programs (SDMP)

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

The Company's implemented programs to host communities amounted to ₱33.1 million, ₱29.7 million and ₱26.7 million in 2017, 2016 and 2015, respectively (see Note 18).

Environmental Protection and Enhancement Program (EPEP)

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

The Company implemented projects amounting to ₱62.2 million, ₱34.2 million and ₱11.4 million in 2017, 2016 and 2015, respectively (see Note 18).

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 ₱3.9 million and ₱1.0 million in 2017 and 2016, respectively. Royalty expense amounted to ₱20.4 million, ₱19.1 million and ₱23.1 million in 2017, 2016 and 2015, respectively (see Note 18).

Lease Commitments

The Company leases an office space for its operations. The lease is for a period of five (5) years and in 2017 the lease agreement was renewed for two (2) years. Rental deposit amounted to ₱0.5 million and ₱0.4 million as at December 31, 2017 and 2016 (see Note 11).

Rental expense charged to operations amounted to ₱8.7 million, ₱4.3 million and ₱0.9 million in 2017, 2016 and 2015 (see Note 18).

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**	–
	₱200,000	₱100,000

23. **Income Taxes**

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

	2017	2016	2015
Current	**₱72,779,003**	₱41,300,820	₱20,900,421
Deferred	**(4,566,287)**	2,103,891	(8,868,156)
	₱68,212,716	₱43,404,711	₱12,032,265

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

	2017	2016	2015
Income tax at statutory rate	**₱34,648,179**	₱14,563,948	(₱32,106,746)
Changes in unrecognized deferred tax assets	**(591,060)**	(14,645,172)	7,603,579
Add (deduct) income tax effects of:			
Nondeductible expenses	**31,720,211**	32,742,053	33,679,570
Expired MCIT	**2,500,000**	–	–
Expired NOLCO	**–**	10,828,051	2,969,106
Interest income subjected to final tax	**(64,614)**	(84,169)	(113,244)
	₱68,212,716	₱43,404,711	₱12,032,265

The Company's net deferred tax assets arising from temporary differences as at December 31, 2017 and 2016 are summarized as follows:

	2017	2016
Deferred tax assets:		
Retirement benefit liability	**₱8,409,563**	₱11,449,778
Provision for mine rehabilitation	**1,799,603**	1,172,954
Allowance for impairment loss on receivables	**1,341,890**	1,341,890
	11,551,056	13,964,622
Deferred tax liability on unrealized foreign exchange gain	**(242,621)**	(1,537,101)
	₱11,308,435	₱12,427,521

The presentation of net deferred tax assets are as follows:

	2017	2016
Reported in profit or loss	**₱26,507,023**	₱21,940,736
Reported in other comprehensive income	**(15,198,588)**	(9,513,215)
	₱11,308,435	₱12,427,521

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

	2017	2016
NOLCO	**₱8,090,404**	₱8,060,124
MCIT	**5,201,000**	6,001,000
Retirement benefit liability	**2,510,735**	2,332,075
	₱15,802,139	₱16,393,199

Details of NOLCO of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2017	2020	₱100,933	₱–	₱100,933
2015	2018	26,867,079	–	26,867,079
		₱26,968,012	₱–	₱26,968,012

Details of MCIT of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2017	2020	₱1,700,000	₱–	₱1,700,000
2016	2019	1,800,000	–	1,800,000
2015	2018	1,701,000	–	1,701,000
2014	2017	2,500,000	(2,500,000)	–
		₱7,701,000	₱–	₱5,201,000

24. Earnings Per Share

Earnings per share are computed as follows:

	2017	2016	2015
Net income (loss) shown in the consolidated statements of comprehensive income (a)	**₱47,281,213**	₱5,141,782	(₱119,054,752)
Weighted average number of common shares (b)	**1,832,723,599**	1,821,358,599	1,821,358,599
Basic earnings (loss) per share (a/b)	**₱0.026**	₱0.002	(₱0.065)

The Company does not have potentially dilutive common shares.

25. Contingencies

Cancellation of MMDC's MPSA

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 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.

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

Show-Cause Orders of BGRC, AMPI and BARI

BGRC, AMPI and BARI received a Show-Cause Orders dated February 13, 2017. In the Show-Cause Orders, it was alleged that the contract area covered by their MPSAs is within a watershed, such that if mining operations will be conducted therein, its ecological functions will be impaired.

On February 27, 2017, BGRC submitted a reply to the Show-Cause Orders explaining that BGRC has prior legal right considering that the BGRC's MPSA was approved on July 1, 1993, while Proclamation No. 1747 on the proclamation of watershed areas was only issued on March 23, 2009. Notably, Proclamation No. 1747 provides that prior rights should be respected. Thus, BGRC should be allowed to continue their operations over their contract areas.

AMPI and BARI submitted replies that their contract areas are not part of any watershed and are even declared as Bauxite Mineral Reservations which allows development of bauxite deposits. Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that their mining tenements are outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

The management and its legal counsel believe that the alleged violation is without basis in fact and in law.

26. Financial Risk Management Objectives and Policies

General

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

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, loans payable and long-term debt. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as trade and other receivables (excluding advances from officers and employees), RCF, MTF, trade and other payables (excluding excise tax and other statutory 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, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

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

The Company's transactional currency exposures arise from its cash in banks and trade receivables which are denominated in 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 their Philippine Peso equivalent as at December 31, 2017 and 2016:

	2017		2016	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Current financial assets:				
Cash in banks	**₱12,730,575**	**$254,968**	₱101,059,394	$2,032,570
Trade receivables	**201,115,654**	**4,027,952**	39,773,558	799,951
	₱213,846,229	**$4,282,920**	₱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 December 31, 2017 and 2016, the exchange rate applied was ₱49.93 and ₱49.72 per US$1, respectively.

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2017 and 2016 (due to changes in the fair value of financial assets and liabilities). There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2017	**+0.21**	**₱899,413**
	-0.21	**(899,413)**
December 31, 2016	+2.66	₱7,534,506
	-2.66	(7,534,506)

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

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

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

The tables below show the credit quality per class of financial assets as at December 31, 2017 and 2016. The Company does not have financial assets that are past due but not impaired.

	December 31, 2017					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱46,906,584	₱–	₱–	₱–	₱–	₱46,906,584
Trade and other receivables*	–	201,115,654	3,130,079	–	11,036,527	215,282,260
Advances to related parties	–	42,828,377	–	–	–	42,828,377
RCF and MTF	5,597,746	–	–	–	–	5,597,746
Rental deposit	–	465,959	–	–	–	465,959
	₱52,504,330	₱244,409,990	₱3,130,079	₱–	₱11,036,527	₱311,080,926

**Excluding advances to officers and employees amounting to ₱28.5 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 ₱24.4 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.

The table below set forth the estimated change in the Company's income before tax to a reasonably possible change in the market prices of loans payable brought about by reasonably possible change in interest rates as at December 31, 2017.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2017	**+3.32%**	**₱98,239**
	-3.32%	**(98,239)**
December 31, 2016	+4.15%	₱184,947
	-4.15%	(184,947)

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

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2017 and 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	Within One Year	More than one year	Total
December 31, 2017						
Trade and other payables*	**₱234,750,256**	**₱12,355,277**	**₱–**	**₱–**	**₱–**	**₱247,105,533**
Dividends payable	**–**	**–**	**–**	**4,707,886**	**–**	**4,707,886**
Loans payable**	**80,000,000**	**5,865,080**	**5,865,080**	**11,767,917**	**38,123,471**	**141,621,548**
Advances from a related party	**–**	**10,000,000**	**–**	**–**	**–**	**10,000,000**
	₱314,750,256	**₱28,220,357**	**₱5,865,080**	**₱16,475,803**	**₱38,123,471**	**₱403,434,967**
December 31, 2016						
Trade and other payables*	₱56,991,260	₱832,928	₱–	₱9,983,168	₱–	₱67,807,356
Dividends payable	–	–	–	4,955,354	–	4,955,354
Loans payable**	100,000,000	6,342,560	6,367,568	6,367,568	63,725,409	182,803,105
Advances from a related party	5,000,000	–	–	–	–	5,000,000
	₱161,991,260	₱7,175,488	₱6,367,568	₱21,306,090	₱63,725,409	₱260,565,815

**Excluding excise tax and other statutory payables amounting to ₱40.6 million and ₱35.1 million as at December 31, 2017 and 2016, respectively.*
***Including interest payable up to maturity amounting to ₱4.9 million and ₱8.5 million as at December 31, 2017 and 2016, respectively.*

<u>Fair Value of Financial Assets and Financial Liabilities</u>

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:

	2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**₱47,062,535**	**₱47,062,535**	₱164,574,543	₱164,574,543
Trade and other receivables*	**204,245,733**	**204,245,733**	41,520,450	41,520,450
Advances to related parties	**42,828,377**	**42,828,377**	125,391,740	125,391,740
RCF and MTF	**5,597,746**	**5,597,746**	5,544,388	5,544,388
Rental deposit	**465,959**	**465,959**	391,158	391,158
	₱300,200,350	**₱300,200,350**	₱337,422,279	₱337,422,279

**Excluding advances to officers and employees amounting to ₱28.5 million and ₱24.4 million as at December 31, 2017 and 2016, respectively.*

	2017		2016	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables*	**₱247,105,533**	**₱247,105,533**	₱67,807,356	₱67,807,356
Dividends payable	**4,707,886**	**4,707,886**	4,955,354	4,955,354
Loans payable	**138,485,082**	**142,593,120**	174,316,486	178,259,168
Advances from a related party	**10,000,000**	**10,000,000**	5,000,000	5,000,000
	₱400,298,501	**₱404,406,539**	₱252,079,196	₱256,021,878

**Excluding excise tax and other statutory payables amounting to ₱40.6 million and ₱35.1 million as at December 31, 2017 and 2016, respectively.*

Cash, Trade and Other Receivables, RCF and MTF, 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.

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

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. The Company monitors its capital using debt to equity ratio. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or by conversion of related party advances to an equity component item.

There were no changes in the Company's objectives, policies or processes in 2017, 2016 and 2015.

28. **Notes to Statements of Cash Flows**

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

				Noncash Changes		
	Note	Balance as at December 31, 2016	Cash Flows from Financing Activities	Transaction resulted from merger (Note 4)	Interest expense	Balance as at December 31, 2017
Capital stock		₱1,821,358,599	₱22,730,000	₱1,125,000,000	₱–	₱2,969,088,599
APIC		212,655,494	27,276,000	–	–	239,931,494
		2,034,014,093	50,006,000	1,125,000,000	–	3,209,020,093
Loans payable	14	174,316,486	(37,573,661)	1,742,257	–	138,485,082
Accrued interest	14	186,590	(9,816,144)	–	9,768,101	138,547
		174,503,076	(47,389,805)	1,742,257	9,768,101	138,623,629
Dividends payable		4,955,354	(247,468)	–	–	4,707,886
Deposit for future stock subscription		–	75,000,000	–	–	75,000,000
		₱2,213,472,523	₱77,368,727	₱1,126,742,257	₱9,768,101	₱3,427,351,608

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

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

We have audited the accompanying consolidated financial statements of Marcventures Holdings, Inc. (the Company) and Subsidiaries as at and for the year ended December 31, 2017, on which we have rendered our report dated April 10, 2018.

In compliance with Securities Regulations Code Rule 68, as amended, we are stating that the Company has 932 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
Tax Identification No. 102-086-538-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 1022-AR-2 Group A
Valid until March 15, 2020
BIR Accreditation No. 08-005144-004-2017
Valid until January 13, 2020
PTR No. 6607958
Issued January 3, 2018, Makati City

April 10, 2018
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with the Philippine Standards on Auditing, the consolidated financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Group) as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 included in this Form 17-A and have issued our report thereon dated April 10, 2018. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules as at December 31, 2017 are the responsibility of the Group's management. These supplementary schedules include the following:

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

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

REYES TACANDONG & CO.

Belinda B. Fernando

BELINDA B. FERNANDO
Partner
CPA Certificate No. 81207
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PTR No. 6607958
Issued January 3, 2018, Makati City

April 10, 2018
Makati City, Metro Manila

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2017

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

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 12: Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

FINANCIAL RATIOS

Below is a schedule showing financial soundness indicators in the years 2017, 2016 and 2015.

	2017	2016	2015
Current/Liquidity Ratio	**1.45**	2.19	1.89
Current assets	**₱645,861,140**	₱579,236,747	₱580,377,409
Current liabilities	**444,607,449**	264,106,910	307,805,437
Solvency Ratio	**0.29**	0.72	0.40
Income before income tax, depreciation, depletion and amortization	**₱319,954,739**	₱297,302,647	₱186,323,402
Total liabilities	**1,108,188,218**	412,968,180	462,732,429
Debt-to-equity Ratio	**0.26**	0.14	0.16
Total liabilities	**₱1,108,188,218**	₱412,968,180	₱462,732,429
Total equity	**4,207,925,143**	2,972,372,060	2,964,135,773
Asset-to-equity Ratio	**1.26**	1.14	1.16
Total assets	**₱5,316,113,361**	₱3,385,340,240	₱3,426,868,202
Total equity	**4,207,925,143**	2,972,372,060	2,964,135,773
Interest rate coverage Ratio	**10.74**	5.01	(6.79)
Pretax income before interest	**₱127,350,861**	₱60,667,836	(₱93,292,489)
Interest expense	**11,856,932**	12,121,343	13,729,998
Profitability Ratio	**0.01**	0.00	(0.04)
Net income	**₱47,281,213**	₱5,141,782	(₱119,054,752)
Total equity	**4,207,925,143**	2,972,372,060	2,964,135,773

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF PARENT COMPANY'S RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017

	Amount
Unappropriated retained earnings available for dividend declaration at the beginning of year	₱894,219,727
Net income during the year closed to retained earnings	47,281,213
Less movements in the deferred tax assets*	(4,566,287)
Total retained earnings available for dividend declaration at end of year	₱936,934,653

Reconciliation:

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

	Amount
Unappropriated retained earnings at end of year as shown in the financial statements	₱963,441,676
Less deferred tax assets at end of year*	(26,507,023)
Total unappropriated retained earnings available for dividend declaration at end of year	₱936,934,653

**Excludes amount presented in other comprehensive income.*

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68 AS AMENDED
DECEMBER 31, 2017

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Schedule A. Financial Assets
December 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end reporting period	Income received and accrued
		-Not Applicable -		

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2017

Name and designation of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
Related Parties							
RYM Business Management Corp.	₱20,000,000	₱–	₱–	₱–	₱20,000,000	₱–	₱20,000,000
Benguet Management Corp.	1,744,441	21,083,936	–	–	22,828,377	–	22,828,377
	₱21,744,441	₱21,083,936	₱–	₱–	₱42,828,377	₱–	₱42,828,377

Schedule C. Amounts Receivable from Related Parties Eliminated during the Consolidation of Financial Statements
December 31, 2017

Name of debtor	Balance of beginning of period	Additions	Amounts collected	Amounts written-off	Current	Noncurrent	Balance at the end of the period
Marcventures Mining and Development Corporation.	₱262,671,353	₱145,939,202	₱137,102,074	₱–	₱–	₱271,508,481	₱271,508,481
BrightGreen Resources Corporation	–	107,426,829	–	–	–	107,426,829	107,426,829
	₱262,671,353	₱253,366,031	₱137,102,074	₱–	₱–	₱378,935,310	₱378,935,310

Schedule D. Intangible Asset
December 31, 2017

Description	Beginning Balance	Acquired through merger (Note 4)	Charge to cost and expenses	Charge to other accounts	Other charges additions (deduction)	Ending balance
Mining rights	₱1,044,207,566	₱1,640,813,365	(₱59,663,626)	₱–	₱–	₱2,625,357,305

Schedule E. Long - term Debt
December 31, 2017

Title of issue and type of obligation	Amount shown under caption "Current portion of long-term debt"	Amount shown under caption "Long-Term portion of long-term debt"
Notes Payable		
Philippine Business Bank	₱80,000,000	₱–
Orix Metro Leasing and Finance Corp.	21,086,981	35,875,080
United Coconut Planters Bank	277,895	1,245,126
	₱101,364,876	₱37,120,206

Schedule F. Indebtedness to Related Parties
December 31, 2017

Name of related party	Beginning Balance	Ending balance
Bright Kindle Resources & Investments, Inc.	₱5,000,000	₱5,000,000
Prime Media Holdings, Inc.	–	5,000,000
	₱5,000,000	₱10,000,000

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2017

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
		-Not Applicable -		

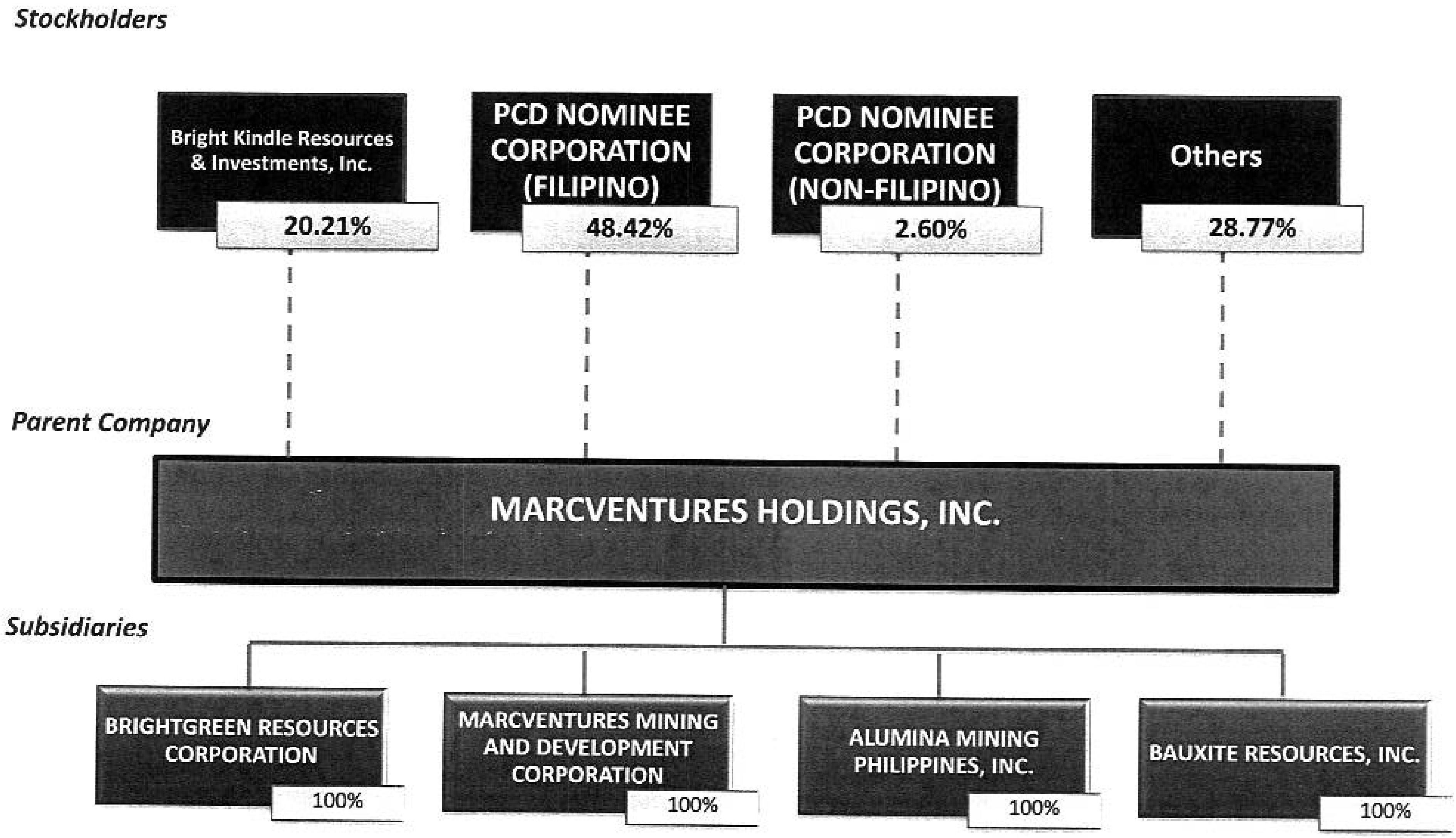
Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	No. of shares held by related parties	Directors officers and employees	Others
Common Stock	4,000,000,000	2,969,088,599	–	–	11,496,502	2,957,592,097

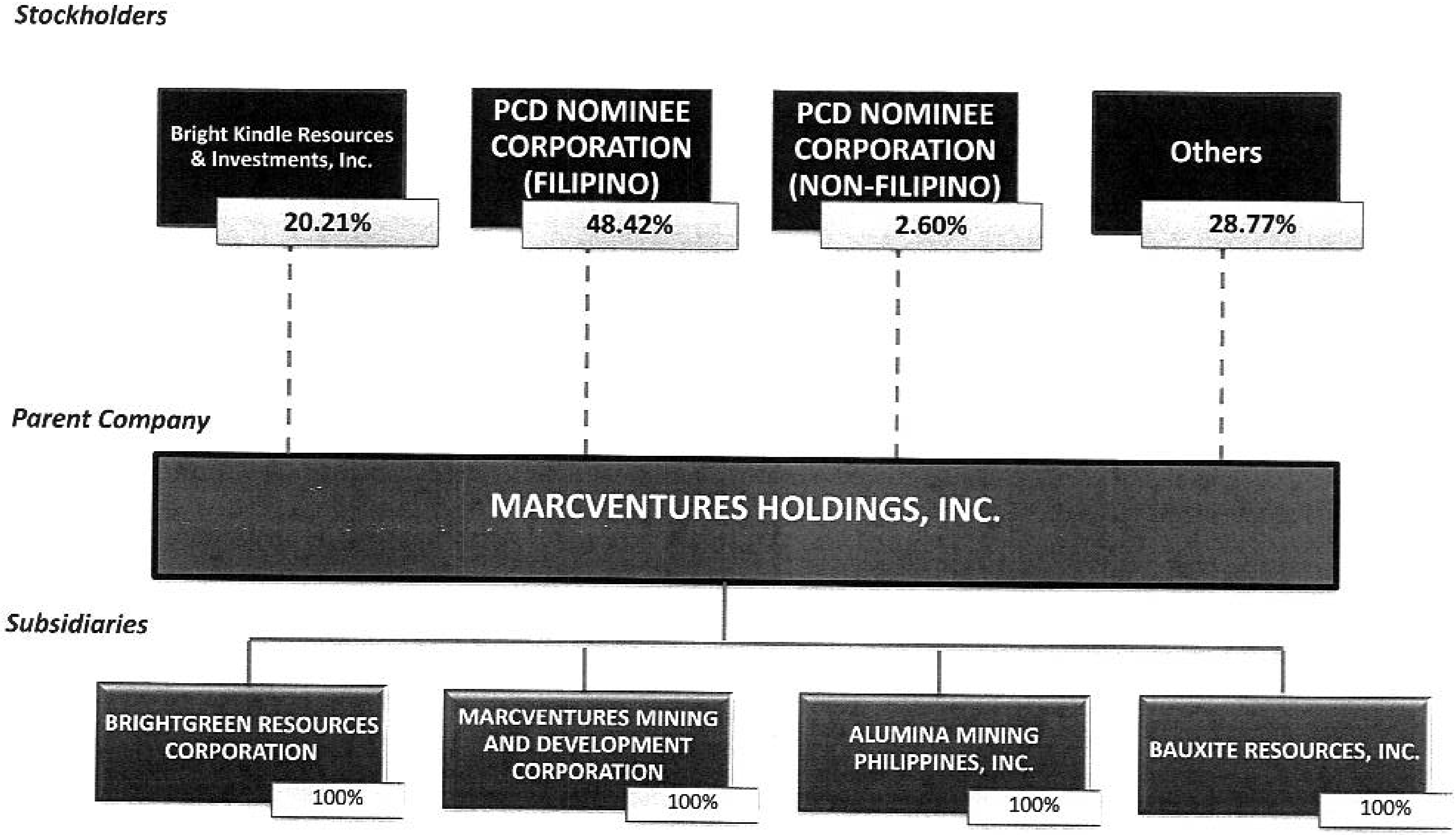
Schedule A. Financial Assets
December 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Valued based on market quotation at end reporting period	Income received and accrued
-Not Applicable -				

SCHEDULE I. CONGLOMERATE MAP



SCHEDULE I. CONGLOMERATE MAP



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SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000012942
Company Name	MARCVENTURES HOLDINGS, INC.
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

Document ID	111192018001714
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2018
No. of Days Late	0
Department	CFD
Remarks	

1	2	9	4	2					

SEC Registration Number

MARCVENTURES HOLDINGS INC. AND SUB
SIDIARIES

(Company's Full Name)

NIT 4-S3 CITIBANK CENTER COND.
8741 PASEO DE ROXAS MAKATI CITY

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

Diane Madelyn Ching
(Contact Person)

(02) 831-4479
(Company Telephone Number)

1 2 **3 1**
Month *Day*
(Calendar Year)

17-Q
(Form Type)

Month *Day*
(Annual Meeting)

N/A
Secondary License Type, If Applicable)

Dept. Requiring this Doc.

September 30, 2018
Period Ending Date

Total Amount of Borrowings

2,176
Total No. of Stockholders

N/A
Domestic

N/A
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2018**

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: **(632) 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)	3,014,820,305 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

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PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

The unaudited Interim Consolidated Financial Statements of Marcventures Holdings Inc. (the Company) and its Subsidiaries as of September 30, 2018 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2017) and for the three-month and nine-month period ended September 30, 2018 and 2017 are in compliance with generally accepted accounting principles. 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 September 30, 2018 and December 31, 2017

Amounts in ₱'000

	Sept. 30, 2018 Unaudited	Dec. 31, 2017 Audited	Increase (Decrease) Amount	Percentage
Current assets	**₱972,332**	₱645,861	326,471	50.55%
Noncurrent assets	**5,096,192**	4,670,252	425,940	9.12%
Total Assets	**₱6,068,524**	₱5,316,113	752,411	14.15%
Current Liabilities	**₱975.408**	₱444,607	530.801	65.55%
Noncurrent liabilities	**788.581**	663,581	125.000	18.84%
Total Stockholders' Equity	**4,304,535**	4,207,925	96,610	2.30%
Total Liabilities and Stockholders' Equity	**₱6,480,455**	₱5,316,113	752.411	14.15%

Summary of Consolidated Income Statement for the three-month and nine-month period ended September 30, 2018 and 2017

Amounts in ₱'000

	For three months ended Sept. 30		Increase	(Decrease)
	2018	2017	Amount	Percentage
Revenues	**₱177,926**	₱973,733	(₱795,807)	(81.73%)
Cost of Sales	**31,157**	589,662	558,505	(94.72%)
Gross Profit	**146,769**	384,071	(237,302)	(61.79%)
Operating expenses	**104,748**	148,663	43,915	(29.54%)
Income from operations	**42,021**	235,408	(193,387)	(82.15%)
Other income (expenses)	**(13,991)**	(2,973)	(1,747)	58.75%
Net income before income tax	**28,030**	232,435	(204,406)	(87.94%)
Provision for income tax	**(16,286)**	78,183	61,897	(79.17%)
Net income for the period	**₱11,744**	₱154,252	(₱142,509)	(92.39%)

	Amounts in ₱'000			
	For nine months ended Sept. 30		Increase (Decrease)	
	2018	2017	Amount	Percentage
Revenues	**₱978,641**	₱1,882,319	(₱903,678)	(48.01%)
Cost of Sales	**(598,572)**	1,222,538	623,966	(51.04%)
Gross Profit	**380,068**	659,781	(279,713)	(42.39%)
Operating expenses	**(317,441)**	375,659	58.217	(15.50%)
Income from operations	**62,627**	284,122	(221,495)	(77.96%)
Other income (expenses)	**(20,503)**	(5,366)	(15,136)	282.06%
Net income before income tax	**42,124**	278,756	(236,632)	(84.89%)
Income tax expense	**(20,514)**	100,360	79,846	(79.56%)
Net income for the period	**₱21,610**	₱178,396	(₱156,786)	(87.89%)

Summary of Consolidated Statement of Cash Flows for the nine-month period ended September 30 2018 and 2017

	Amounts in ₱'000	
	For Nine Months Ended September 30	
	2018	2017
Cash provided by operating activities	**₱80,522**	₱1,345
Cash used in investing activities	**(501,088)**	(108,917)
Cash provided by financing activities	**567,090**	17,135
Net decrease in cash	**146,523**	(90,437)
Cash - beginning	**47,063**	164,575
Cash - ending	**₱193,586**	₱74,138

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 as at September 30, 2018 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2017) and for the three-month and nine-month period ended September 30, 2018 and 2017, 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:

Nine-month period ended September 30, 2018 compared with nine months ended September 30, 2017

Revenues:

For the nine-month period ended September 30, 2018, total revenues amounted to ₱978.64 million, lower by ₱903.68 million or 48.01% as compared with ₱1,882.32 million reported in the same period of prior year.

Sale of Ore:

For the nine months ended September 30, 2018, the subsidiary shipped out 19 vessels of nickel ore of which 11 vessels of saprolite and 8 vessels of limonite. In the same period last year, the subsidiary shipped out 36 vessels of nickel ore of which 25.5 vessels of saprolite and 10.5 vessels of limonite. The decrease in revenue was due to lesser number of ore shipped out during the period. Shipment details of volume and prices are as follows:

Shipped ore in WMT

	2018	2017	Increase (decrease)
Limonite	428,909	569,129	(140,220)
Saprolite	603,430	1,383,758	(780,328)
Total tons shipped	**1,032,339**	**1,952,887**	**(920,548)**

Price pew wmt (in US$)

	2018	2017	Increase (decrease)
Limonite	$8.42	$9.91	($1.49)
Saprolite	24.11	22.51	1.60
Average price	**$17.59**	**$18.81**	**($1.22)**

Cost of Sales

Cost of sales increased by 1.51% or ₱8.91 million from ₱589.7 million to ₱598.6 million due to the following:

- **Personnel costs** decreased by ₱102.0 million due cost saving measures implemented for the nine-month period

- **Despatch** amounted to ₱29.4 million this year compared to demurrage in prior year amounted to ₱17.3 million since during the year, most of loadings were completed before the laytime expired

- **Depreciation** decreased by ₱29.4 million due to equipment disposals in the latter part of prior year, thus affecting depreciation.

- **Inventory movement presented as part of Cost of Sales (COS)** Inventory movement presented as part of COS increased by ₱189.29 million due to the higher number of nickel ore sold than mined for the current year 2018 compared with the same period in the prior year 2017 wherein, we had a higher number of nickel ore mined than sold.

The decreased in cost of sales anchored to the decrease in total sales such as contractual services, production overhead, excise tax and depletion.

Operating expenses

Operating expenses decreased by 15.5% or ₱58.2 million from ₱375.7 million to ₱317.4 million in prior year. The decrease was mainly accounted for by the following:

- **Royalties** decreased by ₱7.7 million was due to the decrease in total sales

- **Outside services and professional fees** decreased by ₱35.0 million due to lesser outside service engagements and professional fees such as consultancy arrangements.

- **Representation and advertisement expenses** decreased by ₱8.4 million in line with the Group's effort to reduce expenses

- **Depreciation** decreased by ₱23.9 million due to equipment disposals in the latter part of prior year, thus affecting depreciation.
- **Freight and shipping cost** decreased by ₱11.2 million due to lesser number of shipments

Other expenses such as such as loading fees, community relations and transportation expenses also contributed to the total decrease in operating expenses.

The decreased in expenses are partially offset by the increase of the following expenses:

- **Taxes and licenses** increased by ₱18.05 million mainly attributable to business permits paid to Cantillan and Carrascal for the period.
- **Repairs and maintenance** increased by ₱1.9 million mainly for the maintenace of aircraft.
- **Salaries and wages** increased by ₱7.5 million due to management reorganization to promote efficiency.

Other expenses offset by minimal upturns in various accounts such as expenses incurred for social development programs (SDP), and Utilities. MMDC follows the implementing rules and regulation of 1995 Phil. Mining Act which requires that 1.5% of operating cost be allocated for the development of host and neighboring mining communities.

Three months ended September 30, 2018 compared with three months ended September 30, 2017

Revenues

For the three-month period ended September 30, 2018, MMDC reported a total revenue amounted to ₱177.9 million, lower by ₱795.8 million 81.73% decreased of the total revenue reported in the same period of prior year which amounted to ₱973.7 million. To compared with same period in prior year, there were lesser number of vessels shipped. For 2018, MMDC has shipped a total of 3 vessels while in 2017, MMDC has transported a total of 16 vessels.

Cost of Sales

Cost of sales for the three-month period ended September 30, 2018 decreased minimally by 94.7% or ₱558.5 million compared with the same period in prior year. Majority was due to the following:

- **Personnel costs** decreased by ₱77.6 million cost saving measures implemented for the nine-month period

- **Despatch** amounted to ₱15.1 million this year compared to demurrage in prior year amounted to ₱14.2 million since during the year, most of loadings were completed before the laytime expired.

- **Depreciation** decreased by ₱9.9 million due to equipment disposals in the latter part of prior year, thus affecting depreciation

- **Inventory movement presented as part of COS** Inventory movement presented as part of COS increased by ₱233.1 million due to the higher number of nickel ore sold than mined for the current year 2018 compared with the same period in the prior year 2017 wherein, we had a higher number of nickel ore mined than sold.

  The decreased in cost of sales anchored to the decrease in total sales such as contractual services, production overhead, excise tax and depletion.

Operating Expenses

Operating expenses for the three-month period ended September 30, 2018 is lower by 29.54% or approximately ₱43.9 million compared with the same period in prior year, noted decrease was driven by the following:

- **Royalties** decreased by ₱2.9 million was due to the decrease in total sales.

- **Outside services and professional fees** decreased by ₱27.6 million due to lesser outside service engagements and professional fees such as consultancy arrangements.

- **Representation and advertisement expenses** decreased by ₱2.5 million in line with the Group's effort to reduce expenses
- **Depreciation** decreased by ₱25.9 million due to equipment disposals in the latter part of prior year, thus affecting depreciation.
- **Freight and shipping cost** decreased by ₱5.8 million due to lesser number of shipments.

Various accounts such as SDMP, community relation, office supplies, and rental expenses has also contributed to the decrease in total in operating expense. MMDC follows SDP implementing rules and regulation of 1995 Phil. Mining Act which requires that 1.5% of operating cost be allocated for the development of host and neighboring mining communities.

The decreased in expenses are partially offset by the increase of the following expenses:

- **Taxes and licenses** increased by ₱22.2 million mainly attributable to business permits paid to Cantillan and Carrascal for the period.

- **Repairs and maintenance** increased by ₱1.6 million mainly for the maintenace of aircraft.

- **Utilities** increased by ₱1.7 million mainly attributable to upgrading the lease line for the improvement of internet connection.

STATEMENTS OF FINANCIAL POSITION

September 30, 2018 vs. December 31, 2017

Assets

The consolidated total assets of the Company increased by ₱752.4 million from ₱5,316.11 million as of December 31, 2017 to ₱6,068.5 million as of September 30, 2018. The 14.15% increase was mainly due to the following:

- **Increase in Cash** amounted to ₱146.5 million or 311.34% from ₱47.06 million to ₱193.6 million due to loan availments during the year counterbalanced by cash outflows for the Group's operations.
- **Increase in Trade and other receivables** from ₱232.79 million to ₱250 million or increase of ₱17.2 million equivalent to 7.39% of prior year balance due to sales in the latter part of the second quarter yet to be collected as of September 30, 2018.
- **Increase in Inventory** from ₱229.45 million to ₱337.4 million. The increase of ₱108.0 or 47.05% is attributable to the inventory buildup in preparation for the shipment operations.

Liabilities
The total consolidated liabilities of the Group increased by ₱655.8 million or 59.18% from ₱1,108.19 million as of December 31, 2017 to ₱1,763.99 million as of September 30, 2018. The increase notes payable is due to additional loan during the year.

Equity
The stockholders' equity of the Company increased by ₱1,164.34 million or 21.9% from ₱4,207.93 million as of December 31, 2017 to ₱4,304.54 million as of September 30, 2018 due issuances of shares and reported net income during the year.

STATEMENT OF CASH FLOWS

The net cash provided by operating activities amounted to ₱80.52 million for the nine months ended September 30, 2018, lower by ₱79.18 million compared with the net cash provided by the operating activities in the same period in prior year. The decreased in cash from operating activities is the result of the following:

- Lower consolidated net income compared with same period in prior year
- Significant decreased in trade and other receivables and inventory
- Significant increase in trade and other payable due to loan availed during the period
- Payment of interest expenses anchored to the loan availed.

Net cash used in investing activities amounted to ₱501.09 million for the period ended September 30, 2018, higher compared to ₱392.17 million for the same period in 2017 mainly due to increase in mine and mining properties.

Net cash provided by financing activities amounted to ₱567.09 million during the year, significantly higher than the total cash used in financing activities amounted to ₱549.95 million last year due to loan availed during the year.

The effect of operating, investing and financing activities is a net increase of ₱146.52 million and a balance of ₱193.59 million in cash as of September 30, 2018.

Horizontal and Vertical Analysis:

	Consolidated		Increase (Decrease)	
	September 30, 2018	**Dec. 31, 2017**	Amount	Percentage
ASSETS				
Current Assets				
Cash	**₱193,585,712**	₱47,062,535	₱146,523,177	311.34%
Trade and other receivables	**249,987,110**	232,793,388	17,193,722	7.39%
Inventories	**337,398,818**	229,447,620	107,951,198	47.05%
Advances to related parties	**33,303,034**	42,828,377	(9,525,343)	(22.24%)
Other current assets	**158,057,097**	93,729,220	64,327,877	68.63%
Total Current Assets	**972,331,771**	645,861,140	326,470,631	50.55%
Non-current Assets				
Property and equipment	**382,898,339**	381,263,997	1,634,342	0.43%
Mining rights on explored resources	**4,293,342,095**	3,865,845,679	427,496,416	11.06%
Net deferred tax assets	**11,308,435**	11,308,435	–	–
Other non-current assets	**408,643,606**	411,834,110	(3,190,504)	(0.77%)
Total Noncurrent assets	**5,096,192,474**	4,670,252,221	425,940,253	9.12%
TOTAL ASSETS	**₱6,068,524,245**	₱5,316,113,361	₱752,410,884	14.15%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payable	**₱476,495,595**	₱287,820,914	₱188,674,681	65.55%
Loan payable	**468,454,846**	101,364,876	367,089,970	362.15%
Income tax payable	**15,750,001**	40,713,773	(24,963,772)	(61.32%)
Dividend payable	**4,707,886**	4,707,886	–	–
Advances from related party	**10,000,000**	10,000,000	–	–
Total Current liabilities	**975,408,328**	444,607,449	530,800,879	119.39%
Noncurrent Liabilities				
Long-term loans - net of current portion	**237,120,206**	37,120,206	200,0000,000	538.79%
Provision for mine site rehabilitation and decommisioning	**49,796,810**	49,796,810	–	–
Retirement liability	**36,400,994**	36,400,994	–	–
Deposit for future subscription	–	75,000,000	(75,000,000)	(100.00%)
Deferred tax liability	**465,262,759**	465,262,759	–	–
Total Noncurrent liabilities	**788,580,769**	663,580,769	125,000,000	18.84%
	1,763,989,097	1,108,188,218	655,800,879	59.18%
Equity				
Capital stock	**3,014,820,305**	2,969,088,599	45,731,706	1.54%
Additional paid in capital	**269,199,786**	239,931,494	29,268,292	12.20%
Retained Earnings	**985,051,683**	963,441,676	21,610,007	2.24%
Actuarial Gain	**35,463,374**	35,463,374	-	0.00%
Total Equity	**4,304,535,148**	4,207,295,143	96,610,005	2.30%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱6,068,524,245**	₱5,316,113,361	₱752,410,884	14.15%

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. Marcventures Mining and Development Corporation (MMDC) 2018 plan for capital expenditures are as follows:

Project	Status
Carac-an Bridge Construction	Completed
Phase 2, Causeway Expansion	Completed
Almio Bridge Construction	95% Complete
Banban Bridge Construction	60%
Road improvement	Completed

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 items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

i. 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.

j. 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.

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

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

Key Performance Indicators

Marcventures' management uses the following KPIs:

	Sept. 30, 2018	Sept. 30, 2017
Net income Loss	₱21,610,007	₱178,395,981
Quick assets	443,572,822	708,840,305
Current assets	972,331,771	1,280,707,212
Total Assets	6,068,524,245	3,995,185,981
Current liabilities	975,408,328	644,132,764
Total liabilities	1,763,989,097	794,411,941

Stockholders' Equity	4,304,535,148	3,200,774,040
Number of common shares outstanding	2,999,576,403	1,826,409,710

Liquidity ratios:		
Current ratio (1)	1;00:1	1.99:1
Quick ratio (2)	0.45:1	1.10:1
Solvency Ratios:		
Debt ratio (3)	0.29:1	0.20:1
Debt to Equity ratio (4)	0.41:1	0.25:1
Profitability ratios:		
Return on equity (5)	0.01	0.06
Return on assets (6)	0.004	0.05
Earning (loss) per share (7)	0.007	0.10

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) / Ave. Shareholders' equity
6. Net income (loss) / Ave. Total Assets
7. Net Income (loss) / 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 1.00:1
b. Quick Ratio
   Quick asset / Total Current Liabilities = 0.45:1

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets = 0.29:1
b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = 0.41:1

Profitability Ratio

a. Return on Equity Ratio
   Net Income / Average shareholder's equity = 0.005 :1
b. Return on Assets
   Net Income / Average Total assets = 0.004:1
c. Fixed Assets Turnover Ratio :
   Revenue/Property Plant and Equipment = 0.056:1

d. Asset to Equity Ratio:
   Total Assets / Ave. Stockholders' Equity = 1.43:1
e. Asset Turnover
   Revenue/Total Assets = 0.004:1

Interest Coverage Ratio

Income / Interest expense = 1.02:1

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: Nov. 15, 2018

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

Date: Nov. 15, 2018

Marcventures Holdings, Inc. and Subsidiaries

Unaudited Interim Consolidated Financial Statements
September 30, 2018
and for the Three Months & Nine Months Ended September 30, 2018 and 2017
(With Comparative Audited Consolidated Statements of Financial Position as at December 31, 2017)

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

COMPANY NAME

MARCVENTURES HOLDINGS, INC.
AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,176		SEPTEMBER 30, 2018

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 SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**Sept. 30, 2018**	Dec. 31,2017
ASSETS			
Current Assets			
Cash	5	**₱193,585,712**	₱47,062,535
Trade and other receivables	6	**249,987,110**	232,793,388
Inventories	7	**337,398,818**	229,447,620
Advances to related parties	21	**33,303,034**	42,828,377
Other current assets	8	**158,057,097**	93,729,220
Total Current Assets		**972,331,771**	645,861,140
Noncurrent Assets			
Property and equipment	9	**382,898,339**	381,263,997
Mining rights and other mining assets	10	**4,293,342,095**	3,865,845,679
Net deferred tax assets	23	**11,308,435**	11,308,435
Other noncurrent assets	11	**408,643,605**	411,834,110
Total Noncurrent Assets		**5,096,192,474**	4,670,252,221
		₱6,068,524,245	₱5,316,113,361
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱476,495,595**	₱287,820,914
Loans payable	14	**489,602,350**	101,364,876
Advances from a related party	21	**10,000,000**	10,000,000
Dividends payable	15	**4,707,886**	4,707,886
Income tax payable		**15,750,001**	40,713,773
Total Current Liabilities		**996,555,832**	444,607,449
Noncurrent Liabilities			
Long-term debt - net of current portion	14	**215,972,702**	37,120,206
Provision for mine rehabilitation and decommissioning	13	**49,796,810**	49,796,810
Retirement benefit liability	20	**36,400,994**	36,400,994
Deposit for future stock subscription	15	**–**	75,000,000
Deferred tax liability	4	**465,262,759**	465,262,759
Total Noncurrent Liabilities		**767,433,265**	663,580,769
Total Liabilities		**1,763,989,097**	1,108,188,218
Equity			
Capital stock	15	**3,014,820,305**	2,969,088,599
Additional paid-in capital (APIC)	15	**269,199,786**	239,931,494
Retained earnings		**985,051,683**	963,441,676
Other comprehensive income	20	**35,463,374**	35,463,374
Total Equity		**₱4,304,535,148**	4,207,925,143
		₱6,068,524,245	₱5,316,113,361

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	**2018**	2017	**2018**	2017
REVENUE	16	**₱177,926,067**	₱973,732,908	**₱978,640,743**	₱1,882,318,761
COST OF SALES	17	**(31,156,804)**	(589,661,802)	**(598,572,396)**	1,222,537,911
GROSS INCOME (LOSS)		**146,769,263**	384,071,106	**380,068,347**	659,780,850
OPERATING EXPENSES	18	**(104,748,362)**	(148,662,890)	**(317,441,353)**	375,658,510
INCOME (LOSS) FROM OPERATIONS		**42,020,901**	235,408,216	**62,626,994**	284,122,340
OTHER INCOME (CHARGES) - Net	19	**(13,991,391)**	(2,937,021)	**(20,502,795)**	(5,366,384
INCOME (LOSS) BEFORE INCOME TAX		**28,029,510**	232,435,195	**42,124,199**	278,755,956
BENEFIT FROM (PROVISION FOR) INCOME TAX	23	**(16,285,786)**	(78,182,919)	**(20,514,192)**	100,359,975)
NET INCOME (LOSS)		**₱11,743,724**	₱154,252,276	**₱21,610,007**	₱178,395,98
Basic and diluted earnings (loss) per share	24	**₱0.004**	₱0.08	**₱0.007**	₱0.10

see accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	**September 30, 2018**	September 30, 2017
CAPITAL STOCK - ₱1 par value	15		
Authorized - 4,000,000,000 shares			
Issued and outstanding:			
Balance at beginning of year		**₱2,969,088,599**	₱1,821,358,599
Issuance during the year		**45,731,706**	22,730,000
Balance at end of year		**3,014,820,305**	1,844,088,599
ADDITIONAL PAID-IN CAPITAL	15		
Balance at the beginning of the year		**239,931,494**	212,655,494
Proceeds in excess of par value		**29,268,292**	27,276,000
Balance at end of year		**269,199,786**	239,931,494
RETAINED EARNINGS	15		
Balance at beginning of year		**963,441,676**	916,160,463
Net income		**21,610,007**	178,395,981
Balance at end of year		**985,051,683**	1,094,556,444
OTHER COMPREHENSIVE INCOME			
Balance at beginning of year		**35,463,374**	22,197,503
Balance at end of year		**35,463,374**	22,197,503
		₱4,304,535,148	₱3,200,774,040

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Nine Months Ended September 30 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱42,124199**	₱178,395,98
Adjustments for:			
Depletion	10	**49,576,956**	120,741,737
Depreciation	9	**25,571,240**	79,799,753
Interest expense	14	**21,228,418**	7,593,115
Interest income	5	**(121,109)**	(143,161)
Operating income before working capital changes		**138,379,705**	386,387,425
Decrease (increase) in:			
Trade and other receivables		**(17,193,722)**	(568,804,765)
Inventories		**(107,951,198)**	(193,373,064)
Advances to related parties		**9,525,343**	(24,816,347)
Other current assets		**(64,327,877)**	(4,913,062)
Increase (decrease) in:			
Trade and other payables		**188,674,681**	365,955,497
Retirement benefit liability			1,417,907
Net cash generated from operations		**147,106,931**	(38,146,409)
Income tax paid		**(45,477,965)**	46,914,201
Interest paid		**(21,228,418)**	(7,593,115)
Interest received		**121,109**	143,161
Net cash provided by operating activities		**82,521,657**	1,344,838
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	9	**(27,205,582)**	(62,215,580)
Mine and mining properties	10	**(477,073,371)**	(10,444,895)
Other noncurrent assets		**3,190,504**	(36,256,292)
Net cash used in investing activities		**(501,088,450)**	(108,916,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of loan		**720,775,353**	–
Stock Subscription			50,006,000
Payments of:			
Loans		**(153,685,383)**	(32,623,376)
Dividends			(247,468)
Net cash provided by (used in) financing activities		**567,089,970**	17,135,156
NET DECREASE IN CASH		**146,523,178**	(90,436,773)
CASH AT BEGINNING OF THE PERIOD		**47,062,535**	164,574,543
CASH AT END OF THE PERIOD		**₱193,585,713**	₱74,137,770

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

General Information

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

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

The Parent Company's shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at September 30, 2018 and December 31, 2017, 1,821,358,599 shares of the Parent Company's shares of stock are listed in the PSE.

The registered address of the Parent Company is at 4th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City.

Merger of the Parent Company, Brightgreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC)

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as the surviving entity and the increase in authorized capital stock of the Parent Company to accommodate the merger from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

BHI owns 100% interest in BrightGreen Resources Corporation (BGRC) and APMPC owns 100% interest in Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI).

Information about the Subsidiaries

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

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

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

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

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

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations (see Note 25). Accordingly, the Company has continued its mining operations in areas covered by the MPSA.

BGRC. BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business.

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

AMPI. AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

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

BARI. was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

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

BGRC, AMPI and BARI received Show-Cause Orders dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation (see Note 25).

BGRC submitted a reply explaining that it has prior legal right.

AMPI and BARI submitted replies that their contract areas are not part of any watershed and are even declared as Bauxite Mineral Reservations which allows development of bauxite deposits (see Note 25).

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 (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

Measurement Bases

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the 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 relevant amended PFRS which the Company adopted effective for annual periods beginning 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; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

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.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15 - *Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

New and Amended PFRS in Issue But Not Yet Effective

Relevant new PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the consolidated financial statements are summarized below. The Company intends to adopt these standards when they become effective.

Effective for annual periods beginning January 1, 2019:

- PFRS 16, *Leases* – This standard replaces PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement 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 accounts of the Parent Company and its subsidiaries as at September 30, 2018 and December 31, 2017 and for the periods ended September 30, 2018 and 2017.

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

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

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

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

Financial Assets and Liabilities

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.

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 September 30, 2018 and December 31, 2017, 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, 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 excise tax and other statutory payables), loans payable, long-term debt, advances from a related party and dividends payable.

Derecognition of Financial Assets and Liabilities

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

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

Financial Liabilities. 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.

Offsetting Financial Assets and Liabilities
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.

Impairment of Financial Assets
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.

Cash
Cash in the consolidated statements of financial position comprise cash on hand and in banks, excluding any restricted cash. Restricted cash, which includes RCF and MTF, is not available for use by the Company and therefore is not considered highly liquid.

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

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

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

Mining and Office Supplies. Mining and office supplies comprise purchase costs of mechanical, electrical and other materials determined on a moving average method.

Prepaid Expenses. 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.

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

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 furniture, fixtures and equipment	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 and Other Mining Assets

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

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

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

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

Exploration and evaluation activities include:

- Gathering exploration data through geological studies;
- Exploratory drilling and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting the mineral resource.

Once the reserves are established and development is sanctioned, deferred exploration costs are tested for impairment and reclassified to mine development costs.

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

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

Impairment of Nonfinancial Assets

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

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

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

Remeasurements comprising actuarial gains and losses 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 (OCI) 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. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's operating results, dividend distributions, effect of change in accounting policy and other capital adjustments.

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

Deposit for Future Stock Subscription

Deposit for future subscription represents funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Deposit for future stock subscription is recognized as equity if and only if, all of the following elements set forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

- There is BOD and stockholders' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);

- The application for the approval of the proposed increase has been filed with the SEC.

If any or all of the foregoing elements are not present, the transaction should be recognized as a 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 during the period.

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 when the related goods are sold.

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

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 and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items directly recognized in equity as 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 by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any.

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

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

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

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3. Significant Judgment, Accounting Estimates and Assumptions

PFRS requires management to make judgment and estimates that affect the amounts reported in the consolidated financial statements. The judgment 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.

Judgment
In the process of applying the Company's accounting policies, management has made the following judgment, 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 (see Note 1). Accordingly, the management has assessed that the company will continue as a going concern.

Establishing Control over the Subsidiaries. The Parent Company determined that it has control over the subsidiaries 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.

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

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

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

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.

Rent expense amounted to ₱2.8 mllion and ₱3.1 million for the period ended September 30, 2018 and 2017, respectively (see Note 18).

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 Trade and Other Receivables and Advances to Related Parties. 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 September 30, 2018 and December 31, 2017 (see Note 6).

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

	Note	**2018**	2017
Trade and other receivables	6	**₱249,987,110**	₱232,793,388
Advances to related parties	21	**33,303,034**	42,828,377

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

The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱337.4 million and ₱229.4 million as at September 30, 2018 and December 31, 2017, respectively (see Note 7).

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 ₱299.8 million and ₱302.4 million as at September 30, 2018 and December 31, 2017, respectively (see Note 11).

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 as at September 30, 2018 and December 31, 2017. Property and equipment, net of accumulated depreciation, amounted to ₱382.9 million and ₱381.3 million as at September 30, 2018 and December 31, 2017, respectively (see Note 9).

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

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

	Note	**2018**	2017
Mining rights	10	**₱2,600,462,881**	₱2,625,357,305
Mine and mining properties	10	**1,604,109,728**	1,162,652,800

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

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

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of "Mining assets" in the statements of financial position, amounted to ₱35.9 million as at September 30, 2018 and December 31, 2017 (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted ₱49.8 million as at September 30, 2018 and December 31, 2017 (see Note 13).

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;
- significant negative industry or economic trends.

No impairment loss was recognized in 2018 and 2017.

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

	Note	**2018**	2017
Mining rights and other mining assets	10	**₱4,293,342,095**	₱3,865,845,679
Property and equipment	9	**382,898,339**	381,263,997
Other current assets	8	**158,057,097**	93,729,220
Other noncurrent assets (excluding financial assets and input VAT)	11	**102,371,830**	103,397,035

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 ₱36.4 million as at September 30, 2018 and December 31, 2017, (see Note 20).

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 ₱11.3 million as at September 30, 2018 and December 31, 2017 (see Note 23).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability as at December 31, 2017 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 ₱15.8 million as at September 30, 2018 and December 31, 2017 (see Note 23).

4. Acquisition of Group of Assets

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as surviving entity (see Note 1). As at the acquisition date, BHI's and APMPC's assets consist mainly of mining rights and deferred exploration costs. Management determined that based on the substance of the underlying circumstances at that date, BHI and APM did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed in the group based on their relative fair values.

Allocation of the acquisition cost of the group of assets and liabilities of BHI and APM are as follows:

	BHI	APM	Allocation
Assets			
Current assets	₱2,862,560	₱111,725	₱2,974,285
Mining rights	695,649,865	945,163,500	1,640,813,365
Deferred exploration costs	75,640,185	2,195,389	77,835,574
Property and equipment	2,062,499	–	2,062,499
	776,215,109	947,470,614	1,723,685,723
Liabilities			
Due to related parties	111,856,563	14,897,589	126,754,152
Deferred tax liability	211,153,999	254,108,760	465,262,759
Loans payable	1,742,257	–	1,742,257
Other liabilities	1,462,290	3,464,265	4,926,555
	326,215,109	272,470,614	598,685,723
Net assets acquired	₱450,000,000	₱675,000,000	₱1,125,000,000

The consideration for the acquisition cost consists of 1,125,000,000 common shares of the Parent Company issued at ₱1 per share.

The fair value of the mining rights used as basis for allocating the acquisition cost are based on report by Competent Persons (CP) dated June 30, 2017 and was arrived at using the Discounted Cash Flow method (DCF) under the income approach methodology. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

Under the DCF method, the forecasted cash flows is discounted back to the valuation date, resulting in a present value of the asset.

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy of the Group's mining rights follows:

	BHI	APM
Mining life	10	20
Discount rate	12%	12%
Estimated mineral ore reserves (WMT):		
Nickel ore	9,513,459	–
Bauxite ore	–	28,904,888
Market price (per WMT)	₱850 to ₱1,550	₱1,350 to ₱1,550
Estimated annual shipment of mineral ore (WMT)	951,345	1,445,244
Production costs:		
Average variable cost	₱477 to ₱479	₱663
Fixed	₱448	₱490
Operating costs (percentage of gross revenue)	18%	19% to 33%
Estimated project costs	₱976,901,820	₱1,693,192,588
Exchange rate of Philippine Peso to US Dollar	₱50: $1	₱50: $1

Discount Rate. The risk inherent in the pre-feasibility study stage and scale of production was considered in determining the Risk Adjusted Discount Rate that was used to discount the net cash flows generated from shipments during the period of analysis.

Estimated Mineral Ore Reserves. Ore reserve estimation is performed by the CP in accordance with Philippine Mineral Reporting Code.

Market Prices. Market prices are based on the Bloomberg conservative Nickel ore price forecast and Shanghai metal market for the nickel and bauxite mineral ore, respectively.

Production Costs. Estimated costs incurred in extracting mineral ores that composed of variable and fixed costs.

Operating Cost. Estimated cost of administering the business and costs incurred to sell and market goods.

Estimated Project Costs. Project costs pertain to project-related capital expenditures such as mining equipment fleet, mine support services equitment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitiation and decommissioning program.

Sensitivity Analysis

Significant increases (decreases) in estimated mineral ore reserves, market price and exchange rate in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate, production and operating costs and estimated project costs in isolation would result in a lower (higher) fair value measurement.

Information about the absorbed companies

BHI. BHI was incorporated and registered with SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BGRC (see Note 1).

APMPC. APMPC was incorporated and registered with SEC on August 14, 2013 to engage in mining activities. APM owns 100% interests in AMPI and BARI (see Note 1).

5. Cash

This account consists of:

	September 30, 2018	December 31, 2017
Cash on hand	**₱244,115**	₱155,951
Cash in banks	**193,341,597**	46,906,584
	193,585,712	₱47,062,535

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

	Note	**September 30, 2018**	**December 31, 2017**
Cash in banks		**₱193,341,597**	**₱156,379**
Other noncurrent assets	11	**5,619,668**	**55,898**
		₱198,961,265	**₱212,277**

6. Trade and Other Receivables

This account consists of:

	September 30, 2018	December 31, 2017
Trade receivables	**₱213,444,863**	₱201,115,654
Advances to officers and employees	**12,052,878**	28,547,655
Advances to suppliers	**2,119,069**	–
Others	**33,406,825**	14,166,606
	261,023,635	243,829,915
Allowance for impairment	**(11,036,525)**	(11,036,527)
	₱249,987,110	₱232,793,388

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 include advances to former related parties which are fully provided with allowance.

No provision for impairment loss was recognized in 2018 and 2017.

Aging of Trade Receivables as at September 30, 2018:

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*
₱59,763	*₱–*	*₱–*	*₱–*	*₱153,682*	*₱213,445*

7. **Inventories**

This account consists of beneficiated nickel ore amounting to ₱337.4 million and ₱229.4 million which is stated at cost as at September 30, 2018 and December 31, 2017. The cost of inventories is lower than its NRV.

8. **Other Current Assets**

This account consists of:

	September 30,2018	December 31, 2017
Prepaid income tax	**₱53,648,506**	₱49,646,183
Mining and office supplies	**21,007,633**	22,537,023
Prepaid expenses	**17,450,633**	7,926,806
Advances to contractors and suppliers	**60,109,286**	5,825,769
Others	**5,841,039**	7,793,439
	158,057,097	₱93,729,220

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

Mining and office supplies include mechanical, electrical and other materials that will be used in the 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).

9. Property and Equipment

Movements in this account are as follows:

	September 30, 2018					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	**₱57,933,414**	**₱168,864,919**	**₱81,028,227**	**₱376,871,520**	**₱36,453,775**	**₱721,151,855**
Additions	**664,070**	**8,881,927**	**2,848,376**	**17,180,807**	**37,301,775**	**66,876,955**
Balance at end of year	**58,597,484**	**177,746,846**	**83,876,603**	**394,052,327**	**73,755,550**	**788,028,810**
Accumulated Depreciation						
Balance at beginning of year	**–**	**51,153,091**	**66,069,105**	**222,665,662**		**339,887,858**
Depreciation	**–**	**16,985,941**	**2,923,920**	**44,792,752**	**–**	**64,702,613**
Balance at end of year	**–**	**68,139,032**	**69,533,025**	**247,458,414**	**–**	**405,130,471**
Net Carrying Amount	**₱58,597,484**	**₱109,607,814**	**₱14,343,579**	**₱126,593,912**	**₱73,755,550**	**₱382,898,339**

	December 31, 2017					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	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	–	33,363,609	6,324,538	55,965,429	24,706,108	120,359,684
Acquired through merger (Note 4)	–	–	–	2,062,499	–	2,062,499
Disposal	–	–	(7,444,571)	(510,001,039)	–	(517,445,610)
Balance at end of year	57,933,414	168,864,919	81,028,227	376,871,520	36,453,775	721,151,855
Accumulated Depreciation						
Balance at beginning of year	–	40,079,998	54,165,998	630,525,977	–	724,771,973
Depreciation	–	11,073,093	16,533,178	57,414,362	–	85,020,633
Disposal	–	–	(4,630,071)	(465,274,677)	–	(469,904,748)
Balance at end of year	–	51,153,091	66,069,105	222,665,662	–	339,887,858
Net Carrying Amount	₱57,933,414	₱117,711,828	₱14,959,122	₱154,205,858	₱36,453,775	₱381,263,997

Construction-in-progress pertains to on-going mine developments which are expected to be completed in 2019.

Heavy and transportation equipment with carrying value of ₱56.87 million and ₱92.4 million as at September 30, 2018 and December 31, 2017, respectively, are held as collaterals for loans payable. In 2017, the Company obtained additional long-term debt with transportation equipment held as collateral with carrying amount of ₱1.5 million (see Note 14).

In 2017, the Company disposed of property and equipment with a carrying value of ₱47.5 million, resulting to loss of ₱19.5 million (see Note 19). No disposals were made during the nine month period ended September 30, 2018.

Depreciation is allocated to profit or loss as follows:

	Note	**September 30, 2018**	December 31, 2017
Charged to:			
Cost of sales	17	**₱10,003,785**	₱21,473,667
Operating expenses	18	**15,567,455**	52,866,447
		25,571,240	74,340,114
Capitalized to mine development costs	10	**39,131,373**	10,680,519
		₱64,702,613	₱85,020,633

Fully depreciated property and equipment with cost of ₱72.3 million as at September 30, 2018 and December 31, 2017 are still being used by the Company and retained in the accounts.

10. Mining Rights and Other Mining Assets

This account consists of:

	September 30, 2018					
			Mine and Mining Properties			
	Mining Rights	Deferred Exploration Costs	Mine Development Costs	Mine Rehabilitation Asset	Total	Total
Cost						
Balance at beginning of year	**₱2,935,579,522**	**₱77,835,574**	**₱1,383,428,703**	**₱42,170,134**	**₱1,425,598,837**	**₱4,439,013,933**
Additions	**210,000**	**10,933,912**	**465,929,460**	**–**	**465,929,460**	**477,073,372**
Balance at end of year	**2,935,789,522**	**88,769,486**	**1,849,358,163**	**42,170,134**	**1,891,528,297**	**4,916,087,305**
Accumulated Depletion						
Balance at beginning of year	**310,222,217**	**–**	**256,636,424**	**6,309,613**	**262,946,037**	**573,168,254**
Depletion	**25,104,424**	**–**	**24,472,532**	**–**	**24,472,532**	**49,576,956**
Balance at end of year	**335,326,641**	**–**	**281,108,956**	**6,309,613**	**287,418,569**	**622,745,210**
Net Carrying Amount	**₱2,600,462,881**	**₱88,769,486**	**₱1,568,249,207**	**₱35,860,521**	**₱1,604,109,728**	**₱4,293,342,095**

	December 31, 2017					
			Mine and Mining Properties			
	Mining Rights	Deferred Exploration Costs	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	–	–	273,233,973	–	273,233,973	273,233,973
Acquired through merger (Note 4)	1,640,813,365	77,835,574	–	–	–	1,718,648,939
Balance at end of year	2,935,579,522	77,835,574	1,383,428,703	42,170,134	1,425,598,837	4,439,013,933
Accumulated Depletion						
Balance at beginning of year	250,558,591	–	188,352,511	4,136,456	192,488,967	443,047,558
Depletion	59,663,626	–	68,283,913	2,173,157	70,457,070	130,120,696
Balance at end of year	310,222,217	–	256,636,424	6,309,613	262,946,037	573,168,254
Net Carrying Amount	₱2,625,357,305	₱77,835,574	₱1,126,792,279	₱35,860,521	₱1,162,652,800	₱3,865,845,679

<u>**Mining Rights**</u>

Mining rights of the Group consist of:

	Note	2018	2017
Mining rights on explored resources		**₱959,439,516**	₱984,543,940
Mining rights of BGRC, AMPI and BARI	4	**1,641,023,365**	1,640,813,365
		₱2,600,462,881	₱2,625,357,305

Mining Rights of MMDC. Mining rights of MMDC 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.

Deferred Exploration Costs

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

Mine and Mining Properties

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

The additions in mine and mining properties include construction of roads, bridges and mine yards, and depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱14.09 million and ₱10.68 million in 2018 and 2017, respectively (see Note 9).

Mine Rehabilitation Asset. Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of MMDC's ore activities, as required in MMDC's MPSA (see Note 13).

11. Other Noncurrent Assets

This account consists of:

	Note	**September 30, 2018**	December 31, 2017
Input VAT		**₱299,832,335**	₱302,373,370
Advances to a contractor		**101,653,121**	101,139,441
RCF		**5,454,960**	5,433,209
MTF		**164,709**	164,537
Rental deposit	22	**932,395**	465,959
Others		**606,085**	2,257,594
		₱408,643,605	₱411,834,110

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 ₱55,898 in 2017 (see Note 5).

12. Trade and Other Payables

This account consists of:

	Note	**September 30, 2018**	December 31, 2017
Trade payables		**₱416,455,954**	₱230,248,768
Advances from customer		**13,505,000**	–
Excise tax and other statutory payables		**22,194,799**	40,576,834
Accrued expenses:			
Interest	14	**138,547**	138,547
Others		**24,005,246**	14,649,017
Others		**196,049**	2,207,748
		476,495,595	₱287,820,914

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

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

Other accrued expenses include accrual of expenditures for social development management program as required by the MGB.

Others pertain to advances from a former related party.

13. Provision for Mine Rehabilitation and Decommissioning

The movements in this account are as follows:

	Note	**September 30, 2018**	December 31, 2017
Balance at beginning of year		**₱49,796,810**	₱47,707,979
Accretion of interest	14	**–**	2,088,831
		₱49,796,810	₱49,796,810

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.

14. **Loans Payable**

This account consists of:

	September 30, 2018	December 31, 2017
Short-term loan	₱489,602,350	₱101,364,876
Long-term debt:	237,120,206	58,485,082
Less current portion	21,147,504	21,364,876
	₱215,972,702	₱37,120,206

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 6.00% to 9.0% to be repriced every month has maturity of not more than one year.

On January 12, 2015, MMDC obtained credit facility amounted to ₱200.0 million, ₱20.0 million and ₱100.0 million of which was paid in 2017 and 2015, respectively, 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.

On January 12, 2018, the Company obtained a credit facility limited to ₱200.0 million. The purpose of the loan will be used to finance sales contracts or purchase order of the Company. The facility will be made via Promissory Note (PN) with a term of 60 days. The credit facility is secured by shares of the Company in MMDC covering 150% of the credit facility limit.

On April 30 2018, MMDC obtained credit facility amounted to ₱200.0 million.

Long-term Debt
In 2017, **MMDC** obtained a five (5) year promissory note of ₱1.6 million from a local bank. The note which is covered by a chattel mortgage on transportation equipment, bears an annual interest rate of 10.34% and is maturing on July 11, 2022.

The carrying amount of transportation equipment held as collateral amounted to ₱1.5 million as at December 31, 2017 (see Note 9).

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, bears an annual interest rate of 6% and is maturing on July 15, 2020.

The carrying amount of transportation equipment held as collateral amounted to ₱56.87million and ₱92.4 million as at September 30, 2018 and December 31, 2017, respectively (see Note 9).

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.

On June 30, 2016, **BGRC** obtained secured promissory notes with chattel mortage from a local bank amounting to ₱2.6 million. The loans bear a fixed interest rate of 9.02% per annum. The principal and interest are payabe monthly starting July 30, 2016 until May 30, 2020.

In September 21,2018, **ALUMINA MINING PHILS INC. (AMPI)** obtained a five year promissory note of ₱200.0 million which will be used to finance the Company's on going development project. The mote bears an annual interest rate of 9% per annum and maturing on September 21, 2013.

Interest expense of the Company was incurred from the loans payable of the Company.

Interest payable amounted to nil and ₱0.1 million as at September 30, 2018 and December 31, 2017, respectively (see Note 12).

15. **Equity**

Movements in this account are as follows:

	2018	2017
Authorized capital stock - ₱1 par value	**₱4,000,000,000**	₱4,000,000,000
Capital stock		
Balance at beginning of year	**₱2,969,088,599**	₱1,821,358,599
Issuance during year:		
Issuance	**45,731,706**	1,125,000,000
Additional subscription by a stockholder	**–**	22,730,000
Balance at end of year	**₱3,014,820,305**	₱2,969,088,599
Additional paid-in capital		
Balance at beginning of year	**₱239,931,494**	₱212,655,494
Proceeds in excess of par value	**29,268,292**	27,276,000
Balance at end of year	**₱269,199,786**	₱239,931,494

On December 29, 2017, the SEC approved the increase in authorized capital stock of the Parent Company to accommodate the merger, as stated in Note 1, from 2,000,000,000 shares at ₱1 par value to 4,000,000,000 shares at ₱1 par value a share. Out of this increase, a total of 1,125,000,000 of the Parent Company's common shares were issued to BHI and APMPC shareholders at ₱1 per share.

In 2017, a stockholder subscribed additional 22,730,000 shares of the Parent Company at ₱2.2 per share with the total proceeds of ₱50.0 million resulting to ₱27.3 million proceeds in excess of par value.

In 2017, the Parent Company received an advances from a stockholder amounting ₱75.0 million intended for future stock subscription.

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 ₱4.7 million as at September 30, 2018 and December 31, 2017.

16. **Revenue**

This account consists of:

	Nine Months Ended September 30	
	2018	2017
Sale of ore	**₱978,640,743**	₱1,819,748,114
Reservation fee for ore allocation	**–**	–
	₱978,640,743	₱1,819,748,114

17. **Cost of Sales**

This account consists of:

		Nine Months Ended September 30,	
	Note	**2018**	2017
Contractual services		**₱499,604,017**	₱986,948,108
Depletion	10	**49,576,956**	120,741,737
Excise tax		**31,313,457**	33,803,553
Personnel Cost		**19,924,473**	121,890,891
Production overhead		**16,296,595**	90,456,581
Depreciation	9	**10,003,785**	39,435,585
Demurrage (despatch) costs		**(29,385,470)**	17,310,952
		597,333,813	₱1,410,587,407
Net movement in inventories		**1,238,583**	(188,049,496)
		₱598,572,396	₱1,222,537,911

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

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

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

18. **Operating Expenses**

This account consists of:

	Note	Nine Months Ended September 30, 2018	2017
Salaries and allowances		**₱93,096,106**	₱85,638,078
Taxes and licenses		**58,575,025**	40,522,617
Environmental expenses	22	**31,371,395**	34,993,968
Professional fees		**21,700,260**	28,215,278
Social development program	22	**17,018,719**	14,974,969
Depreciation	9	**15,567,455**	38,660,752
Royalties	22	**12,101,669**	19,829,216
Outside services		**8,213,887**	36,668,433
Representation		**5,822,847**	13,659,731
Communication, light and Water		**4,823,560**	4,409,662
Repairs and maintenance		**2,925,946**	1,060,237
Community relations		**2,897,030**	4,792,803
Rent expense	22	**2,774,696**	3,094,715
Office supplies		**1,778,662**	5,164,282
Advertisement		**1,648,884**	2,205,252
Others		**37,125,211**	30,043,097
		₱317,441,352	₱375,658,510

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

19. **Other Income (Charges)** - Net

This account consists of:

	Nine Months Ended September 30, 2018	2017
Foreign exchange gain	**(₱1,015,537)**	₱509,099
Interest income	**121,109**	143,161
Interest expense	**(21,228,418)**	(7,593,115)
Others	**1,620,051**	1,574,471
	(₱20,502,795)	(₱5,366,384)

20. **Retirement Benefit Liability**

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

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2017.

The retirement benefit liability recognized in the consolidated statements of financial position as at September 30, 2018 and December 31, 2017 and changes in the present value of defined benefit obligation are as follows:

	2018	2017
Balance at beginning of year	**36,400,994**	**₱45,939,509**
Current service cost	**–**	**6,939,581**
Net interest cost	**–**	**2,473,147**
Net actuarial gain	**–**	**(18,951,243)**
Balance at end of year	**₱36,400,994**	**₱36,400,994**

The principal actuarial assumptions used to determine retirement benefit for 2017 are as follows:

Discount rates	**5.68%**
Salary increase rates	**5.00%**

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

Sensitivity analysis on defined benefit obligation as at December 31, 2017 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+100	(₱4,127,508)
	-100	5,018,493
Salary increase rate	+100	5,006,393
	-100	(4,175,499)

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 expected future benefit payments follow:

Financial Year	Amount
2018	₱2,445,076
2019	10,820
2020	13,465
2021	550,785
2022 and after	14,722,072

21. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

Related Parties	Transaction Amounts 2018	Transaction Amounts 2017	Outstanding Balances 2018	Outstanding Balances 2017	Nature and Terms
Advances to related parties	**(₱9,524,343)**	**₱24,816,347**	**₱33,303,034**	**₱42,828,377**	Working fund; unsecured; noninterest-bearing; payable on demand
Advances from a related party	**₱–**	**₱–**	**₱10,000,000**	**₱10,000,000**	Working fund; unsecured; noninterest-bearing; payable on demand

As at September 30, 2018 and December 31, 2017, 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.

22. Commitments

Social and Environmental Responsibility

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

The Company's implemented programs to host communities amounted to ₱7.8 million, ₱3.8 million for the nine month period ended September 30, 2018 and 2017, respectively (see Note 18).

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

The Company implemented projects amounted to ₱13.5 million and ₱16.1 million for the nine month period ended September 30, 2018 and 2017, respectively (see Note 18).

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 ₱4.0 million and ₱4.1 million as at September 30, 2018 and December 31, 2017, respectively. Royalty expense amounted to ₱4.1 million and ₱19.8 million for the nine month period ended September 30, 2018 and 2017, respectively (see Note 18).

Lease Commitments

The Company leases an office space for its operations. The lease is for a period of five (5) years and in 2017 the lease agreement was renewed for two (2) years. Rental deposit amounted to ₱0.4 million as at September 30, 2018 and December 31, 2017 (see Note 11).

Rental expense charged to operations amounted to ₱2.3 million and ₱3.1 million for the period ended September 30, 2018 and 2017, respectively.

The Company has outstanding commitments under noncancellable operating lease that fall due as follows:

	2018	2017
Within 1 year	**₱100,000**	**₱100,000**
More than 1 year but within 5 years	**–**	**–**
	₱100,000	**₱100,000**

23. **Income Taxes**

The Company's net deferred tax assets arising from temporary differences as at September 30, 2018 and December 31, 2017 are summarized as follows:

	2018	2017
Deferred tax assets:		
Retirement benefit liability	**₱8,409,563**	₱8,409,563
Provision for mine rehabilitation	**1,799,603**	1,799,603
Allowance for impairment loss on receivables	**1,341,890**	1,341,890
	11,551,056	11,551,056
Deferred tax liability on unrealized foreign exchange gain	**(242,621)**	(242,621)
	₱11,308,435	₱11,308,435

Management believes that it may not be probable that future taxable profit will be available in the future against which the benefits of the following deferred tax assets can be utilized Details of unrecognized deferred tax assets for the period ended September 30, 2018 and December 31. 2017 are as follows:

NOLCO	₱8,090,404
MCIT	5,201,000
Retirement benefit liability	2,510,735
	₱15,802,139

Details of NOLCO of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2017	2020	₱100,933	₱–	₱100,933
2015	2018	26,867,079	–	26,867,079
		₱26,968,012	₱–	₱26,968,012

Details of MCIT of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2017	2020	₱1,700,000	₱–	₱1,700,000
2016	2019	1,800,000	–	1,800,000
2015	2018	1,701,000	–	1,701,000
2014	2017	2,500,000	(2,500,000)	–
		₱7,701,000	₱–	₱5,201,000

24. **Earnings Per Share**

Earnings per share are computed as follows:

	2018	2017
Net income (loss) shown in the consolidated statements of comprehensive income (a)	**₱21,610,007**	₱178,395,981
Weighted average number of common shares (b)	**2,999,576,403**	1,826,409,710
Basic earnings (loss) per share (a/b)	**₱0.007**	₱0.10

The Company does not have potentially dilutive common shares.

25. **Contingencies**

Cancellation of MMDC's MPSA

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 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.

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

Show-Cause Orders of BGRC, AMPI and BARI

BGRC, AMPI and BARI received a Show-Cause Orders dated February 13, 2017. In the Show-Cause Orders, it was alleged that the contract area covered by their MPSAs is within a watershed, such that if mining operations will be conducted therein, its ecological functions will be impaired.

On February 27, 2017, BGRC submitted a reply to the Show-Cause Orders explaining that BGRC has prior legal right considering that the BGRC's MPSA was approved on July 1, 1993, while Proclamation No. 1747 on the proclamation of watershed areas was only issued on March 23, 2009. Notably, Proclamation No. 1747 provides that prior rights should be respected. Thus, BGRC should be allowed to continue their operations over their contract areas.

AMPI and BARI submitted replies that their contract areas are not part of any watershed and are even declared as Bauxite Mineral Reservations which allows development of bauxite deposits. Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that their mining tenements are outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

The management and its legal counsel believe that the alleged violation is without basis in fact and in law.

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

General

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

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, loans payable and long-term debt. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as trade and other receivables (excluding advances from officers and employees), RCF, MTF, trade and other payables (excluding excise tax and other statutory 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, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

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

The Company's transactional currency exposures arise from its cash in banks and trade receivables which are denominated in 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 their Philippine Peso equivalent as at September 30, 2018 and December 31, 2017:

	September 30, 2018		December 31, 2017	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Current financial assets:				
Cash in banks	**₱19,734,226**	**$365,313**	₱12,730,575	$254,968
Trade receivables	**213,444,863**	**3,951,219**	201,115,654	4,027,952
	₱233,179,089	**$4,316,532**	₱213,846,229	$4,282,920

For purposes of restating the outstanding balances of the Company's foreign currency-denominated financial assets and liabilities as at September 30, 2018 and December 31, 2017, the exchange rates applied were and **₱54.02** and **₱49.72 per** US$1, respectively.

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

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

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

The tables below show the credit quality per class of financial assets as at September 30, 2018 and December 31, 2017. The Company does not have financial assets that are past due but not impaired.

	September 30, 2018					
	Neither Past Due nor Impaired					
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash in banks	**₱193,585,712**	**₱–**	**₱–**	**₱–**	**₱–**	**₱193,585,712**
Trade and other receivables*	**–**	**238,950,583**		**–**	**11,036,527**	**249,987,110**
Advances to related parties	**–**	**33,303,034**	**–**	**–**	**–**	**33,303,034**
RCF and MTF	**5,619,668**	**–**	**–**	**–**	**–**	**5,619,668**
Rental deposit	**–**	**932,395**	**–**	**–**	**–**	**932,395**
	₱199,205,380	**₱273,186,012**	**₱**	**₱–**	**₱11,036,527**	**₱483,427,919**

**Excluding advances to officers and employees amounting to ₱12.05 million in 2018.*

	December 31, 2017					
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱46,906,584	₱–	₱–	₱–	₱–	₱46,906,584
Trade and other receivables*	–	201,115,654	3,130,079	–	11,036,527	215,282,260
Advances to related parties	–	42,828,377	–	–	–	42,828,377
RCF and MTF	5,597,746	–	–	–	–	5,597,746
Rental deposit	–	465,959	–	–	–	465,959
	₱52,504,330	₱244,409,990	₱3,130,079	₱–	₱11,036,527	₱311,080,926

**Excluding advances to officers and employees amounting to ₱28.5 million in 2017.*

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.

The table below set forth the estimated change in the Company's income before tax to a reasonably possible change in the market prices of loans payable brought about by reasonably possible change in interest rates as at December 31, 2017.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2017	**+3.32%**	**₱98,239**
	-3.32%	**(98,239)**
December 31, 2016	+4.15%	₱184,947
	-4.15%	(184,947)

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.

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:

	2018		2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**₱193,585,712**	**₱193,585,712**	₱47,062,535	₱47,062,535
Trade and other receivables*	**249,987,110**	**249,987,110**	204,245,733	204,245,733
Advances to related parties	**33,303,034**	**33,303,034**	42,828,377	42,828,377
RCF and MTF	**5,619,668**	**5,619,668**	5,597,746	5,597,746
Rental deposit	**932,395**	**932,395**	465,959	465,959
	₱483,427,919	**₱483,427,919**	₱300,200,350	₱300,200,350

**Excluding advances to officers and employees amounting to ₱12.05 million and ₱28.55 million as at September 30, 2018 and December 31, 2017, respectively.*

	2018		2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables*	**₱476,495,595**	**₱476,495,595**	₱247,105,533	₱247,105,533
Dividends payable	**4,707,886**	**4,707,886**	4,707,886	4,707,886
Loans payable	**468,454,846**	**468,454,846**	138,485,082	142,593,120
Advances from a related party	**10,000,000**	**10,000,000**	10,000,000	10,000,000
	₱959,658,327	**₱959,658,327**	₱400,298,501	₱404,406,539

**Excluding excise tax and other statutory payables amounting to ₱22.2 million and ₱35.1 million as at September 30, 2018 and December 31, 2017, respectively.*

Cash, Trade and Other Receivables, RCF and MTF, 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.

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

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. The Company monitors its capital using debt to equity ratio. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or by conversion of related party advances to an equity component item.

There were no changes in the Company's objectives, policies or processes in 2018 and 2017.

28. Notes to Statements of Cash Flows

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

				Noncash Changes	
	Note	Balance as at December 31, 2017	Cash Flows from Financing Activities	Subscription of Shares	Balance as at September 30, 2018
Capital stock		₱2,969,088,599	₱–	₱45,731,706	₱3,014,820,305
APIC		239,931,494	–	29,268,294	269,199,786
		3,209,020,093	–	75,000,000	3,284,020,091
Loans payable	14	138,485,082	468,454,846	–	606,939,928
Accrued interest	14	138,547	(138,547)	–	–
		138,623,629	468,316,299		606,939,928
Dividends payable		4,707,886	–	–	4,707,886
Deposit for future stock subscription		75,000,000	(75,000,000)	–	–
		₱3,427,351,608	490,401,423	₱75,000,000	₱3,992,753,029