

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

632-8314479

8. Date, time and place of the meeting of security holders

September 26, 2019 (Thursday) at 2:00 p.m., at the McKinley Room, Manila Polo Club,
35 McKinley Road, Forbes Park, Makati City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

Sep 5, 2019

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

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

Marcventures Holdings, Inc. MARC

PSE Disclosure Form 17-5 - 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	Sep 26, 2019
Type (Annual or Special)	Annual
Time	2PM
Venue	McKinley Room, Manila Polo Club, 35 McKinley Road, Forbes Park, Makati City
Record Date	Aug 22, 2019

Inclusive Dates of Closing of Stock Transfer Books

Start Date	N/A
End date	N/A

Other Relevant Information

None.

Filed on behalf by:

Name	Raquel Frondoso
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Designation	Compliance Officer
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COVER SHEET

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SEC Registration Number

M	A	R	C	V	E	N	T	U	R	E	S		H	O	L	D	I	N	G	S	,	I	N	C	.												
(f	o	r	m	e	r	l	y		A	J	O	.	N	E	T		H	O	L	D	I	N	G	S	,	I	N	C	.)						

(Company's Full Name)

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P	a	s	e	o		d	e		R	o	x	a	s		M	a	k	a	t	i		C	i	t	y													
M	e	t	r	o		M	a	n	i	l	a																											

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

Racquel Frondoso

(Contract Person)

(02) 8314479

(Company Telephone Number)

1	2	3	1
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Month Day
(Fiscal Year)

2	0	-	I	S
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(Form Type)

0	6	2	8
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Month Day
(Annual Meeting)

2019 DEFINITIVE INFORMATION STATEMENT
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Secondary License Type, If Applicable)

Corporation Finance Department

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

2169

Total No. of Stockholders

Total Amount of Borrowings	
	N/A

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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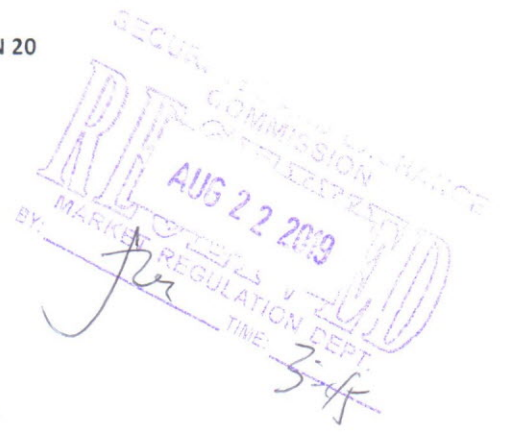
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SECURITIES AND EXCHANGE COMMISSION
 SEC FORM 20-IS
 INFORMATION STATEMENT PURSUANT TO SECTION 20
 OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:
 Preliminary Information Statement
 Definitive Information Statement
2. **MARVENTURES 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. September 26, 2019 **at 2:00 pm, at the McKinley Room, Manila Polo Club, 35 McKinley 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 –
September 5, 2019
10. In case of Proxy Solicitations:
 Name of Person Filing the Statement/Solicitor: **MARVENTURES 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. Racquel 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 June 2019	

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



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 **September 26, 2019 (Thursday) at 2:00 p.m.**, at the McKinley Room, Manila Polo Club, 35 McKinley 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 All Acts of the Board of Directors and Management including board resolutions authorizing the Corporation to act as surety or guarantor or to issue pledges or mortgages to secure the loan obligations of its subsidiaries, namely, Alumina Mining Phils. Inc. and Marcventures Mining and Development Corporation
6. Election of Directors
7. Appointment of the Independent External Auditor
8. Other Matters
9. Adjournment

For purposes of the meeting, stockholders of record as of August 22, 2019 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 September 16, 2019. 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 stockholder's meeting.

Validation of proxies shall be made on September 20, 2019 at the principal office of Marcventures Holdings, Inc.

Makati City, August 22, 2019.


ANA MARIA A. KATIGBAK
Asst. Corporate Secretary

*All proxies which have been previously submitted shall remain valid unless revoked.

Attachments to this Notice:

1. The Rationale and Explanation for each Agenda item requiring shareholders' approval
2. The Preliminary Information Statement, Management Report, 2018 Financial Statements

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 August 22, 2019, 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.

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, 2018. The audited financial statements were prepared by the Corporation's external auditor, Reyes Tacandong & Co., 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 including the resolutions authorizing the Corporation to act as surety or guarantor or to issue pledges or mortgages secure all the loan obligations of its subsidiaries, namely, Alumina Mining Phils. Inc. and Marcventures Mining and Development Corporation.

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. Antony M. Te
9. Sesinando E. Villon

For Independent Directors:

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

7. Appointment of Independent External Auditor

Upon the favorable recommendation of the Corporation's Audit, Governance, Oversight and Related Party Transaction Committee, the Corporation's external auditor, Reyes Tacandong & Co., is proposed to be reappointed for the current year 2019-2020. The audit partner-in-charge is currently Ms. Carolina P. Angeles.

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
September 26, 2019

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 September 26, 2019 at the McKinley Room, Manila Polo Club, 35 McKinley 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 September 26, 2019 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 All Acts of the Board of Directors and Management including board resolutions authorizing the Corporation to act as surety or guarantor or to issue pledges or mortgages to secure the loan obligations of its subsidiaries, namely, Alumina Mining Phils. Inc. and Marcventures Mining and Development Corporation			
Item 6: 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. Antony M. Te			
9. Sesinando E. Villon			
For Independent Directors:			
1. Carlos Alfonso T. Ocampo			
2. Vicente V. Mendoza			

Item 7: Approval of Appointment of Reyes Tacandong & Co. as the Company's External Auditor			
Item 8: Other Matters	According to Proxy's Discretion		
Item 9: 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, 2018;
- 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 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. Anthony M. Te
 9. Sesinando E. Villon
 - 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 September 26, 2019. 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 stockholder's meeting. Validation of proxies shall be made on September 20, 2019 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 _____ 2019 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 SEPTEMBER 16, 2019.

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 September 26, 2019 at any postponement thereof, and in connection therewith, to vote all shares registered in the name of the Corporation or to execute or give any proxies as she/he 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 2019.

**INFORMATION STATEMENT
(SEC FORM 20-IS)**

PART 1: GENERAL INFORMATION

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

Date of meeting : September 26, 2019 (Thursday)
Time of meeting : 2:00 pm
Place of meeting : McKinley Room, Manila Polo Club, 35 McKinley Road, Forbes Park, Makati City

Approximate mailing date
of this statement including
proxy form: September 5, 2019
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

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 Revised Corporation Code. The application of such right is limited to the following instances:

- a. In case an 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 80);
- 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 80);
- c. In case of merger or consolidation (Section 80);
- d. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation (Section 80).

The Revised Corporation Code of the Philippines (Sec. 81) 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 June 30, 2019. 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 August 22, 2019.
- (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 23 of the Revised Corporation Code. Section 23 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 June 30, 2019:

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	Bright Kindle Resources & Investments Inc.	Filipino	600,000,000	19.9%

	stock transfer agent)				
		Rodolfo Yu	Filipino	240,135,000	7.97%
		Isidro C. Alcantara, Jr	Filipino	223,734,688	7.42%
		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	223,117,459	7.40%
TOTAL			2,182,102,093	72.38%	

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

As of June 30, 2019 the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 76,257,116 common shares or equivalent to 2.53%.

Security Ownership of Management – Record “r” and Beneficial “b” (direct/indirect) owners as of June 30, 2019:

Title of Class	Name of Beneficial Owner	Amount and nature of ownership (Indicate record (“r”) and/or beneficial (“b”))	Citizenship	Percent of Class
Common	Cesar C. Zalamea Chairman	1,000 “r” (direct) -0- “b” (indirect)	Filipino	0.00%
Common	Macario U. Te Director	1,000 “r” (direct) -0- “b” (indirect)	Filipino	0.00%
Common	Isidro C. Alcantara, Jr. Director & President	2,018 – “r” (direct) 223,734,688 “b” (indirect)	Filipino	0.00% 7.42%
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	-1001- “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	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%
				0.00%
Common	Reuben F. Alcantara VP Marketing/ Business Development and Strategic Planning	499- “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	89	Filipino	Chairman
Isidro C. Alcantara, Jr.	65	Filipino	President/ Director
Macario U. Te	88	Filipino	Director
Augusto C. Serafica, Jr.	56	Filipino	Director
Carlos Alfonso T. Ocampo	53	Filipino	Independent Director
Marianne Regina T. Dy	42	Filipino	Director
Michael L. Escaler	67	Filipino	Director
Vicente V. Mendoza	85	Filipino	Independent Director
Ruby Sy	67	Filipino	Director
Anthony M. Te	49	Filipino	Director
Reuben F. Alcantara	35	Filipino	VP Marketing/ Business Development and Strategic Planning
Rolando S. Santos*	67	Filipino	Treasurer/ SVP Finance &

			Administration
Roberto V. San Jose	75	Filipino	Corporate Secretary
Ana Maria A. Katigbak	48	Filipino	Asst. Corporate Secretary and Corporate Information Officer,
Rhodel B. Salvador	36	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 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 Phils. Inc.; and Bauxite Resources, Inc. In April 2018, Mr. Alcantara was elected Chairman of Philippine Nickel Industry Association (PNIA).

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 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. ; 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, Productive Internships in Dynamic Enterprise (PRIDE), American Chamber Foundation Philippines Inc. and San Lorenzo Ruiz Charity.

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.

On August 19, 2017, Justice Mendoza received the "Lifetime Distinguished Achievement Award" given by the UP Alumni Association. On June 25, 2019 the University of the Philippines conferred on him the degree of Doctor of Laws honoris causa at the 106th commencement exercises of its College of Law where he delivered the commencement address.

Justice Mendoza currently sits as an independent director of Bright Kindle Resources and Investments Inc. (BKR).

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

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.

Mr. Reuben F. Alcantara is the Vice President for Marketing, Business Development, and Strategic Planning. 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. 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 26 September 2019. 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. Anthony M. Te
9. Sesinando E. Villon

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 re-nominated. Mr. Sesinando E. Villon is nominated as regular director. Mr. Villon is a retired associate justice of the Court of Appeals. He retired on July 2019 and served as magistrate of the Court of Appeals for the past fifteen (15) years.

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 2018.

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 Carlos Alfonso T. Ocampo as Chairman and Messrs. Augusto Serafica, Jr. and Michael Escaler 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 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, 2018, the total advances to related parties has an outstanding balance of ₱53.3 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, 2018 has an outstanding balance of ₱125.8 million which represents a non-interest bearing unsecured loan payable on demand.

Please refer to Note 21 on page 40 of the 2018 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
Executive officers				
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			
	2016	20,400,000	23,698,400	44,098,400
	2017	14,760,000	4,960,000	23,102,669
	2018	14,760,000	1,845,000	25,858,222
	2019 estimated	14,760,000	1,230,000	23,445,000
All other officers and directors as group unnamed	2016	3,600,000	1,665,000	5,265,000
	2017	-	-	6,255,000
	2018	-	-	6,600,000
	2019 estimated	₱-	₱	₱6,000,000

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. INDEPENDENT PUBLIC ACCOUNTANTS

Independent Public Accountants, Reyes Tacandong & Co. (“RTC”) will stand for re-election as the Corporation’s auditor for the year 2019 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, was replaced by Carolina P. Angeles last 2018. 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 Vicente V. Mendoza
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Item 8. COMPENSATION PLANS

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. ISSUANCE AND EXCHANGE OF SECURITIES

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

There are no matters or actions to be taken up with respect to authorization or issuance of securities.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up with respect to modification or exchange of securities.

Item 11. Financial and Other Information

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2018, 17Q or the Quarterly Financial Statements as of June 30, 2019 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.

Item 14. Restatement of Accounts

There is no action to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

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 December 19, 2018
2. Approval of Management Report and Audited Financial Statements
3. Ratification of All Acts of the Board of Directors and Management including board resolutions authorizing the Corporation to act as surety or guarantor or to issue pledges or mortgages to secure loan obligations of its subsidiaries as follows:
 - a. Alumina Mining Phils. Inc. as regards its loan obligations to Philippine Business Bank; and
 - b. Marcventures Mining and Development Corporation as regards its loan obligations to United Coconut Planters Bank and Philippine Veterans Bank.
4. Election of Directors
5. Appointment of the Independent External Auditor
6. Other Matters
7. Adjournment

Item 16. MATTERS NOT REQUIRED TO BE SUBMITTED

All corporate actions to be taken up at the annual stockholders' meeting this September 26, 2019 will be submitted to the stockholders of the Registrant for their approval in accordance with the requirements of the Revised 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

There is no action to be taken in relation to the Amendment of the Company's Articles of Incorporation or By-laws.

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 2019 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 2018 until the date of the 2019 Annual Stockholders' Meeting, including the following:

- Approval of the issuance of the Audited Financial Statements for the year ended 31 December 2017.

- Updates on the (i) operations of Marcventures Mining and Development Corporation, (ii) approval of the Philippine Stock Exchange of the application for listing of the 1,125,000,000 shares issued by the Company in connection with its merger with Asia Pilot Mining Phils. Corporation and Brightgreen Resources Holdings, Inc. and the 68,461,706 shares subject of the two private placements of Mr. Isidro C. Alcantara, Jr.; (ii) developments on the Bauxite Project of the Company and the authority granted to Mr. Isidro C. Alcantara, Jr. to sign and execute agreements and documents concerning the Bauxite Project
- Appointment of BDO Unibank. Inc., Trust and Investment Group as Escrow Agent
- Security Agreements of the Corporation for the loan obligations of its subsidiaries as follows:
 - a. Alumina Mining Phils. Inc. as regards its loan obligations to Philippine Business Bank;
 - Authority of the Corporation to act as surety, binding itself jointly and severally to pay the loan/ credit accommodation granted by Philippine Business Bank to Alumina Mining Phils. Inc. in the principal amount of Two Hundred Million Pesos (₱200,000,000.00) together with interests, penalties, and other charges therein; the authority of the President, Mr. Isidro C. Alcantara, Jr., and the Treasurer, Mr. Rolando S. Santos, to sign, execute, and deliver any and all documents and instruments on behalf of the Corporation; and the authority of the Corporation to mortgage the following:

Description	CCT	Area	Location
Unit 4-1	006-2018002292	178.19 sqm.	4F, Citibank Center
Unit 4-3	006-2014001598	313.76 sqm.	4F, Citibank Center
Unit 4-4	006-2014001597	469.55 sqm.	4F, Citibank Center
Parking B351	006-2014001599	36 sqm.	Basement, Citibank Tower
Parking B352			
Parking B353			
Parking LB70	006-2018002293	12 sqm.	Basement, Citibank Tower

- b. Marcventures Mining and Development Corporation as regards its loan obligations to United Coconut Planters Bank
 - Authority of the Corporation to act as surety to guarantee the payment of the obligations of Marcventures Mining and Development Corporation under the credit accommodation in the form of a short term loan at the aggregate principal amount of not more than One Hundred Ninety Million Two Hundred Eighty-eight Thousand One Hundred Twenty-Five Pesos (₱190,288,125.00), (“Credit Accommodation”) granted by United Coconut Planters Bank; grant of authority to the officers of the Corporation to sign, execute, and deliver any and all documents and instruments on behalf of the Corporation; and authority of the Corporation to mortgage, pledge and/or assign the following properties of the Corporation as security for the Credit Accommodation:

Issued by	Stock Certificate No.	No. of Shares
Brightgreen Resources Corporation	77	20,000,000

- c. Marcventures Mining and Development Corporation as regards its loan obligations to Philippine Veterans Bank.
 - Authority of the Corporation to act as guarantor for the loan obligations and corporate borrowings of Marcventures Mining and Development Corporation with Philippine Veterans Bank up to the aggregate amount of Two Hundred Million Pesos (₱200,000,000.00) and to pledge its Ten Million (10,000,000) shares of stock in Marcventures Mining and Development

Corporation as added security or collateral to the obligation or corporate borrowings; grant of authority to the officers of the Corporation to sign, execute, and deliver any and all documents and instruments on behalf of the Corporation.

- Postponement of the Annual Stockholders' Meeting for the Year 2019 and Authority of the President to determine the new date of the meeting
- Approval of the Audited Financial Statements for the year ended 31 December 2018
- Ratification of the disbursements made by the Corporation in February and March 2019 in connection with the operations of the Corporation
- Reorganization of the Executive Committee

Item 19. VOTING PROCEDURES

- (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 Revised 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. Anthony M. Te
9. Seginando E. Villon

For Independent Director:

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”.
- 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 September 16, 2019. 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 September 20, 2019, 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 22 August 2019.

MARCVENTURES HOLDINGS INC.

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

MARVENTURES HOLDINGS INC.

**MANAGEMENT REPORT
Pursuant to SRC Rule 20**

**For the Annual Stockholders' Meeting
On September 26, 2019**

I. Consolidated Audited Financial Statements

The Consolidated Audited Financial Statements of Marcventures Holdings, Inc. (the "Company") for the year ended as of December 31, 2018 and unaudited financial statements for the period ended March 31, 2019 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

Background

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

On December 15, 2009, the Parent Company entered into a Memorandum of Agreement (MOA) between the shareholders of Marcventures Mining & Development Corporation (Investor Group) and their partners to exchange their ownership of MMDC for a total value of ₱1.3 billion consisting of: (i) new Parent Company shares worth ₱100.0 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 ₱50.0 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 ₱0.01) at a price of ₱0.02, which resulted in additional paid-in capital of ₱50.0 million. The Company also transferred the amount of ₱441.0 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.

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 (ISO 18001:2007). 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 in 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"). Moreover, this resulted in 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).

The merger allowed MHI to grow its business, diversify its products and expand its source of income. Bauxite has been observed to be more stable in prices as compared to other commodities even during the slump of metal prices.

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, 2018 and 2017

and for the years ended December 31, 2018, 2017 and 2016 and BGRC, AMPI and BARI as at December 31, 2018.

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	2018	2017
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

Pursuant to the approval of the Board of Directors on 15 February 2018, Marcventures Holdings Inc. (the Company") executed, on 23 May 2018, a Subscription Agreement with Mr. Isidro C. Alcantara, Jr. President & CEO, accepting the subscription of the latter to 45,731,706 MARC shares at PhP 1.64 per share equivalent to P74,999,997.84. The subscription price was based on the average 30 day high and low prices from January 3, 2018 to February 9, 2018 as disclosed.

Simultaneously, the Company entered into a Subscription Agreement with its subsidiary, Marcventures Mining and Development Corp. (MMDC) wherein the Company subscribed to additional 7,500,000 MMDC shares with a par value of Ten Pesos (PhP 10.00) per share for a total amount of Seventy Five Million Pesos (PhP75,000,000.00). The subscription proceeds are to be used by MMDC for its operations and infrastructure development.

During the annual meeting held on December 19, 2018, the Stockholders of MARCVENTURES HOLDINGS, INC. (the 'Corporation') approved the amendment of the Seventh Article of the Articles of Incorporation to increase the Corporation's authorized capital stock from Php4.0 Billion to an amount of up to Php7.0 Billion and 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 Php1,000,000,000, thereby amending the Seventh Article as follows:

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:

(a) 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

(b) 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)

Furthermore, the Stockholders also authorized the Corporation to enter into Placing and Subscription Transactions. The Stockholders authorized the Board of Directors to determine the terms and conditions of the Placing and Subscription Transaction, provided that:

(i) The number of Placing Shares shall not exceed 600,000,000 listed common shares to be provided by existing shareholders of the Corporation, and the number of Subscription Shares shall be equivalent to the number of Placing Shares actually sold; and

(ii) The Placing price shall not be less than the par value of the common shares.

The Stockholders likewise approved the issuance of warrants to stockholders, directors, officers and/or third party consultants under such terms and conditions as the Board of Directors may deem proper.

The foregoing has yet to be implemented.

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. AMPPI and BARI received confirmation from the Forest Management Bureau that their contract area are not part of any watershed. No further correspondence was given to BGRC, AMPI and BARI regarding the matter.

Products/Sales/Competition

The MMDC'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 was executed, wherein Ventura assigned to MMDC all its rights, title and interest in and to MPSA No. 016-93-XIII. The Deed was duly registered with the Mines and Geosciences Bureau (MGB) Regional Office (RO) No. XIII on February 9, 1995, and was subsequently approved on January 15, 2008, making the Subsidiary the official contractor of the mineral property.

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

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

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 subsidiaries are holders of MPSA issued by the 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 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 ₱54.4 million and ₱62.2 million on its environmental and enhancement program (EPEP) in 2018 and 2017, respectively.

Business Transactions with Related Parties

As at December 31, 2018, the total advances to related parties has an outstanding balance of ₱53.3 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, 2018 has an outstanding balance of ₱125.8 million which represents a non-interest bearing unsecured loan payable on demand.

Please refer to Note 21 on page 40 of the 2018 Audited Consolidated Financial Statements (ACFS).

Employees

- Parent Company

The Company currently has a total of 7 employees, consisting of 1 executive position, 1 in legal, 2 in accounting/clerical, 1 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, 2018, MMDC engaged a total of 839 workers. Out of the 839 workers, 138 are employed by manpower and security agencies engaged by MMDC

Table below show the distribution of our workforce:

	Makati Office	Minesite	Total
Senior Management	11	1	12
Managers	9	16	25
Supervisors	15	97	112
Rank and File	14	236	250
Total	49	350	399

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

	Makati Office	Minesite	Total
Regular	46	319	365
Probationary	3	27	30
Service Contract	5	4	9
Total	54	350	404

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 45-49 of the 2018 ACFS.

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:

MMDC

RESOURCE	MMDC	BRC	AMPI	BARI
Volume	Measured & Indicated Saprolite: 11,894 million WMT at 1.34% Nickel, 12.65% Iron Limonite 63,657 million WMT at 0.88% Nickel and 44.23% Iron Inferred Saprolite: 4,673 million WMT at	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:	Measured & Indicated Bauxite Ore: 41.713 million WMT At 40.06% Al ₂ O ₃ and 14.50% SiO ₂ Inferred Bauxite Ore 17.275 million WMT at 38.96% Al ₂ O ₃ and 16.59% SiO ₂	Measured & Indicated Bauxite Ore: 31.469 million WMT At 43.78% Al ₂ O ₃ and 7.96% SiO ₂ Inferred Bauxite Ore 28.436 million WMT at 43.75% Al ₂ O ₃ and 8.09% SiO ₂

	1.30% Nickel and 12.90% Iron Limonite: NA	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		
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Notes:

1. MMDC Mineral Resource statement has been generated under the supervision of Ms. Jayvhel T. Guzman, licensed geologist and accredited Competent Person under the definition of the Philippine Mineral Reporting Code. She has sufficient experience relevant to the style of mineralization and type of deposit under consideration and to the activity that has been undertaken to qualify as a Competent Person as defined in the PMRC Code.
2. Mineral Resources are reported in accordance with the PMRC 2007.
3. The Mineral Resources reported in the table above represent estimates as of December 31, 2018. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. Tonnages in the table have been rounded to the nearest thousands to reflect the relative uncertainty of the estimate.

	RESOURCE
Volume	63.543 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, pages 30-31 of the 2018 ACFS.

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 of 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	117,596	1453,540
Stockyards	426,583	24,400,086
Causeway	38,856	4,000,000
Campsite	14,700	450,000
Butuan Lot	3,544	15,948,000
Others	85,357	4,280,130
Total Land & improvements	686,636	49,221,757

Rented

	Lot Area (sqm)	Monthly Rental
Haulage Roads	266,600	559,531
Stockyards	136,561	157,000
Causeway	19,555	99,404
Others	111,,293	154,432
Total	534,009	970,368

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 9 on pages 29-30 of the 2018 ACFS. The Company does not intend to acquire new heavy equipment within the next 12 months.

ITEM 3. LEGAL PROCEEDINGS

As of December 31, 2018, 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

Market Information

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

Stock Prices – Common Shares

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

	Price per Share (In Pesos)**	
	High	Low
	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	1.39
April – June	1.77	1.39
July - September	1.67	1.15
October – December	1.54	0.99
	2019	
January – March	1.31	1.00
April – June	1.12	1.00

Latest Market Price

On March 28, 2019 trading date, the closing market price of the Company’s common stock was ₱1.06 per share.

Stockholders

The number of shareholders of record as of June 30, 2019 is 2,172. The outstanding number of shares as of June 30, 2019 is 3,014,820,305 common shares, 2,938,563,189 or 97.48% of which are owned by Filipinos.

MARCVENTURES HOLDINGS, INC.
TOP 20 STOCKHOLDERS
AS OF June 30, 2019

1	PCD NOMINEE CORPORATION (FILIPINO)	2,182,102,093	72.38%
2	RYM BUSINESS MANAGEMENT CORPORATION	377,999,946	12.54%
3	STINSON PROPERTIES INC.	87,834,569	2.91%
4	SUREGUARD PROPERTIES INC.	86,514,534	2.87%
5	MYOLNER PROPERTIES INC.	86,514,533	2.87%
6	PCD NOMINEE CORP. (NON-FILIPINO)	76,169,658	2.53%
7	CAULFIELD HEIGHTS INC.	44,999,982	1.49%
8	GLORIOUS DECADE PROPERTIES, INC	30,000,000	1.00%
9	ANTHONY M. TE	27,000,500	0.90%
10	GLORIOUS DECADE PROPERTIES, INC.	13,013,000	0.43%
11	ATC SECURITIES, INC.	808,023	0.03%
12	WILLY O. DIZON OR NENE C. DIZON	667,000	0.02%
13	BENJAMIN S. GELI	100,000	0.00%
14	JOHN C. JOVEN	100,000	0.00%
15	ANSALDO GODINEZ & CO., INC.	92,255	0.00%
16	PACIFICO B. TACUB	50,000	0.00%
17	OTILIA D. MOLO OR ELAINE D. MOLO ARNOLD JANSSEN T. BANTUGANOR CHRISTINE ANGELI L.	48,419	0.00%
18	BANTUGAN	45,000	0.00%
19	TERESITA N. LIM	40,000	0.00%
20	VICENTE GOQUIOLAY & CO., INC.	39,599	0.00%
		3,014,139,111	99.98%

*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, 2019.

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 outstanding 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)
2018	No dividends were declared for the year 2018				
2017	No dividends were declared for the year 2017				
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 2019.

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 2019 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, 2018, 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 on 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. This resulted to an increase in the issued and outstanding shares from 1,844,088,599 to 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 C. Ching/Asst Corporate Secretary	18

On 28 May 2018, the Company issued 45,731,706 MARC shares in favor of Mr. Isidro C. Alcantara, Jr. President & CEO in relation to his subscription as approved by the Board of Directors on 15 February 2018 which again resulted to an increase in the Issued and Outstanding Shares as shown below:

Change(s) in Number of Issued and Outstanding Shares

Issued and Outstanding Shares		
Type of Security /Stock Symbol	Before	After
COMMON/MARC	2,969,088,599	3,014,820,305

On February 13, 2019, MARCVENTURES Holdings, Inc. has secured approval from the Philippine Stock Exchange (PSE) for the additional listing of 1.125 billion shares covering the merger between Marcventures Holdings, Inc., Brightgreen Resources Holdings, Inc. and Asia Pilot Mining Phils. Corporation with Marcventures as the surviving entity.

PSE also approved the listing for the two (2) private placements of Marcventures President, Mr. Isidro Alcantara. The first placement is for 22.73 million common shares at Php2.20 per share for a total amount of Php 50,006,000.00 while the second placement is for 45,731,706 million common shares at Php1.64 per share for a total amount of Php74,999,997.84.

Adjustments			
Issued Shares:			
Type of Security /Stock Symbol	Before	After	
COMMON/MARC	3,014,820,305	3,014,820,305	
Outstanding Shares:			
Type of Security /Stock Symbol	Before	After	
COMMON/MARC	3,014,820,305	3,014,820,305	

Correction in Listed Shares

On February 4, 2019, Castillo Laman Tan Panteleon San Jose Law Firm ("CLTPSJ Law), on behalf of the Company, requested the Exchange to increase the number of the Company's listed shares by 30,912 shares to reconcile the number of listed MARC shares recorded in the Exchange with the records of the Company. The said 30,912 shares represent the shares that were listed in 1999 and were fully paid on September 29, 2010.

Listed Shares:		
Type of Security /Stock Symbol	Before	After
COMMON/MARC	1,889,820,305	3,014,820,305

**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, 2018 and 2017 prepared in conformity with PFRS hereto attached in the Exhibits.

The financial information for the three years ended December 31, 2018, 2017 and 2016 and as of December 31, 2018, 2017, and 2016 are discussed below.

A. Discussion for 2018 and 2017 Financial Results

Results of operations

	Audited (in million Pesos)		Increase (Decrease)	
	2018	2017	Amount	%
Revenues	₱987.26	₱2,040.86	(₱1,053.60)	(51.63%)
Cost of Sales	921.27	1,335.91	(414.64)	(31.04%)
Operating Expenses	507.96	562.34	(54.38)	(9.67%)

Revenues

For the year ended December 31, 2018, mmdc sold an aggregate 1,087,599 wet metric tonnes (WMT) of nickel ore, or equivalent to 20 shipments of which 12 vessels of saprolite and 8 vessels of limonite, as compared to 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 for the year 2017. Lower revenue was due to the decrease in the number of vessel shipped in 2018 as compared from 2017.

Cost of Sales

The Company's cost of sales amounted to ₱921.27 million in 2018 as compared to ₱1,335.91 million in 2017, a decrease of ₱414.64 million or 31.04%, due to lower volume of nickel ore shipped in 2018.

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

WMT

	2018	2017	Increase (decrease)
Limonite	428,909	744,679	(1,150,433)
Saprolite	658,690	1,434,978	732,988
	1,087,599	2,179,657	(417,445)

Average Price per wmt (in US\$)

	2018	2017	Increase (decrease)
Limonite	\$8.20	\$9.67	(\$1.47)
Saprolite	22.90	22.26	0.64

Operating Expenses

The Company's total operating expenses amounted to ₱507.96 million in 2018 as compared to ₱562.34 million in 2017, a decrease of ₱54.38 million or 9.67%, due to the following:

- Royalties decreased by ₱10.03 million or 49.17% due to lower amount of gross sales of nickel ore for the year 2018.
- Loading fee decreased by ₱21.95 million or 99.36% due to lower volume of ore shipped in 2018.
- Retirement benefit expense decreased by ₱4.54 million or equivalent to 48.24% mainly due to decrease in employees in 2018.
- Environmental expenses decreased by ₱7.85 million or 12.62% due to the lesser company's environmental activities in 2018.
- Outside services decreased by ₱23.11 million or 52.79% pertains to lower outsourced manpower and security services.
- Rental decreased by ₱5.51 million or 63.51% due to lesser rental of equipment, service vehicle and non-subscription to Bloomberg in 2018.
- Transportation and travel decreased by ₱9.19 million or 54.77% due minimal seminars and conferences attended during the year.
- Decrease in other expenses by ₱26.37 million or 53.14%, a significant decrease mainly due to moisture penalty.

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

- Repairs and maintenance increased by ₱4.33 million or equivalent to 289.10% due to frequent defect on service vehicle during the year.
- Social Development Program increased by ₱10.93 million or equivalent to 33.05% is consistent with the increase in operating cost in 2017 wherein 1.5% was allocated to the development of host and neighboring communities.
- Community relations increased by ₱5.04 million or equivalent to 104% is parallel with the increase in social development program.
- Representation increased by ₱2.17 million or 29.61% due to meetings with various stakeholders (employees, IPs and regulatory agencies such as NCIP, DOLE and others) and existing and prospective customers.
- Recognition of doubtful account expense during the year as compliance with the New Accounting Standard amounting to ₱25.81 million.

Financial Position

	Audited (in million Pesos)		Increase(Decrease)	
	2018	2017	Amount	%
Assets	₱5,829.38	₱5,316.11	₱513.27	9.65%
Liabilities	1,939.24	1,108.19	831.05	74.99%
Stockholders' Equity	3,890.15	4,207.93	(317.78)	(7.55%)

Assets

The consolidated total assets of the Company increased to ₱5,829.38 million as of December 31, 2018 from ₱5,316.11 million as of December 31, 2017. The 9.65% increase was mainly due to the net effect of the following:

- Cash decreased by ₱19.70 million or 41.87% is attributable to the payments of liabilities, acquisition of property and equipment used for the mining operations.
- Trade receivables decreased by ₱28.89 million or 12.41% as a result of the recognition of allowance on doubtful account during the year.
- Ore inventory decreased by ₱83.59 million or 36.43% from the 2017 level of ₱229.45 million to ₱145.86 million in 2018. The ore inventory decreased by 41,806 wet metric tonnes (WMT) which is 18.92% lower than last year.
- Advances to related parties increased by ₱10.44 million or 24.37%.
- Mining rights and other mining assets increased by ₱529.91 million or equivalent to 13.71% was largely due to the construction of roads, bridges and development of mine yard of MMDC and increase in mining assets of the subsidiaries AMPI, BARI and BRC.

Liabilities

As of December 31, 2018 the total liabilities of the Company increased by ₱831.05 million or 74.99% from ₱1,108.19 million in December 2017 to ₱1,939.24 in 2018. The increase was due to the net effect of the following:

- Trade and other payable increased by ₱189.68 million or 65.90%, primarily due to coractors and suppliers.
- Loans payable increased by ₱652.92 million or 471.48% due to additional bank loans.
- Advances from related party increased by ₱115.82 million or 1,158.21% due to additional loan from AMPI.
- Income tax payable decreased by ₱40.71 million or 100.00% due to the net loss for the period.
- Retirement liability decreased by ₱13.85 million or 38.05% due to retrenchment of employees.

Stockholders' Equity

The stockholders' equity decreased by ₱317.78 million from ₱4,207.93 million in 2017 to ₱3,890.15 million in 2018. The decrease pertains to the Company's total comprehensive loss for the year. Increased in Capital amounting to 75,000,000 of the Parent Company's common shares were mainly due to the subscription of MMDC shares at ₱1 per share.

Consolidated Cash Flow

	Audited		Increase(Decrease)	
	(in million Pesos)		Amount	%
	2018	2017		
Cash provided by operating activities	₱3.65	₱173.68	(₱170.03)	(97.90)
Cash used in investing activities	637.83	368.56	269.27	73.06
Cash used in financing activities	614.48	77.37	537.11	694.23

The cash provided by operating activities decreased from ₱173.68 million in 2017 to ₱3.65 million in 2018. The Company reported a net loss before income tax of ₱480.66 million in 2018 as compared to net income of ₱115.49 million in 2017.

In 2018, the company's net cash used in investing activities are primarily due to the increase in mine and mining properties amounting to ₱269.28 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. Also, with an increased in other noncurrent asset amounting to ₱6.32 million.

In 2018, the company's net cash used in financing activities are mainly due additional availments of loans and were partially offset on partial settlement of its interest-bearing loan.

B. Discussion for 2017 and 2016 Financial Results

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, mmcdc 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 continuous 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	1,895,112	(1,150,433)
Saprolite	1,434,978	701,990	732,988
	2,179,657	2,597,102	(417,445)

Average Price per wmt (in US\$)

	2017	2016	Increase (decrease)
Limonite	\$9.67	\$11.39	(\$1.72)
Saprolite	22.26	23.24	(0.98)

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%

Assets

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
- 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		Increase(Decrease)	
	(in million Pesos)		Amount	%
	2017	2016		
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.

C. 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		Increase(Decrease)	
	(in million Pesos)		Amount	%
	2016	2015		
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.

Financial Indicators

Key Performance Indicators (KPI's)

Comparative figures of the key performance indicators (KPI) for the fiscal years ended December 31, 2018 and December 31, 2017:

	2018	2017
Net Income (Loss)	(₱388,807,119)	₱47,281,213
Current assets	551,145,763	645,861,140
Total assets	5,829,382,974	5,316,113,360
Current liabilities	1,140,620,272	444,607,449
Total liabilities	1,939,236,801	1,108,188,218
Stockholders' Equity	3,890,146,173	4,207,925,143
No. of common shares outstanding	3,014,820,305	2,969,088,599
	2018	2017
Current ratio ¹	0.48	1.45
Book value per share ²	1.29	1.42
Debt to equity ratio ³	0.50	0.26
Earnings per share ⁴	(0.13)	0.016
Return on assets ⁵	(0.069)	0.011

The Company uses the following formulas to calculate the foregoing performance indicators Company' and its subsidiaries:

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	
	2018	2017
Audit Fees	₱1,230,000	₱1,140,000
Audit-Related Fees	123,000	114,000
Total	₱1,353,000	₱1,254,000

Audit Fees. Represents professional fees of the external auditor for the audit services rendered on Company's Annual Financial Statements for the year 2018.

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 2nd Quarter

The following discussion is based on the unaudited interim consolidated financial statements as at June 30, 2019 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2018) and for the three-month and six-month period ended June 30, 2019 and 2018, 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:

Six -month period ended June 30, 2019 compared with six-months ended June 30, 2018

Revenues

For the six-month period ended June 30, 2019, total revenues amounted to ₱177.36 million, lower by ₱623.35 million or 77.85% as compared with ₱800.72 million reported in the same period of prior year. During the same quarter, the Company focused on preparatory activities consisting primarily of restoration of mine pit, waste dump site, and settling pond, road widening, repair of haul roads, bridges and causeway improvement.

During the first half of the year the subsidiary shipped out five vessels of nickel ore of which four vessels of limonite and only one vessel of saprolite nickel ore shipped during the period.

Cost of Sales

Cost of sales decreased by 61.94% or ₱351.48 million from ₱567.42 million to ₱215.94 million due to the following:

- Contracted Services decreased by ₱354.41 million due to lower volume of Ore produced and shipped and only focused on limonite which was lesser cost.
- Production Overhead decreased by ₱16.32 million due to lower requirement of mining and other supplies relative to the volume of ore production.
- Excise tax decreased by 1.74 million due to decreased in revenue in 2019 as basis for payment of business permits and licenses to the municipalities of Cantilan and Carrascal.
- Depletion decreased by ₱8.34 million pertains to lower volume of Ore shipped.

Operating Expenses

Operating expenses decreased by 9.14% or ₱19.45 million decreased from ₱212.69 million of the same period of last year to ₱193.24 million this year. The decrease was mainly accounted for by the following:

- Decrease in Taxes and licenses by ₱13.13 million or equivalent to 40.75% due to lower revenue in 2018 as basis for payment of business permits and licenses to the municipalities of Cantilan and Carrascal.
- Decrease in Outside services by ₱6.23 million or equivalent to 42.91% pertains to lower outsourced manpower and security services.
- Decrease in Professional fees by ₱6.45 million or equivalent to 35.88% due to minimal engagement of professionals and consultants.

- Decrease in Representation by ₱1.67 million or equivalent to 62.68% mainly due to lesser meetings with various stakeholders.
- Decrease in Salaries and allowances by ₱23.82 million or equivalent to 36.46% due to management reorganization to promote efficiency.

The above cost decreases were partly offset by the following :

- Increase in Rental by ₱9.10 million or equivalent to 400.79% due to rental of equipment for the restoration of mine pit, waste dump site, and settling pond, road widening, repair of haul roads and causeway improvement.
- Increase in Transportation and Travel by ₱2.55 million or equivalent to 100.00% due to the seminars and conferences attended during the year.

Statement of Financial Position

June 30, 2019 vs. December 31, 2018

Assets

The consolidated total assets of the Company increased by ₱45.39 million from ₱5,829.38 million as of December 31, 2018 to ₱5,874.77 million as of June 30, 2019. The 0.78% increase was mainly due to the following:

- Increase in total current assets from ₱551.15 million as of December 31, 2018 to ₱582.20 million as of June 30, 2019. The 5.63% or ₱31.05 increase was attributable to the following:
 - Increase in Cash from ₱27.36 million to ₱66.40 million amounting to ₱39.04 million or 142.69%, due to advances from buyers and shareholders to sustain the current operation.
 - Increase in Trade and Other Receivables from ₱203.90 million to ₱235.48 million. The increase of ₱31.57 million or 15.48% was due to uncollected sales as of the date.
- Increased in total noncurrent assets from ₱5,278.24 million as of December 31, 2018 to ₱5,292.57 million as of June 30, 2019 or 0.27% with the amount of ₱14.33 million increase was attributable to the restoration and repair of haul roads and causeway improvement.

Liabilities

The total consolidated liabilities of the Company increased by ₱253.98 million or 13.10% from ₱1,939.24 million as of December 31, 2018 to ₱2,193.22 million as of June 30, 2019. The increased was due to outstanding trade and other payables incurred during the period.

Equity

The stockholders' equity of the Company decreased by ₱208.60 million or 5.36% from ₱3,890.15 million as of December 31, 2018 to ₱3,681.55 million as of June 30, 2019, due to decreased in retained earnings from net loss for the period.

Statement of Cash Flows

June 30, 2019 vs. December 31, 2018

The net cash generated from operating activities amounted to ₱28.72 million for the six-months ended June 30, 2019 higher by ₱244.20 million as compared to the same period last year, the net cash used from operations amounted to ₱215.48 million. The increase in cash from operating activities is the net result of the following:

- Increase in interest expense
- Increase in trade and other payables
- Increase in advances to related parties

Net cash used in investing activities amounted to ₱22.57 million as compared to ₱118.83 million for the same period in 2018 due to increase in mine and mining properties.

Net cash outflow in financing activities amounted to ₱2.23 million as compared to cash inflows amounting ₱349.72 million last year due to interest payment of bank loans.

The net effect of the foregoing operating, investing and financing activities is an increase of ₱3.92 million and a balance of ₱66.40 million in cash as of June 30, 2019 as compared to an increase of ₱15.41 million and a balance of ₱62.47 million as of June 30, 2018.

Horizontal and Vertical Analysis:

	Consolidated June 30, 2019	December 2018	Increase (Decrease)	
			Amount	%
ASSETS				
Current Assets				
Cash	66,398,294	27,359,652	39,038,642	142.69%
Trade and other receivables	235,475,315	203,903,801	31,571,514	15.48%
Inventories	145,856,739	145,856,739	–	0.00%
Advances to related parties	15,043,446	53,264,597	(38,221,151)	(71.76%)
Other current assets	119,424,159	120,760,974	(1,336,815)	(1.11%)
Total Current Assets	582,197,953	551,145,763	31,052,190	5.63%
Noncurrent Assets				
Property and equipment	307,939,984	344,033,024	(36,093,040)	(10.49%)
Mining rights on explored resources	4,461,251,832	4,395,753,013	65,498,819	1.49%
Net deferred tax assets	106,653,437	106,653,437	–	0.00%
Other noncurrent assets	416,724,663	431,797,737	(15,073,074)	(3.49%)
Total Noncurrent Assets	5,292,569,916	5,278,237,211	14,332,705	0.27%
TOTAL ASSETS	5,874,767,869	5,829,382,974	45,384,895	0.78%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	750,032,371	477,503,891	272,528,480	57.07%
Loans payable	530,354,986	532,587,671	(2,232,685)	(0.42%)
Advances from related parties	97,184,267	125,820,824	(28,636,557)	(22.76%)
Dividends payable	4,707,886	4,707,886	–	0.00%
Total Current Liabilities	1,382,279,510	1,140,620,272	241,659,238	21.19%

	Consolidated		Increase (Decrease)	
	June 30, 2019	December 2018	Amount	%
Noncurrent Liabilities				
Long-term debt - net of current portion	258,821,212	258,821,212	–	0.00%
Provision for mine rehabilitation and decommissioning	51,980,329	51,980,329	–	0.00%
Retirement benefit liability	22,552,229	22,552,229	–	0.00%
Deferred tax liability	477,586,158	465,262,759	12,323,399	2.65%
Total Noncurrent Liabilities	810,939,928	798,616,529	12,323,399	1.54%
Total Liabilities	2,193,219,438	1,939,236,801	253,982,637	13.10%
Equity				
Capital stock	3,014,820,305	3,014,820,305	–	0.00%
Additional paid-in capital	269,199,788	269,199,788	–	0.00%
Retained earnings	359,186,368	567,784,110	(208,597,742)	(36.74%)
Remeasurement gain on retirement benefit liability - net of deferred tax	38,341,970	38,341,970	–	0.00%
Total Equity	3,681,548,431	3,890,146,173	(208,597,742)	(5.36%)
TOTAL LIABILITIES AND EQUITY	5,874,767,869	5,829,382,974	45,384,895	0.78%

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. 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
- e. 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.
- f. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- g. Due to continuous rain in the first quarter and Tropical Storm Basyang we MMDC there were no shipment made as compared to last year.
- 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 new Issuances, repurchases, and repayments of debt and equity securities.

- j. 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.
- k. 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.
- l. There are no contingent liabilities or contingent assets since the last annual balance sheet date.
- m. There are no material contingencies and other material events or transactions during the interim period.
- n. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Key Performance Indicators

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

	June 30, 2019	June 30, 2018
Net Loss	(₱258,537,697)	₱9,866,283
Quick assets	301,873,609	728,734,078
Current assets	582,197,953	1,213,644,436
Total assets	5,874,767,869	5,956,375,078
Current liabilities	1,382,279,510	1,075,324,063
Total liabilities	2,193,219,438	1,663,583,655
Stockholders' Equity	3,681,548,431	4,292,791,423
Number of common shares outstanding	3,014,820,305	3,014,820,305

Liquidity ratios:		
Current ratio ⁽¹⁾	0.42:1	1.13:1
Quick ratio ⁽²⁾	0.22:1	0.68:1
Solvency Ratios:		
Debt ratio ⁽³⁾	0.37:1	0.28:1
Debt to Equity ratio ⁽⁴⁾	0.60:1	0.39:1
Profitability ratios:		
Earning (loss) per share ⁽⁵⁾	(0.09)	0.003
Book value per share ⁽⁶⁾	1.22	1.42

Note:

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

PART II - OTHER INFORMATION

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

NONE

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

- a. Current Ratio

Total Current Assets/ Total Current Liabilities = 0.42:1

- b. Quick Ratio

Quick asset / Total Current Laibilities = 0.22:1

Solvency Ratio

- a. Debt Ratio

Total liabilities / Total assets = 0.37:1

- b. Debt to Equity Ratio

Total liabilities / Shareholder's Equity = 0.60:1

Profitabilty Ratio

- a. Return on Equity Ratio

Net income (loss) / Average shareholder's equity = (0.06):1

- b. Return on Assets

Net income (loss)/ Average Total assets = (0.04):1

- c. Fixed Assets Turnover Ratio :

Revenue/Property Plant and Equipment = (0.84):1

- d. Asset to Equity Ratio:

Total Assets / Stockholders' Equity = 1.60:1

- e. Asset Turnover

Revenue/Total Assets = (0.04):1

Interest Coverage Ratio

Net Income (loss) / Interest expense = (9.63):1

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: **RACQUEL S. FRONDOSO**
MARVENTURES 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 AUG 06 2019 2019 at Makati City, Philippines.


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 AUG 06 2019, 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.

Doc. No. 199
Page No. 41
Book No. II
Series of 2019.




JENAIRA MAE A. JALASCO
Appointment No. M-506
Notary Public for Makati City
Until December 31, 2019
Castillo Laman Tan Pantaleon
& San Jose Law Firm
The Valero Tower, 122 Valero Street
Salcedo Village, Makati City
PTR No. 6966629;06-26-2018;Makati City
IBP No. 042595;05-16-2018;Makati Chapter
Roll No. 71861

COVER SHEET

1 2 9 4 2

SEC Registration
Number

M A R C V E N T U R E S H O L D I N G S , I N C .

(F O R M E R L Y A J O N E T H O L D I N G S , I N C

(Company's Full Name)

4 T H F L R . C I T I C E N T E R 8 7 4 1

P A S E O D E R O X A S , M A K A T I

C I T Y

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

Diane Madelyn C. Ching

Contact Person

831-4479

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

Meeting

FORM TYPE

0 5

Month

Day

Annual

Certification of Independent Director

(Atty. 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

Remarks: Please use BLACK ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARLOS ALFONSO T. OCAMPO**, Filipino, of legal age and with office Address at 28th 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 elected 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
Asian Carmakers Corporation	Director	April 2008 to Present
Jam Transit, Inc.	Director	July 2009 to Present
Prestige Cars, Inc.	Director	June 2006 to Present
Timebound Trading Corporation	Director	April 2013 to Present
Monpierre Foods Corporation	Director	December 2011 to Present
Adrianse Phils. Inc.	Director/ Corporate Secretary	March 2012 to Present
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	Corporate Secretary	April 2008 to Present
Solen Innovations Holdings Inc.	Director	November 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 AUG 07 2019 day of 2019 at Makati City


CARLOS ALFONSO T. OCAMPO
Affiant

SUBSCRIBED AND SWORN to before me this AUG 07 2019 day of 2019 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. 425 ;
 Page No. 92 ;
 Book No. 11 ;
 Series of 2019.


RAYMOND JOSEPH V. MERCADO
 Appointment No. M-248 (2018-2019)
 Until 31 December 2019
 Roll No. 69899
 IBP Lifetime No. 016846
 PTR No. 7338142; 01/04/19; Makati City
 28th Flr., Pacific Star Bldg., Makati City

COVER SHEET

1 2 9 4 2

SEC Registration
Number

M A R C V E N T U R E S H O L D I N G S , I N C .

(F O R M E R L Y A J O N E T H O L D I N G S , I N C

(Company's Full Name)

4 T H F L R . C I T I C E N T E R 8 7 4 1

P A S E O D E R O X A S , M A K A T I

C I T Y

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

Diane Madelyn C. Ching

Contact Person

831-4479

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

Meeting

FORM TYPE

0 5

Month

Day

Annual

Certification of Independent Director

(Justice Vicente Mendoza)

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

Remarks: Please use BLACK ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTOR



I, **Vicente V. Mendoza**, Filipino, of 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 am elected for Independent Director of **MARCVENTURES HOLDINGS INC. ("MARC")** and have been its independent director since February 2018 (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
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 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.

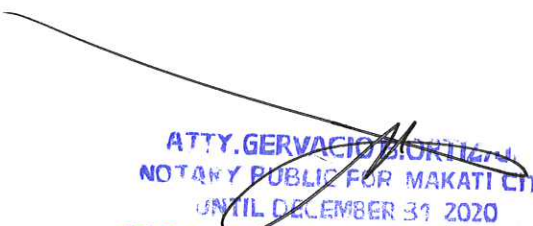
Done, this AUG 6 2019 day of _____ at MAKATI CITY


Vicente V. Mendoza
Affiant

AUG 06 2019

SUBSCRIBED AND SWORN to before me this _____ day of _____ at MAKATI CITY affiant personally appeared before me and exhibited to me his Tax Identification No. 113-342-528.

Doc. No. 32
Page No. F
Book No. 10
Series of 2019;


ATTY. GERVACIO B. ORTIGA
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31 2020
PTRNO. 1995104 / 01-03-2019 MAKATI
IBP NO. 656155 LIFETIME MEMBER
APPT. ROLM104 / 2017 / ROLL NO. 4009
MCLF COMPLIANCE NO. V-0006934
UNIT 102 PENINGULA COURT BLDG
8775 MAKATI AVE., MAKATI CITY



April 12, 2019

**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, 2018 and 2017** 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.

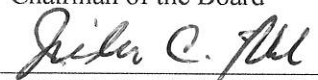
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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, 2018 and 2017** 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

TRUNK LINES (632) 831-4479 FAX NO (632) 856-7976
(632) 831-4483
(632) 831-4484

SUBSCRIBED AND SWORN to before me this APR 30 2019 day of _____, 2019
 at Makati, affiant(s) exhibiting to me their valid IDs as follows:

Name	Passport Number	Date/Place Issued
Cesar Zalamea	Senior ID# 14467	12-19-09/Mandaluyong
Isidro C. Alcantara, Jr.	Passport #P6532419A	23 March 2018/DFA NCR South
Rolando S. Santos	Senior Citizen#1003235	March 2010/Antipolo

Notary Public

Doc. No. 34
 Page No. 7
 Book No. I
 Series of 2019.



Michael S. Macabata
 Atty. Michael S. Macabata
 Notary Public for the City of Makati
 Until December 31, 2019
 Roll of Atty. No. 58554
 PTR No. 7347887-01/14/2019-Makati City
 IBP No. 011366-01/09/13-Lifetime PPLM
 4/F Citibank Center, 8741 Paseo de Roxas
 Makati City, Philippines

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 2 9 4 2

COMPANY NAME

M A R C V E N T U R E S H O L D I N G S , I N C . A N D S U B S I D I
A R I E S

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

4 t h F l o o r , C i t i C e n t e r , 8 7 4 1 P a s e o d e R
o x a s , M a k a t i C i t y

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

mhicorporate@marcventures.com.ph

Company's Telephone Number/s

(02) 831-4479

Mobile Number

0998-985-0229

No. of Stockholders

2,176

Annual Meeting (Month / Day)

December 19

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mr. Rolando S. Santos

Email Address

rolly.santos@marcventures.com.ph

Telephone Number/s

(02) 831-4479

Mobile Number

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.



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Marcventures Holdings, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, 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, 2018, 2017 and 2016, and consolidated 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018, 2017 and 2016 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.

Assessment of Recoverability of Mining Rights and other Mining Assets

The Group carries significant amounts of mining rights and other mining assets with aggregate carrying amount of ₱4.4 billion and ₱3.9 billion as at December 31, 2018 and 2017, respectively. Under the PFRS, the Group is required to assess the carrying amounts of these assets if there is any indication of impairment. The assessment is significant to our audit because the assessment process requires significant judgment, assumptions and estimates.

We performed the necessary 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 Judgments, 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, 2018, 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, 2018 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 Carolina P. Angeles.

REYES TACANDONG & Co.


CAROLINA P. ANGELES
Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 0658-AR-3 Group A

Valid until May 17, 2020

BIR Accreditation No. 08-005144-007-2017

Valid until January 13, 2020

PTR No. 7334336

Issued January 3, 2019, Makati City

April 12, 2019

Makati City, Metro Manila

Marcventures Holdings, Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2018, 2017 and 2016

With independent auditors' report provided by



REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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A	R	I	E	S																																			

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

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Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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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)
2,176	December 19	December 31

CONTACT PERSON INFORMATIONThe 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. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2018	2017
ASSETS			
Current Assets			
Cash	5	₱27,359,652	₱47,062,535
Trade and other receivables	6	203,903,801	232,793,388
Inventories	7	145,856,739	229,447,620
Advances to related parties	21	53,264,597	42,828,377
Other current assets	8	120,760,974	93,729,220
Total Current Assets		551,145,763	645,861,140
Noncurrent Assets			
Mining rights and other mining assets	10	4,395,753,013	3,865,845,679
Property and equipment	9	344,033,024	381,263,997
Net deferred tax assets	23	106,653,437	11,308,435
Other noncurrent assets	11	431,797,737	411,834,110
Total Noncurrent Assets		5,278,237,211	4,670,252,221
		₱5,829,382,974	₱5,316,113,361
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	₱477,503,891	₱287,820,914
Loans payable	14	532,587,671	101,364,876
Advances from related parties	21	125,820,824	10,000,000
Dividends payable	15	4,707,886	4,707,886
Income tax payable		–	40,713,773
Total Current Liabilities		1,140,620,272	444,607,449
Noncurrent Liabilities			
Long-term debt - net of current portion	14	258,821,212	37,120,206
Provision for mine rehabilitation and decommissioning	13	51,980,329	49,796,810
Retirement benefit liability	20	22,552,229	36,400,994
Deferred tax liability	4	465,262,759	465,262,759
Deposit for future stock subscription	15	–	75,000,000
Total Noncurrent Liabilities		798,616,529	663,580,769
Total Liabilities		1,939,236,801	1,108,188,218
Equity			
Capital stock	15	3,014,820,305	2,969,088,599
Additional paid-in capital	15	269,199,788	239,931,494
Retained earnings		567,784,110	963,441,676
Remeasurement gain on retirement benefit liability - net of deferred tax	20	38,341,970	35,463,374
Total Equity		3,890,146,173	4,207,925,143
		₱5,829,382,974	₱5,316,113,361

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2018	2017	2016
REVENUE	16	₱987,255,064	₱2,040,859,226	₱1,919,188,114
COST OF SALES	17	921,269,786	1,335,907,606	1,421,749,117
GROSS INCOME		65,985,278	704,951,620	497,438,997
OPERATING EXPENSES	18	507,959,941	562,340,607	452,607,187
INCOME (LOSS) FROM OPERATIONS		(441,974,663)	142,611,013	44,831,810
INTEREST EXPENSE	14	(40,763,016)	(11,856,932)	(12,121,343)
INTEREST INCOME	5	149,306	215,379	280,563
OTHER INCOME (CHARGES) - Net	19	1,926,242	(15,475,531)	15,555,463
INCOME (LOSS) BEFORE INCOME TAX		(480,662,131)	115,493,929	48,546,493
PROVISION FOR (BENEFIT FROM) INCOME TAX	23	(91,855,012)	68,212,716	43,404,711
NET INCOME (LOSS)		(388,807,119)	47,281,213	5,141,782
OTHER COMPREHENSIVE INCOME				
<i>Not to be reclassified to profit or loss -</i>				
Remeasurement gain on retirement benefit liability - net of deferred income tax	20	2,878,596	13,265,870	3,094,504
TOTAL COMPREHENSIVE INCOME (LOSS)		(₱385,928,523)	₱60,547,083	₱8,236,286
Basic and diluted earnings (loss) per share	24	(₱0.129)	₱0.026	₱0.002

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2018	2017	2016
CAPITAL STOCK - ₱1 par value				
	15			
Authorized - 4,000,000,000 shares in 2018 and 2017 and 2,000,000,000 shares in 2016				
Issued and outstanding:				
Balance at beginning of year		₱2,969,088,599	₱1,821,358,599	₱1,821,358,599
Issuance		45,731,706	1,147,730,000	-
Balance at end of year		3,014,820,305	2,969,088,599	1,821,358,599
ADDITIONAL PAID-IN CAPITAL				
	15			
Balance at beginning of year		239,931,494	212,655,494	212,655,494
Proceeds in excess of par value		29,268,294	27,276,000	-
Balance at end of year		269,199,788	239,931,494	212,655,494
RETAINED EARNINGS				
Balance at beginning of year		963,441,676	916,160,463	911,018,681
Transition adjustment on initial application of PFRS 9 - net of deferred tax	2	(6,850,447)	-	-
Balance at beginning of year, as adjusted		956,591,229	916,160,463	911,018,681
Net income (loss)		(388,807,119)	47,281,213	5,141,782
Balance at end of year		567,784,110	963,441,676	916,160,463
REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - net of deferred tax				
Balance at beginning of year		35,463,374	22,197,504	19,103,000
Remeasurement gain	20	2,878,596	13,265,870	3,094,504
Balance at end of year		38,341,970	35,463,374	22,197,504
		₱3,890,146,173	₱4,207,925,143	₱2,972,372,060

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(₱480,662,131)	₱115,493,929	₱48,546,493
Adjustments for:				
Depreciation and amortization	9	67,736,982	74,340,114	144,442,593
Depletion	10	57,456,596	130,120,696	104,313,561
Interest expense	14	40,763,016	11,856,932	12,121,343
Provision for impairment loss	6	25,808,706	–	–
Interest income	5	(149,306)	(215,379)	(280,563)
Loss on disposal of assets	9	–	19,540,862	853,793
Operating income (loss) before working capital changes		(289,046,137)	351,137,154	309,997,220
Decrease (increase) in:				
Trade and other receivables		(6,705,472)	(166,895,618)	140,433,847
Inventories		83,590,881	(96,117,988)	(97,611,738)
Advances to related parties		(10,436,220)	82,968,433	(52,879,787)
Other current assets		(27,000,181)	(2,010,959)	(16,234,041)
Increase (decrease) in:				
Trade and other payables		189,544,430	179,891,933	(62,438,753)
Advances from related parties		115,820,824	(120,860,136)	5,000,000
Retirement benefit liability		(9,736,484)	9,412,728	15,459,453
Net cash generated from operations		46,031,641	237,525,547	241,726,201
Income tax paid		(42,533,115)	(64,063,613)	(26,701,858)
Interest received	5	149,306	215,379	280,563
Net cash provided by operating activities		3,647,832	173,677,313	215,304,906
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Mining rights and other mining assets	10	(532,399,980)	(262,553,454)	(168,304,994)
Property and equipment	9	(85,469,959)	(120,359,684)	(31,063,186)
Other noncurrent assets		(19,963,627)	(13,644,910)	(13,284,573)
Proceeds from disposal of property and equipment		–	28,000,000	–
Net cash used in investing activities		(637,833,566)	(368,558,048)	(212,652,753)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of loans		843,344,896	1,631,200	–
Payments of:				
Loans		(190,421,095)	(39,204,861)	(18,116,126)
Interest		(38,440,950)	(9,816,144)	(10,168,408)
Proceeds from:				
Deposit for future stock subscription	15	–	75,000,000	–
Issuance of shares	15	–	50,006,000	–
Dividends paid		–	(247,468)	–
Net cash provided by (used in) financing activities		614,482,851	77,368,727	(28,284,534)

(Forward)

		Years Ended December 31		
	Note	2018	2017	2016
DECREASE IN CASH		(₱19,702,883)	(₱117,512,008)	(₱25,632,381)
CASH AT BEGINNING OF YEAR		47,062,535	164,574,543	190,206,924
CASH AT END OF YEAR		₱27,359,652	₱47,062,535	₱164,574,543
NONCASH FINANCIAL INFORMATION				
Issuance of capital stock through conversion of deposit for future stock subscription	15	₱75,000,000	₱-	₱-
Completed constructions transferred to mine and mining properties	9	52,138,951	-	-
Capitalized depreciation to mine development costs	9	2,824,999	10,680,519	9,714,743

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
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 stocks were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2018 and 2017, 3,014,820,305 and 2,969,088,599 shares of the Parent Company’s shares of stocks are listed in the PSE.

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

Approval of Financial Statements

The consolidated financial statements as at December 31, 2018 and 2017, and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issue by the Board of Directors (BOD) on April 12, 2019.

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 a share to 4,000,000,000 shares at the same 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 a 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, MMDC 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. 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. The Company submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 25).

Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, which is the 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 and Fair Value Measurement*

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 new and amended PFRS which the Company adopted effective for annual periods beginning January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces 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 (OCI) (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 an 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.

Based on the Company’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified based on the new categories under PFRS 9.

The following are the Company’s financial assets previously classified and measured as loans and receivables under PAS 39 which are now classified and measured as financial assets at amortized cost under PFRS 9 with no other changes in the carrying amounts except for the effect of expected credit loss.

	Carrying Amount under PAS 39 as at January 1, 2018	Expected Credit Loss Adjustment	Carrying Amount under PFRS 9 as at January 1, 2018
Cash	₱47,062,535	₱–	₱47,062,535
Trade and other receivables*	204,245,733	(9,786,353)	194,459,380
Advances to related parties	42,828,377	–	42,828,377
Rehabilitation cash fund (RCF) and monitoring trust fund (MTF)	5,597,746	–	5,597,746
Rental deposit	465,959	–	465,959

*Excluding advances to officers and employees of ₱28.5 million

PFRS 9 was adopted without restating comparative figures. Remeasurement adjustments arising from the new impairment rules are not reflected in the consolidated statements of financial position as at December 31, 2017. These are recognized as adjustments to the opening balance of retained earnings as at January 1, 2018.

The following table shows the effect of the transition adjustments on the balances of retained earnings as at January 1, 2018:

Retained earnings, as previously reported under PAS 39	₱963,441,676
Transition adjustment - net of tax	(6,850,447)
Retained earnings, as restated for the effect of adoption of PFRS 9	₱956,591,229

- 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.).

The Company adopted PFRS 15 using full retrospective method. The Company's contracts with its customers mainly pertain to sale of ore. Sale of ore is recognized as the related goods are delivered to customers similar with the requirements of PFRS 15 to recognize revenue at a point in time. Accordingly, the allocation of transaction price to separate performance obligations and the timing of revenue recognition have no significant impacts on the Company's revenue recognition.

- 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.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements of the Company except for the impact of the adoption of PFRS 9 as discussed above. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New PFRS in Issue But Not Yet Effective

Relevant new PFRS which is not yet effective for the year ended December 31, 2018 and has not been applied in preparing the consolidated financial statements is summarized below. The Company intends to adopt this standard when it becomes effective.

Effective for annual periods beginning January 1, 2019 –

- PFRS 16, *Leases* – This standard will replace 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.

For the Company's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 - which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company completes the assessment.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 and BGRC, AMPI and BARI as at December 31, 2018 and 2017 and for the years ended 2018.

Subsidiaries

A subsidiary is an entity that is controlled by the Parent Company and is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the 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 OCI to profit or loss.

Financial Assets and Liabilities

a. Recognition

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

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

b. Classification and Subsequent Measurement Policies prior to January 1, 2018

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, 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.

As at December 31, 2017, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties, and RCF, MTF and rental deposit (classified under "Other noncurrent assets") are classified under this category (see Notes 5, 6, 21 and 11).

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.

As at December 31, 2017, the Company's trade and other payables (excluding excise tax and other statutory payables), loans payable, long-term debt, advances from a related party and dividends payable are classified under this category (see Notes 12, 14, 21 and 15).

c. Classification and Subsequent Measurement Policies beginning January 1, 2018

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2018, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2018, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties, and RCF, MTF and rental deposit (included under "Other noncurrent assets") account are classified under this category (see Notes 5, 6, 21 and 11).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2018, the Company's trade and other payables (excluding excise tax and other statutory payables and advances from customers), loans payable, advances from related parties and dividends payable are classified under this category (see Notes 12, 14, 21 and 15).

d. Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

e. Impairment Policy on Loans and Receivables prior to January 1, 2018

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.

f. Impairment Policy on Financial Assets at Amortized Cost beginning January 1, 2018

The Company records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

g. Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

h. Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

i. Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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

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

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on goods or services to be purchased in connection with the mining operation. These are reclassified to proper asset account in the consolidated statements of financial position or charged to expense in 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.

Mining and Office Supplies. Mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method. These are charged to expense in the consolidated statements of comprehensive income upon use.

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

Property and Equipment

Property and equipment, except for land, are initially measured at cost less accumulated depreciation and amortization and any impairment in value. 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 and amortization 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 and amortization method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

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

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

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

Mining Rights and Other Mining Assets

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

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

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

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

Exploration and evaluation activities include:

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

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

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

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

Impairment of Nonfinancial Assets

The 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 costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Employee Benefits

Short-term Benefits. The 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 interest cost in profit or loss. Interest cost is calculated by applying the discount rate to the retirement benefit liability.

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

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

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

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

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

Equity

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

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

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

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); and

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

If any or all of the foregoing elements are not present, the deposit for future stock subscription shall be recognized as a liability.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

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

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

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

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

Cost and Expense Recognition

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

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

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

Interest Expense. Interest expense is recognized in the consolidated statements of comprehensive income using the effective interest method.

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

Income Taxes

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

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

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

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

Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Related 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.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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.

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

Where applicable, the 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 (Loss) Per Share

Basic. Basic earnings (loss) per share is calculated by dividing the net income (loss) 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.

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effects 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 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.

Defining Default and Credit-Impaired Financial Assets. Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.
- b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - The borrower is experiencing financial difficulty or is insolvent;
 - The borrower is in breach of financial covenants; and
 - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

Accounting for Operating Lease - 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.

Accounting Estimates and Assumptions

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

Estimating Allowance for Doubtful Accounts prior to January 1, 2018. 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 collectability 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 impairment loss on trade receivables amounted to ₱11.0 million as at December 31, 2017 (see Note 6).

Estimating Allowance for Expected Credit Losses on Trade and Other Receivables beginning January 1, 2018. The Company uses a provision matrix based on historical default rates for trade and other receivables (excluding advances to officers and employees). The provision matrix specifies provision rates depending on the number of days that receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual experience.

Provision for impairment loss amounted to ₱25.8 million in 2018. The allowance for impairment loss amounted to ₱46.6 million as at December 31, 2018. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱172.7 million and ₱204.2 million as at December 31, 2018 and 2017, respectively (see Note 6).

Estimating Allowance for Expected Credit Losses on Other Financial Assets at Amortized Cost beginning January 1, 2018. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime expected credit loss.

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

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

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus the impairment loss on these financial assets in 2018, 2017 and 2016 are not significant and not recognized.

The carrying amounts of the Company's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 26, *Financial Risk Management Objectives and Policies*.

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.

No provision for inventory obsolescence was recognized in 2018, 2017 and 2016. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱145.9 million and ₱229.4 million as at December 31, 2018 and 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.

No provision for impairment loss was recognized in 2018, 2017 and 2016. 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 ₱303.6 million and ₱302.4 million as at December 31, 2018 and 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 in 2018 and 2017. Property and equipment, net of accumulated depreciation, amounted to ₱344.0 million and ₱381.3 million as at December 31, 2018 and 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	₱2,604,171,944	₱2,625,357,305
Mine and mining properties	10	1,649,356,162	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 consolidated statements of financial position, amounted to ₱37.0 million and ₱35.9 million as at December 31, 2018 and 2017 (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱52.0 million and ₱49.8 million as at December 31, 2018 and 2017, 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 2018, 2017 and 2016.

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

	Note	2018	2017
Mining rights and other mining assets	10	₱4,395,753,013	₱3,865,845,679
Property and equipment	9	344,033,024	381,263,997
Other current assets	8	120,760,974	93,729,220
Other noncurrent assets (excluding financial assets and input VAT)	11	122,138,612	103,397,035
Advances to officers and employees	6	31,176,945	28,547,655

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 the actuary 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 OCI. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated as at reporting date may differ significantly from the amount reported.

Retirement benefit liability amounted to ₱22.6 million and ₱36.4 million as at December 31, 2018 and 2017, respectively (see Note 20).

Recognizing 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 ₱107.5 million and ₱11.6 million as at December 31, 2018 and 2017, respectively (see Note 23).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability as at December 31, 2018 and 2017 because the management assessed 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 ₱48.0 million and ₱29.0 million as at December 31, 2018 and 2017, 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 APMPC 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	₱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	1,721,685,723
Liabilities			
Advances from 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	₱1,123,000,000

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

The assets of BGRC, AMPI and BARI are among the assets acquired in the merger between MHI, APMPC and BHI (see Note 1). The merger was accounted by virtue of a tax-free exchange pursuant to Section 40(C)(2) in relation to Section 40(C)(6)(b) of the National Internal Revenue Code of 1997, as amended.

The fair value of the mining rights used as basis for allocating the acquisition cost are based on the 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 of the Company's mining rights categorized within Level 3 of the fair value hierarchy 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 equipment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitation 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 the 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 the 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:

	2018	2017
Cash on hand	₱260,546	₱155,951
Cash in banks	27,099,106	46,906,584
	₱27,359,652	₱47,062,535

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

	Note	2018	2017	2016
Cash in banks		₱105,815	₱171,058	₱243,983
Other noncurrent assets	11	43,491	44,321	36,580
		₱149,306	₱215,379	₱280,563

6. Trade and Other Receivables

This account consists of:

	2018	2017
Trade receivables	₱209,219,163	₱201,115,654
Advances to officers and employees	31,176,945	28,547,655
Others	10,139,279	14,166,606
	250,535,387	243,829,915
Allowance for impairment loss	(46,631,586)	(11,036,527)
	₱203,903,801	₱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.

Movements in allowance for impairment loss are as follows:

	Note	2018	2017
Balance at beginning of year, as previously reported under PAS 39		₱11,036,527	₱11,036,527
Transition adjustment	2	9,786,353	–
Balance at beginning of year, as adjusted under PFRS 9		20,822,880	11,036,527
Provision	18	25,808,706	–
Balance at end of year		₱46,631,586	₱11,036,527

7. Inventories

This account consists of beneficiated nickel ore amounting to ₱145.9 million and ₱229.4 million which is stated at cost as at December 31, 2018 and 2017, respectively. The cost of inventories is lower than its NRV.

8. Other Current Assets

This account consists of:

	2018	2017
Prepaid income tax	₱49,677,756	₱49,646,183
Advances to contractors and suppliers	24,528,416	5,825,769
Mining and office supplies	19,238,339	22,537,023
Prepaid expenses	15,168,471	7,926,806
Others	12,147,992	7,793,439
	₱120,760,974	₱93,729,220

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

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.

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.

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

9. Property and Equipment

Movements of this account are as follows:

	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	-	17,644,179	5,425,205	61,736,505	85,469,959
Transfers	-	862,811	-	-	(53,001,762)	(52,138,951)
Balance at end of year	58,597,484	169,727,730	98,672,406	382,296,725	45,188,518	754,482,863
Accumulated Depreciation and Amortization						
Balance at beginning of year	-	51,153,091	66,069,105	222,665,662	-	339,887,858
Depreciation and amortization	-	11,808,973	14,486,235	44,266,773	-	70,561,981
Balance at end of year	-	62,962,064	80,555,340	266,932,435	-	410,449,839
Net Carrying Amount	₱58,597,484	₱106,765,666	₱18,117,066	₱115,364,290	₱45,188,518	₱344,033,024

	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 and Amortization						
Balance at beginning of year	-	40,079,998	54,165,998	630,525,977	-	724,771,973
Depreciation and amortization	-	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

Heavy and transportation equipment with carrying amounts of ₱63.8 million and ₱92.4 million as at December 31, 2018 and 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 ₱1.3 million and ₱1.5 million as at December 31, 2018 and 2017, respectively. (see Note 14).

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

Construction-in-progress pertains to on-going mine developments which are expected to be completed in 2019. In 2018, the Company transferred construction-in-progress of ₱52.1 million to "Mine and Mining Properties" account in the consolidated statements of financial position upon completion of construction of the mine site's roads, trails and bridges.

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

	Note	2018	2017	2016
Charged to:				
Cost of sales	17	₱12,541,427	₱21,473,667	₱92,267,699
Operating expenses	18	55,195,555	52,866,447	52,174,894
		67,736,982	74,340,114	144,442,593
Capitalized to mine development costs	10	2,824,999	10,680,519	9,714,743
		₱70,561,981	₱85,020,633	₱154,157,336

Fully depreciated property and equipment with cost of ₱92.9 million and ₱72.3 million as at December 31, 2018 and 2017, respectively, are still being used by the Company and retained in the accounts.

10. Mining Rights and Other Mining Assets

This account consists of:

	2018					
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total
			Mine Development Costs	Mine Rehabilitation Asset	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	–	64,389,333	468,837,939	1,997,707	470,835,646	535,224,979
Transfers	–	–	52,138,951	–	52,138,951	52,138,951
Balance at end of year	2,935,579,522	142,224,907	1,904,405,593	44,167,841	1,948,573,434	5,026,377,863
Accumulated Depletion						
Balance at beginning of year	310,222,217	–	256,636,424	6,309,613	262,946,037	573,168,254
Depletion	21,185,361	–	35,456,604	814,631	36,271,235	57,456,596
Balance at end of year	331,407,578	–	292,093,028	7,124,244	299,217,272	630,624,850
Net Carrying Amount	₱2,604,171,944	₱142,224,907	₱1,612,312,565	₱37,043,597	₱1,649,356,162	₱4,395,753,013

	2017					
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total
			Mine Development Costs	Mine Rehabilitation Asset	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 (see 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

Mining Rights

Mining rights of the Company consist of:

	Note	2018	2017
Mining rights on explored resources		₱963,358,579	₱984,543,940
Mining rights of BGRC, AMPI and BARI	4	1,640,813,365	1,640,813,365
		₱2,604,171,944	₱2,625,357,305

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

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

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. Carrying value of mine and mining properties amounted to ₱1,649.4 million and ₱1,162.7 million as at December 31, 2018 and 2017, respectively.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱2.8 million, ₱10.7 million and ₱9.7 million in 2018, 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	2018	2017
Input VAT		₱303,632,311	₱302,373,370
Advances to a contractor		101,139,441	101,139,441
Rehabilitation cash fund		5,454,960	5,433,209
Monitoring trust fund		164,709	164,537
Rental deposit	22	407,145	465,959
Others		20,999,171	2,257,594
		₱431,797,737	₱411,834,110

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

Rehabilitation cash fund 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.

Monitoring trust fund is exclusively used in activities approved by the Mine Rehabilitation Fund Committee.

Interest income from RCF and MTF amounted to ₱43,491, ₱44,321 and ₱36,580 in 2018, 2017 and 2016, respectively (see Note 5).

12. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade payables		₱374,632,931	₱230,248,768
Advances from customers		26,440,022	–
Excise tax and other statutory payables		30,977,298	40,576,834
Accrued expenses:			
Interest	14	277,094	138,547
Others		39,153,711	14,649,017
Others		6,022,835	2,207,748
		₱477,503,891	₱287,820,914

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

Advances from customers pertain to advanced payments made by customer for ores not yet shipped out.

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.

13. Provision for Mine Rehabilitation and Decommissioning

Movements of this account are as follows:

	Note	2018	2017
Balance at beginning of year		₱49,796,810	₱47,707,979
Accretion of interest	14	2,183,519	2,088,831
Balance at end of year		₱51,980,329	₱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:

	2018	2017
Short-term loan - MMDC	₱505,000,000	₱80,000,000
Long-term debt:		
AMPI	₱198,638,282	₱-
MMDC	86,685,072	56,742,825
BGRC	1,085,529	1,742,257
	286,408,883	58,485,082
Less current portion	27,587,671	21,364,876
	₱258,821,212	₱37,120,206

Short-term Loan

MMDC obtained short-term loans from local banks to finance working capital requirements. The short-term loans bear interest rates ranging from 5.00% to 8.00% to be repriced normally every month and has maturity of not more than one year.

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

In 2018, MMDC obtained credit facilities limited to ₱400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 150% of the credit facility limit.

Outstanding balance of these credit facilities are summarized below:

Classification	2018	2017
200.0 million credit facility	₱79,000,000	₱80,000,000
400.0 million credit facilities	400,000,000	-
	₱479,000,000	₱80,000,000

In 2018, MMDC obtained a short-term loan from a related party amounting to ₱26.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 21).

Long-term Debt

AMPI

On September 21, 2018, AMPI obtained a five-year promissory note of ₱200.0 million which will be used to finance the AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.5%. The principal is due on maturity.

MMDC

On July 15, 2015, MMDC obtained a five-year promissory note amounting to ₱100.0 million from a local financing company, which is covered by a chattel mortgage on transportation equipment and bears an annual interest rate of 6%. The principal payments and interest are payable monthly until maturity.

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱63.8 million and ₱92.4 million as at December 31, 2018 and 2017, respectively (see Note 9).

On July 11, 2017, MMDC obtained a five-year promissory note amounting to ₱1.6 million from a local bank, which is covered by a chattel mortgage on MMDC's transportation equipment and bears an annual interest rate of 10.34%.

The carrying amount of transportation equipment held as collateral amounted to ₱1.3 million and ₱1.5 million as at December 31, 2018 and 2017, respectively (see Note 9).

BGRC

On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortgage and bears an annual interest rate of 9.02%.

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

	Note	2018	2017	2016
Loans payable		₱38,579,497	₱9,768,101	₱10,123,094
Provision for mine rehabilitation and decommissioning	13	2,183,519	2,088,831	1,998,249
		₱40,763,016	₱11,856,932	₱12,121,343

Interest payable amounted to ₱0.3 million and ₱0.1 million as at December 31, 2018 and 2017, respectively (see Note 12).

The expected loan repayments over the remaining term of the loans are as follows:

	Amounts
Not later than one year	₱532,587,671
Later than one year but not less than five years	258,821,212
	₱791,408,883

15. Equity

Movements of this account are as follows:

	2018	2017	2016
Authorized capital stock - ₱1 par value	₱4,000,000,000	₱4,000,000,000	₱2,000,000,000
Capital stock			
Balance at beginning of year	₱2,969,088,599	₱1,821,358,599	₱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	₱1,821,358,599
Additional paid-in capital			
Balance at beginning of year	₱239,931,494	₱212,655,494	₱212,655,494
Proceeds in excess of par value	29,268,294	27,276,000	-
Balance at end of year	₱269,199,788	₱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 discussed in Note 1, from 2,000,000,000 shares at ₱1 par value a share 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 par value a share.

In 2017, a stockholder subscribed to additional 22,730,000 shares of the Parent Company at ₱2.20 a share. The proceeds for the subscription amounting to ₱50.0 million resulted to an excess in par value of ₱27.3 million.

In 2017, the Parent Company received an advance from a stockholder for future stock subscription of ₱75.0 million. In 2018, the advances was applied as payment for the subscription of 45,731,706 shares and resulted to additional paid-in capital of ₱29.3 million.

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 December 31, 2018 and 2017.

16. Revenue

This account consists of:

	2018	2017	2016
Sale of ore	₱987,255,064	₱1,965,721,726	₱1,819,748,114
Reservation fee for ore allocation	-	75,137,500	99,440,000
	₱987,255,064	₱2,040,859,226	₱1,919,188,114

17. Cost of Sales

This account consists of:

	Note	2018	2017	2016
Contractual services		₱597,181,332	₱878,415,391	₱868,374,361
Production overhead		59,304,571	132,745,664	182,434,748
Personnel costs		48,757,667	137,032,654	137,924,319
Depreciation	9	12,541,427	21,473,667	92,267,699
Demurrage costs		17,994,910	93,557,647	94,385,355
Excise tax		44,442,402	38,679,875	39,660,812
Depletion	10	57,456,596	130,120,696	104,313,561
		837,678,905	1,432,025,594	1,519,360,855
Net movement in inventories		83,590,881	(96,117,988)	(97,611,738)
		₱921,269,786	₱1,335,907,606	₱1,421,749,117

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

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

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. Beginning January 1, 2018, the excise tax was changed from 2.0% to 4.0% due to the amendments made to the National Internal Revenue Code under the Tax Reform for Acceleration and Inclusion Act.

18. Operating Expenses

This account consists of:

	Note	2018	2017	2016
Salaries and allowances		₱116,433,559	₱112,225,365	₱111,752,671
Depreciation and amortization	9	55,195,555	52,866,447	52,174,894
Taxes and licenses		54,512,018	57,454,881	38,322,335
Environmental expenses	22	54,367,101	62,216,496	34,238,744
Social development program	22	44,011,111	33,077,690	29,700,421
Professional fees		43,593,614	39,684,090	37,009,784
Provision for impairment loss	6	25,808,706	–	–
Outside services		20,662,398	43,771,015	19,969,239
Royalties	22	10,366,178	20,394,770	19,107,355
Representation		9,508,685	7,336,179	3,366,159
Office supplies		7,788,915	8,665,461	3,053,021
Transportation and travel		7,591,282	16,785,170	14,787,932
Community relations		9,891,815	4,847,803	21,603,210
Repairs and maintenance		5,827,532	1,497,695	4,041,641
Communication, light and water		5,581,826	5,498,512	4,924,130
Retirement benefit expense	20	4,872,143	9,412,728	15,459,453
Dues and subscriptions		3,680,369	3,858,466	2,589,491
Rent expense	22	3,164,289	8,671,875	4,339,188
Advertisement		1,707,802	2,363,687	89,605
Loading fees		142,400	22,092,383	15,582,608
Moisture penalty		–	20,580,742	–
Others		23,252,643	29,039,152	20,495,306
		₱507,959,941	₱562,340,607	₱452,607,187

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

19. Other Income (Charges) - Net

This account consists of:

	Note	2018	2017	2016
Foreign exchange gain		₱1,405,162	₱808,738	₱11,687,034
Loss on disposal of property and equipment	9	–	(19,540,862)	(853,793)
Income from sale of scrap		–	1,631,825	–
Service income		–	–	5,000,000
Others		521,080	1,624,768	(277,778)
		₱1,926,242	(₱15,475,531)	₱15,555,463

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, 2018.

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

	2018	2017	2016
Current service cost	₱5,354,636	₱6,939,581	₱13,732,263
Net interest cost	2,064,314	2,473,147	1,727,190
Settlement gain	(2,546,807)	-	-
	₱4,872,143	₱9,412,728	₱15,459,453

The retirement benefit liability recognized in the consolidated statements of financial position as at December 31, 2018 and 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
Retirement benefits expense recognized in profit or loss:		
Current service cost	5,354,636	6,939,581
Net interest cost	2,064,314	2,473,147
Settlement gain	(2,546,807)	-
Remeasurement losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	(2,921,581)	(1,257,047)
Deviations of experience from assumptions	(1,190,700)	1,241,282
Changes in demographic assumptions	-	(18,935,478)
Benefits paid	(14,608,627)	-
Balance at end of year	₱22,552,229	₱36,400,994

The principal actuarial assumptions used to determine retirement benefit liability for 2018 and 2017 are as follows:

	2018	2017
Discount rates	7.36%	5.68%
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, 2018 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(₱1,389,134)
	-1%	1,668,984
Salary increase rate	+1%	1,718,083
	-1%	(1,494,430)

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

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

The cumulative remeasurement gain recognized in OCI as at December 31, 2018 and 2017 follows:

	2018		
	Accumulated Remeasurement Gain	Deferred Tax Liability (see Note 23)	Net Remeasurement Gain
Balance at beginning of year	₱50,661,962	(₱15,198,588)	₱35,463,374
Actuarial gain	4,112,281	(1,233,685)	2,878,596
Balance at end of year	₱54,774,243	(₱16,432,273)	₱38,341,970

	2017		
	Accumulated Remeasurement Gain	Deferred Tax Liability (see Note 23)	Net Remeasurement 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

The average duration of the expected benefit payments at the end of the reporting period is 16.5 years.

21. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

	Note	Transaction Amounts		Outstanding Balances		Nature and Terms
		2018	2017	2018	2017	
Advances to related parties		₱12,126,769	₱42,828,377	₱53,264,597	₱42,828,377	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		₱115,820,824	₱5,000,000	₱125,820,824	₱10,000,000	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	14	₱26,000,000	₱-	₱26,000,000	₱-	Short-term loan; unsecured; interest-bearing; payable in installments

As at December 31, 2018 and 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.

Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to ₱83.2 million, ₱100.9 million and ₱110.6 million in 2018, 2017 and 2016, respectively. Retirement benefit expense of key management personnel amounted to ₱1.4 million, ₱2.9 million and ₱6.5 million in 2018, 2017 and 2016, respectively.

22. Commitments

Social and Environmental Responsibilities

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 social development programs to host communities amounted to ₱44.0 million, ₱33.1 million and ₱29.7 million in 2018, 2017 and 2016, 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 ₱54.4 million, ₱62.2 million and ₱34.2 million in 2018, 2017 and 2016, 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 pursuant to the requirements, the Company pays royalties equivalent to a certain percentage of gross revenue to the ICC/IP.

Royalty payable of nil and ₱3.9 million as at December 31, 2018 and 2017, respectively, is presented under "Excise tax and other statutory payables". Royalty expense amounted to ₱10.4 million, ₱20.4 million and ₱19.1 million in 2018, 2017 and 2016, respectively (see Note 18).

Lease Commitment

The Company leases an office space for its operations. In 2017, the lease agreement was renewed for two (2) years. Rental deposit amounted to ₱0.4 million and ₱0.5 million as at December 31, 2018 and 2017 (see Note 11).

Rental expense charged to operations amounted to ₱3.2 million, ₱8.7 million and ₱4.3 million in 2018, 2017 and 2016 (see Note 18).

At December 31, 2018 and 2017, 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	₱200,000

23. Income Taxes

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

	2018	2017	2016
Current	₱1,787,769	₱72,779,003	₱41,300,820
Deferred	(93,642,781)	(4,566,287)	2,103,891
	(₱91,855,012)	₱68,212,716	₱43,404,711

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:

	2018	2017	2016
Income tax at statutory rate	(P144,198,639)	P34,648,179	P14,563,948
Changes in unrecognized deferred tax assets	18,977,388	(591,060)	(14,645,172)
Add (deduct) income tax effects of:			
Nondeductible expenses	22,620,740	31,720,211	32,742,053
Expired NOLCO	9,089,291	-	10,828,051
Expired MCIT	1,701,000	2,500,000	-
Interest income subjected to final tax	(44,792)	(64,614)	(84,169)
	(P91,855,012)	P68,212,716	P43,404,711

The Company's net deferred tax assets arising from temporary differences as at December 31, 2018 and 2017 are summarized as follows:

	2018	2017
Deferred tax assets:		
NOLCO	P86,880,348	P-
Allowance for impairment loss on receivables	12,020,408	1,341,890
Retirement benefit liability	4,358,077	8,409,563
Provision for mine rehabilitation	2,454,659	1,799,603
Excess MCIT over RCIT	1,770,009	-
	107,483,501	11,551,056
Deferred tax liabilities:		
Debt issue cost	(408,515)	-
Unrealized foreign exchange gain	(421,549)	(242,621)
	(830,064)	(242,621)
	P106,653,437	P11,308,435

The Company's adoption of PFRS 9 resulted to an adjustment to the opening balance of deferred tax assets as at January 1, 2018 amounting to P2.9 million.

The presentation of net deferred tax assets are as follows:

	2018	2017
Through profit or loss	P120,149,804	P26,507,023
Through other comprehensive income	(16,432,273)	(15,198,588)
Through retained earnings	2,935,906	-
	P106,653,437	P11,308,435

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.

	2018	2017
NOLCO	₱41,810,951	₱21,253,466
Excess MCIT over RCIT	3,544,400	5,227,640
Retirement benefit liability	2,613,879	2,510,736
	₱47,969,230	₱28,991,842

Details of NOLCO of the Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2018	2021	₱388,423,742	₱-	₱388,423,742
2017	2020	26,804,863	-	26,804,863
2016	2019	13,742,387		13,742,387
2015	2018	30,297,635	(30,297,635)	-
		₱459,268,627	(₱30,297,635)	₱428,970,992

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

Year incurred	Expiry date	Amount	Expired	Balance
2018	2021	₱1,787,769	₱-	₱1,787,769
2017	2020	1,717,760	-	1,717,760
2016	2019	1,808,880	-	1,808,880
2015	2018	1,701,000	(1,701,000)	-
		₱7,015,409	(₱1,701,000)	₱5,314,409

24. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows:

	2018	2017	2016
Net income (loss) shown in the consolidated statements of comprehensive income (a)	(₱388,807,119)	₱47,281,213	₱5,141,782
Weighted average number of common shares (b)	3,007,198,354	1,832,723,599	1,821,358,599
Basic earnings (loss) per share (a/b)	(₱0.129)	₱0.026	₱0.002

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 then DENR Secretary Gina 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 the 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.

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.

As at December 31, 2018, there is no development regarding the cancellation. The Company has continued mining operations in areas covered by the MPSA (see Note 1).

Show-Cause Orders of BGRC, AMPI and BARI

On February 17, 2017, BGRC, AMPI and BARI received 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, the Company submitted a reply to the Show-Cause Orders explaining that BGRC, AMPI and BARI have prior legal right considering that the BGRC's MPSA was approved on July 1, 1993 and AMPI and BARI's MPSAs were approved on December 5, 2002, 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, AMPI and BARI should be allowed to continue their operations over their contract areas. On the same year, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

As at December 31, 2018, there is no development regarding the Show-Cause Orders. However, the management and its legal counsel believes that subsequent certifications obtained in 2017 have rendered the Show-Cause Orders moot and academic.

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

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 to officers and employees), RCF, MTF, trade and other payables (excluding excise tax and other statutory payables and advances from customers), dividends payable, advances from and to related parties and rental deposit, which arise directly from operations. The main risks arising from the use of these financial instruments are foreign currency risk, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

Foreign Currency Risk. The 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 US dollar. 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 financial assets and their Philippine Peso equivalent as at December 31, 2018 and 2017:

	2018		2017	
	Philippine Peso	US Dollar	Philippine Peso	US Dollar
Cash in banks	₱280,965	\$5,343	₱13,744,748	\$275,280
Trade receivables	209,219,163	3,979,064	201,115,654	4,027,952
	₱209,500,128	\$3,984,407	₱214,860,402	\$4,303,232

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at December 31, 2018 and 2017, the exchange rates applied were ₱52.58 and ₱49.93 per US\$1, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2018 and 2017 (due to changes in the fair value of financial assets). 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, 2018	+0.04	₱161,132
	-0.04	(161,132)
December 31, 2017	+0.21	899,413
	-0.21	(899,413)

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 and long-term debt are exposed to changes in market interest rates since the loans are subject to variable interest rates.

The table below set forth the estimated change in the 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, 2018.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2018	+5.24%	₱2,137,052
	-5.24%	(2,137,052)
December 31, 2017	+3.32%	98,239
	-3.32%	(98,239)

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 (excluding advances to officers and employees) 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, 2018 and 2017.

	December 31, 2018						
	High Grade	Standard Grade	Past Due			Total	Allowance for Impairment Loss
			1 – 30 Days	31 – 90 Days	More than 90 Days		
Lifetime ECL (not credit impaired):							
Trade and other receivables*	P=	P10,139,279	P11,790,630	P36,242,717	P161,185,816	P219,358,442	P46,631,586
12 - month ECL:							
Cash in banks	27,099,106	-	-	-	-	27,099,106	-
Advances to related parties	-	53,264,597	-	-	-	53,264,597	-
RCF and MTF	5,619,669	-	-	-	-	5,619,669	-
Rental deposit	-	407,145	-	-	-	407,145	-
	32,718,775	53,671,742	-	-	-	86,390,517	-
	P32,718,775	P63,811,021	P11,790,630	P36,242,717	P161,185,816	P305,748,959	P46,631,586

*Excluding advances to officers and employees amounting to P31.2 million in 2018.

	December 31, 2017						
	Neither Past Due nor Impaired			Substandard Grade	Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	P=				
Cash in banks	P46,906,584		P=				P46,906,584
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
	P52,504,330	P244,409,990		P3,130,079	P=	P11,036,527	P311,080,926

*Excluding advances to officers and employees amounting to P28.5 million in 2017.

Customer credit risk from trade and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Generally, trade receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

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.

For other financial assets consisting of cash in banks, advances to related parties, RCF and MTF and rental deposit, the Company manages credit risk based on the Company's policy and uses judgment in making assumptions for estimating the risk of default and expected loss rates. This is based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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. While the advances to related parties is classified under standard grade since the counterparties are reputable related parties with low credit risk.

Liquidity Risk. The 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, 2018 and 2017, 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	More than six months to one year	More than one year	Total
December 31, 2018						
Trade and other payables*	50,584,971	46,919,445	322,582,155	–	–	₱420,086,571
Dividends payable	4,707,886	–	–	–	–	4,707,886
Loans payable**	105,000,000	195,708	208,777,963	265,211,610	336,741,025	915,926,306
Advances from a related party	125,820,824	–	–	–	–	125,820,824
	₱286,113,681	₱47,115,153	₱531,360,118	₱265,211,610	₱336,741,025	₱1,466,541,587
December 31, 2017						
Trade and other payables*	₱234,888,803	₱12,355,277	₱–	₱–	₱–	₱247,244,080
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
	₱314,888,803	₱28,220,357	₱5,865,080	₱16,475,803	₱38,123,471	₱403,573,514

*Excluding excise tax and other statutory payables and advances from customers amounting to ₱57.4 million and ₱40.6 million as at December 31, 2018 and 2017, respectively.

**Including interest payable up to maturity amounting to ₱124.5 million and ₱4.9 million as at December 31, 2018 and 2017, respectively.

Fair Value of Financial Assets and Financial Liabilities

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

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	₱27,359,652	₱27,359,652	₱47,062,535	₱47,062,535
Trade and other receivables*	172,726,856	172,726,856	204,245,733	204,245,733
Advances to related parties	53,264,597	53,264,597	42,828,377	42,828,377
RCF and MTF	5,619,669	5,619,669	5,597,746	5,597,746
Rental deposit	407,145	407,145	465,959	465,959
	₱259,377,919	₱259,377,919	₱300,200,350	₱300,200,350

*Excluding advances to officers and employees amounting to ₱31.2 million and ₱28.5 million as at December 31, 2018 and 2017, respectively.

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trade and other payables*	₱420,086,571	₱420,086,571	₱247,244,080	₱247,244,080
Dividends payable	4,707,886	4,707,886	4,707,886	4,707,886
Loans payable	791,408,883	839,299,141	138,485,082	142,593,120
Advances from related parties	125,820,824	125,820,824	10,000,000	10,000,000
	₱1,342,024,164	₱1,389,914,422	₱400,437,048	₱404,545,086

*Excluding excise tax and other statutory payables and advances from customers amounting to ₱57.4 million and ₱40.6 million as at December 31, 2018 and 2017, respectively.

Cash, Trade and Other Receivables (excluding advances to officers and employees), RCF and MTF, Advances to Related Parties, Trade and Other Payables (excluding excise tax and other statutory payables and advances from customers), Dividends Payable and Advances from Related Parties. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

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

Loans Payable 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, whenever there are 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.

	2018	2017
Total debt	₱1,939,236,801	₱1,108,188,218
Total equity (excluding remeasurement gain on retirement benefit liability)	3,851,804,203	4,172,461,769
Debt-to-equity ratio	0.50:1.00	0.27:1.00

There were no changes in the Company's objectives, policies or processes in 2018, 2017 and 2016.

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.

	Note	Balance as at December 31, 2017	Net Cash Flows from Financing Activities	Noncash Changes		Balance as at December 31, 2018
				Subscription of Shares	Interest expense	
Capital stock		₱2,969,088,599	₱-	₱45,731,706	₱-	₱3,014,820,305
APIC		239,931,494	-	29,268,294	-	269,199,788
		3,209,020,093	-	75,000,000		3,284,020,093
Loans payable	14	138,485,082	652,923,801	-	-	791,408,883
Accrued interest	14	138,547	(38,440,950)	-	38,579,497	277,094
		138,623,629	614,482,851	-	38,579,497	791,685,977
Dividends payable		4,707,886	-	-	-	4,707,886
Deposit for future stock subscription		75,000,000	-	(75,000,000)	-	-
		₱3,427,351,608	₱614,482,851	₱-	₱38,579,497	₱4,080,413,956

	Note	Balance as at December 31, 2016	Net Cash Flows from Financing Activities	Noncash Changes		Balance as at December 31, 2017
				Transaction resulted from merger (Note 4)	Interest expense	
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

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2018**

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			✓
PFRSs Practice Statement 2: Making Materiality Judgments	✓		

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			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
	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			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

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	Title	Adopted	Not Adopted	Not Applicable
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			✓
	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	Title	Adopted	Not Adopted	Not Applicable
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			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation			✓
	Financial Instruments: Presentation			✓
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
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 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
	Amendments to PAS 40: Transfers of Investment 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			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✓		

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 2018, 2017 and 2016.

	2018	2017	2016
Current/Liquidity Ratio	0.48	1.45	2.19
Current assets	₱551,145,763	₱645,861,140	₱579,236,747
Current liabilities	1,140,620,272	444,607,449	264,106,910
Solvency Ratio	-	0.29	0.72
Income (loss) before income tax, depreciation, depletion and amortization	(₱355,468,553)	₱319,954,739	₱297,302,647
Total liabilities	1,939,236,801	1,108,188,218	412,968,180
Debt-to-equity Ratio	0.50	0.26	0.14
Total liabilities	₱1,939,236,801	₱1,108,188,218	₱412,968,180
Total equity	3,890,146,173	4,207,925,143	2,972,372,060
Asset-to-equity Ratio	1.50	1.26	1.14
Total assets	₱5,829,382,974	₱5,316,113,361	₱3,385,340,240
Total equity	3,890,146,173	4,207,925,143	2,972,372,060
Interest rate coverage Ratio	-	10.74	5.01
Pretax income (loss) before interest	(₱439,899,115)	₱127,350,861	₱60,667,836
Interest expense	40,763,016	11,856,932	12,121,343
Profitability Ratio	(0.10)	0.01	0.00
Net income (loss)	(₱388,807,119)	₱47,281,213	₱5,141,782
Total equity	3,890,146,173	4,207,925,143	2,972,372,060

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF PARENT COMPANY'S
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2018

	Amount
Unappropriated retained earnings available for dividend declaration at the beginning of year	₱811,025,683
Net loss during the year closed to retained earnings	(75,933,204)
Unappropriated retained earnings available for dividend declaration at end of year	₱735,092,479

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SEC SUPPLEMENTARY SCHEDULES AS REQUIRED BY PAR. 6 PART II
OF SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

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Schedule A. Financial Assets
December 31, 2018

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, 2018

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
-Not Applicable -							

Schedule C. Amounts Receivable from Related Parties Eliminated during the Consolidation of Financial Statements
December 31, 2018

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	₱271,508,481	₱–	₱–	₱–	248,972,419	₱–	248,972,419
BrightGreen Resources Corporation	107,426,829	–	(101,868,041)	–	5,558,788	–	5,558,788
Bauxite Resources Inc.	–	50,766,024			50,766,024		50,766,024
	₱378,935,310	₱50,766,024	(₱101,868,041)	₱–	₱305,297,231	₱–	₱305,297,231

Schedule D. Intangible Assets - Other Assets

December 31, 2018

Description	Beginning Balance	Charge to cost and expenses	Charge to other accounts	Other charges additions (deduction)	Ending balance
Mining rights	₱2,625,357,305	(₱21,185,361)	₱-	₱-	₱2,604,171,944

Schedule E. Long - term Debt
December 31, 2018

Title of issue and type of obligation	Amount shown under caption “Loans payable”	Amount shown under caption “Long-Term portion of long-term debt”
<i>Notes Payable</i>		
United Coconut Planters Bank	₱200,000,000	₱—
Philippine Veterans Bank	200,000,000	—
Philippine Business Bank	79,000,000	198,638,282
Prime Media Holdings, Inc.	26,000,000	—
Orix Metro Leasing and Finance Corp.	27,587,671	60,182,930
	<u>₱532,587,671</u>	<u>₱258,821,212</u>

Schedule F. Indebtedness to Related Parties

December 31, 2018

Name of related party	Beginning Balance	Ending balance
Bright Kindle Resources & Investments, Inc.	₱5,000,000	₱9,800,000
Prime Media Holdings, Inc.	5,000,000	7,500,000
Strong Mighty Steel	—	15,000,000
Trans Middle East Phils Equities, Inc.	—	50,000,000
RYM Business Management Corp.	—	43,520,824
	₱10,000,000	₱125,820,824

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2018

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
--	---	---	---	---------------------

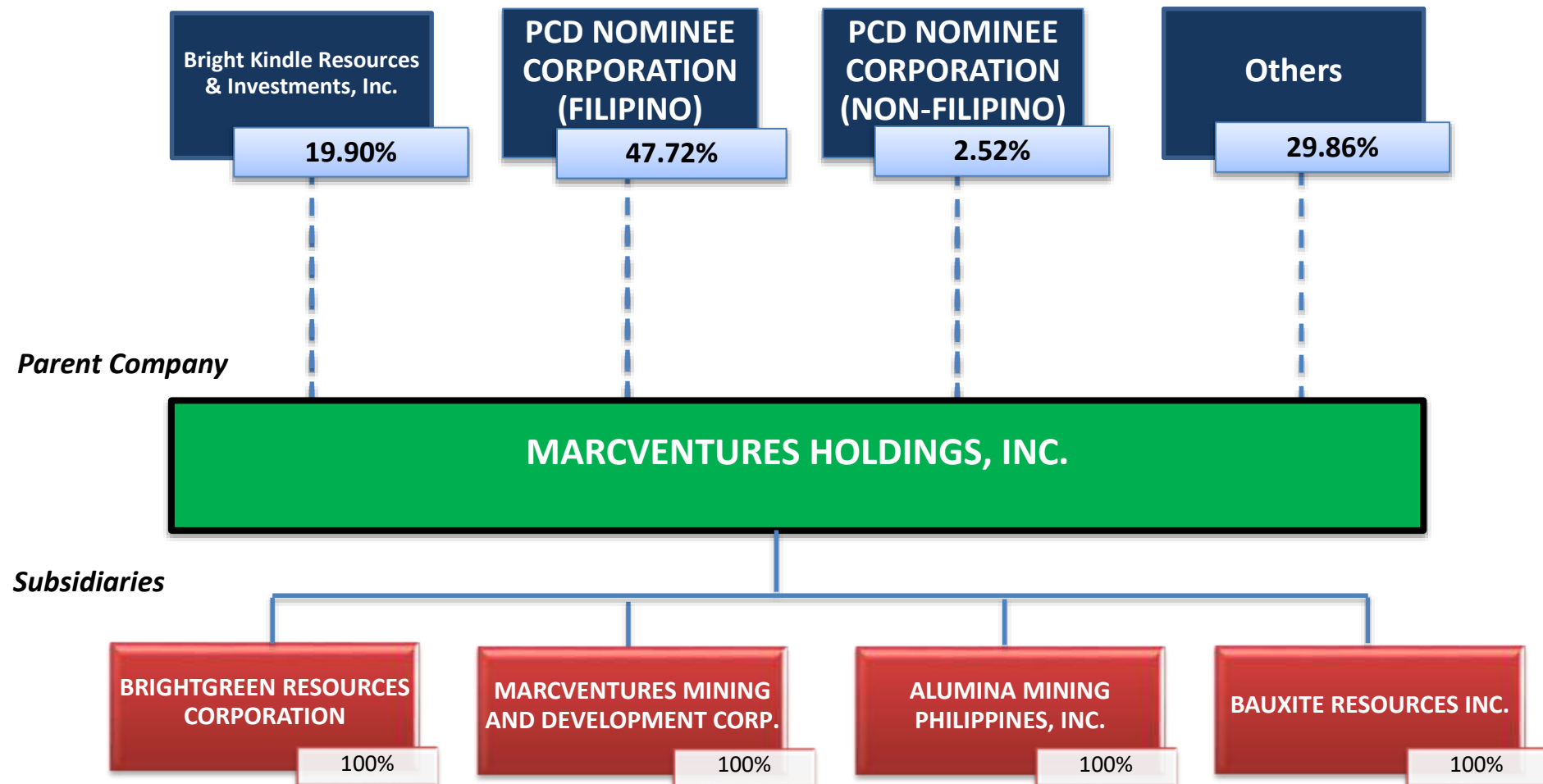
-Not Applicable -

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding 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	3,014,820,305	–	–	57,228,208	2,957,592,097

SCHEDULE I. CONGLOMERATE MAP

Stockholders





108152019003123



SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Industry Classification Financial Holding Company Activities
Company Type Stock Corporation

Document Information

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Department CFD
Remarks

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SEC Registration Number

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S I D I A R I E S

(Company's Full Name)

U N I T 4 - S 3 C I T I B A N K C E N T E R C O N D .
8 7 4 1 P A S E O D E R O X A S M A K A T I C I T Y

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

Rolando S. Santos
(Contact Person)

(02) 831-4479
(Company Telephone Number)

1 2 3 1
Month Day
(Calendar Year)

(Amended)
1 7 - Q
(Form Type)

Month Day
(Annual Meeting)

N/A

Secondary License Type, If Applicable)

Finance Department
Dept. Requiring this Doc.

June 30, 2019
Period Ending Date

Total Amount of Borrowings

2,177
Total No. of Stockholders

N/A N/A
Domestic 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: **June 30, 2019**
2. Commission identification number **12942**
3. BIR Tax Identification No. **470-000-104-320**
4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
7. Address of registrant's principal office:

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

8. Registrant's telephone number, including area code: **(63 2) 831-4479**
9. Former name, former address and former fiscal year, if changed since last report. **N A.**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
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 1,821,758,599 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 Consolidated Financial Statement of Marcventures Holdings Inc. (the Company) and its Subsidiaries as of June 30, 2019 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2018) and for the three-month and six-month period ended June 30, 2019 and 2018 are in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Consolidated Balance Sheet as of June 30, 2019 and December 31, 2018

	Amounts in ₱'000			
	June 30, 2019 Unaudited	Dec. 31, 2018 Audited	Increase (Decrease) Amount Percentage	
Current assets	₱582,198	₱551,146	₱31,052	5.63%
Noncurrent assets	5,292,570	5,278,237	14,333	0.27%
Total Assets	₱5,874,768	₱5,829,383	₱45,385	0.78%
Current Liabilities	₱1,382,280	₱1,140,620	₱241,659	21.19%
Noncurrent liabilities	810,940	798,617	12,323	1.54%
Total Stockholders' Equity	3,681,548	3,890,146	(208,598)	(5.36%)
Total Liabilities and Stockholders' Equity	₱5,874,768	₱5,829,383	₱45,385	0.78%

Summary of Consolidated Income Statement for the three-month and six-month period ended June 30, 2019 and 2018.

	Amounts in ₱'000			
	For the three-month ended June 30		Increase (Decrease)	
	2019	2018	Amount	Percentage
Revenues	₱177,359	₱800,715	(₱623,356)	(77.85%)
Cost of Sales	(215,941)	(567,415)	(351,475)	(61.94%)
Gross Profit	(38,582)	233,300	(271,881)	(116.54%)
Operating expenses	(77,379)	(91,356)	(13,977)	(15.30%)
Income from operations	(115,961)	141,944	(257,905)	(181.69%)
Other Income (Expenses)	(12,304)	(2,314)	(9,990)	(60.22%)
Net income (loss) for the period	(128,266)	139,630	(267,895)	(191.86%)
Provision for income tax	-	(4,666)	4,666	(100.00%)
Net income (loss) for the period	(₱128,266)	₱134,964	(₱263,229)	(195.04%)

	Amounts in ₱'000			
	For the six-month ended June 30		Increase (Decrease)	
	2019	2018	Amount	Percentage
Revenues	₱177,359	₱800,715	(₱623,356)	(77.85%)
Cost of Sales	(215,941)	(567,415)	(351,475)	(61.94%)
Gross Profit	(38,582)	233,300	(271,881)	(116.54%)
Operating expenses	(193,237)	(212,693)	(19,456)	(9.15%)
Income from operations	(231,820)	20,605	(252,426)	(1225.01%)
Other Income (Expenses)	(26,718)	(6,073)	(20,644)	(27.00%)
Net income (loss) for the period	(258,538)	14,532	(273,070)	(1879.09%)
Provision for income tax	-	(4,665)	4,666	(100.00%)
Net income (loss) for the period	(₱258,538)	₱9,867	(₱268,404)	(2720.49%)

Summary of Consolidated Statement of Cash Flows for the six-month period ending June 30, 2019 and 2018.

	For Six-Month Ended June 30	
	2019	2018
	(₱'000)	(₱'000)
Cash used in operating activities	₱28,722	(₱215,480)
Cash used in investing activities	(22,565)	(118,826)
Cash provided by (used in) financing activities	(2,233)	349,718
Net decrease in cash and cash equivalent	3,924	15,412
Cash - beginning	62,475	47,063
Cash -ending	₱66,398	₱62,475

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 June 30, 2019 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2018) and for the three-month and six-month period ended June 30, 2019 and 2018, 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:

Six-month period ended June 30, 2019 compared with six-months ended June 30, 2018

Revenues

For the six-month period ended June 30, 2019, total revenues amounted to ₱177.36 million, lower by ₱623.35 million or 77.85% as compared with ₱800.72 million reported in the same period of prior year. During the same quarter, the Company focused on preparatory activities consisting primarily of restoration of mine pit, waste dump site, and settling pond, road widening, repair of haul roads, bridges and causeway improvement.

During the first half of the year the subsidiary shipped out five vessels of nickel ore of which four vessels of limonite and only one vessel of saprolite nickel ore shipped during the period.

Cost of Sales

Cost of sales decreased by 61.94% or ₱351.48 million from ₱567.42 million to ₱215.94 million due to the following:

- **Contracted Services** decreased by ₱354.41 million due to lower volume of Ore produced and shipped and only focused on limonite which was lesser cost.
- **Production Overhead** decreased by ₱16.32 million due to lower requirement of mining and other supplies relative to the volume of ore production.
- **Excise tax** decreased by 1.74 million due to decreased in revenue in 2019 as basis for payment of business permits and licenses to the municipalities of Cantilan and Carrascal.
- **Depletion** decreased by ₱8.34 million pertains to lower volume of Ore shipped.

Operating Expenses

Operating expenses decreased by 9.14% or ₱19.45 million decreased from ₱212.69 million of the same period of last year to ₱193.24 million this year. The decrease was mainly accounted for by the following:

- **Decrease in Taxes and licenses** by ₱13.13 million or equivalent to 40.75% due to lower revenue in 2018 as basis for payment of business permits and licenses to the municipalities of Cantilan and Carrascal.
- **Decrease in Outside services** by ₱6.23 million or equivalent to 42.91% pertains to lower outsourced manpower and security services.
- **Decrease in Professional fees** by ₱6.45 million or equivalent to 35.88% due to minimal engagement of professionals and consultants.
- **Decrease in Representation** by ₱1.67 million or equivalent to 62.68% mainly due to lesser meetings with various stakeholders.
- **Decrease in Salaries and allowances** by ₱23.82 million or equivalent to 36.46% due to management reorganization to promote efficiency.

The above cost decreases were partly offset by the following :

- **Increase in Rental** by ₱9.10 million or equivalent to 400.79% due to rental of equipment for the restoration of mine pit, waste dump site, and settling pond, road widening, repair of haul roads and causeway improvement.
- **Increase in Transportation and Travel** by ₱2.55 million or equivalent to 100.00% due to the seminars and conferences attended during the year.

Statement of Financial Position

June 30, 2019 vs. December 31, 2018

Assets

The consolidated total assets of the Company increased by ₱45.39 million from ₱5,829.38 million as of December 31, 2018 to ₱5,874.77 million as of June 30, 2019. The 0.78% increase was mainly due to the following:

- **Increase in total current assets** from ₱551.15 million as of December 31, 2018 to ₱582.20 million as of June 30, 2019. The 5.63% or ₱31.05 increase was attributable to the following:
 - **Increase in Cash** from ₱27.36 million to ₱66.40 million amounting to ₱39.04 million or 142.69%, due to advances from buyers and shareholders to sustain the current operation.
 - **Increase in Trade and Other Receivables** from ₱203.90 million to ₱235.48 million. The increase of ₱31.57 million or 15.48% was due to uncollected sales as of the date.
- **Increased in total noncurrent assets** from ₱5,278.24 million as of December 31, 2018 to ₱5,292.57 million as of June 30, 2019 or 0.27% with the amount of ₱14.33 million increase was attributable to the restoration and repair of haul roads and causeway improvement.

Liabilities

The total consolidated liabilities of the Company increased by ₱253.98 million or 13.10% from ₱1,939.24 million as of December 31, 2018 to ₱2,193.22 million as of June 30, 2019. The increased was due to outstanding trade and other payables incurred during the period.

Equity

The stockholders' equity of the Company decreased by ₱208.60 million or 5.36% from ₱3,890.15 million as of December 31, 2018 to ₱3,681.55 million as of June 30, 2019, due to decreased in retained earnings from net loss for the period.

Statement of Cash Flows

June 30, 2019 vs. December 31, 2018

The net cash generated from operating activities amounted to ₱28.72 million for the six-months ended June 30, 2019 higher by ₱244.20 million as compared to the same period last year, the net cash used from operations amounted to ₱215.48 million. The increase in cash from operating activities is the net result of the following:

- Increase in interest expense
- Increase in trade and other payables
- Increase in advances to related parties

Net cash used in investing activities amounted to ₱22.57 million as compared to ₱118.83 million for the same period in 2018 due to increase in mine and mining properties.

Net cash outflow in financing activities amounted to ₱2.23 million as compared to cash inflows amounting ₱349.72 million last year due to interest payment of bank loans.

The net effect of the foregoing operating, investing and financing activities is an increase of ₱3.92 million and a balance of ₱66.40 million in cash as of June 30, 2019 as compared to an increase of ₱15.41 million and a balance of ₱62.47 million as of June 30, 2018.

Horizontal and Vertical Analysis:

	Consolidated		Increase (Decrease)	
	June 30, 2019	December 2018	Amount	%
ASSETS				
Current Assets				
Cash	66,398,294	27,359,652	39,038,642	142.69%
Trade and other receivables	235,475,315	203,903,801	31,571,514	15.48%
Inventories	145,856,739	145,856,739	–	0.00%
Advances to related parties	15,043,446	53,264,597	(38,221,151)	(71.76%)
Other current assets	119,424,159	120,760,974	(1,336,815)	(1.11%)
Total Current Assets	582,197,953	551,145,763	31,052,190	5.63%
Noncurrent Assets				
Property and equipment	307,939,984	344,033,024	(36,093,040)	(10.49%)
Mining rights on explored resources	4,461,251,832	4,395,753,013	65,498,819	1.49%
Net deferred tax assets	106,653,437	106,653,437	–	0.00%
Other noncurrent assets	416,724,663	431,797,737	(15,073,074)	(3.49%)
Total Noncurrent Assets	5,292,569,916	5,278,237,211	14,332,705	0.27%
TOTAL ASSETS	5,874,767,869	5,829,382,974	45,384,895	0.78%
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	750,032,371	477,503,891	272,528,480	57.07%
Loans payable	530,354,986	532,587,671	(2,232,685)	(0.42%)
Advances from related parties	97,184,267	125,820,824	(28,636,557)	(22.76%)
Dividends payable	4,707,886	4,707,886	–	0.00%
Total Current Liabilities	1,382,279,510	1,140,620,272	241,659,238	21.19%

	Consolidated		Increase (Decrease)	
	June 30, 2019	December 2018	Amount	%
Noncurrent Liabilities				
Long-term debt - net of current portion	258,821,212	258,821,212	-	0.00%
Provision for mine rehabilitation and decommissioning	51,980,329	51,980,329	-	0.00%
Retirement benefit liability	22,552,229	22,552,229	-	0.00%
Deferred tax liability	477,586,158	465,262,759	12,323,399	2.65%
Total Noncurrent Liabilities	810,939,928	798,616,529	12,323,399	1.54%
Total Liabilities	2,193,219,438	1,939,236,801	253,982,637	13.10%
Equity				
Capital stock	3,014,820,305	3,014,820,305	-	0.00%
Additional paid-in capital	269,199,788	269,199,788	-	0.00%
Retained earnings	359,186,368	567,784,110	(208,597,742)	(36.74%)
Remeasurement gain on retirement benefit liability - net of deferred tax	38,341,970	38,341,970	-	0.00%
Total Equity	3,681,548,431	3,890,146,173	(208,597,742)	(5.36%)
TOTAL LIABILITIES AND EQUITY	5,874,767,869	5,829,382,974	45,384,895	0.78%

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. 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
- e. 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.
- f. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- g. Due to continuous rain in the first quarter and Tropical Storm Basyang we MMDC there were no shipment made as compared to last year.

- 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 new issuances, repurchases, and repayments of debt and equity securities.
- j. 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.
- k. 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.
- l. There are no contingent liabilities or contingent assets since the last annual balance sheet date.
- m. There are no material contingencies and other material events or transactions during the interim period.
- n. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Key Performance Indicators

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

	June 30, 2019	June 30, 2018
Net Loss	(P258,537,697)	P9,866,283
Quick assets	301,873,609	728,734,078
Current assets	582,197,953	1,213,644,436
Total assets	5,874,767,869	5,956,375,078
Current liabilities	1,382,279,510	1,075,324,063
Total liabilities	2,193,219,438	1,663,583,655
Stockholders' Equity	3,681,548,431	4,292,791,423
Number of common shares outstanding	3,014,820,305	3,014,820,305

Liquidity ratios:		
Current ratio ⁽¹⁾	0.42:1	1.13:1
Quick ratio ⁽²⁾	0.22:1	0.68:1
Solvency Ratios:		
Debt ratio ⁽³⁾	0.37:1	0.28:1
Debt to Equity ratio ⁽⁴⁾	0.60:1	0.39:1
Profitability ratios:		
Earning (loss) per share ⁽⁵⁾	(0.09)	0.003
Book value per share ⁽⁶⁾	1.22	1.42

Note:

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

PART II - OTHER INFORMATION

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

NONE

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

- a. Current Ratio
Total Current Assets/ Total Current Liabilities = 0.42:1
- b. Quick Ratio
Quick asset / Total Current Laibilities = 0.22:1

Solvency Ratio

- a. Debt Ratio
Total liabilities / Total assets = 0.37:1
- b. Debt to Equity Ratio
Total liabilities / Shareholder's Equity = 0.60:1

Profitabilty Ratio

- a. Return on Equity Ratio
Net income (loss) / Average shareholder's equity = (0.06):1
- b. Return on Assets
Net income (loss)/ Average Total assets = (0.04):1
- c. Fixed Assets Turnover Ratio :
Revenue/Property Plant and Equipment = (0.84):1
- d. Asset to Equity Ratio:
Total Assets / Stockholders' Equity = 1.60:1
- e. Asset Turnover
Revenue/Total Assets = (0.04):1

Interest Coverage Ratio


Net Income (loss) / Interest expense = (9.63):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: August 15, 2019


Signature and Title: **RENITA S. TY**
Accountant
Date: August 15, 2019

Marcventures Holdings, Inc. and Subsidiaries

Unaudited Interim Consolidated Financial Statements
June 30, 2019 and for the Three Months & Six Months Ended June 30, 2019
and 2018

*(With Comparative Audited Consolidated Statements of Financial Position as at
December 31, 2018)*

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	June 30, 2019	Dec. 31, 2018
ASSETS			
Current Assets			
Cash	5	P66,398,294	P27,359,652
Trade and other receivables	6	235,475,315	203,903,801
Inventories	7	145,856,739	145,856,739
Advances to related parties	21	15,043,446	53,264,597
Other current assets	8	119,424,159	120,760,974
Total Current Assets		582,197,953	551,145,763
Noncurrent Assets			
Property and equipment	9	307,939,984	344,033,024
Mining rights and other mining assets	10	4,461,251,832	4,395,753,013
Net deferred tax assets	23	106,653,437	106,653,437
Other noncurrent assets	11	416,724,663	431,797,737
Total Noncurrent Assets		5,292,569,916	5,278,237,211
		P5,874,767,869	P5,829,382,974
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	P750,032,371	P477,503,891
Loans payable	14	530,354,986	532,587,671
Advances from a related party	21	97,184,267	125,820,824
Dividends payable	15	4,707,886	4,707,886
Total Current Liabilities		1,382,279,510	1,140,620,272
Noncurrent Liabilities			
Long-term debt - net of current portion	14	258,821,212	258,821,212
Provision for mine rehabilitation and decommissioning	13	51,980,329	51,980,329
Retirement benefit liability	20	22,552,229	22,552,229
Deferred tax liability	4	477,586,158	465,262,759
Total Noncurrent Liabilities		810,939,928	798,616,529
Total Liabilities		2,193,219,438	1,939,236,801
Equity			
Capital stock	15	3,014,820,305	3,014,820,305
Additional paid-in capital (APIC)	15	269,199,788	269,199,788
Retained earnings		359,186,368	567,784,110
Remeasurement gain on retirement benefit liability		38,341,970	38,341,970
Total Equity		3,681,548,431	3,890,146,173
		P5,874,767,869	P5,829,382,974

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Three Months Ended June 30		Six Months Ended June 30	
		2019	2018	2019	2018
REVENUE	16	₱177,358,577	₱800,714,676	₱177,358,577	800,714,676
COST OF SALES	17	(215,940,778)	(567,415,592)	(215,940,778)	(567,415,592)
GROSS INCOME (LOSS)		(38,582,201)	233,299,084	(38,582,201)	233,299,084
OPERATING EXPENSES	18	(77,379,100)	(91,355,537)	(193,237,388)	(212,692,990)
INCOME (LOSS) FROM OPERATIONS		(115,961,301)	141,943,5467	(231,819,589)	20,606,094
INTEREST EXPENSE	14	(12,451,585)	(7,485,468)	(26,837,806)	(11,894,531)
INTEREST INCOME	5	21,516	31,165	26,641	58,984
OTHER INCOME (CHARGES) - Net	19	125,507	5,139,937	(93,057)	5,761,718
INCOME (LOSS) BEFORE INCOME TAX		(128,265,863)	139,629,181	(258,537,697)	14,532,265
BENEFIT FROM (PROVISION FOR) INCOME TAX	23	-	(4,665,982)	-	(4,665,982)
NET INCOME (LOSS)		(₱128,265,863)	₱134,963,199	(₱258,537,697)	₱9,866,283
Basic and diluted earnings (loss) per share	24	(₱0.043)	₱0.045	(₱0.086)	₱0.003

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Six Months Ended June 30	
		2019	2018
CAPITAL STOCK - P1 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		P2,969,088,599	P2,969,088,599
Issuance during the year		45,731,706	45,731,706
Balance at end of year		3,014,820,305	3,014,820,305
ADDITIONAL PAID-IN CAPITAL	15	269,199,788	269,199,788
RETAINED EARNINGS	15		
Balance at beginning of year		567,784,110	963,441,676
Transition adjustment on initial application of PFRS 9 - net of deferred tax		49,939,953	-
Balance at beginning of year, as adjusted		617,724,063	963,441,676
Net loss		(258,537,697)	9,866,283
Balance at end of year		359,186,367	973,307,959
OTHER COMPREHENSIVE INCOME			
Balance at beginning of year		38,341,972	34,463,374
Remeasurement gain on retirement benefit liability - net of deferred income tax		-	-
Balance at end of year		38,341,972	34,463,374
		P3,681,548,431	P4,292,791,423

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six Months Ended June 30	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		(P258,537,697)	P14,532,264
Adjustments for:			
Depletion	10	5,523,414	13,886,348
Depreciation	9	30,053,822	32,460,839
Interest expense	14	26,837,806	11,894,531
Interest income	5	(26,641)	(58,984)
Operating income before working capital changes		(196,149,296)	72,714,999
Decrease (increase) in:			
Trade and other receivables		(31,571,512)	(433,465,951)
Inventories		–	(99,398,428)
Advances to related parties		38,221,151	556,801
Other current assets		1,140,515	(20,063,515)
Increase (decrease) in:			
Trade and other payables		272,528,480	300,254,348
Advances from a related party		(28,636,557)	16,471,220
Net cash generated from operations		55,532,781	(162,930,525)
Income tax paid		–	(40,713,773)
Interest paid		(26,837,806)	(11,894,531)
Interest received		26,641	27,819
Net cash provided by operating activities		28,721,616	(215,479,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	9	–	(43,785,557)
Mine and mining properties	10	(37,638,450)	(79,344,993)
Other noncurrent assets		15,073,074	4,304,941
Net cash used in investing activities		(22,565,376)	(118,825,609)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of loan		–	411,854,585
Payments of:			
Loans		(2,232,685)	(50,242,396)
Interest		–	(11,894,531)
Net cash provided by (used in) financing activities		(2,232,685)	349,717,658
NET DECREASE IN CASH		3,923,555	15,412,204
CASH AT BEGINNING OF YEAR		62,474,739	47,062,535
CASH AT END OF YEAR		66,398,294	P62,474,739

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
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 stocks were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2018 and 2017, 3,014,820,305 and 2,969,088,599 shares of the Parent Company's shares of stocks are listed in the PSE.

The registered address of the Parent Company is 4th Floor, Citi 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 a share to 4,000,000,000 shares at the same 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 a 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, MMDC 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. 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. The Company submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 25).

Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

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 and Fair Value Measurement*

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 new and amended PFRS which the Company adopted effective for annual periods beginning January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces 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

in other comprehensive income (OCI) (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 an 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.

Based on the Company’s analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2018, the Company has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39 but shall be classified based on the new categories under PFRS 9.

The following are the Company’s financial assets previously classified and measured as loans and receivables under PAS 39 which are now classified and measured as financial assets at amortized cost under PFRS 9 with no other changes in the carrying amounts except for the effect of expected credit loss.

	Carrying Amount under PAS 39 as at June 30, 2019	Expected Credit Loss Adjustment	Carrying Amount under PFRS 9 as at June 30, 2019
Cash	₱66,398,294	₱–	₱66,398,294
Trade and other receivables*	254,051,955	(46,631,584)	207,420,371
Advances to related parties	15,043,446	–	15,043,446
Rehabilitation cash fund (RCF) and monitoring trust fund (MTF)	5,597,746	–	5,597,746
Rental deposit	465,959	–	465,959

*Excluding advances to officers and employees of ₱28.5 million

PFRS 9 was adopted without restating comparative figures. Remeasurement adjustments arising from the new impairment rules are not reflected in the consolidated statements of financial position as at June 30, 2019. These are recognized as adjustments to the opening balance of retained earnings as at January 1, 2019.

The following table shows the effect of the transition adjustments on the balances of retained earnings as at January 1, 2018:

Retained earnings, as previously reported under PAS 39	₱963,441,676
Transition adjustment - net of tax	(6,850,447)
Retained earnings, as restated for the effect of adoption of PFRS 9	₱956,591,229

- 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

point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

The Company adopted PFRS 15 using full retrospective method. The Company's contracts with its customers mainly pertain to sale of ore. Sale of ore is recognized as the related goods are delivered to customers similar with the requirements of PFRS 15 to recognize revenue at a point in time. Accordingly, the allocation of transaction price to separate performance obligations and the timing of revenue recognition have no significant impacts on the Company's revenue recognition.

- **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.

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements of the Company except for the impact of the adoption of PFRS 9 as discussed above. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

New PFRS in Issue But Not Yet Effective

Relevant new PFRS which is not yet effective for the year ended December 31, 2018 and has not been applied in preparing the consolidated financial statements is summarized below. The Company intends to adopt this standard when it becomes effective.

Effective for annual periods beginning January 1, 2019 –

- **PFRS 16, Leases** – This standard will replace 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.

For the Company's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 - which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company completes the assessment.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC and BGRC, AMPI and BARI for the interim period June 30, 2019 and for the three-months and six-months ended June 30, 2019 and 2018.

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

a. Recognition

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

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the profit or loss unless it qualifies for recognition as some other types of assets. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference amount.

b. Classification and Subsequent Measurement Policies prior to January 1, 2018

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 June 30, 2019, 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.

As at June 30, 2019, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties, and RCF, MTF and rental deposit (classified under "Other noncurrent assets") are classified under this category (see Notes 5, 6, 21 and 11).

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.

As at June 30, 2019, the Company's trade and other payables (excluding excise tax and other statutory payables), loans payable, long-term debt, advances from a related party and dividends payable are classified under this category (see Notes 12, 14, 21 and 15).

c. Classification and Subsequent Measurement Policies beginning January 1, 2018

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at June 30, 2019, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at June 30, 2019, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties, and RCF, MTF and rental deposit (included under "Other noncurrent assets") account are classified under this category (see Notes 5, 6, 21 and 11).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at June 30, 2019, the Company's trade and other payables (excluding excise tax and other statutory payables and advances from customers), loans payable, advances from related parties and dividends payable are classified under this category (see Notes 12, 14, 21 and 15).

d. Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

e. Impairment Policy on Loans and Receivables prior to January 1, 2018

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.

f. Impairment Policy on Financial Assets at Amortized Cost beginning January 1, 2018

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

g. Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

h. Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

i. Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

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.

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on goods or services to be purchased in connection with the mining operation. These are reclassified to proper asset account in the consolidated statements of financial position or charged to expense in 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.

Mining and Office Supplies. Mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method. These are charged to expense in the consolidated statements of comprehensive income upon use.

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

Property and Equipment

Property and equipment, except for land, are initially measured at cost less accumulated depreciation and 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.

Equity

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

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

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

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 from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

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

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

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

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

Cost and Expense Recognition

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

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

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

Interest Expense. Interest expense is recognized in the consolidated statements of comprehensive income using the effective interest method.

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.

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 OCI.

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

Value Added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

Related 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.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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.

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.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effects 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 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.

Defining Default and Credit-Impaired Financial Assets. Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.
- b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:
 - The borrower is experiencing financial difficulty or is insolvent;
 - The borrower is in breach of financial covenants; and
 - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

Accounting for Operating Lease - 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.

Accounting Estimates and Assumptions

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

Estimating Allowance for Doubtful Accounts prior to January 1, 2018. 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 collectability 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 impairment loss on trade receivables amounted to ₱46.6 million as at June 30, 2019 and December 31, 2018 (see Note 6).

Estimating Allowance for Expected Credit Losses on Trade and Other Receivables beginning January 1, 2018. The Company uses a provision matrix based on historical default rates for trade and other receivables (excluding advances to officers and employees). The provision matrix specifies provision rates depending on the number of days that receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual experience.

The allowance for impairment loss amounted to ₱46.6 million as at June 30, 2019 and December 31, 2018. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱207.4 million and ₱172.7 million as at June 30, 2019 and December 31, 2018, respectively (see Note 6).

Estimating Allowance for Expected Credit Losses on Other Financial Assets at Amortized Cost beginning January 1, 2018. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime expected credit loss.

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

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

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus the impairment loss on these financial assets in 2018, 2017 and 2016 are not significant and not recognized.

The carrying amounts of the Company's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 26, *Financial Risk Management Objectives and Policies*.

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.

No provision for inventory obsolescence was recognized in 2019, 2018 and 2017. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱145.9 million as at June 30, 2019 and December 31, 2018 (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.

No provision for impairment loss was recognized in June 30, 2019 and December 2018. 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 ₱4.2 million and ₱3.3 million as at June 30, 2019 and December 31, 2018, 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 June 30, 2019 and December 31, 2018. Property and equipment, net of accumulated depreciation, amounted to ₱307.9 million and ₱344.0 million as at June 30, 2019 and December 31, 2018, 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	June 30, 2019	December 31, 2018
Mining rights	10	₱2,593,579,264	₱2,604,171,944
Mine and mining properties	10	1,725,447,662	1,649,356,162

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 consolidated statements of financial position, amounted to ₱37.0 million as at June 30, 2019 and December 31, 2018 (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱52.0 million as at June 30, 2019 and December 31, 2018 (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 2019, 2018 and 2017.

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

	Note	June 30, 2019	December 31, 2018
Mining rights and other mining assets	10	₱4,461,126,992	₱4,395,753,013
Property and equipment	9	307,939,984	344,033,024
Other current assets	8	119,424,159	120,760,974
Other noncurrent assets (excluding financial assets and input VAT)	11	115,222,900	122,138,612
Advances to officers and employees	6	28,054,944	31,176,945

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 the actuary 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 OCI. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated as at reporting date may differ significantly from the amount reported.

Retirement benefit liability amounted to ₱22.6 million as at June 30, 2019 and December 31, 2018 (see Note 20).

Recognizing 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 ₱107.5 million as at June 30, 2019 and December 31, 2018 (see Note 23).

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability as at December 31, 2018 and 2017 because the management assessed that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.

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 APMPC 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	₱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	1,721,685,723
Liabilities			
Advances from 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	₱1,123,000,000

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

The assets of BGRC, AMPI and BARI are among the assets acquired in the merger between MHI, APMPC and BHI (see Note 1). The merger was accounted by virtue of a tax-free exchange pursuant to Section 40(C)(2) in relation to Section 40(C)(6)(b) of the National Internal Revenue Code of 1997, as amended.

The fair value of the mining rights used as basis for allocating the acquisition cost are based on the 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 of the Company's mining rights categorized within Level 3 of the fair value hierarchy 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 equipment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitation 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 the 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 the 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:

	June 30, 2019	December 31, 2018
Cash on hand	P107,034	P260,546
Cash in banks	66,291,260	27,099,106
	P66,398,294 ✓	P27,359,652

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

	Note	June 30, 2019	March 31, 2018
Cash in banks		P26,641	P27,574
Other noncurrent assets	11	-	1,245
		P26,641	P27,819

6. Trade and Other Receivables

This account consists of:

	June 30, 2019	December 31, 2018
Trade receivables	P241,346,046	P209,219,163
Advances to officers and employees	28,054,944	31,176,945
Advances to suppliers	1,731,778	721,395
Others	10,974,131	9,417,884
	282,106,899	250,535,387
Allowance for impairment	(46,631,586)	(46,631,586)
	P235,475,315 ✓	P203,903,801

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.

Movements in allowance for impairment loss are as follows:

	Note	June 30, 2019	December 31, 2018
Balance at beginning of year, as previously reported under PAS 39		P46,631,586	P11,036,527
Transition adjustment	2	-	9,786,353
Balance at beginning of year, as adjusted under PFRS 9		-	20,822,880
Provision	18	-	25,808,706
Balance at end of year		P46,631,586	P46,631,586

7. Inventories

This account consists of beneficiated nickel ore amounting to P145.9 million which is stated at cost as at June 30, 2019 and December 31, 2018. The cost of inventories is lower than its NRV.

8. Other Current Assets

This account consists of:

	June 30, 2019	December 31, 2018
Prepaid income tax	P49,481,456	P49,677,756
Mining and office supplies	18,467,119	24,528,416
Prepaid expenses	12,572,839	19,238,339
Advances to contractors and suppliers	25,222,044	15,168,471
Others	13,680,701	12,147,992
	P119,424,159	P120,760,974

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:

	June 30, 2019					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	P58,597,484	P169,727,730	P98,672,406	P382,296,725	P45,188,518	P754,482,863
Additions	-	-	-	-	-	-
Balance at end of year	58,597,484	169,727,730	98,672,406	382,296,725	45,188,518	754,504,865
Accumulated Depreciation						
Balance at beginning of year	-	62,962,064	80,555,340	266,932,435	-	410,449,839
Depreciation	-	5,904,487	7,243,118	22,945,437	-	36,093,042
Balance at end of year	-	68,866,551	87,798,458	289,877,872	-	446,542,881
Net Carrying Amount	P58,597,484	P100,861,180	P10,873,949	P92,418,854	P45,188,518	P307,939,984

	December 31, 2018					Total
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	
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	–	17,644,179	5,425,205	61,736,505	85,469,959
Transfers	–	862,811	–	–	(53,001,762)	(52,138,951)
Balance at end of year	58,597,484	169,727,730	98,672,406	382,296,725	45,188,518	754,482,863
Accumulated Depreciation and Amortization						
Balance at beginning of year	–	51,153,091	66,069,105	222,665,662	–	339,887,858
Depreciation and amortization	–	11,808,973	14,486,235	44,266,773	–	70,561,981
Balance at end of year	–	62,962,064	80,555,340	266,932,435	–	410,449,839
Net Carrying Amount	₱58,597,484	₱106,765,666	₱18,117,066	₱115,364,290	₱45,188,518	₱344,033,024

Heavy and transportation equipment with carrying value of ₱92.4 million and ₱115.4 million as at June 30, 2019 and December 31, 2018, 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 ₱1.1 million and ₱1.3 million as at June 30, 2019 and 2018, respectively. (see Note 14).

Construction-in-progress pertains to on-going mine developments which are expected to be completed in 2019. In 2018, the Company transferred construction-in-progress of ₱52.1 million to “Mine and Mining Properties” account in the consolidated statements of financial position upon completion of construction of the mine site’s roads, trails and bridges.

Depreciation and amortization is charged to operating expenses with the amount of ₱9.3 million and ₱4.6 million as at June 30, 2019 and 2018 respectively (Note 16).

Fully depreciated property and equipment with cost of ₱92.9 million as at June 30, 2019 and December 31, 2018, are still being used by the Company and retained in the accounts.

10. Mining Rights and Other Mining Assets

This account consists of:

	June 30, 2019					Total
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties		Total	
Mine Development Costs			Mine Rehabilitation Asset			
Cost						
Balance at beginning of year	₱2,935,579,522	₱142,224,907	₱1,904,405,593	₱44,167,841	₱1,948,573,434	₱5,026,377,863
Additions	–	–	93,819,802	–	93,819,802	93,819,802
Balance at end of year	2,935,579,522	142,224,907	1,998,225,395	44,167,841	2,042,393,236	5,120,197,665
Accumulated Depletion						
Balance at beginning of year	331,407,578	–	292,093,028	7,124,244	299,217,272	630,624,850
Depletion	10,592,681	–	17,728,302	–	17,728,302	28,320,983
Balance at end of year	342,000,259	–	309,821,330	7,124,244	316,945,574	658,945,833
Net Carrying Amount	₱ 2,593,579,264	₱142,224,907	₱ 1,688,404,065	₱37,043,597	₱1,725,447,662	₱ 4,461,251,833

	December 31, 2018						Total
	Mining Rights	Deferred Exploration Costs	Mine and Mining Properties			Total	
			Mine Development Costs	Mine Rehabilitation Asset	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	–	64,389,333	468,837,939	1,997,707	470,835,646	535,224,979	
Transfers	–	–	52,138,951	–	52,138,951	52,138,951	
Balance at end of year	2,935,579,522	142,224,907	1,904,405,593	44,167,841	1,948,573,434	5,026,377,863	
Accumulated Depletion							
Balance at beginning of year	310,222,217	–	256,636,424	6,309,613	262,946,037	573,168,254	
Depletion	21,185,361	–	35,456,604	814,631	36,271,235	57,456,596	
Balance at end of year	331,407,578	–	292,093,028	7,124,244	299,217,272	630,624,850	
Net Carrying Amount	₱2,604,171,944	₱142,224,907	₱1,612,312,565	₱37,043,597	₱1,649,356,162	₱4,395,753,013	

Mining Rights

Mining rights of the Company consist of:

	Note	June 30, 2019	December 31, 2018
Mining rights on explored resources		₱952,765,899	₱963,358,579
Mining rights of BGRC, AMPI and BARI	4	1,640,813,365	1,640,813,365
		₱2,593,579,264	₱2,604,171,944

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

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

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. Carrying value of mine and mining properties amounted to ₱1,725.4 million and ₱1,649.4 million as at June 30, 2019 and December 31, 2018, respectively.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱93.8 million, ₱2.8 million and ₱10.7 million in 2019, 2018, 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:

	June 30, 2019	December 31, 2018
Input VAT	₱303,961,756	₱303,632,311
Advances to a contractor	101,139,441	101,139,441
Rehabilitation cash fund	5,454,960	5,454,960
Monitoring trust fund	164,709	164,709
Rental deposit	407,145	407,145
Others	5,596,652	20,999,171
	₱416,724,663	₱431,797,737

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

Rehabilitation cash fund 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.

Monitoring trust fund is exclusively used in activities approved by the Mine Rehabilitation Fund Committee.

Interest income from RCF and MTF amounted to Nil and ₱43,491 in June 30, 2019 and December 31, 2018, respectively (see Note 5).

12. Trade and Other Payables

This account consists of:

	June 30, 2019	December 31, 2018
Trade payables	₱376,096,493	₱374,632,931
Advances from customers	230,921,040	26,440,022
Excise tax and other statutory payables	30,807,544	30,977,298
Accrued expenses:		
Interest	277,094	277,094
Others	105,708,021	39,153,711
Others	6,222,179	6,022,835
	₱750,032,371	₱477,503,891

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

Advances from customers pertain to advanced payments made by customer for ores not yet shipped out.

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.

13. Provision for Mine Rehabilitation and Decommissioning

The movements in this account are as follows:

	Note	June 30, 2019	December 31, 2018
Balance at beginning of year		₱51,980,329	₱49,796,810
Accretion of interest	14	–	2,183,519
		₱51,980,329	₱51,980,329

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:

	June 30, 2019	December 31, 2018
Short-term loan - MMDC	₱505,000,000	₱505,000,000
Long-term debt:		
AMPI	₱198,638,282	₱198,638,282
MMDC	84,452,387	86,685,072
BGRC	1,085,529	1,085,529
	284,176,198	286,408,883
Less current portion	25,354,986	27,587,671
	₱258,821,212	₱258,821,212

Short-term Loan

MMDC obtained short-term loans from local banks to finance working capital requirements. The short-term loans bear interest rates ranging from 5.00% to 8.00% to be repriced normally every month and has maturity of not more than one year.

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

In 2018, MMDC obtained credit facilities limited to ₱400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 150% of the credit facility limit.

Outstanding balance of these credit facilities are summarized below:

Classification	June 30, 2019	December 31, 2018
200.0 million credit facility	₱79,000,000	₱79,000,000
400.0 million credit facilities	400,000,000	400,000,000
	₱479,000,000	₱479,000,000

In 2018, MMDC obtained a short-term loan from a related party amounting to ₱26.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 21).

Long-term Debt

AMPI

On September 21, 2018, AMPI obtained a five-year promissory note of ₱200.0 million which will be used to finance the AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.5%. The principal is due on maturity.

MMDC

On July 15, 2015, MMDC obtained a five-year promissory note amounting to ₱100.0 million from a local financing company, which is covered by a chattel mortgage on transportation equipment and bears an annual interest rate of 6%. The principal payments and interest are payable monthly until maturity.

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱54.2 million and ₱63.8 million as at June 30, 2019 and December 31, 2018, respectively (see Note 9).

On July 11, 2017, MMDC obtained a five-year promissory note amounting to ₱1.6 million from a local bank, which is covered by a chattel mortgage on MMDC's transportation equipment and bears an annual interest rate of 10.34%.

The carrying amount of transportation equipment held as collateral amounted to ₱1.3 million as at June 30, 2019 and December 31, 2018 (see Note 9).

BGRC

On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortgage and bears an annual interest rate of 9.02%.

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

	Note	2019	2018
Loans payable		₱26,837,806	₱38,579,497
Provision for mine rehabilitation and decommissioning	13	–	2,183,519
		₱26,837,806	₱40,763,016

Interest payable amounted to ₱0.3 million as at June 30, 2019 and 2018, respectively (see Note 12).

The expected loan repayments over the remaining term of the loans are as follows:

	Amounts
Not later than one year	₱532,587,671
Later than one year but not less than five years	258,821,212
	₱791,408,883

15. Equity

Movements in this account are as follows:

	June 30, 2019	December 31, 2018
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	₱2,969,088,599
Issuance during year:		
Issuance	45,731,706	45,731,706
Additional subscription by a stockholder	-	-
Balance at end of year	₱3,014,820,305	₱3,014,820,305
Additional paid-in capital		
Balance at beginning of year	₱239,931,494	₱239,931,494
Proceeds in excess of par value	29,268,294	29,268,294
Balance at end of year	₱269,199,788	₱269,199,788

On December 29, 2017, the SEC approved the increase in authorized capital stock of the Parent Company to accommodate the merger, as discussed in Note 1, from 2,000,000,000 shares at ₱1 par value a share 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 par value a share.

In 2017, a stockholder subscribed to additional 22,730,000 shares of the Parent Company at ₱2.20 a share. The proceeds for the subscription amounting to ₱50.0 million resulted to an excess in par value of ₱27.3 million.

In 2017, the Parent Company received an advance from a stockholder for future stock subscription of ₱75.0 million. In 2018, the advances was applied as payment for the subscription of 45,731,706 shares and resulted to additional paid-in capital of ₱29.3 million.

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 June 30, 2019 and December 31, 2018.

16. Revenue

This account consists of:

	Six Months Ended June 30,	
	2019	2018
Sale of ore	₱177,358,577	₱800,714,676
Reservation fee for ore allocation	-	-
	₱177,358,577	₱800,714,676

17. Cost of Sales

This account consists of:

	Note	Six Months Ended June 30,	
		2019	2018
Contractual services		₱91,895,170	₱424,120,020
Personnel costs		56,759,132	36,638,053
Production overhead		38,577,420	54,898,856
Depletion	10	5,523,414	13,886,348
Demurrage (despatch) costs		–	(14,293,987)
Excise tax		13,796,549	15,541,207
Hustling		–	22,187,345
Depreciation	9	9,389,093	4,646,395
		215,940,778	557,624,238
Net movement in inventories		–	9,791,354
		₱215,940,778	₱567,415,592

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	Six Months ended June 30,	
		2019	2018
Salaries and allowances		₱41,497,193	₱65,312,910
Environmental expenses		36,143,071	13,499,777
Depreciation	9	26,931,867	27,814,444
Others		20,664,729	14,510,245
Taxes and licenses		19,084,759	32,210,161
Professional fees		11,527,896	17,977,465
Rent expense		11,371,664	2,270,729
Outside services		8,284,557	14,511,541
Social Development Program		8,030,000	7,758,936
Communication, light and water		3,881,440	1,596,870
Transportation and travel		2,554,849	–
Dues and subscription		1,569,129	–
Representation		992,377	2,658,790
Community relations		583,527	795,627
Repairs and maintenance		66,008	474,923
Advertisement		54,322	642,440

	Note	Six Months ended June 30,	
		2019	2018
Loading fees		-	-
Office supplies		-	2,618,132
Director's Fee		-	8,040,000
		₱193,237,388	₱212,692,990

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

19. Other Income (Charges) - Net

This account consists of:

	Six Months ended June 30,	
	2019	2018
Foreign exchange gain (loss)	(₱246,222)	₱4,070,224
Interest income	-	409,757
Interest expense	-	(27,819)
Others	339,279	1,309,556
	₱93,057	₱5,761,718

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, 2018.

The retirement benefit liability recognized in the consolidated statements of financial position as at June 30, 2019 and December 31, 2018 and changes in the present value of defined benefit obligation are as follows:

	June 30, 2019	December 31, 2018
Balance at beginning of year	₱36,400,994	₱36,400,994
Retirement benefits expense recognized in profit or loss:		
Current service cost	5,354,636	5,354,636
Net interest cost	2,064,314	2,064,314
Settlement gain	(2,546,807)	(2,546,807)
Remeasurement losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	(2,921,581)	(2,921,581)
Deviations of experience from assumptions	(1,190,700)	(1,190,700)
Changes in demographic assumptions	-	-
Benefits paid	(14,608,627)	(14,608,627)
Balance at end of year	₱22,552,229	₱22,552,229

The principal actuarial assumptions used to determine retirement benefit liability as at June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019	December 31, 2018
Discount rates	7.36%	7.36%
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 June 30, 2019 and December 31, 2018 are as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(P1,389,134)
	-1%	1,668,984
Salary increase rate	+1%	1,718,083
	-1%	(1,494,430)

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

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

The average duration of the expected benefit payments at the end of the reporting period is 16.5 years.

21. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

	Note	Transaction Amounts		Outstanding Balances		Nature and Terms
		06.30.2019	12.31.2018	06.30.2019	12.31.2018	
Advances to related parties		P38,221,151	P12,126,769	P15,043,446	P53,264,597	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		P10,000,000	P115,820,824	P97,184,267	P125,820,824	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	14	P26,000,000	P26,000,000	P26,000,000	P26,000,000	Short-term loan; unsecured; Interest-bearing; payable in installments

As at June 30, 2019 and December 31, 2018, 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, which consists of salaries and other benefits, amounted to ₱83.2 million in 2019 and 2018. Retirement benefit expense of key management personnel amounted to ₱1.4 million in 2019 and 2018.

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 social development programs to host communities amounted to ₱8.0 million and ₱7.8 million in June 30, 2019 and 2018, respectively (see Note 16).

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 ₱36.1 million and ₱13.5 million in June 30, 2019 and 2018, respectively (see Note 16).

Royalty Agreement

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

Lease Commitment

The Company leases an office space for its operations. In 2017, the lease agreement was renewed for two (2) years. Rental deposit amounted to ₱0.4 million and ₱0.4 million as at June 30, 2019 and December 31, 2018 (see Note 11).

Rental expense charged to operations amounted to ₱6.6 million and ₱1.7 million in June 30, 2019 and 2018 (see Note 18).

At June 30, 2019 and 2018, the Company has outstanding commitments under noncancellable operating lease that fall due as follows:

	2019	2018
Within 1 year	P100,000	P100,000
More than 1 year but within 5 years	-	-
	P100,000	P100,000

23. Income Taxes

The Company's net deferred tax assets arising from temporary differences as at June 30, 2019 and December 31, 2018 are summarized as follows:

	June 30, 2019	December 31, 2018
Deferred tax assets:		
NOLCO	P86,880,348	P86,880,348
Allowance for impairment loss on receivables	12,020,408	12,020,408
Retirement benefit liability	4,358,077	4,358,077
Provision for mine rehabilitation	2,454,659	2,454,659
Excess MCIT over RCIT	1,770,009	1,770,009
	107,483,501	107,483,501
Deferred tax liabilities:		
Debt issue cost	(408,515)	(408,515)
Unrealized foreign exchange gain	(421,549)	(421,549)
	(830,064)	(830,064)
	P106,653,437	P106,653,437

The Company's adoption of PFRS 9 resulted to an adjustment to the opening balance of deferred tax assets as at January 1, 2018 amounting to P2.9 million.

The presentation of net deferred tax assets are as follows:

	June 30, 2019	December 31, 2018
Through profit or loss	P120,149,804	P120,149,804
Through other comprehensive income	(16,432,273)	(16,432,273)
Through retained earnings	2,935,906	2,935,906
	P106,653,437	P106,653,437

24. Earnings Per Share

Earnings per share are computed as follows:

	June 30, 2019	June 30, 2018
Net income (loss) shown in the consolidated statements of comprehensive income (a)	(P258,537,697)	P9,866,283
Weighted average number of common shares (b)	3,014,820,305	3,014,820,305
Basic earnings (loss) per share (a/b)	(P0.086)	P0.003

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.

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.

As at June 30, 2019, there is no development regarding the cancellation. The Company has continued mining operations in areas covered by the MPSA (see Note 1).

Show-Cause Orders of BGRC, AMPI and BARI

On February 17, 2017, BGRC, AMPI and BARI received 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, the Company submitted a reply to the Show-Cause Orders explaining that BGRC, AMPI and BARI have prior legal right considering that the BGRC's MPSA was approved on July 1, 1993 and AMPI and BARI's MPSAs were approved on December 5, 2002, 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, AMPI and BARI should be allowed to continue their operations over their contract areas. On the same year, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

As at June 30, 2019, there is no development regarding the Show-Cause Orders. However, the management and its legal counsel believes that subsequent certifications obtained in 2017 have rendered the Show-Cause Orders moot and academic.

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 to officers and employees), RCF, MTF, trade and other payables (excluding excise tax and other statutory payables and advances from customers), dividends payable, advances from and to related parties and rental deposit, which arise directly from operations. The main risks arising from the use of these financial instruments are foreign currency risk, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

Foreign Currency Risk. The 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 US dollar. 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 financial assets and their Philippine Peso equivalent as at June 30, 2018 and December 31, 2018:

	June 30, 2019		December 31, 2018	
	Philippine Peso	US Dollar	Philippine Peso	US Dollar
Cash in banks	₱232,179	\$4,465	₱280,965	\$5,343
Trade receivables	209,441,163	4,027,715	209,219,163	3,979,064
	₱209,673,342	\$4,032,180	₱209,500,128	\$3,984,407

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at June 30, 2019 and December 31, 2018, the exchange rates applied were ₱52.00 and ₱52.58 per US\$1, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax as at June 30, 2019 and 2018 (due to changes in the fair value of financial assets). 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
June 30, 2019	+0.04	₱161,132
	-0.04	(161,132)
December 31, 2018	+0.04	₱161,132
	-0.04	(161,132)

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 and long-term debt are exposed to changes in market interest rates since the loans are subject to variable interest rates.

The table below set forth the estimated change in the 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 June 30, 2019.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
June 30, 2019	+5.24%	₱2,137,052
	-5.24%	(2,137,052)
December 31, 2018	+5.24%	₱2,137,052
	-5.24%	(2,137,052)

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 (excluding advances to officers and employees) 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 June 30, 2019 and December 31, 2018.

	June 30, 2019							Allowance for Impairment Loss
	High Grade	Standard Grade	Past Due			Total		
			1 – 30 Days	31 – 90 Days	More than 90 Days			
Lifetime ECL (not credit impaired):								
Trade and other receivables*	P-	₱10,139,279	₱11,790,630	₱36,242,717	₱161,185,816	₱219,358,442	₱46,631,586	
12 - month ECL:								
Cash in banks	27,099,106	-	-	-	-	27,099,106	-	
Advances to related parties	-	53,264,597	-	-	-	53,264,597	-	
RCF and MTF	5,619,669	-	-	-	-	5,619,669	-	
Rental deposit	-	407,145	-	-	-	407,145	-	
	32,718,775	53,671,742	-	-	-	86,390,517	-	
	₱32,718,775	₱63,811,021	₱11,790,630	₱36,242,717	₱161,185,816	₱305,748,959	₱46,631,586	

	December 31, 2018							Allowance for Impairment Loss
	High Grade	Standard Grade	Past Due			Total		
			1 – 30 Days	31 – 90 Days	More than 90 Days			
Lifetime ECL (not credit impaired):								
Trade and other receivables*	P-	₱10,139,279	₱11,790,630	₱36,242,717	₱161,185,816	₱219,358,442	₱46,631,586	
12 - month ECL:								
Cash in banks	27,099,106	-	-	-	-	27,099,106	-	
Advances to related parties	-	53,264,597	-	-	-	53,264,597	-	
RCF and MTF	5,619,669	-	-	-	-	5,619,669	-	
Rental deposit	-	407,145	-	-	-	407,145	-	
	32,718,775	53,671,742	-	-	-	86,390,517	-	
	₱32,718,775	₱63,811,021	₱11,790,630	₱36,242,717	₱161,185,816	₱305,748,959	₱46,631,586	

*Excluding advances to officers and employees.

Customer credit risk from trade and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Generally, trade receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

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.

For other financial assets consisting of cash in banks, advances to related parties, RCF and MTF and rental deposit, the Company manages credit risk based on the Company's policy and uses judgment in making assumptions for estimating the risk of default and expected loss rates. This is based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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. While the advances to related parties is classified under standard grade since the counterparties are reputable related parties with low credit risk.

Liquidity Risk. The 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 June 30, 2019 and December 31, 2018, 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	More than six months to one year	More than one year	Total
June 30, 2019						
Trade and other payables*	50,584,971	46,919,445	322,582,155	–	–	₱420,086,571
Dividends payable	4,707,886	–	–	–	–	4,707,886
Loans payable**	105,000,000	195,708	208,777,963	265,211,610	336,741,025	915,926,306
Advances from a related party	125,820,824	–	–	–	–	125,820,824
	₱286,113,681	₱47,115,153	₱531,360,118	₱265,211,610	₱336,741,025	₱1,466,541,587
December 31, 2018						
Trade and other payables*	50,584,971	46,919,445	322,582,155	–	–	₱420,086,571
Dividends payable	4,707,886	–	–	–	–	4,707,886
Loans payable**	105,000,000	195,708	208,777,963	265,211,610	336,741,025	915,926,306
Advances from a related party	125,820,824	–	–	–	–	125,820,824
	₱286,113,681	₱47,115,153	₱531,360,118	₱265,211,610	₱336,741,025	₱1,466,541,587

*Excluding excise tax and other statutory payables and advances from customers.

**Including interest payable up to maturity.

Fair Value of Financial Assets and Financial Liabilities

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

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	₱66,398,294	₱66,398,294	₱27,359,652	₱27,359,652
Trade and other receivables*	207,420,371	207,420,371	172,726,856	172,726,856
Advances to related parties	15,043,446	15,043,446	53,264,597	53,264,597
RCF and MTF	5,619,669	5,619,669	5,619,669	5,619,669
Rental deposit	407,145	407,145	407,145	407,145
	₱294,888,925	₱294,888,925	₱259,377,919	₱259,377,919

*Excluding advances to officers and employees.

	June 30, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trade and other payables*	₱488,303,787	₱488,303,787	₱420,086,571	₱420,086,571
Dividends payable	4,707,886	4,707,886	4,707,886	4,707,886
Loans payable	789,176,198	789,176,198	791,408,883	839,299,141
Advances from related parties	97,184,267	97,184,267	125,820,824	125,820,824
	₱1,379,372,138	₱1,379,372,138	₱1,342,024,164	₱1,389,914,422

*Excluding excise tax and other statutory payables and advances from customers.

Cash, Trade and Other Receivables (excluding advances to officers and employees), RCF and MTF, Advances to Related Parties, Trade and Other Payables (excluding excise tax and other statutory payables and advances from customers), Dividends Payable and Advances from Related Parties. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

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

Loans Payable 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.

	June 30, 2019	Dec. 31, 2018
Total debt	₱2,193,219,438	₱1,939,236,801
Total equity (excluding remeasurement gain on retirement benefit liability)	3,643,206,461	3,851,804,203
Debt-to-equity ratio	0.60:1.00	0.50:1.00

There were no changes in the Company's objectives, policies or processes in June 30, 2019 and December 31, 2018.

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.

	Note	Balance as at December 31, 2018	Net Cash Flows from Financing Activities	Noncash Changes		Balance as at June 30, 2019
				Subscription of Shares	Interest expense	
Capital stock		₱3,014,820,305	₱-	₱-	₱-	₱3,014,820,305
APIC		269,199,788	-	-	-	269,199,788
		3,284,020,093	-	-	-	3,284,020,093
Loans payable	14	791,408,883	-	-	-	791,408,883
Accrued interest	14	277,094	-	-	14,386,221	14,663,315
		791,685,977	-	-	14,386,221	806,072,198
Dividends payable		4,707,886	-	-	-	4,707,886
Deposit for future stock subscription		-	-	-	-	-
		₱4,080,413,956	₱-	₱-	₱14,386,221	₱4,094,800,177