

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended
Dec 31, 2018
2. SEC Identification Number
12942
3. BIR Tax Identification No.
000-104-320-000
4. Exact name of issuer as specified in its charter
Marcventures Holdings Inc.
5. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
4th Floor Citibank Center, Paseo de Roxas, Makati City
Postal Code
1227
8. Issuer's telephone number, including area code
632-8314479
9. Former name or former address, and former fiscal year, if changed since last report
-
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---------------------|---|
| COMMON | 3,014,820,305 |

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

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

☒ Yes ☐ No

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

☒ Yes ☐ No

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

920,747,015

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

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

☒ Yes ☐ No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

-

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

-

(c) Any prospectus filed pursuant to SRC Rule 8.1

-

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

Marcventures Holdings, Inc.

MARC

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

| | |
|---------------------------|--------------|
| For the fiscal year ended | Dec 31, 2018 |
| Currency | PHP |

Balance Sheet

| | Year Ending Dec 31, 2018 | Previous Year Ending Dec 31, 2017 |
|-------------------------------|-----------------------------|--------------------------------------|
| Current Assets | 551,145,763 | 645,861,140 |
| Total Assets | 5,829,382,974 | 5,316,113,360 |
| Current Liabilities | 1,140,620,272 | 444,607,448 |
| Total Liabilities | 1,939,236,801 | 1,108,188,218 |
| Retained Earnings/(Deficit) | 567,784,110 | 963,441,676 |
| Stockholders' Equity | 3,890,146,173 | 4,207,925,142 |
| Stockholders' Equity - Parent | 4,020,577,830 | 4,023,049,894 |
| Book Value Per Share | 1.29 | 2.19 |

Income Statement

| | Year Ending Dec 31, 2018 | Previous Year Ending Dec 31, 2017 |
|--|-----------------------------|--------------------------------------|
| Gross Revenue | 987,255,064 | 2,040,859,226 |
| Gross Expense | 1,469,992,743 | 1,910,105,145 |
| Non-Operating Income | 2,075,548 | 4,280,710 |
| Non-Operating Expense | - | 19,540,862 |
| Income/(Loss) Before Tax | -480,662,131 | 115,493,929 |
| Income Tax Expense | -91,855,012 | 68,212,716 |
| Net Income/(Loss) After Tax | -388,807,119 | 47,281,213 |
| Net Income/(Loss) Attributable to Parent Equity Holder | -88,807,119 | 47,281,213 |
| Earnings/(Loss) Per Share (Basic) | -0.13 | 0.02 |
| Earnings/(Loss) Per Share (Diluted) | -0.13 | 0.02 |

Financial Ratios

| | Formula | Fiscal Year Ended | Previous Fiscal Year |
|--|--|-------------------|----------------------|
| | | Dec 31, 2018 | Dec 31, 2017 |
| Liquidity Analysis Ratios: | | | |
| Current Ratio or Working Capital Ratio | Current Assets / Current Liabilities | 0.48 | 1.45 |
| Quick Ratio | (Current Assets - Inventory - Prepayments) / Current Liabilities | 0.24 | - |
| Solvency Ratio | Total Assets / Total Liabilities | 3 | 0.29 |
| Financial Leverage Ratios | | | |
| Debt Ratio | Total Debt/Total Assets | 0.33 | 0.21 |
| Debt-to-Equity Ratio | Total Debt/Total Stockholders' Equity | 0.5 | 0.26 |
| Interest Coverage | Earnings Before Interest and Taxes (EBIT) / Interest Charges | 12.79 | 10.74 |
| Asset to Equity Ratio | Total Assets / Total Stockholders' Equity | 1.5 | 1.26 |
| Profitability Ratios | | | |
| Gross Profit Margin | Sales - Cost of Goods Sold or Cost of Service / Sales | 0.67 | 0.35 |
| Net Profit Margin | Net Profit / Sales | -0.39 | - |
| Return on Assets | Net Income / Total Assets | -0.07 | 0.01 |
| Return on Equity | Net Income / Total Stockholders' Equity | -0.01 | 0.01 |
| Price/Earnings Ratio | Price Per Share / Earnings Per Common Share | -0.12 | 0.02 |

| |
|-----------------------------------|
| Other Relevant Information |
| None |

Filed on behalf by:

| | |
|--------------------|--------------------|
| Name | Raquel Frondoso |
| Designation | Compliance Officer |

SEC FORM 17-A
MARCVENTURES HOLDINGS, INC.

COVER SHEET

| | | | | | | | | | | | |
|---|---|---|---|---|--|--|--|--|--|--|--|
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SEC Registration Number

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| (| 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 | .) |
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(Company's Full Name)

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| C | O | N | D | O | M | I | N | I | U | M | | | | | | | | | | | | | | | | | | | | | | |
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| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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

| |
|-------------------|
| ROLANDO S. SANTOS |
|-------------------|

(Contact Person)

| |
|-----------|
| 831-44-79 |
|-----------|

(Company Telephone Number)

| | | | | |
|---|---|--|---|---|
| 1 | 2 | | 3 | 1 |
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Month Day
(Calendar Year)

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(Form Type)

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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

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Dept. Requiring this Doc.

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| N/A |
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Amended Articles Number/Section

| |
|------|
| 2175 |
|------|

Total No. of Stockholders

Total Amount of Borrowings

| | |
|--|--|
| | |
|--|--|

Domestic Foreign

To be accomplished by SEC Personnel concerned

| | | | | | | | | | |
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SECURITIES AND EXCHANGE COMMISSION

File Number: _____

SEC Number: 12942

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

For the calendar year ended
December 31, 2018 (SEC Use Only)

Industry Classification Code:

MARCVENTURES HOLDINGS INC.

(Company Name)

Philippines

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

000-104-320-000

(BIR Tax Identification No.)

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

(Zip Code)

Registrant's telephone numbers, including area code:

(632) 831-44-79

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

| <u>Title of each Class</u> | <u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u> | <u>Name of each stock exchange in which securities are listed</u> |
|--------------------------------|--|---|
| Common Stock (P1.00 par value) | 3,014,820,305 common shares | Philippine Stock Exchange |

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

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

The aggregate market value of voting stock held by non-affiliates is 844,722,032 representing 28.02% shares equivalent to ₱920,747,015 based on the closing price of ₱1.09 at the Philippine Stock Exchange as of March 1, 2019.

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PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

Background

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

On December 15, 2009, the Parent Company entered into a Memorandum of Agreement (MOA) between the shareholders of Marcventures Mining & Development Corporation (Investor Group) and their partners to exchange their ownership of MMDC for a total value of ₱1.3 billion consisting of: (i) new Parent Company shares worth ₱100.0 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 to MHI's acquisition of APMPC's subsidiaries, namely, Alumina Mining Philippines Inc. ("AMPI") and Bauxite Resources Inc. ("BARI") as well as BHI's subsidiary, BrightGreen Resources Corp. ("BRC") 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 in 2018

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)

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

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

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

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

Government Regulation and Approvals

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.

Related Party 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).

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.

Risks Related to our Business and Industry

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 | <p>Measured & Indicated Saprolite: 11,894 million WMT at 1.34% Nickel, 12.65% Iron</p> <p>Limonite 63,657 million WMT at 0.88% Nickel and 44.23% Iron</p> <p>Inferred Saprolite: 4,673 million WMT at 1.30% Nickel and 12.90% Iron</p> <p>Limonite: NA</p> | <p>Measured & Indicated Saprolite: 3.055 million WMT at 1.59% Nickel, 14.85% Iron</p> <p>Limonite 12.972 million WMT at 1.07% Nickel and 39.73% Iron</p> <p>Inferred Saprolite: 0.329 million WMT at 1.61% Nickel and 14.25% Iron</p> <p>Limonite: 4.698 million WMT at 0.90% Nickel and 39.61% Iron</p> | <p>Measured & Indicated Bauxite Ore: 41.713 million WMT At 40.06% Al₂O₃ and 14.50% SiO₂</p> <p>Inferred Bauxite Ore 17.275 million WMT at 38.96% Al₂O₃ and 16.59% SiO₂</p> | <p>Measured & Indicated Bauxite Ore: 31.469 million WMT At 43.78% Al₂O₃ and 7.96% SiO₂</p> <p>Inferred Bauxite Ore 28.436 million WMT at 43.75% Al₂O₃ and 8.09% SiO₂</p> |

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 and Equipment

Office Space

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

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

MMDC Properties

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

Land and Improvements owned

| | Lot Area (sqm) | Amount |
|---------------|----------------|------------|
| Haulage Roads | 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, 2017, the Company is not a party to any legal proceedings.

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

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

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

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

The Company submitted the following matters to a vote of the security holders during the 2018 Annual Meeting:

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Stock Prices – Common Shares

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

| | Price per Share (In Pesos)** | |
|--------------------|------------------------------|-------------|
| | High | Low |
| | 2016 | |
| January – March | 2.47 | 1.36 |
| April – June | 2.40 | 1.67 |
| July - September | 1.95 | 1.27 |
| October – December | 2.73 | 1.37 |
| | 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 |

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 December 31, 2018 were 2,175. The outstanding shares as December 31, 2018 were 3,014,820,305 common shares, 2,938,734,739 or 97.48% of which are owned by Filipinos.

MARCVENTURES HOLDINGS, INC.
TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2018

| | NAME | CITIZENSHIP | SHARES | RANK |
|----|-------------------------------------|-------------|----------------------|---------------|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | Filipino | 1,438,811,387 | 47.72% |
| 2 | RODOLFO P. YU | Filipino | 430,312,500 | 14.27% |
| 3 | RYM BUSINESS MANAGEMENT CORPORATION | Filipino | 377,999,946 | 12.54% |
| 4 | RUBY SY | Filipino | 168,615,000 | 5.59% |
| 5 | STINSON PROPERTIES INC. | Filipino | 87,834,569 | 2.91% |
| 6 | SUREGUARD PROPERTIES INC. | Filipino | 86,514,534 | 2.87% |
| 7 | MYOLNER PROPERTIES INC. | Filipino | 86,514,533 | 2.87% |
| 8 | PCD NOMINEE CORP. (NON-FILIPINO) | Filipino | 75,999,658 | 2.52% |
| 9 | ISAGANI P. YU | Filipino | 75,937,500 | 2.52% |
| 10 | ISIDRO C. ALCANTARA, JR. | Filipino | 68,463,724 | 2.27% |
| 11 | CAULFIELD HEIGHTS INC. | Filipino | 44,999,982 | 1.49% |
| 12 | GLORIOUS DECADE PROPERTIES, INC | Filipino | 30,000,000 | 1.00% |
| 13 | ANTHONY M. TE | Filipino | 27,000,500 | 0.90% |
| 14 | GLORIOUS DECADE PROPERTIES, INC. | Filipino | 13,013,000 | 0.43% |
| 15 | ATC SECURITIES, INC. | Filipino | 808,023 | 0.03% |
| 16 | WILLY O. DIZON OR NENE C. DIZON | Filipino | 667,000 | 0.02% |
| 17 | BENJAMIN S. GELI | Filipino | 100,000 | 0.00% |
| 18 | JOHN C. JOVEN | Filipino | 100,000 | 0.00% |
| 19 | ANSALDO GODINEZ & CO., INC. | Filipino | 92,255 | 0.00% |
| 20 | KAREN C. DELA CRUZ | Filipino | 67,500 | 0.00% |
| | TOTAL TOP 20 SHAREHOLDERS | | 3,013,851,611 | 99.97% |

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 2018.

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 |

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

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes as of December 31, 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 (in million Pesos) | | Increase(Decrease) | |
|---------------------------------------|--------------------------------------|-------------|---------------------------|----------|
| | 2018 | 2017 | Amount | % |
| 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.

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 |

Note:

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

Other Information

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

1. Except as disclosed in the management discussion and notes to the financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
2. Except as disclosed in the management discussion and notes to the financial statements, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on revenues or income from operations.

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

ITEM 7. FINANCIAL STATEMENTS

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

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

| | Year Ended December 31 | |
|--------------------|------------------------|------------|
| | 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.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Board of 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 | 90 | Filipino | Chairman |
| Isidro C. Alcantara, Jr. | 65 | Filipino | President/ Director |
| Justice Vicente Mendoza* | 86 | Filipino | Independent Director |
| Macario U. Te | 89 | Filipino | Director |
| Augusto C. Serafica | 57 | Filipino | Director |
| Carlos Alfonso T. Ocampo | 54 | Filipino | Independent Director |
| Marianne Regina T. Dy | 42 | Filipino | Director |
| Ruby Sy | | Filipino | Director |
| Michael L. Escaler | 68 | Filipino | Director |
| Anthony M. Te | 49 | Filipino | Director |
| Rolando S. Santos | 68 | Filipino | Treasurer/ SVP Finance & Administration |
| Reuben F. Alcantara | 36 | Filipino | Director/Vice President for Marketing, Business Development and Strategic Planning |
| Yulo E. Perez* | | Filipino | Director |
| Roberto V. San Jose | 76 | Filipino | Corporate Secretary |
| Ana Maria A. Katigbak | 49 | Filipino | Asst. Corporate Secretary and Corporate Information Officer, |
| Diane Madelyn C. Ching | 36 | Filipino | Asst. Corporate Secretary and Corporate Information Officer and Compliance Officer |
| Rhodel B. Salvador | 37 | Filipino | Asst. Vice President Finance |

*Elected December 19, 2018

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

He was then stationed in Hong Kong to be the first President of AIG Investment Corporation (Asia) Ltd. At this time, he was elected to serve as Director in many AIG affiliated companies in Asia, such as the AIA Insurance Co., Nan Shan Life Insurance Co., and Philamlife. He left AIG in 2005 to work directly with Mr. Maurice R. Greenberg at C.V. STARR Companies, where he was appointed President and CEO of Starr Investment Co. (Asia) Ltd. In 2008, he became its Chairman until he retired in 2010.

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

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

Justice Vicente V. Mendoza Was elected Independent Director in February 2018. He served as an Associate Justice of the Supreme Court from 1994 to 2003. He also served as an Associate Justice of the Court of Appeals from 1980 to 1994 and served as its Presiding Justice since 1994. He is a member of the Presidential Electoral Tribunal from 1994-2003 and a Member 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 is a Faculty member at the University of the Philippines College of Law since 1967 to 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.

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

Atty. Carlos Alfonso T. Ocampo was elected as Independent Director in August 2013. He is also an independent director of Bright Kindle Resources & Investments, Inc. He is the founder of Ocampo & Manalo Law Firm which was established in 1997. He is a member of the Board in various corporations, including MAA General Assurance Phils. Inc., South Forbes City College Corporation, Columbian Autocar

Corporation, Asian Carmakers Corp., Jam Transit Inc., Prestige Cars Inc., Autohaus Quezon City Inc., and AVK Philippines, Inc. He is the Corporate Secretary of PSI Healthcare Development Services Corp., PSI Prescription Solutions Corp., Adrianse Phils. Inc., Bluelion Motors Corp., First Charters and Tours Transport Corp., Brycl Resorts and International Inc., AVK Philippines Inc., Jam Liner Inc., and Manila Golf and Country Club. He previously served as Vice President and General Counsel of Air Philippines Corporation. Atty. Ocampo obtained his Bachelor of Laws from the University of the Philippines. Upon graduation from college, he was admitted into the honor societies of Phi Kappa Phi and Pi Gamma Mu. He also completed an Executive Management Program at the Asian Institute of Management and earned Certificates from The Harvard Kennedy School of Government for the IME program in 2017 and MN program in 2016. In 2013, he was named as a leading adviser as well as a commercial law expert by Acquisition International and Global Law Experts, respectively.

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

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

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

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

Michael L. Escaler was elected Director on November 14, 2014. He is the President and CEO of All Asian Countertrade Inc. known as the largest sugar trader in the Philippines, founded in 1994 in partnership with Louis Dreyfus and Nissho-Iwai. He is also the Chairman and President of PASUDECO Development Corp. and All Asian Oils and Fats Corporation. 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 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. He began his career at Nissho-Iwai of America for two years and left for ACLI International, one of the largest privately held trading company. Later on, he transferred to Philipp Brothers as Vice-President to head the white sugar trading afterwards he started his own trading company in the Philippines.

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

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

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

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

Mr. Rolando S. Santos was elected Director in October 2017 until April 10, 2018. He remains to be the Treasurer of the Company since March 2014 and concurrently holds the position of Senior Vice President for Finance and Administration. He also serves as Director and Treasurer for MMDC and Bright Kindle Resources and Investments, Inc., 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.

Mr. Reuben F. Alcantara was elected director in October 2017. He is also the Vice President for Marketing, Business Development, and Strategic Planning. He is also the Company's Investor Relations Officer. He joined the company in September 2013. He also serves as VP 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. Yulo E. Perez was elected director in December 2018. He resigned on March 28, 2019. He graduated from the University of the Philippines and has 39 years of successful experience in leading mining projects here and abroad. He was previously the President and CEO of Marcventures Mining and Development Corporation until March 28, 2019.

He served as the President and COO of Silangan Mindanao Mining Company, Inc., which is a 100%-owned subsidiary of Philex Mining. He was also former Chief Operating Officer and General Manager of TVI Resource Development Philippines, Inc., and of TVI Resources, Inc. – both subsidiaries of a Canadian mining firm. He spent 11 years at PT INCO Indonesia, one of the largest Nickel laterite operations in the world with an annual production of ore and smelting of 15.0 Million WMT. PT INCO is owned 58.0% by VALE INCO of Brazil, one of the biggest mining companies in the world, and 20.0% by Sumitomo Metal Mining of Japan.

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, and Pantaleon & San Jose Law Offices. She is a member of the Integrated Bar of the Philippines.

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

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

Period in Which Directors and Executive Officers Should Serve

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

Terms of Office of a Director

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

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

Significant Employees

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

Family Relationships

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

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

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

After the stockholders' meeting on October 23, 2017, Justice Manuel M. Lazaro filed his resignation as independent director due to health reasons. During the regular meeting of the Board of Directors of on February 15, 2018, the Board elected Justice Vicente V. Mendoza as Independent Director. On April 10,

2018, the Board accepted the resignation of Mr. Rolando S. Santos and elected Ms. Ruby Sy as regular director in his stead.

ITEM 10. EXECUTIVE COMPENSATION

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

SUMMARY OF COMPENSATION TABLE

| Names | Position | SALARY | BONUS | OTHER COMPENSATION |
|--|---|------------|------------|-----------------------|
| 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 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of certain record ("r") and beneficial ("b") owners of five percent (5%) or more of the outstanding capital stock of the Registrant as of December 31, 2018:

| Title of Class | Name, address of record owner and relationship with Issuer | Name of Beneficial Owner & Relationship | Citizenship | No. of Shares Held | Percent (Based on new no. of Outstanding Shares) |
|-------------------|---|---|-------------|-----------------------|--|
|-------------------|---|---|-------------|-----------------------|--|

SEC FORM 17-A
MARCVENTURES HOLDINGS, INC.

| | | with Record Owner | | | |
|--------|---|---|----------|---------------|--------|
| Common | Ruby Sy | - | Filipino | 168,615,000 | 5.59% |
| Common | Rodolfo Yu | - | Filipino | 430,312,500 | 14.27% |
| Common | RYM Business Management Corp. | - | Filipino | 377,999,946 | 12.54% |
| Common | PCD Nominee Corporation (registered owner in the books of the stock transfer agent) | Bright Kindle Resources & Investments Inc. | Filipino | 600,000,000 | 19.90% |
| | | Dy Family | Filipino | 348,500,000 | 11.56% |
| | | 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 | 490,311,387 | 16.26% |
| TOTAL | | | | 2,415,738,833 | 80.13% |

As of December 31, 2018 the foreign ownership level of Marcventures Holdings, Inc. (MARC) is 76,085,566 shares or equivalent to 2.52%

Security Ownership of Management – Record “r” and Beneficial “b” (direct/indirect) owners as of December 31, 2018:

| Title of Class | Name of Beneficial Owner | Amount and nature of ownership (Indicate record (“r”) and/or beneficial (“b”)) | Citizenship | Percent of Class |
|-----------------------|---------------------------------|---|--------------------|-------------------------|
| Common | Cesar C. Zalamea Chairman | 1,000 “r” (direct) 0 “b” (indirect) | Filipino | 0.00% |
| Common | Macario U. Te Director | 1,000 “r” (direct) 0 “b” (indirect) | Filipino | 0.00% |

SEC FORM 17-A
MARCVENTURES HOLDINGS, INC.

| | | | | |
|--------|---|--|----------------------|----------------|
| Common | Isidro C. Alcantara, Jr. Director & President | 68,463,724 "r" (direct) 52,772,982 "b" (indirect) | Filipino | 3.76% 1.75% |
| Common | Marianne Regina T. Dy Director | 1 "r" (direct) 5,999,999 "b" (indirect) | Filipino | 0.00% 0.20% |
| Common | Vicente V. Mendoza Independent Director | 1 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Carlos T. Ocampo Independent Director | 1,000 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Augusto C. Serafica, Jr. Director | 10,000 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Ruby Sy Director | 168,615,000 "r" (direct) 0 "b" (indirect) | Filipino | 5.59% |
| Common | Anthony M. Te Director | 27,000,500 "r" (direct) 2,629,100 "b" (indirect) | Filipino | 0.90% 0.08% |
| Common | Reuben F. Alcantara Director | 499 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Michael L. Escaler Director | 1 "r" (direct) | Filipino | 0.00% |
| Common | * Yulo E. Perez Director | 1 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Rolando S. Santos Treasurer | 1 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Roberto V. San Jose Corporate Secretary | 0 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Ana Katigbak Asst. Corporate Secretary | 0 "r" (direct) 150,000 "b" (indirect) | Filipino | 0.00% |
| Common | Diane Madelyn C. Ching Asst. Corporate Secretary | 18 "r" (direct) 0 "b" (indirect) | Filipino | 0.00% |
| Common | Rhodel B. Salvador Asst. VP for Finance | 0 "r" (direct) 12,000 "b" (indirect) | Filipino Filipino | 0.00% |
| | | 264,092,746 - "r" 61,564,082 - "b" | | |

* Elected on December 19, 2018

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As of December 31, 2017 the related transactions 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).

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

The Company is involved in nickel mining operations in Surigao del Sur, through its subsidiary Marcventures Mining & Development Corporation (MMDC), a wholly-owned company. The area covered by MMDC's Mineral Production Sharing Agreement, No. 016-93-XIII, is physiologically located in the Diwata mountain range of Surigao del Sur and covers an area of 4,799 hectares. The mine is covered by ECC NO. 0807-022-1093 issued by the Department of the Environment and Natural Resources. Please refer to Note 1 of the 2018 ACFS.

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

ITEM 13. Corporate Governance

This portion has been deleted pursuant to SEC Memorandum Circular No. 5, Series of 2013. The Corporate Governance report shall be filed separately.

PART IV - EXHIBITS AND SCHEDULES

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

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

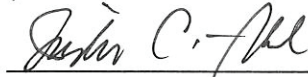
| | |
|-----------------|--|
| 01-02-2018 17-C | Material Information_Transactions Merger disclosure |
| 01-03-2018 17-C | (Amended Disclosure)Merger of Marcventures Holdings Inc., Asia Pilot Mining Phils. Corp. and BrightGreen Resources Holdings Inc. |
| 01-03-2018 17-C | (Amended Disclosure) Amendments to Articles of Incorporation |
| 01-08-2017 17-C | (Amended Disclosure) Amendments to Articles of Incorporation |
| 01-08-2018 17-C | (Amended Disclosure) Merger of Marcventures Holdings Inc., Asia Pilot Mining Phils. Corp. and BrightGreen Resources Holdings Inc. |
| 01-09-2018 17-C | (Amended Disclosure)Substantial Acquisitions |
| 02-06-2018 17-C | (Amended Disclosure) Merger of Marcventures Holdings Inc., Asia Pilot Mining Phils. Corp. and BrightGreen Resources Holdings Inc. |
| 02-19-2018 17C | Election of Independent Director VVM |
| 02-19-2018 17C | ICA additional subscription of MARC shares |
| 02-26-2018 17C | Change in Number of Issued and_or Outstanding Shares |
| 03-01-2018 17C | Disposition of MARC shares RFA |
| 03-01-2018 17C | [Amend-1]Change in Shareholdings of Directors and Principal Officers |
| 04-11-2018 17C | Results of Board Meeting 10 April 2018 |
| 04-11-2018 17C | Postponement of Annual Stockholders' Meeting |
| 04-11-2018 17C | Change in Directors and_or Officers (Resignation, Removal or Appointment, Election and_or Promotion) |
| 04-16-2018 17-C | Press Release |
| 04-25-2018 17-C | Clarification of News Reports |
| 05-24-2018 17-C | (Amended Disclosure) Amendments to Articles of Incorporation |
| 05-24-2018 17-C | Material Information_Transactions ICA subscription to additional shares |
| 05-28-2018 17-C | Change in Number of Issued and_or Outstanding Shares |

06-13-2018 17-C [Amend-2]Change in Shareholdings of Directors and Principal Officers
07-17-2018 17-C Clarification of News Reports
07-27-2018 17-C Change in Directors and_or Officers (Resignation, Removal or Appointment, Election and_or Promotion)
09-13-2018 17-C Notice of Annual or Special Stockholders' Meeting.pdf
09-14-2018 17-C (Amended Disclosure) Notice of Annual or Special Stockholders' Meeting
10-12-2018 17-C (Amended Disclosure) Notice of Annual or Special Stockholders' Meeting.pdf
11-05-2018 17-C (Amended Disclosure) Notice of Annual or Special Stockholders' Meeting.pdf
12-03-2018 17-C (Amended Disclosure) Notice of Annual or Special Stockholders' Meeting.pdf
12-13-2018 17-C Press Release.pdf
12-20-2018 17-C Amendments to Articles of Incorporation.pdf
12-20-2018 17-C Material Information_Transactions.pdf
12-20-2018 17-C Results of Annual or Special Stockholders' Meeting.pdf
12-20-2018 17-C (Amended Disclosure) Results of Annual or Special Stockholders' Meeting.pdf
12-20-2018 17-C Results of Organizational Meeting of Board of Directors.pdf
12-20-2018 17-C (Amended Disclosure) Results of Annual or Special Stockholders' Meeting.pdf

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 30, 2019.

By:



ISIDRO C. ALCANTARA, JR
President



ROLANDO S. SANTOS
SVP Finance




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

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

| Name | Passport Number | Date/Place Issued |
|--------------------------|---------------------|-----------------------------|
| Isidro C. Alcantara, Jr. | Passport #P6532419A | 23 March 2018/DFA NCR South |
| Rolando S. Santos | Senior ID#1003235 | March 2010/Antipolo |
| Diane Madelyn C. Ching | PassportP1240453A | 12-15-2016/DFA Manila |

Notary Public

Doc. No. 37
Page No. 8
Book No. V
Series of 2019.


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

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 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

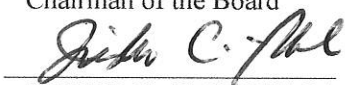
The Board of Directors is responsible in overseeing the Company's financial reporting process.

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

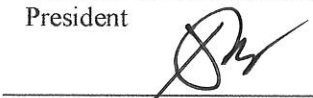
Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended **December 31, 2018 and 2017** has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



CESAR C. ZALAMEA
Chairman of the Board



ISIDRO C. ALCANTARA JR.
President



ROLANDO S. SANTOS
SVP-Finance

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 20 2019 day of _____, 2019
at Makati, affiant(s) exhibiting to me their valid IDs as follows:

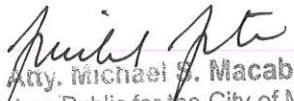
| Name | Passport Number | Date/Place Issued |
|--------------------------|------------------------|-----------------------------|
| Cesar Zalamea | Senior ID# 14467 | 12-19-09/Mandaluyong |
| Isidro C. Alcantara, Jr. | Passport #P6532419A | 23 March 2018/DFA NCR South |
| Rolando S. Santos | Senior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

Notary Public

Doc. No.
Page No.
Book No.
Series of 2019.

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V




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 .

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 S 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

-

No. of Stockholders

2,176

Annual Meeting (Month / Day)

May of each year

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATIONThe 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

-

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.

NOTE 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.
4th Floor, Citi Center
8741 Paseo de Roxas, Makati City

Opinion

We have audited the accompanying separate financial statements of Marcventures Holdings, Inc. (the Company), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended December 31, 2018, 2017 and 2016, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018, 2017 and 2016 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

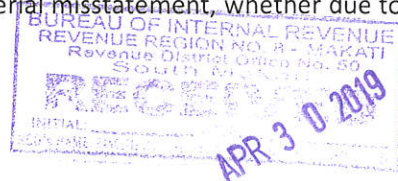
We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance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

Emphasis of Matter

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

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

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





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

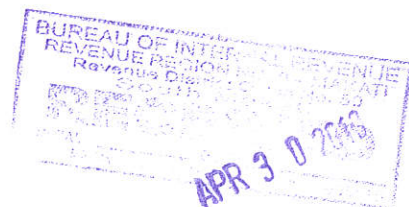
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





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

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

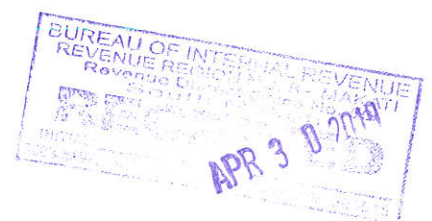
Valid until January 13, 2020

PTR No. 7334336

Issued January 3, 2019, Makati City

April 12, 2019

Makati City, Metro Manila



Marcventures Holdings, Inc.

Separate Financial Statements
December 31, 2018, 2017 and 2016

With independent auditors' report provided by



REYES TACANDONG & Co.

FIRM PRINCIPLES. WISE SOLUTIONS.

for
AUDITED FINANCIAL STATEMENTS

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| | | |
|---|------------------------------|-----------------------------|
| Company's Email Address | Company's Telephone Number/s | Mobile Number |
| mhicorporate@marcventures.com.ph | (02) 831-4479 | — |
| No. of Stockholders | Annual Meeting (Month / Day) | Calendar Year (Month / Day) |
| 2,176 | May of each year | December 31 |

| The designated contact person <u>MUST</u> 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 | – |

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

NOTE 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.
SEPARATE STATEMENTS OF FINANCIAL POSITION

| | | December 31 | |
|--|------|----------------|----------------|
| | Note | 2018 | 2017 |
| ASSETS | | | |
| Current Assets | | | |
| Cash | 5 | ₱5,670,425 | ₱16,572,974 |
| Dividends and other receivables | 6 | 929,911,583 | 929,946,893 |
| Advances to related parties | 13 | 305,297,232 | 356,939,715 |
| Other current assets | 7 | 52,594,907 | 51,040,227 |
| Total Current Assets | | 1,293,474,147 | 1,354,499,809 |
| Noncurrent Assets | | | |
| Investments in subsidiaries | 8 | 2,732,796,182 | 2,657,796,182 |
| Property and equipment | 9 | 99,101,507 | 107,052,356 |
| Other noncurrent assets | 10 | 2,616,165 | 3,525,615 |
| Total Noncurrent Assets | | 2,834,513,854 | 2,768,374,153 |
| | | ₱4,127,988,001 | ₱4,122,873,962 |
| LIABILITIES AND EQUITY | | | |
| Current Liability | | | |
| Dividends payable and other current liabilities | 11 | ₱19,349,641 | ₱19,459,069 |
| Advances from a related party | 13 | 81,500,483 | – |
| Total Current Liabilities | | 100,850,124 | 19,459,069 |
| Noncurrent Liabilities | | | |
| Retirement benefit liability | 15 | 5,932,079 | 4,077,520 |
| Deposit for future stock subscription | 12 | – | 75,000,000 |
| Deferred tax liability | 16 | 627,968 | 1,287,479 |
| Total Noncurrent Liabilities | | 6,560,047 | 80,364,999 |
| Total Liabilities | | 107,410,171 | 99,824,068 |
| Equity | | | |
| | 12 | | |
| Capital stock | | 3,014,820,305 | 2,969,088,599 |
| Additional paid-in capital | | 269,199,788 | 239,931,494 |
| Retained earnings | | 735,092,479 | 811,025,683 |
| Remeasurement gain on retirement benefit liability | 15 | 1,465,258 | 3,004,118 |
| Total Equity | | 4,020,577,830 | 4,023,049,894 |
| | | ₱4,127,988,001 | ₱4,122,873,962 |

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

| | | Years Ended December 31 | | |
|--|------|-------------------------|--------------|-------------|
| | Note | 2018 | 2017 | 2016 |
| INCOME | | | | |
| Management income | 13 | ₱— | ₱85,000,000 | ₱85,000,000 |
| Interest income | 5 | 5,386 | 3,102 | 6,507 |
| Service income | 13 | — | — | 5,000,000 |
| | | 5,386 | 85,003,102 | 90,006,507 |
| OPERATING EXPENSES | 14 | 75,938,590 | 87,245,183 | 71,276,261 |
| INCOME (LOSS) BEFORE INCOME TAX | | (75,933,204) | (2,242,081) | 18,730,246 |
| PROVISION FOR INCOME TAX | 16 | — | 1,700,000 | 1,800,000 |
| NET INCOME (LOSS) | | (75,933,204) | (3,942,081) | 16,930,246 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | |
| <i>Not to be reclassified to profit or loss -</i> | | | | |
| Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax | 15 | (1,538,860) | 1,052,041 | 485,931 |
| TOTAL COMPREHENSIVE INCOME (LOSS) | | (₱77,472,064) | (₱2,890,040) | ₱17,416,177 |

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY

| | | Years Ended December 31 | | |
|---|------|-------------------------|-----------------------|-----------------------|
| | Note | 2018 | 2017 | 2016 |
| CAPITAL STOCK - ₱1 par value | 12 | | | |
| 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 during the year | | 45,731,706 | 1,147,730,000 | – |
| Balance at the end of year | | 3,014,820,305 | 2,969,088,599 | 1,821,358,599 |
| ADDITIONAL PAID-IN CAPITAL | 12 | | | |
| Balance at beginning of year | | 239,931,494 | 212,655,494 | 212,655,494 |
| Proceeds in excess of par | | 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 | | 811,025,683 | 814,967,764 | 798,037,518 |
| Net income (loss) | | (75,933,204) | (3,942,081) | 16,930,246 |
| Balance at end of year | | 735,092,479 | 811,025,683 | 814,967,764 |
| REMEASUREMENT GAIN ON RETIREMENT LIABILITY - Net of deferred tax asset | 15 | | | |
| Balance at beginning of year | | 3,004,118 | 1,952,077 | 1,466,146 |
| Remeasurement gain (loss) | | (1,538,860) | 1,052,041 | 485,931 |
| Balance at end of year | | 1,465,258 | 3,004,118 | 1,952,077 |
| | | ₱4,020,577,830 | ₱4,023,049,894 | ₱2,850,933,934 |

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.
SEPARATE STATEMENTS OF CASH FLOWS

| | | Years Ended December 31 | | |
|---|------|-------------------------|--------------------|---------------------|
| | Note | 2018 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income (loss) before income tax | | (P75,933,204) | (P2,242,081) | P18,730,246 |
| Adjustments for: | | | | |
| Depreciation | 9 | 7,994,926 | 6,904,005 | 7,216,836 |
| Interest income | 5 | (5,386) | (3,102) | (6,507) |
| Operating income (loss) before working capital changes | | (67,943,664) | 4,658,822 | 25,940,575 |
| Decrease (increase) in: | | | | |
| Dividends and other receivables | | 35,310 | (934,616) | (627,304) |
| Other current assets | | (1,554,680) | (14,351,632) | (11,054,662) |
| Other noncurrent assets | | 909,450 | (2,835,332) | 248,917 |
| Increase (decrease) in: | | | | |
| Dividends payable and other current liabilities | | (109,428) | 1,478,311 | 317,990 |
| Retirement benefit liability | | (343,812) | 595,534 | 2,592,799 |
| Net cash generated from (used for) operations | | (69,006,824) | (11,388,913) | 17,418,315 |
| Income tax paid | | — | — | (1,800,000) |
| Interest received | | 5,386 | 3,102 | 6,507 |
| Net cash provided by (used in) operating activities | | (69,001,438) | (11,385,811) | 15,624,822 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Payment for additional subscription | | (75,000,000) | (50,000,000) | — |
| Acquisition of property and equipment | | (44,077) | (33,452,828) | (647,200) |
| Payments from (advances to) related parties | | 133,142,966 | (25,685,767) | (69,555,952) |
| Net cash provided by (used in) investing activities | | 58,098,889 | (109,138,595) | (70,203,152) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from: | | | | |
| Deposit for future stock subscription | | — | 75,000,000 | — |
| Issuance of capital stock | | — | 50,006,000 | — |
| Net cash provided by financing activities | | — | 125,006,000 | — |
| NET INCREASE (DECREASE) IN CASH | | (10,902,549) | 4,481,594 | (54,578,330) |
| CASH AT BEGINNING OF YEAR | | 16,572,974 | 12,091,380 | 66,669,710 |
| CASH AT END OF YEAR | | P5,670,425 | P16,572,974 | P12,091,380 |
| NONCASH FINANCIAL INFORMATION | | | | |
| Issuance of capital stock through conversion of deposit for future stock subscription | 12 | P75,000,000 | P— | P— |
| Acquisition cost of net assets acquired | 12 | — | 1,125,000,000 | — |

See accompanying Notes to Separate Financial Statements.

MARCVENTURES HOLDINGS, INC.
NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information

General Information

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

The Company's shares of stock were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2018 and 2017, 3,014,820,305 and 2,969,088,599 shares of the Company's shares of stock, respectively, are listed in the PSE.

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

The Company's separate 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 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 Company, BHI and APMPC, with the 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 Company's common shares were issued to BHI and APMPC shareholders at ₱ 1 per share (see Note 4).

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) (see Note 8).

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

The separate financial statements 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 17, Financial Risk Management Objectives and Policies.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on January 1, 2018:

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

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

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

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

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

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

The Company adopted PFRS 9 retrospectively but opted not to restate the comparative information because the impact is not materially significant.

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.

The Company’s financial assets previously classified as loans and receivables under PAS 39 that are now classified and measured as financial assets at amortized cost under PFRS 9 with no changes in the carrying amounts. There are no changes in classification and measurement for the Company’s financial liabilities.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified or general approach, as applicable, has no significant impact on the carrying amount of the Company’s financial assets carried at amortized cost.

- PFRS 15, *Revenue from Contract 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.).

Based on the Company’s assessment, all of the Company’s contracts with customer generally undertake to provide single performance obligation at a fixed price. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Company recognizes revenue when the related service has been rendered. Accordingly, the adoption of PFRS 15 has no impact in the timing of the Company’s revenue recognition.

- Amendment to PFRS 15, *Revenue from Contract with Customers - 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.

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

Financial Assets and Liabilities

a. Recognition

The Company recognizes a financial asset or a financial liability in the separate 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 the financial assets and financial liabilities at initial recognition and where allowed and appropriate, reevaluates such designation at every reporting date.

As at December 31, 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, dividends and other receivables (excluding advances to officers and employees) and due from related parties are classified under this category.

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 dividends payable and other current liabilities (excluding statutory payables) and advances from a related party are classified under this category.

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 cash, dividends and other receivables (excluding advances to officers and employees) and advances to related parties are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the 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 dividends payable and other current liabilities (excluding statutory payables) and advances from a related party are classified under this category.

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 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 financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs 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 separate 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 separate 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 separate 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 separate 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.

Other Current Assets

This account consists of prepaid income tax, input value-added tax (VAT) and other prepaid expenses.

Prepaid Income Tax. Prepaid income tax represents creditable withholding tax (CWT) and other tax credits of the Company.

CWT represents the amount withheld by the Company's customers in relation to its income. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Input 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 or payable to the taxation authority is included as part of "Other current assets" or "Dividends payable and other current liabilities" account in the separate statements of financial position.

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. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Investments in Subsidiaries

The Company's investments in subsidiaries are accounted for in the separate financial statements at cost less any impairment in value.

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

A subsidiary is an entity in which the Company has control. Specifically, the Company controls an investee if it has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

An assessment of the carrying amount of the investment in subsidiaries is performed when there is an indication that the investment has been impaired.

Property and Equipment

Property and equipment 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.

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 | 1-5 |
| Transportation equipment | 3-5 |

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

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

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

Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and if the carrying amount exceeds the estimated recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount, which is the greater of fair value less 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, 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 charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic 13th month pay, bonuses, employer's share on government contribution, and other short-term benefits. The Company recognizes a liability, net of amounts already paid, and an expense for services rendered by employees during the accounting period.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

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

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

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

Equity

Capital Stock. Capital stock is measured at par value of the shares issued.

Additional Paid-in Capital (APIC). APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

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

Dividend Distribution. Dividends are recognized as liability and deducted from retained earnings when declared by the BOD and/or stockholders of the Company.

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

Management Income. Management income is recognized over a period of time.

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

Service Income. Service income is recognized when services are rendered during the period.

Operating Expenses

Expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Operating expenses include the cost of administering the business and are expensed as incurred.

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 and any unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward benefits of unused MCIT and unused NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

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

Deferred Input VAT

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

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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.

Contingencies

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

Events after the Reporting Date

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

3. Significant Judgment, Accounting Estimates and Assumptions

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

Judgment

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

Establishing Control over its Subsidiaries. The Company determined that it has control over its 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.

Accounting Estimates and Assumptions

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

Estimating Allowance for Impairment of Receivables 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 collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with debtor, the debtor's payment behavior and known market factors. The Company identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

No provision for impairment loss was recognized on the Company's financial assets in 2017.

The carrying amount of financial assets as at December 31, 2017 is as follows:

| | Note | |
|----------------------------------|------|-------------|
| Cash | 5 | ₱16,572,974 |
| Dividends and other receivables* | 6 | 929,838,726 |
| Advances to related parties | 13 | 356,939,715 |

*Excluding advances to officers and employees

Estimating of Allowance for ECL 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 ECL.

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 and advances to related parties, the Company applies low credit risk simplification because the Company only enters into reputable counterparty banks and related parties that possessed good credit ratings. The Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

No provision for impairment loss was recognized on the Company's financial assets in 2018.

The carrying amount of financial assets at amortized cost as at December 31, 2018 is as follows:

| | Note | |
|----------------------------------|------|-------------|
| Cash | 5 | ₱5,670,425 |
| Dividends and other receivables* | 6 | 929,834,038 |
| Advances to related parties | 13 | 305,297,232 |

*Excluding advances to officers and employees

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

There were no changes in the estimated useful lives of the Company's property and equipment in 2018 and 2017.

Property and equipment, net of accumulated depreciation, amounted to ₱ 99.1 million and ₱107.1 million as at December 31, 2018 and 2017, respectively (see Note 9).

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

The recoverable amount of nonfinancial assets represents the higher of value in use or fair value less cost to sell. Estimating the value-in-use requires the Company to make an assessment of the expected future cash flows from nonfinancial assets and allows it to choose a suitable discount rate in order to calculate the present value of those cash flows. Based on management's assessment, the Company's nonfinancial assets are not impaired.

The carrying amount of the Company's nonfinancial assets is as follows:

| | Note | 2018 | 2017 |
|------------------------------------|------|----------------------|---------------|
| Advances to officers and employees | 6 | ₱77,545 | ₱108,167 |
| Other current assets | 7 | 52,594,907 | 51,040,227 |
| Investments in subsidiaries | 8 | 2,732,796,182 | 2,657,796,182 |
| Property and equipment | 9 | 99,101,507 | 107,052,356 |
| Other noncurrent assets | 10 | 2,616,165 | 3,525,615 |

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

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

Retirement benefit expense (income) recognized in profit or loss amounted to (₱0.3 million), ₱0.6 million and ₱2.6 million in 2018, 2017 and 2016, respectively (see Note 15).

Retirement benefit liability amounted to ₱5.9 million and ₱4.1 million as at December 31, 2018 and 2017, respectively (see Note 15).

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

The Company's unrecognized deferred tax assets amounted to ₱28.8 million and ₱15.8 million as at December 31, 2018 and 2017, respectively (see Note 16). Management believes that there will be no sufficient future taxable profits against which the deferred tax assets can be utilized.

Contingencies. The Company has a tax assessment from the BIR for its taxable year 2014 which the Company believes to have no material adverse effect on Company's financial position. It is possible however, that changes in estimates relating to this tax assessment may materially affect the results of operations of the Company.

4. Acquisition of Group of Assets

On December 29, 2017, the SEC approved the application for merger of the Company, BHI and APM, with the Company as surviving entity. As at acquisition date, BHI and APM assets consist mainly of investments. Management determined that based on the substance of the underlying circumstances at that date, BHI and APM did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed based on their relative fair values.

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

| | BHI | APM | Total |
|----------------------------|---------------------|---------------------|-----------------------|
| Assets | | | |
| Current assets | ₱60,075 | ₱63,022,520 | ₱63,082,595 |
| Investment in subsidiaries | 450,768,702 | 612,027,480 | 1,062,796,182 |
| | 450,828,777 | 675,050,000 | 1,125,878,777 |
| Liabilities | | | |
| Other liabilities | 828,777 | 50,000 | 878,777 |
| Net assets acquired | ₱450,000,000 | ₱675,000,000 | ₱1,125,000,000 |

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

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 8).

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 8).

5. Cash

This account consists of:

| | 2018 | 2017 |
|---------------|-------------------|--------------------|
| Cash on hand | ₱114,595 | ₱114,595 |
| Cash in banks | 5,555,830 | 16,458,379 |
| | ₱5,670,425 | ₱16,572,974 |

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱5,386, ₱3,102 and ₱6,507 in 2018, 2017 and 2016, respectively.

6. Dividends and Other Receivables

This account consists of:

| | Note | 2018 | 2017 |
|------------------------------------|------|---------------------|---------------------|
| Dividends receivable | 8 | ₱923,592,420 | ₱923,592,420 |
| Advances to officers and employees | | 77,545 | 108,167 |
| Others | | 6,241,618 | 6,246,306 |
| | | ₱929,911,583 | ₱929,946,893 |

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

Others include reimbursable expenses from third party and claims to regulatory agency.

7. Other Current Assets

This account consists of:

| | 2018 | 2017 |
|--------------------|--------------------|--------------------|
| Prepaid income tax | ₱49,403,933 | ₱49,399,000 |
| Input VAT | 3,190,974 | 1,475,014 |
| Prepaid expenses | – | 166,213 |
| | ₱52,594,907 | ₱51,040,227 |

8. Investments in Subsidiaries

As at December 31, 2018 and 2017, the balance of investments in subsidiaries consist of:

| | Note | 2018 | 2017 |
|---|------|-----------------------|-----------------------|
| Marcventures Mining and Development Corp. (MMDC) - | | | |
| Balance at beginning of year | | ₱1,595,000,000 | ₱1,545,000,000 |
| Additional subscription during the year | | 75,000,000 | 50,000,000 |
| Balance at end of year | | 1,670,000,000 | 1,595,000,000 |
| Acquired through merger - BGRC, AMPI and BARI | | | |
| | 4 | 1,062,796,182 | 1,062,796,182 |
| | | ₱2,732,796,182 | ₱2,657,796,182 |

Information about the Subsidiaries

The subsidiaries of the Company are all wholly-owned.

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 Surigao Mineral Reservation (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 December 31, 2010, the Company acquired all the issued and outstanding common stock of MMDC consisting of 2.0 million shares valued at ₱1,300.0 million in exchange for the Company's common stock with par value of ₱1,250.0 million and Metroclub shares valued at ₱50.0 million. The Company made additional investments in MMDC by way of converting advances aggregating ₱245.0 million. The conversion was approved by the SEC in January 2014.

In 2018 and 2017, the Company made an additional subscription of 7,500,000 and 5,000,000 shares at ₱10 per share for ₱75.0 million and ₱50.0 million, respectively.

Dividends receivable amounted to ₱923.6 million as at December 31, 2018 and 2017 (see Note 6).

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

The management and its legal counsel believe that the Order 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.

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 AMPI'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. Management believes that the potential outcome of any legal proceedings will not have a material adverse effect on the operations of the subsidiaries.

The summarized financial information of the subsidiaries are as follows:

| | 2018 | | | |
|--------------------------|---------------|--------------|--------------|-------------|
| | MMDC | BGRC | AMPI | BARI |
| Current assets | ₱587,293,260 | ₱2,598,007 | ₱84,749,406 | ₱495,650 |
| Noncurrent assets | 2,428,472,316 | 68,916,599 | 109,236,506 | 56,696,156 |
| Current liabilities | 2,282,384,827 | 118,810,851 | 1,916,693 | 1,627,567 |
| Noncurrent liabilities | 128,416,386 | 367,023 | 199,458,282 | 52,082,431 |
| Equity (deficit) | 604,964,363 | (47,663,268) | (7,389,063) | 3,481,808 |
| Revenue | 987,255,064 | 889,197 | — | — |
| Net loss | (262,933,955) | (5,739,305) | (14,860,809) | (8,154,485) |
| Total comprehensive loss | (258,516,499) | (5,739,305) | (14,860,809) | (8,154,485) |

| | 2017 | | | |
|-----------------------------------|---------------|--------------|-------------|--------------|
| | MMDC | BGRC | AMPI | BARI |
| Current assets | ₱681,599,708 | ₱3,004,995 | ₱27,013 | ₱45,192 |
| Noncurrent assets | 1,854,231,337 | 69,505,885 | 46,945,099 | 53,384,590 |
| Current liabilities | 1,622,353,377 | 113,340,712 | 1,854,012 | 1,560,254 |
| Noncurrent liabilities | 118,146,359 | 1,094,131 | 37,646,854 | 40,233,735 |
| Equity (deficit) | 795,331,309 | (41,923,963) | 7,471,246 | 11,635,793 |
| Revenue | 2,040,859,226 | 892,111 | — | — |
| Net income (loss) | 110,886,920 | (12,661,855) | (3,305,766) | (12,859,399) |
| Total comprehensive income (loss) | 123,100,749 | (12,661,855) | (3,305,766) | (12,859,399) |

9. Property and Equipment

Movements in this account are as follows:

| | 2018 | | | |
|---------------------------------|---------------------------|--|--------------------------|--------------------|
| | Building and Improvements | Office Furniture, Fixtures and Equipment | Transportation Equipment | Total |
| Cost | | | | |
| Balance at beginning of year | ₱125,665,001 | ₱5,539,311 | ₱3,450,000 | ₱134,654,312 |
| Acquisitions | — | 44,077 | — | 44,077 |
| Balance at end of year | 125,665,001 | 5,583,388 | 3,450,000 | 134,698,389 |
| Accumulated Depreciation | | | | |
| Balance at beginning of year | 20,871,638 | 4,142,817 | 2,587,501 | 27,601,956 |
| Depreciation and amortization | 6,115,103 | 1,017,324 | 862,499 | 7,994,926 |
| Balance at end of year | 26,986,741 | 5,160,141 | 3,450,000 | 35,596,882 |
| Net Carrying Amount | ₱98,678,260 | ₱423,247 | ₱— | ₱99,101,507 |

| | 2017 | | | |
|---------------------------------|------------------------------|---|-----------------------------|---------------------|
| | Building and Improvements | Office Furniture, Fixtures and Equipment | Transportation Equipment | Total |
| Cost | | | | |
| Balance at beginning of year | ₱92,548,222 | ₱5,203,262 | ₱3,450,000 | ₱101,201,484 |
| Acquisitions | 33,116,779 | 336,049 | – | 33,452,828 |
| Balance at end of year | 125,665,001 | 5,539,311 | 3,450,000 | 134,654,312 |
| Accumulated Depreciation | | | | |
| Balance at beginning of year | 16,679,705 | 2,580,745 | 1,437,501 | 20,697,951 |
| Depreciation and amortization | 4,191,933 | 1,562,072 | 1,150,000 | 6,904,005 |
| Balance at end of year | 20,871,638 | 4,142,817 | 2,587,501 | 27,601,956 |
| Net Carrying Amount | ₱104,793,363 | ₱1,396,494 | ₱862,499 | ₱107,052,356 |

Fully depreciated property and equipment with cost of ₱3.4 million as at December 31, 2018 and December 31, 2017 are still being used by the Company and retained in the accounts.

10. Other Noncurrent Assets

This account consists of:

| | 2018 | 2017 |
|--------------------|-------------------|-------------------|
| Deferred input VAT | ₱2,566,364 | ₱3,450,814 |
| Others | 49,801 | 74,801 |
| | ₱2,616,165 | ₱3,525,615 |

11. Dividends Payable and Other Current Liabilities

This account consists of:

| | Note | 2018 | 2017 |
|--------------------|------|--------------------|--------------------|
| Statutory payables | | ₱13,283,517 | ₱13,206,443 |
| Dividends payable | 12 | 4,707,886 | 4,707,886 |
| Accrued expenses | | 311,663 | 290,722 |
| Others | | 1,046,575 | 1,254,018 |
| | | ₱19,349,641 | ₱19,459,069 |

Statutory payables include deferred output VAT, other taxes payable and mandatory contributions. These are normally settled within one month after the end of the reporting period.

Accrued expenses primarily pertain to utilities and settled within the month after the end of the reporting period.

Others pertain to advances from a former related party.

12. Equity

Capital Stock

Movements in this account are as follows:

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| Authorized capital stock - ₱1 par value | | |
| Balance at beginning of year | ₱4,000,000,000 | ₱2,000,000,000 |
| Increase during the year | — | 2,000,000,000 |
| | ₱4,000,000,000 | ₱4,000,000,000 |
| Capital stock | | |
| Balance at beginning of year | ₱2,969,088,599 | ₱1,821,358,599 |
| Issuance during year: | | |
| Issuance | 45,731,706 | 1,125,000,000 |
| Additional subscription from a stockholder | — | 22,730,000 |
| Balance at end of year | ₱3,014,820,305 | ₱2,969,088,599 |
| Additional paid-in capital | | |
| Balance at beginning of year | ₱239,931,494 | ₱212,655,494 |
| Proceeds in excess of par value | 29,268,294 | 27,276,000 |
| Balance at end of year | ₱269,199,788 | ₱239,931,494 |

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

In 2017, a stockholder subscribed for additional 22,730,000 shares of the Parent Company at ₱2.2 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-up capital of ₱29.3 million.

Retained Earnings

Cash dividends declared by the Company are as follows:

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

Dividends payable amounted to ₱4.7 million as at December 31, 2018 and December 31, 2017 (see Note 11).

13. Related Party Transactions

Transactions with related parties are summarized below:

| | Transactions during the year | | Outstanding Balances | | Nature |
|-------------------------------|------------------------------|--------------|----------------------|--------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | |
| Advances to Related Parties | | | | | |
| Subsidiaries | ₱80,541,321 | ₱113,735,362 | ₱220,297,232 | ₱266,439,715 | Working fund |
| | – | 85,000,000 | 85,000,000 | 85,000,000 | Management fee |
| Under common key management | – | – | – | 5,500,000 | Service fee |
| | | | ₱305,297,232 | ₱356,939,715 | |
| Advances from a Related Party | | | | | |
| Subsidiary | ₱135,000,000 | ₱– | ₱81,500,483 | ₱– | Working fund |

Outstanding balances are unsecured, noninterest bearing, and settled on demand.

Management Contract

In December 2014, the Company entered into a management contract with MMDC to oversee and supervise MMDC's operations. The management contract shall be effective for a period for three (3) years commencing January 1, 2014. In 2017, the management contract was extended for another three (3) years. In 2018, the Company did not charge management fee to MMDC.

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 party operates.

Compensation of Key Management Personnel

Compensation of key management personnel, which consists of salaries and other benefits, amounted to ₱39.1 million and ₱39.8 million in 2018 and 2017, respectively.

14. Operating Expenses

This account consists of:

| | Note | 2018 | 2017 | 2016 |
|-------------------------------------|------|--------------------|--------------------|--------------------|
| Salaries and allowances | | ₱39,457,536 | ₱39,794,531 | ₱40,499,531 |
| Professional fees | | 15,493,696 | 13,869,400 | 13,143,000 |
| Depreciation | 9 | 7,994,926 | 6,904,005 | 7,216,836 |
| Dues and subscriptions | | 3,680,369 | 3,858,466 | 2,589,491 |
| Outside services | | 3,549,674 | 4,267,156 | 1,187,151 |
| Taxes and licenses | | 1,719,436 | 12,691,393 | 719,095 |
| Communication, light and water | | 1,009,045 | 933,060 | 923,125 |
| Representation | | 451,836 | 257,458 | 341,377 |
| Retirement benefit expense (income) | 15 | (343,812) | 595,534 | 2,592,799 |
| Others | | 2,925,884 | 4,074,180 | 2,063,856 |
| | | ₱75,938,590 | ₱87,245,183 | ₱71,276,261 |

Others include insurance and transportation, among others.

15. 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 (income) presented under "Operating expenses" account in profit or loss are as follows:

| | 2018 | 2017 | 2016 |
|----------------------|-------------------|----------|------------|
| Current service cost | ₱233,920 | ₱329,840 | ₱2,440,063 |
| Net interest cost | 228,341 | 265,694 | 152,736 |
| Past service cost | (806,073) | — | — |
| | (₱343,812) | ₱595,534 | ₱2,592,799 |

The retirement benefit liability recognized in the separate statements of financial position and changes in the present value of defined benefit obligation are as follows:

| | 2018 | 2017 |
|---|-------------------|------------|
| Balance at beginning of year | ₱4,077,520 | ₱4,984,902 |
| Retirement benefit expense (income) recognized in profit or loss: | | |
| Past service cost | (806,073) | — |
| Current service cost | 233,920 | 329,840 |
| Interest cost | 228,341 | 265,694 |
| Remeasurement losses (gains) recognized in OCI arising from: | | |
| Deviations of experience from assumptions | 2,300,228 | (512,791) |
| Changes in financial assumptions | (101,857) | (112,420) |
| Changes in demographic assumptions | — | (877,705) |
| Balance at end of year | ₱5,932,079 | ₱4,077,520 |

The principal actuarial assumptions used to determine retirement benefit liability are as follows:

| | 2018 | 2017 |
|----------------------|--------------|-------|
| Discount rate | 7.34% | 5.60% |
| Salary increase rate | 5.00% | 5.00% |

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

Sensitivity analysis on retirement benefit liability as at December 31, 2018 is as follows:

| | Change in basis points | Effect on defined benefit obligation |
|----------------------|------------------------|--------------------------------------|
| Discount rate | +1% | (₱51,261) |
| | -1% | 94,030 |
| Salary increase rate | +1% | 105,504 |
| | -1% | (79,083) |

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

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

The cumulative remeasurement gain recognized in other comprehensive income (loss) follows:

| | 2018 | | |
|------------------------------|-----------------------------------|--------------------------------------|--------------------|
| | Accumulated Actuarial Gain (loss) | Deferred Tax Liability (see Note 16) | Net Actuarial Gain |
| Balance at beginning of year | ₱4,291,597 | ₱1,287,479 | ₱3,004,118 |
| Actuarial loss | (2,198,371) | (659,511) | (1,538,860) |
| Balance at end of year | ₱2,093,226 | ₱627,968 | ₱1,465,258 |

| | 2017 | | |
|------------------------------|----------------------------|--------------------------------------|--------------------|
| | Accumulated Actuarial Gain | Deferred Tax Liability (see Note 16) | Net Actuarial Gain |
| Balance at beginning of year | ₱2,788,681 | ₱836,604 | ₱1,952,077 |
| Actuarial gain | 1,502,916 | 450,875 | 1,052,041 |
| Balance at end of year | ₱4,291,597 | ₱1,287,479 | ₱3,004,118 |

The average duration of the expected benefit payments at the end of the reporting period is 16 years.

16. Income Taxes

The current provision for income tax represents MCIT amounting to nil, ₱ 1.7 million and ₱1.8 million in 2018, 2017 and 2016, respectively.

Deferred tax liability amounting to ₱0.6 million and ₱1.3 million as at December 31, 2018 and December 31, 2017 pertains to remeasurement gain on retirement liability (see Note 15).

The reconciliation of provision for income tax computed at the applicable statutory tax rate to provision for income tax shown in the separate statements of comprehensive income is as follows:

| | 2018 | 2017 |
|--|----------------------|-------------------|
| Income tax at statutory rate | (P22,779,961) | (P672,624) |
| Change in unrecognized deferred tax assets | 13,020,453 | (591,060) |
| Add (deduct) tax effects on: | | |
| Expired MCIT | 1,701,000 | 2,500,000 |
| Expired NOLCO | 8,060,124 | – |
| Nondeductible expenses | – | 464,615 |
| Interest income subjected already to final tax | (1,616) | (931) |
| | P– | P1,700,000 |

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

| | 2018 | 2017 |
|------------------------------|--------------------|--------------------|
| NOLCO | P22,915,000 | P8,090,404 |
| Excess MCIT over RCIT | 3,500,000 | 5,201,000 |
| Retirement benefit liability | 2,407,592 | 2,510,735 |
| | P28,822,592 | P15,802,139 |

Details of NOLCO are as follows:

| Year incurred | Expiry date | Amount | Incurred | Expired | Balance |
|---------------|-------------|--------------------|--------------------|----------------------|--------------------|
| 2018 | 2021 | P– | P76,282,402 | P– | P76,282,402 |
| 2017 | 2020 | 100,932 | – | – | 100,932 |
| 2015 | 2018 | 26,867,079 | – | (26,867,079) | – |
| | | P26,968,011 | P76,282,402 | (P26,867,079) | P76,383,334 |

Details of MCIT are as follows:

| Year incurred | Expiry date | Amount | Incurred | Expired | Balance |
|---------------|-------------|-------------------|-----------|---------------------|-------------------|
| 2017 | 2020 | P1,700,000 | P– | P– | P1,700,000 |
| 2016 | 2019 | 1,800,000 | – | – | 1,800,000 |
| 2015 | 2018 | 1,701,000 | – | (1,701,000) | – |
| | | P5,201,000 | P– | (P1,701,000) | P3,500,000 |

17. Financial Risk Management Objectives and Policies

General

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

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash in banks, dividends and other receivables (excluding advances to officers and employees), advances to related parties, dividends payable and other current liabilities (excluding statutory payables) and advances from a related party. The primary purpose of these financial instruments is to finance the Company's operations. The main risks arising from the use of these financial instruments are credit risk and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

Credit Risk. Credit risk arising from the inability of counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, due from related parties and 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 | | |
| 12-Month ECL: | | | | | | | |
| Cash in banks | ₱5,555,830 | ₱– | ₱– | – | – | ₱5,555,830 | ₱– |
| Dividends and other receivables* | 929,834,038 | – | – | – | – | 929,834,038 | – |
| Advances to related parties | 305,297,232 | – | – | – | – | 305,297,232 | – |
| | ₱1,240,687,100 | ₱– | ₱– | ₱– | ₱– | ₱1,240,687,100 | ₱– |

*Excluding advances to officers and employees amounting to ₱0.1 million.

| | December 31, 2017 | | | | | | |
|----------------------------------|-------------------|----------------|------------|--------------|-------------------|----------------|-------------------------------|
| | High Grade | Standard Grade | Past Due | | | Total | Allowance for Impairment Loss |
| | | | 1 -30 Days | 31 - 90 Days | More than 90 Days | | |
| 12-Month ECL: | | | | | | | |
| Cash in banks | ₱16,458,379 | ₱– | ₱– | ₱– | ₱– | ₱16,458,379 | ₱– |
| Dividends and other receivables* | 929,838,726 | – | – | – | – | 929,838,726 | – |
| Advances to related parties | 356,939,715 | – | – | – | – | 356,939,715 | – |
| | ₱1,303,236,820 | ₱– | ₱– | ₱– | ₱– | ₱1,303,236,820 | ₱– |

*Excluding advances to officers and employees amounting to ₱0.1 million.

Credit risk from dividends and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding 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, dividend and other receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

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

Cash in banks are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under high grade because the Company only enters to 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.

| | On Demand | Less than Three Months | Three to Six Months | Within One Year | More than One Year | Total |
|---|--------------------|------------------------|---------------------|-----------------|--------------------|--------------------|
| December 31, 2018 | | | | | | |
| Dividends payables and other current liabilities* | ₱6,066,124 | ₱— | ₱— | ₱— | ₱— | ₱6,066,124 |
| Advances from a related party | 81,500,483 | — | — | — | — | 81,500,483 |
| | ₱87,566,607 | ₱— | ₱— | ₱— | ₱— | ₱87,566,607 |

December 31, 2017

| | | | | | | |
|---|------------|----|----|----|----|------------|
| Dividends payables and other current liabilities* | ₱6,252,625 | ₱— | ₱— | ₱— | ₱— | ₱6,252,625 |
|---|------------|----|----|----|----|------------|

*Excluding statutory payables amounting to ₱13.3 million and ₱13.2 million as at December 31, 2018 and 2017, respectively.

Fair Value of Financial Assets and Liabilities

The following the fair value of the Company's financial instruments as at December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Financial Assets | | |
| Cash | ₱5,670,425 | ₱16,572,974 |
| Dividends and other receivables* | 929,834,038 | 929,838,726 |
| Advances to related parties | 305,297,232 | 356,939,715 |
| | ₱1,240,801,695 | ₱1,303,351,415 |
| Financial Liabilities | | |
| Dividends payable and other current liabilities** | ₱6,066,124 | ₱6,252,625 |
| Advances from a related party | 81,500,483 | — |
| | ₱87,566,607 | ₱6,252,625 |

*Excluding advances to officers and employees amounting to ₱0.1 million as at December 31, 2018 and 2017.

**Excluding statutory payables amounting to ₱13.3 million and ₱13.2 million as at December 31, 2018 and 2017, respectively.

Due to the short-term nature of transactions, the fair values of the Company's financial assets and financial liabilities approximate the carrying amounts at reporting period.

18. Capital Management Objectives, Policies and Procedures

The Company considers its capital stock and APIC aggregating ₱3,284.0 million and ₱3,209.0 million as at December 31, 2018 and 2017, respectively, as its core capital. The Company maintains its current capital structure and makes adjustments to it, if necessary, to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

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

19. Supplemental Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Output VAT

The Company has no declared revenue in 2018 upon which the output VAT should be based.

Input VAT

Movements in input VAT for the year ended December 31, 2018 are shown below.

| | |
|---|-------------|
| Balance at beginning of year | ₱1,475,014 |
| Input tax deferred on capital goods from previous period | 3,450,813 |
| Add: Domestic purchases of services | 817,361 |
| Capital goods not exceeding ₱1.0 million | — |
| Domestic purchase of goods other than capital goods | 15,150 |
| Capital goods exceeding ₱1.0 million | — |
| Less: Penalties | (1,000) |
| Input tax deferred on capital goods for succeeding period | (2,566,364) |
| Balance at end of year | ₱3,190,974 |

Local Taxes

Local taxes paid and accrued for the year ended December 31, 2018 consist of the following:

| | |
|-------------------------|------------|
| Municipal tax | ₱856,597 |
| Documentary stamp tax | 526,268 |
| Annual registration fee | 328,996 |
| SEC filing fee | 7,575 |
| | ₱1,719,436 |

All other local taxes are presented as part of “Taxes and licenses” account under “Operating expenses” in the separate statements of comprehensive income.

Withholding Taxes

Withholding taxes paid and accrued (and/or withheld) for the year ended December 31, 2018 consist of:

| | Paid | Accrued |
|---------------------------------|-------------|------------|
| Fringe benefit tax | ₱6,381,462 | ₱1,879,180 |
| Withholding tax on compensation | 5,716,017 | 379,996 |
| Expanded withholding tax | 1,478,532 | 358,312 |
| | ₱13,576,011 | ₱2,617,488 |

Withholding taxes accrued are presented as part of “Dividends payables and other current liabilities” account in the separate statements of financial position.

Tax Assessment and Case

On February 13, 2018, MHI received a Preliminary Assessment Notice on its 2014 taxable year amounting to ₱ 8,813,618. A Final Assessment Notice on the same matter, amounting to ₱8,632,645, was received on October 1, 2018.

MARCVENTURES HOLDINGS, INC.**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 | Title | Adopted | Not Adopted | Not Applicable |
|------------------|---|---------|-------------|----------------|
| PFRS 3 (Revised) | Business Combinations | | | ✓ |
| | Amendment to PFRS 3: Scope Exceptions for Joint Ventures | | | ✓ |
| | 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 | | | ✓ |

| PFRS | Title | Adopted | Not Adopted | Not Applicable |
|-------------|---|----------------|--------------------|-----------------------|
| | Amendments to PFRS 10: Transition Guidance | | | ✓ |
| | Amendments to PFRS 10: Investment Entities | | | ✓ |
| | Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception | | | ✓ |
| PFRS 11 | Joint Arrangements | | | ✓ |
| | Amendments to PFRS 11: Transition Guidance | | | ✓ |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 12: Investment 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 | ✓ | | |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|------------------|---|---------|-------------|----------------|
| | Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation | ✓ | | |
| | Amendments to PAS 1: Disclosure Initiative | ✓ | | |
| PAS 2 | Inventories | | | ✓ |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| | Amendments to PAS 7: Disclosure Initiative | ✓ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 11 | Construction Contracts | | | ✓ |
| PAS 12 | Income Taxes | ✓ | | |
| | Amendments to PAS 12: Recovery of Underlying Assets | | | ✓ |
| | Amendments to PAS 12, Income Taxes – 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 | Title | Adopted | Not Adopted | Not Applicable |
|------------------|---|---------|-------------|----------------|
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | | | ✓ |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| PAS 23 (Revised) | Borrowing Costs | | | ✓ |
| PAS 24 (Revised) | Related Party Disclosures | ✓ | | |
| | Amendment to PAS 24: Key Management Personnel | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 (Amended) | Separate Financial Statements | | | ✓ |
| | Amendments to PAS 27: Investment Entities | ✓ | | |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ |
| PAS 28 (Amended) | Investments in Associates and Joint Ventures | | | ✓ |
| | Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception | | | ✓ |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Disclosure and Presentation | ✓ | | |
| | Financial Instruments: Presentation | ✓ | | |
| | Amendments to PAS 32 and PAS 1: 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 | ✓ | | |

| PAS | Title | Adopted | Not Adopted | Not Applicable |
|--------|---|---------|-------------|----------------|
| | Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | | | ✓ |
| | Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization | | | ✓ |
| | Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |
| | Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities | ✓ | | |
| | Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions | | | ✓ |
| | Amendments to PAS 39: The Fair Value Option | | | ✓ |
| | Amendments to PAS 39: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PAS 39: Reclassification of Financial Assets | ✓ | | |
| | Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition | ✓ | | |
| | Amendments PAS 39: Embedded Derivatives | | | ✓ |
| | Amendment to PAS 39: Eligible Hedged Items | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| PAS 40 | Investment Property | | | ✓ |
| | Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property | | | ✓ |
| PAS 41 | Agriculture | | | ✓ |
| | Amendment to PAS 41: Agriculture: Bearer Plants | | | ✓ |

Philippine Interpretations

| Interpretations | Title | Adopted | Not Adopted | Not Applicable |
|-----------------|---|---------|-------------|----------------|
| IFRIC 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | | | ✓ |
| IFRIC 2 | Members' Share in Co-operative Entities and Similar Instruments | | | ✓ |
| IFRIC 4 | Determining Whether an Arrangement Contains a Lease | | | ✓ |
| IFRIC 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| IFRIC 6 | Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment | | | ✓ |
| IFRIC 7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| IFRIC 9 | Reassessment of Embedded Derivatives | | | ✓ |
| | Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives | | | ✓ |
| IFRIC 10 | Interim Financial Reporting and Impairment | | | ✓ |
| IFRIC 12 | Service Concession Arrangements | | | ✓ |
| IFRIC 13 | Customer Loyalty Programmes | | | ✓ |
| IFRIC 14 | PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| | Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement | | | ✓ |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| IFRIC 17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| IFRIC 18 | Transfers of Assets from Customers | | | ✓ |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |
| 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

| | | | | |
|--------|--|--|--|---|
| 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 | | | ✓ |

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.

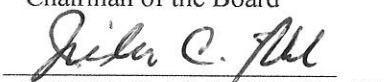
In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

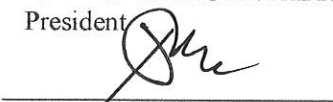
The Board of Directors is responsible in overseeing the Company's financial reporting process.

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

TEL/FAX LINES (632) 831-4479 FAX (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.




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 Roxa
Makati City Philippines

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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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

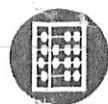
0998-985-0229

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.



- 4 -

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

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Secondary License Type, If Applicable

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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 INFORMATIONThe 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.

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

| | | Years Ended December 31 | | |
|---|------|-------------------------|----------------|----------------|
| | Note | 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

| | | Years Ended December 31 | | |
|---|------|-------------------------|----------------|----------------|
| | Note | 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

| | | Years Ended December 31 | | |
|--|------|-------------------------|---------------|---------------|
| | Note | 2018 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income (loss) before income tax | | (P480,662,131) | P115,493,929 | P48,546,493 |
| 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 unlikelihood 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 | Total |
| | | | Mine Development Costs | Mine Rehabilitation Asset | | |
| 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 | Total |
| | | | Mine Development Costs | Mine Rehabilitation Asset | | |
| 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 |
|--------------------|-----------|--------------|-----------------------------|------------------|
| | | | | On or after |
| November 14, 2014 | ₱0.15 | ₱273,203,790 | December 19, 2014 | January 16, 2015 |
| September 19, 2014 | 0.15 | 273,203,790 | October 1, 2014 | October 22, 2014 |

Dividends payable amounted to ₱4.7 million 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 | | | | | | 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* | ₱– | ₱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 amounting to P31.2 million in 2018.

| | December 31, 2017 | | | | | |
|------------------------------|-------------------------------|----------------|----------------------|------------------------------|-------------|--------------|
| | Neither Past Due nor Impaired | | | Past Due but not Impaired | Impaired | Total |
| | High Grade | Standard Grade | Substandard Grade | | | |
| Cash in banks | ₱46,906,584 | ₱— | ₱— | ₱— | ₱— | ₱46,906,584 |
| Trade and other receivables* | — | 201,115,654 | 3,130,079 | — | 11,036,527 | 215,282,260 |
| Advances to related parties | — | 42,828,377 | — | — | — | 42,828,377 |
| RCF and MTF | 5,597,746 | — | — | — | — | 5,597,746 |
| Rental deposit | — | 465,959 | — | — | — | 465,959 |
| | ₱52,504,330 | ₱244,409,990 | ₱3,130,079 | ₱— | ₱11,036,527 | ₱311,080,926 |

*Excluding advances to officers and employees amounting to 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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| H | Capital Stock | <u>8</u> |
| I | Conglomerate Map | <u>9</u> |

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 |
| | ₱532,587,671 | ₱258,821,212 |

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

