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SEC Registration Number

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

(Company's Full Name)

U N I T 1 6 A 1 6 t h F L O O R C I T I B A N K T O W E R

8 7 4 1 P A S E O D E R O X A S M A K A T I C I T Y

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

Carlos C. Syquia

(Contract Person)

02-8368609

(Company Telephone Number)

1 2 3 1

Month Day (Calendar Year)

1 7 - Q

(Form Type)

Month Day (Annual Meeting)

N.A.

Secondary License Type, If Applicable)

Finance Department

Dept. Requiring this Doc.

March 31, 2013

Period Ending Date

Total Amount of Borrowings

2,169

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2013**
2. Commission identification number **12942**
3. BIR Tax Identification No. **470-000-104-320**
4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code: (SEC Use Only)
7. Address of registrant's principal office:
**Unit 16A 16th Floor Citibank Tower
8741 Paseo de Roxas , Makati City**
8. Registrant's telephone number, including area code: **(63 2) 836-86-09**
9. Former name, former address and former fiscal year, if changed since last report. **N A.**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock (₱1.00 par value)	1,735,676,782 shares
Total debt outstanding	₱149,800,000.00

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Note: only 1,734,645,869 are listed with PSE

Yes. The common shares are listed on the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

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

Yes

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

Yes

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PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

The unaudited Consolidated Financial Statement of Marcventures Holdings Inc. as of March 31,2013 and for the three month period ended March 31, 2013 and 2012 with comparative audited figure as of December 31, 2011 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Consolidated Balance Sheet as of March 31, 2013 and December 31, 2012.

	March 31, 2013		Dec. 31, 2012		March 2013 vs. December 2012	
	Unaudited	Audited	Increase (Decrease)	Percentage Increase (Decrease)	Increase (Decrease)	Percentage Increase (Decrease)
Current Assets:	₱ 137,946,788	₱ 76,904,967	₱ 61,041,821			79.37%
Noncurrent Assets	2,596,448,665	2,620,207,714	(23,759,049)			-0.91%
TOTAL ASSETS	₱ 2,734,395,453	₱ 2,697,112,681	₱ 37,282,772			1.38%
Current Liabilities	₱ 352,045,567	₱ 330,251,728	₱ 21,793,839.07			6.60%
Noncurrent liabilities	231,522,209	189,345,239	42,176,969.75			22.28%
Total Stockholders' Equity	2,150,827,677	2,177,515,714	(26,688,036.84)			-1.23%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱ 2,734,395,453	₱ 2,697,112,681	₱ 37,282,771.98			1.38%

Summary of Consolidated Income Statement for the three months period ended March 31, 2013 and 2012.

	For the Three Months Ending		March 2013 vs. March 2012	
	2013	MARCH 2012	Increase (Decrease)	Percentage Increase (Decrease)
REVENUES:	₱ -	₱ -	-	-
EXPENSES:				
Administrative expenses	23,075,344.99	21,481,918.00	(1,593,426.99)	-7.42%
TOTAL	(23,075,344.99)	(21,481,918.00)	(1,593,426.99)	-7.42%
Add:(Less) Other Income (Expenses)	(3,612,690.96)	(3,315,667.00)	(297,023.96)	-8.96%
COMPREHENSIVE LOSS FOR THE PERIOD	₱ (26,688,035.95)	₱ (24,797,585.00)	(1,890,450.95)	-7.62%

Summary of Consolidated Statement of Cash Flows for the three months period ending March 31, 2013.

	For the Three Months Ending	
	2013	March 31 2012
Cash used from operating activities	₱ (39,280,914)	₱ 21,653,131
Cash used from investing activities	(2,710,222)	(44,727,523)
Cash provided from financing activities	39,523,197	(76,349,120)
Net Increase (Decrease) in Cash and cash equivalent	(2,467,939)	(99,423,512)
Cash and cash equivalent as of June 30, 2011	13,127,549	164,141,033
Cash and cash equivalent as of December 31, 2011	₱ 10,659,610	₱ 64,717,521

MARCVENTURES HOLDINGS INC.

	March 31, 2013		Dec. 31, 2012		March 2013 vs. December 2012	
	Unaudited		Audited		Increase (Decrease)	Percentage Increase (Decrease)
A S S E T S						
Current Assets:						
Cash and cash equivalent	₱	10,659,610	₱	13,127,549	₱	(2,467,939) -18.80%
Receivable - net		14,151,970		13,629,849		522,121 3.83%
Inventories		69,448,759		14,898,292		54,550,467 366.15%
Available for sale securities		-		-		-
Other current assets		43,686,449		35,249,277		8,437,172 23.94%
Current Assets:	₱	137,946,788	₱	76,904,967	₱	61,041,821 79.37%
Noncurrent Assets						
Property and equipment	₱	1,147,771,294	₱	1,176,231,407	₱	(28,460,113) -2.42%
Deferred Mine exploration cost		-		-		-
Explored Mineral Resources		1,294,766,157		1,294,766,157		- 0.00%
Other noncurrent assets		153,911,215		149,210,150		4,701,065 3.15%
Noncurrent Assets	₱	2,596,448,665	₱	2,620,207,714	₱	(23,759,049) -0.91%
TOTAL ASSETS	₱	2,734,395,453	₱	2,697,112,681	₱	37,282,772 1.38%
LIABILITIES AND EQUITY						
Current Liabilities						
Related party payable	₱	29,033,823	₱	41,588,074	₱	(12,554,251.00) -30.19%
Interest-bearing loans		35,402,391		25,501,911		9,900,480.00 38.82%
Trade and other payables		287,609,353		263,161,743		24,447,610.07 9.29%
Current Liabilities	₱	352,045,567	₱	330,251,728	₱	21,793,839.07 6.60%
Noncurrent liabilities						
Notes Payables-net of current portion	₱	149,800,000	₱	149,800,000	₱	- 0.00%
Interest-bearing loans		75,103,391		39,422,676		35,680,715.00 90.51%
Related party payables		6,618,818		122,563		6,496,254.75 5300.34%
Noncurrent liabilities		231,522,209		189,345,239		42,176,969.75 22.28%
TOTAL LIABILITIES	₱	583,567,776	₱	519,596,967	₱	63,970,808.82 12.31%
Equity						
Capital Stock	₱	1,735,676,782	₱	1,735,676,782		- 0.00%
Additional paid in capital		109,837,311		109,837,311		- 0.00%
Retained earnings (deficit)		305,313,584		332,001,621		(26,688,036.84) -8.04%
Total Stockholders' Equity		2,150,827,677		2,177,515,714		(26,688,036.84) -1.23%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱	2,734,395,453	₱	2,697,112,681	₱	37,282,771.98 1.38%

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

The following discussion is based on the unaudited interim consolidated financial statements for the first quarter period ending March 31, 2013, with comparative figures for the corresponding periods in 2012 and audited consolidated financial statements as of December 31, 2012, prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

FINANCIAL CONDITION AND RESULTS OF OPERATION:

Three months ended March 31, 2013 compared with three months March 31, 2012

Results of Operation:

For the period January-March 2013, MMDC had no mining or extraction activities due to seasonal heavy rains in the area. Operations focused on preparatory activities for the beginning of its mining season that coincides with the relatively drier months of April-November. Preparatory activities consisted primarily of maintenance operations for the various mountain roads that form part of the haulage network, as well as the Company's causeway. Rehabilitation works were also performed on the Company's fleet of heavy equipment.

For the quarter ending March 31, 2013, intermittent weather conditions and heavy downpour impeded the mining activities of MMDC. These weather related delays decrease the number of days for the company to operate. As a result the company recorded a consolidated net loss of ₱26.7 million, equivalent to 8.04% decrease in retained earnings and a net loss of ₱24.8 million in March 2012.

Administrative expenses increased to ₱23.1 million from ₱21.5 million for the comparative period in 2012, equivalent to 7.44% increase from the comparable period in 2012. A considerable portion of expenses is attributable to the payment of salaries and wages amounting to ₱3.3 million or equivalent to 14.15% and representation expense amounting to ₱3.4 million or 14.76% of the total 2013 expenses.

STATEMENT OF FINANCIAL POSITION

March 31, 2013 vs. December 31, 2012

Assets

As of March 31, 2013, the total assets of the Company increased to ₱2,734.4 million from ₱2,697.1 million as of December 31, 2012. The 1.38% increase was mainly due to the increase in nickel ore inventories amounting to ₱69.4 million, which represent an increase of 366.15% from the inventory level as of December 31, 2012. The increase in total assets is also attributable to the increase in other current assets of ₱8.4 million or equivalent to 23.94 % arising from an increase in advances to suppliers and contractors and prepayments (which pertain to advance payment made to contractors for mining related services) and Inventories consisting of spare parts supplies, lubricants, electrical and laboratory supplies. On the other hand, non current assets increased by ₱4.7 million or equivalent to 3.15%, due to an increase in accumulated Input tax amounting to ₱4.6 million.

Liabilities

As of March 31, 2013, the total liabilities of the Company was ₱583.6 million which is 12.31% higher than ₱519.6 million as of December 31, 2012. The increase in total liabilities is attributable to the increase in

current liabilities of ₱21.8 million or equivalent to 6.6% and non current liabilities amounting to ₱231.5 million or equivalent to 22.28% arising from an increase in interest bearing loan amounting to ₱45.6 million and increase in customer deposit on the purchase of future ore shipments amounting to ₱57.3 million. Furthermore, a decrease of ₱6.1 million or 14.5% on related party transaction was due to partial payment of advances from the stockholders.

Equity

The stockholders' equity amounting to ₱2,150.8 million is lower by 1.23% or ₱26.7 million from ₱2,177.5 million in December 31, 2012. The company recorded a consolidated net loss amounting to ₱26.7 million which resulted in a decrease of the company's retained earnings to ₱305.3 million as of March 31, 2013, 8.04% lower from retained earnings of ₱322.0 million as of December 31, 2012.

Statement of Cash Flows

The net cash used in operating activities amounted to ₱2.7million as of the three months ended March 31, 2013 compared net cash generated from operating activities amounted to ₱21.7million for the same period ending March 31, 2012. The decrease in cash was due to decrease in trade and other payable.

Net cash used in investing activities amounted to ₱2.7million and ₱44.7 million for the three months ended March 31, 2013 and 2012 respectively.

Net cash provided by financing activities amounting to ₱39.5 million for the three months period ending March 31, 2013 pertains to the receipt of proceeds from interest bearing loans. In 2012 of the same period, net cash used in financing activities amounting to ₱76.3 million was due to settlement of interest bearing loans. and the issuance of capital stock from conversion of debt to equity.

The foregoing investing and financing activities resulted in the March 31, 2013 and 2012 cash and cash equivalent to amount to ₱10.7 million and ₱64.7million respectively.

PART II – OTHER INFORMATION

Item 3. Three Months Ending March 31, 2013 Developments

A. New project or investments in another line of business or corporation

None

B. Composition of Board of Directors and Officers (as of March 31, 2013)

<u>Name</u>	<u>Position</u>
Mario G. Vijungco	Chairman
Ramon A. Recto	President
Dy Chi Hing	Director
Roberto A. Atendido	Director
Raul Ma. F. Anonas	Director
Rafael G. Yaptinchay	Independent Director
Joel A. Bañares	Independent Director
Carlos C. Syquia	Treasurer
Andres A. del Rosario	Asst. Treasurer
Roberto San Jose	Corporate Secretary
AnaMaria A. Katigbak	Asst. Corporate Secretary

C. Performance of the corporation or result/progress of operations

Please see unaudited consolidated financial statements and management's discussion on results of operations.

D. Declaration of dividends

None

E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements

None.

F. Offering of rights, granting of Stock Options and corresponding plans therefore

None.

G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate

None.

H. Other information, material events or happenings that may have affected or may affect market price of security.

None.

I. Transferring of assets, except in normal course of business

None.

Item 4. Other Notes to three months ending March 31, 2013 Operations and Financials

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

None.

K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period

None.

L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities

None.

M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There are no material events subsequent to the end of the interim Period that have not been reflected in the Financial Statements for the Interim Period.

N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

None.

O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date

None.

P. Existence of material contingencies and other material events or transactions during the interim period

None.

Q. Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

None.

R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None.

S. Material commitments for capital expenditures, general purpose and expected sources of funds

None.

T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income

None.

U. Significant elements of income or loss that did not arise from continuing operations

None.

V. Causes for any material change/s from period to period in one or more line items of the financial statements

None.

W. Seasonal aspects that had material effect on the financial condition or results of operations

Not applicable.

X. Disclosures not made under SEC Form 17-C

None.

Item 5. Key Performance Indicators

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

	Mar. 31, 2013	Mar. 31, 2012
Net Loss	₱ (26,688,036)	₱ (24,797,585)
Quick assets	24,811,580	78,510,261
Current assets	137,946,788	539,819,321
Property and Equipment	1,147,771,294	744,162,138
Total assets	2,734,395,453	2,687,524,677
Current liabilities	352,045,567	488,042,096
Total liabilities	583,567,776	680,398,420
Stockholders' equity	2,150,827,678	2,007,126,257
Number of common shs. Outstanding	-	1,724,088,147
	Mar. 31, 2013	Mar. 31, 2012
Liquidity ratios:		
Current ratio ⁽¹⁾	0.39:1	1.11:1
Quick ratio ⁽²⁾	0.07:1	0.16:1
Solvency Ratios:		
Debt ratio ⁽³⁾	0.21:1	0.25:1
Debt to Equity ratio ⁽⁴⁾	0.27:1	0.34:1
Profitability ratios:		
Earning (loss) per share ⁽⁵⁾	(0.015)	(0.014)

Note:

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

PART III – FINANCIAL SOUNDNESS INDICATORS

MARCVENTURES HOLDINGS INC.
MEASURE OF FINANCIAL SOUNDNESS
PURSUANT TO SEC MEMORANDUM CIRCULAR NO. 11
March 31, 2013

The group liquidity ratios:

a. Current Ratio

	March 31, 2013	December 31, 2012
Total Current Assets	137,946,788	76,904,967
Total Current Liabilities	352,045,567	330,251,728
	0.39:1	0.23:1

b. Quick Ratio

	March 31, 2013	December 31, 2012
Quick assets	24,811,580	26,757,398
Total Current Liabilities	352,045,567	330,251,728
	0.07:1	0.08:1

The group solvency ratios:

a. Debt Ratio

	March 31, 2013	December 31, 2012
Total liabilities	583,567,776	519,596,967
Total assets	2,734,395,453	2,697,112,681
	0.21:1	0.20:1

b. Debt to Equity Ratio

	March 31, 2013	December 31, 2012
Total liabilities	583,567,776	519,596,967
Shareholders' Equity	2,150,827,678	2,177,515,714
	0.27:1	0.24:1

The group profitability ratios

a. Return on Equity

	March 31, 2013	December 31, 2012
Net loss	(26,688,036)	(24,797,585)
Average shareholders' equity	2,164,171,696	2,093,159,778
	0.00:1	0.00:1

b. Return on assets

	March 31, 2013	December 31, 2012
Net loss	(26,688,036)	(24,797,585)
Ave. Total assets	2,715,754,067	2,626,133,482
	0.00:1	0.00:1

c. Fixed asset turnover ratio

	March 31, 2013	December 31, 2012
Revenue	-	-
Property and Equipment	1,147,771,294	1,176,231,407
	0.00:1	0.00:1

Asset to equity ratio

	March 31, 2013	December 31, 2012
Total assets	2,734,395,453	2,697,112,681
Average shareholders' equity	2,164,171,696	2,093,159,778
	1.26:1	1.28:1

Interest Coverage ratio

	March 31, 2013	December 31, 2012
Net loss	(26,688,036)	(24,797,585)
Interest expenses	9,980,000	10,638,000
	0.00:1	0.00:1

SIGNATURES

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

Issuer: **MARCVENTURES HOLDINGS INC.**

Signature and Title: **RAMON A. RECTO**
President

Date: May 14, 2013

Signature and Title: **ANDRES DEL ROSARIO**
Asst. Treasurer

Date: May 14, 2013

**MARCVENTURES HOLDINGS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2013
(with comparative audited figures as of December 31, 2012)**

	Unaudited March 31, 2013	Audited Dec. 31, 20112
A S S E T S		
Current Assets:		
Cash and cash in bank	₱ 10,659,610	₱ 13,127,549
Receivable	14,151,970	13,629,849
Inventories	69,448,759	14,898,292
Other current assets	43,686,449	35,249,277
Total Current Assets	137,946,788	76,904,967
Non Current Assets:		
Explored Mineral Resources	1,294,766,157	1,294,766,157
Property and Equipment - net	1,147,771,294	1,176,231,407
Other non current assets	153,911,215	149,210,150
Total non current assets	2,596,448,665	2,620,207,714
TOTAL ASSETS	₱ 2,734,395,453	₱ 2,697,112,681
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Trade and other payable	₱ 287,609,353	₱ 263,161,743
Related party payable	29,033,823	41,588,074
Interest bearing loans	35,402,391	25,501,911
Total Current liabilities	352,045,567	330,251,728
Non current Liabilities		
Notes Payables-net of current portion	₱ 149,800,000	₱ 149,800,000
Interest bearing loans	75,103,391	39,422,676
Related party payable	6,618,818	122,563
Total Non current liabilities	231,522,209	189,345,239
Stockholders' Equity		
Capital stock	₱ 1,735,676,782	₱ 1,735,676,782
Paid in capital in excess of par value	109,837,311	109,837,311
Retained Earnings (Deficit)	305,313,584	332,001,621
Total Stockholders' Equity	2,150,827,678	2,177,515,714
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱ 2,734,395,453	₱ 2,697,112,681

See accompanying Notes to Financial Statements.

**MARCVENTURES HOLDINGS INC. AND SUBSIDIARY
COMPREHENSIVE STATEMENT OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2012**

STATEMENT OF COMPREHENSIVE INCOME

	For the Three Months Ending			
	March			
	2013	2012		
REVENUES:	₱	-	₱	-
EXPENSES:				
Administrative expenses		23,075,345		21,481,918
TOTAL		(23,075,345)		(21,481,918)
Add:(Less) Other Income (Expenses)		(3,612,691)		(3,315,667)
COMPREHENSIVE LOSS FOR THE PERIOD	₱	(26,688,036)	₱	(24,797,585)
ADD: Retained Earnings - beginning		332,001,621		194,564,746
Retained Earnings -end	₱	305,313,585	₱	169,767,161
INCOME/(LOSS) PER SHARE	₱	(0.0154)	₱	(0.0144)

See accompanying Notes to Financial Statements.

**MARCVENTURES HOLDINGS INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2013**

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Total
Balance as of January 1, 2013	₱ 1,735,676,782	₱ 109,837,311	₱ 332,001,621	2,177,515,714
Total Comprehensive loss for the period			(26,688,036)	(26,688,036)
Balance as of March 31, 2013	₱ 1,735,676,782	₱ 109,837,311	₱ 305,313,585	2,150,827,678

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Total
Balance as of January 1, 2012	₱ 1,721,460,875	₱ 92,778,223	₱ 194,564,746	2,008,803,844
Total Comprehensive loss for the period			(24,797,585)	(24,797,585)
Issuance of additional shares of stock	10,509,090			10,509,090
Increase in additional paid in capital		12,610,908		12,610,908
Balance as of March 31, 2012	₱ 1,731,969,965	₱ 105,389,131	₱ 169,767,161	2,007,126,257

See accompanying Notes to Financial Statements.

MARCVENTURES HOLDINGS INC. AND SUBSIDIARY
CASH FLOW
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

	For the Three Months Ending March 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	(26,688,036)	(24,797,585)
Adjustments for:		
Depreciation (Note)	2,047,248	2,745,051
Gain on sale of Equipment	-	(382,659)
Interest Expense	13,390,415	10,638,000
Retirement	-	147,465
Interest Income	(7,855)	(60,071)
Operating income before working capital changes	(11,258,228)	(11,709,799)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables (Note)	(518,006)	8,298,078
Inventory	(30,128,444)	(45,557,586)
Other current assets (Note)	(8,441,287)	(139,535,779)
Increase (decrease) in trade and other payables	24,447,610	223,781,634
Total	(14,640,126)	46,986,347
Net cash used in operating activities	(25,898,354)	35,276,548
Interest received	7,855	60,071
Interest paid	(13,390,415)	(13,683,488)
Net Cash Generated from (Used in) operating activities	(39,280,914)	21,653,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Explored Mineral resources	-	-
Acquisition of property and equipment (Note)	(743,443)	(38,084,414)
Collection of advances to affiliates	-	-
Sale of Equipment	-	900,000
Increase in other non-current asset	(1,966,779)	(7,543,109)
Net cash used in investing activities	(2,710,222)	(44,727,523)
CASH FLOWS FROM FINANCING ACTIVITIES		
Non controlling interest contribution	-	-
Proceeds from (Payment of) in related party payables (Note)	(6,057,998)	-
Proceeds from (Payment of) convertible loan	-	(7,500,000)
Proceeds from (payments of) interest- bearing loans	45,581,195	(74,349,118)
Conversion from debt to Equity	-	(17,620,000)
Additional subscription to increase capital stocks from conversion	-	10,509,090
Increase in additional paid in capital	-	12,610,908
Net cash provided by financing activities	39,523,197	(76,349,120)
NET INCREASE IN CASH AND CASH EQUIVALENT	(2,467,939)	(99,423,512)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	13,127,549	164,141,033
CASH AND CASH EQUIVALENTS AT END OF YEAR	10,659,610	64,717,521

Saccompanying Notes to Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY
(Formerly: AJO.net Holdings, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Marcventures Holdings, Inc. (Formerly: AJO.net Holdings, Inc.), the Parent 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.

Marcventures Mining & Development Corporation (MMDC), a wholly-owned Subsidiary of the Parent Company, and incorporated in the Philippines is engaged primarily to carry on the business of mining, smelting, extracting, smelting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource from the earth, to operate, manage and/or engage in the business of smelting, and/or operate smelting plant, to refine and/or convert metals, ore, and other precious metals into finished products within the commerce of man.

On March 30, 2010, the SEC approved the Parent Company's change in name from AJO.net Holdings, Inc. to Marcventures Holdings, Inc. and further approved the Parent Company's change in primary purpose to include land ownership.

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

Mining Claims and Properties

Subsidiary has been granted by the Department of Environmental and Natural Resources (DENR) of the Philippine National Government a Mineral Production Sharing Agreement (MPSA) No. 016-93-XIII covering an area of approximately 4,799 hectares located in Cantilan Surigao Del Sur. As the holder of the said MPSA, Subsidiary has the exclusive right to conduct and develop mining operations within the mineral property over a period of 25 years from July 1, 1993. Subsidiary 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 July 1, 1993. In January 1995, a deed of assignment (Deed) was executed, wherein Ventura assigned to MMDC all its rights, title and interest in and to MPSA No. 016-93-XIII. The Deed was duly registered with the Mines and Geosciences Bureau (MGB) Regional Office (RO) No. XIII on February 9, 1995, and was subsequently approved on January 15, 2008, making the Subsidiary the official contractor of the mineral property.

On October 23, 2009 the Partial Declaration of Mining Feasibility of the Subsidiary in connection with the MPSA No. 016-93-XIII was approved by the Director of MGB and the Subsidiary is henceforth authorized to proceed to the Development and Operating Periods of MPSA No. 016-93-XIII, including the extraction and commercial disposition of nickel ore and associated minerals within the 300-hectare portion of the contract area subject to certain conditions.

The Parent Company's registered office is located at 16th floor Citybank Tower, 8741 Paseo de Roxas, Makati City.

2. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation of Consolidated Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and explored mineral resources that have been measured at a certain valuation method. The measurement bases are more fully described in the accounting policies that follow.

Presentation of Financial Statements

The consolidated financial statements are presented in accordance with PAS 1 (Revised 2007), Presentation of Financial Statements. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statements of financial position when the Group applies an accounting policy retrospectively, make a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional presentation currency, and all values represent absolute amounts except when otherwise indicated.

New Accounting Policies Adopted

The Group adopted the following new revisions and amendments to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after January 1, 2011:

PAS 24	(Revised 2009)	Related Party Disclosures
PAS 27	(Revised 2011)	Separate Financial Statements
PFRS 10	(Revised 2011)	Consolidated Financial Statements
PFRS 12		Disclosure of Interest in other Entities
PFRS 13	(Revised 2011)	Fair Value Measurement
Various Standards		2011 Annual Improvements to PFRS

Discussed below are the effects on the financial statements of the new and amended standards.

PAS 24 (Revised 2009), "Related Party Disclosures", amends the requirements of the previous version of IAS 24 to (a) provide a partial exemption from related party disclosure requirements for government-related entities, (b) clarify the definition of a related party and (c) include an explicit requirement to disclose commitments involving related parties. The revision of this standard did not have any significant effect in the 2011 consolidated financial statements.

PAS 27 (Revised 2011), "Separate Financial Statements", amended version of PAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from PAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in PFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with PFRS 9 Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements. The revision of this standard did not have any significant effect in the 2011 consolidated financial statements.

PFRS 10 (Revised 2010), "Consolidated Financial Statements", requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in PAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

The Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under PFRS 10, control is based on whether an investor has (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the returns. The revision of this standard did not have any significant effect in the 2011 consolidated financial statements.

PFRS 12, "Disclosure of Interests in Other Entities", requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with,

interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined,
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

The Group's adoption of PFRS 12 did not result in any material adjustment in its financial statements as the change in accounting policy only affects presentations aspects.

PFRS 13, "Fair Value Measurement", replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

The PFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, PFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

PFRS 13 applies when another PFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

Annual improvements

PAS 12		Income Taxes
PAS 19	(Revised 2011)	Employee Benefits

PFRS 12, "Income Taxes", amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.

As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

PFRS 19, "Employee Benefit", an amended version of IAS 19 Employee Benefits with revised requirements for pensions and other postretirement benefits, termination benefits and other changes.

The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of re measurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing PAS 19)
- Introducing enhanced disclosures about defined benefit plans
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features PFRS 9, Financial Instruments: Classification and Measurement - The Standard, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. It is effective for annual periods beginning on or after January 1, 2013.

Standards effective in 2010 but not relevant to the Group

The Company did not early adopt PFRS 9 and Philippine Interpretations that have been approved but are not yet effective. The Company does not expect that the adoption of these new and amended PFRS and Philippine Interpretation to have a significant impact on the financial statements.

(i) After consideration of the result of its impact evaluation, the company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 interim financial reporting.

(ii) It shall conduct in early 2012 another impact evaluation using the outstanding balances of financial statements as of 31 December 2011 for the company to check if the impact is material enough to adopt or not to adopt. PFRS 9 (2009) or PFRS 9 (2010)

(iii) the company believes it will be too early to adopt the subject standard for its 2013 financial reporting, The company will evaluate if the impact is material enough to adopt or not to adopt PFRS 9 (2009) or PFRS 9 (2010).

Standards effective in 2011 but not relevant to the Group

The following amendments, interpretations and improvements to published standards are mandatory for accounting periods beginning on or after January 1, 2011 but not relevant to Group's consolidated financial statements:

PAS 28 (Revised 2011), "Investments in Associates and Joint Ventures" this Standard supersedes PAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The significant accounting policies and practices of the Group are set forth to facilitate the understanding of the consolidated financial statements:

Effective 2013

- FRS 9, Financial Instruments: Classification and Measurement - The Standard, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. It is effective for annual periods beginning on or after January 1, 2013.

The significant accounting policies that have been used in the preparation of the accompanying financial statements are summarized below. The same accounting policies were applied to previous year, unless otherwise stated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiary, MMDC. The consolidated financial statements as of December 31, 2011 and June 30, 2011 comprise the financial statement with the same reporting period for the Parent Company and Subsidiary. These statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany accounts, transactions and balances are eliminated in these consolidated financial statements. The subsidiary is consolidated from the date on which control is transferred to the Parent Company and ceases to be consolidated from the date on which control is transferred out of the Parent Company.

The significant accounting policies and practices of the Group are set forth to facilitate the understanding of the consolidated financial statements:

Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Business Combinations

The consolidated financial statements accounted business combination by applying the purchase method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of acquired business at fair value, including assets and liabilities not previously recognized in the Subsidiary or acquiree's financial statements. Any excess of the cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognized was accounted for as "explored mineral resources" in the statement of consolidated financial position, as this asset meets the definition of an intangible asset that is controlled and provides economic benefits, separate and arises from its mineral property rights and claims, and its fair value was measured reasonably.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of combination can be determined only provisionally, the Parent Company accounts the combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within twelve (12) months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and explored mineral resources or any gain recognized shall be adjusted from the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted. All acquisition-related costs on the business combination are expensed.

Explored Mineral Resources

The Subsidiary's financial statement did not recognize in its books the mineral resources from its mineral property right but was recognized in the business combination with the Parent Company and conforms to the PFRS 3.

This requires the Parent Company to use recognition and measurement practices that are part of those accounting policies in PFRS 6, Exploration for and Evaluation of Mineral Resources and PAS 28, Intangible Assets. The measurement and recognition of explored mineral resource is based on an independent valuation over the mineral property of MMDC as supported by the Mineral Production Sharing Agreement (MPSA) and the expected value of the mineable ore reserve in the explored area if the Mineral Property (see Note 5 for the discussion of the valuation of this intangible asset). MPSA can be transferred for value and the mineable mineral ore reserve identified in the explored area of the Mineral Property can be extracted, produced and sold.

Measurement after recognition of Explored Mineral Resources

After initial recognition, the explored mineral resources shall be carried at its cost less any accumulated impairment losses.

Impairment of Explored Mineral Resources

The Parent Company's financial statements recognized exploration and evaluation assets to perform an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amounts. It varies the recognition of impairment from that in PAS 36, but measures the impairment in accordance with this standard once the impairment is identified.

For purposes of explored mineral resources, when identifying exploration and evaluation assets that may be impaired, one or more of the following facts and circumstances indicate that the parent company should test its assets for impairment.

- The period for which the entity has the right to explore in the specific areas has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for the evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale. Management believes that there is significant reason not to recognize impairment in this asset.

Details of impairment testing on explored mineral resources are discussed in Note 5.

Inventory

Mine products inventory, which consists of nickel ore is stated at the lower of cost or net realizable value (NRV). NRV for the mine products is the selling price in the ordinary courses of the business, less the estimated cost of completion and estimated cost necessary to make the sale.

Financial Assets

Financial assets, which are recognized when the Group becomes a party to the contractual terms of the financial instruments, include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-valued at every reporting period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value plus any directly attributable transaction costs. All financial assets carried at fair value through profit or losses are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of the four categories of financial assets is as follows:

(a) Financial Assets At Fair Value through Profit or Loss

This category include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

(b) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period which are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Any change in their value is recognized in profit or loss. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

(c) Held-to-maturity Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are included in non-current assets under Financial Assets account in the statement of financial position, except those maturing within 12 months from the reporting period, which are presented as part of current assets.

Subsequent to initial recognition, the investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment, including impairment loss, are recognized in profit or loss.

(d) Available-for-sale Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Financial Assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period.

All available-for-sale financial assets are measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance Costs or Finance Income in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

Determination of Fair Value

The fair value for financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments and all others financial instruments where there is no active market, fair value is determined using generally acceptable valuation technique. Such techniques include using arm's length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

Fair value measurements are disclosed by source of inputs using three-level hierarchy for each class of financial instrument. Fair value measurement under Level 1 is based on quoted prices in active markets for identical financial assets or financial liabilities; Level 2 is based on inputs other than quoted prices included in Level 1 that are observable for the financial asset or financial liability that are not based on observable market data.

'Day 1' Profit

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

Inventory

Mine products inventory, which consists of nickel ore is stated at the lower of cost or net realizable value (NRV). NRV for the mine products is the selling price in the ordinary courses of the business, less the estimated cost of completion and estimated cost necessary to make the sale.

Input Tax Recoverable

Input tax recoverable is stated at 12% starting February 2006 of the applicable purchase of cost of goods and services, net of output tax liabilities and allowance for probable losses. Input tax recoverable represents the value-added tax (VAT) paid on purchases of goods and services, net of

output tax liabilities, which can be recovered as a tax credit against future tax liabilities of the Group upon approval by the Bureau of Internal revenue (BIR) and/or the Philippine Bureau of Customs.

Prepayments

Prepayments include expenses already paid but not yet incurred. These are measured at amortized cost less impairment loss, if any.

Deferred Mine Exploration Cost

Expenditures for exploration works on mining properties (i.e., acquisition of rights to explore, topographical, geological, and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource) are deferred as incurred and included under "Deferred Mine Exploration Cost" account in the statement of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures and subsequent mine development costs are capitalized as part of the mine and mining properties account classified under property and equipment.

A valuation allowance is provided for unrecoverable deferred mine exploration costs based on the Parent Company's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable, all revocable cost associated with the project and the related impairment provisions are written off. When a project is abandoned, the related deferred mine exploration costs are written off.

Property, Plant and Equipment

Property, plant and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and impairment losses, if any. Cost of an item of property, plant and equipment comprises of its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes any asset retirement obligation and interest on borrowed funds used.

Subsequent costs are capitalized as part of the property, plant and equipment account, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against current operations and are no longer capitalized.

Depreciation commences once the property, plant and equipment are available for use and is computed on the straight line basis over the following estimated useful lives of the assets regardless of utilization. The useful life of each of the property, plant and equipment is estimated based on period over which the asset is expected to be available for use. Such estimation is based on collective assessment of industry practice and experience with similar assets.

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered.

Depletion of mine site development costs are calculated using the unit-of- production method based on the estimated recoverable reserves. The estimated recoverable reserves, useful lives, and depreciation and amortization methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values period and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the item of property and equipment. The assets residual values is reviewed and adjusted, if appropriate, at each reporting date.

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.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Mine Site Development Cost

Cost incurred for exploration and development of mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, these deferred costs are capitalized as part of mine development cost account classified under property and equipment.

Depreciation of mine site development cost is computed based on ore extraction over the estimated volume of proved and probable ore reserved as estimated by the Subsidiary's geologist.

Mine development costs are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the item is derecognized.

Mine site development cost also includes the estimated costs of rehabilitating the mine site, for which the Subsidiary is legally and constructively liable. These costs, included as part of mine site development costs, are amortized using the unit-of-production method based on the estimated recoverable reserves.

Subsequent to the business combination and acquisition date, the Parent Company recognizes based on the business combination to MMDC relating to the fair value of property, plant and equipment determined at the date of acquisition rather than the carrying amount in the books of MMDC prior to the date of acquisition.

Impairment of Nonfinancial Assets other than Explored Mineral Resources

The Subsidiary's property, plant and equipment, deferred mine development cost, and other assets are subject to impairment testing. Individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

Rental Deposits

Rental Deposits are measured at amortized cost less any impairment loss, if any.

Financial Liabilities

Financial liabilities are initially recognized at fair value. Financial liabilities include interest-bearing loans and borrowing, trade and other payables and finance lease liabilities, due to related parties and other non-current liabilities, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Group becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as an expense in profit or loss under the caption Finance Costs in the consolidated statement comprehensive of income.

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs.

Trade payables are initially recognized at their fair value and subsequently measured at amortized cost.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Parent Company.

Impairment of Financial Assets

The Group 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 a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has 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 the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized where:

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

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

Financial liability

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

Offsetting Financial Instrument

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

Capital Stock

Capital stock is determined using the nominal value of shares that have been issued.

Retained Earnings (deficit)

Retained earnings (deficit) include all current and prior period results as disclosed in the consolidated statements of comprehensive income.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

- Sale of minerals - revenue amount from the sale of minerals such as ores, metals minerals, hydrocarbons, acids and chemicals is recognized in the consolidated statement of comprehensive income on the date that minerals are delivered to the customer. Revenue is the fair value of the consideration received or receivable from gross inflow of economic benefits during the period arising from the course of the ordinary activities of the entity and it is shown net of taxes such as value added tax (if applicable), estimated returns, discounts and volume rebates.
- Interest income - interest is recognized on a time proportion basis using effective interest rate that takes into account the effective yield on the asset.
- Dividend income - dividend is recognized when the right to receive the payment is established.
- Miscellaneous income - revenue is recognized when earned.

Cost and Expense

Cost and expense are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Operating expenses are recognized in the consolidated statement of comprehensive income in the period these are incurred.

Short-term Employee Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security, health insurance and housing contributions, short-term compensated absences, bonuses and other non-monetary benefits.

Pension Cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses, past service cost and the effect of any curtailment or settlement.

The liability recognized by the Group in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs that shall be recognized in later periods. The defined benefit obligation is calculated by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses are recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

Borrowing Costs

Borrowing Costs are expensed in the consolidated statement of comprehensive income in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

The capitalization of borrowing costs as part of the qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or completed.

Foreign Currency Transaction

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ('the functional presentation currency') which is the Philippine Peso. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the end of the reporting period. Exchange gains and losses arising from foreign currency transactions are credited or charged to current operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of initial transactions.

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, 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 an interest expense.

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

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interest in joint ventures. With respect to investments in other subsidiaries, associates and interests in joint ventures, deferred income tax liabilities are recognized except when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income 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 rates (and tax laws) in effect at the end of the reporting period.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date or whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the 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 fulfilment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a 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.

Group as a Lessee

Operating lease payments are recognized as an expense in the statement of consolidated comprehensive income on a straight line basis over the term of the lease.

Related Parties

Parties were 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 making financial and operating decisions. Parties were also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

Earnings (loss) per Share

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to the common shareholders of the Group by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted earnings (loss) Per Share

Diluted earnings (loss) per share amounts are calculated by dividing the net income (loss) for the year attributable to the common stockholders of the Group by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Events after the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements when material. Post year- end events that are not adjusting events are disclosed in the notes when material.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates.

Deferred Tax Assets and Liabilities

The Group reviews its deferred tax assets and liabilities at end of each reporting period and reduces the carrying amount 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.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Impairment of financial assets

The Group reviews its trade receivable and available-for-sale securities at each reporting date to assess whether an allowance for impairment should be recorded in the Group's consolidated statements of comprehensive income. In particular, judgment by management is required in the estimation of amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectivity of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior, legal opinion on recoverability in case of legal disputes and known market factors. The Group reviews the age and status of legal disputes and known factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individual significant trade and other receivables, the Group also makes a collective impairment allowance against exposures which, although not

specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is generally based on the age and status of the accounts.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease in net income. Total carrying value of receivables and other current assets amounted to ₱96,482,838 and ₱45,104,275 as at September 30, 2012 and December 31, 2011, respectively. Allowance for impairment on financial assets recognized in the consolidated financial statements as at September 30, 2012 and December 31, 2011 amounted to ₱9,791,793 (See Notes 7 and 10).

Impairment of Inventory

The Subsidiary recognizes impairment on inventories whenever net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to reflect the accurate valuation in the financial records. The carrying value of inventories in the consolidated financial statements amounted to ₱69,448,759 and ₱14,898,292 as at March 31, 2013 and December 31, 2012 (See Note 8).

Estimated Useful Lives of Property, Plant and Equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The carrying value of property and equipment in the consolidated financial statements as of March 31, 2013 and December 31, 2012 amounted to ₱1,147,771,294 and ₱1,176,231,407 respectively (See Note 11).

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets.

The estimated useful lives are as follows:

Building	
5-10 years	
Heavy and Mobile Equipment	5-7 years
Equipment, Furniture and Fixture	3 years

Based on management assessment as of March 31, 2013 and December 31, 2012, there is no change in the estimated useful lives of property, plant and equipment. Actual results, however, may vary due to change in estimates brought about by changes in factors mentioned above.

Recoverability and Estimates of Explored Mineral Resources

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological dates obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based on anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimating operating costs, estimated climatic condition and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and extractions and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as block grading and production activities or from changes in economic factors including product prices, contract terms or development plans.

Estimates of reserves for underdeveloped or partially developed area are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.

Estimating Impairment of Non-Financial Assets

The Group assess at each reporting period whether there is an indication that the carrying amount of all non-financial assets maybe impaired or that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. There was no impairment loss on non-financial assets recognized during the year, except for the Parent Company's input taxes where a valuation allowance was provided amounting to ₱607,636 as of March 31, 2013 and December 31, 2012 (See Note 13).

Realizability of Deferred Tax Assets

Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused MCIT and NOLCO. These assets are periodically reviewed for realization. Periodic reviews covered the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earning and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. As of March 31, 2013 and December 31, 2012 the Group did not recognize the deferred tax effect of NOLCO in the consolidated financial statements. The tax effect of MCIT of the Parent Company recognized in the consolidated financial statements amounted to ₱385,619 as of March 31, 2013 and December 31, 2012.

Estimating Contingencies

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial positions and results of operation. It is possible, however, that future results of operation could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

4. Explored Mineral Resources

The explored mineral resources reported in the consolidated financial statements of financial position amounting to ₱1,294,766,157 as of March 31, 2013 and December 31, 2012 represent the excess of shares issued by the Parent Company to acquire 100% ownership in MMDC which meets the definition of an intangible asset that is controlled and provide economic benefits, separable and arises from mineral property rights and claims for which fair value was measured reasonably.

Valuation of intangible assets arising on combination

Valuation of explored mineral resources on acquisition of MMDC's 100% ownership is primarily attached on the target commencement of MMDC's mine production activities by the 2nd quarter of 2010 which will in turn start the cash flow generation of the initial explored area of about 120 hectares which is 2.5% of the area covered by the MPSA. Cost from the exploration permits are substantially immaterial and charged to operation. In addition, this valuation does not include any assignment to the Parent Company and/or MMDC of operating agreement an additional mining tenement that may contain other minerals.

The Parent Company commissioned Multinational Investment Bancorporation (MIB) to prepare a third party fairness opinion for the acquisition of 100% of MMDC and to issue its opinion regarding a fair and reasonable value for MMDC. The transaction value of ₱1.3 billion has a 13% discount to the fair value of ₱1.49 billion as contained in the third party fairness opinion dated February 3, 2010.

In the said report, MIB used the discounted cash flow method based on a 10-year projection period with the following assumptions: (i) discount rate of 25%; (ii) constant nickel price of US\$ 11,000 per metric over the 10-year projection period which is at a 57% discount to the prevailing nickel price of US\$25,635 per MT as of May 4, 2010; (iii) no terminal value was assumed at the end of the 10-year projection period; (iv) total production volume of 11.6 million wet MT based on a mining plan approved by the Mines and Geosciences Bureau covering 120 hectares.

In the books of the Parent Company, the intangible asset arising from combination is recognized as "explored mineral resources" as this asset meets the definition of an intangible asset that is controlled and provides economic benefits, separable and arises from its mineral property right and claims, and its fair value was measured reasonably.

5. Impairment Testing of Explored Mineral Resources

The Group recognizes explored mineral resources and performs an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amounts. It varies the recognition of impairment from that in PAS 36, but measures the impairment in accordance with the standard once the impairment is identified. On top of those mentioned in PFRS 6, impairment tests are performed with the key indications as discussed below:

- a. Uncertainty in estimation of mineral resources - technical, geologic and market date on the Mineral Resources are estimates and there is no assurance that the anticipated tonnages and grades will be achieved, neither is it ascertained that the indicated recovery rate will be realized.
- b. Discounted cash flow method - For the purposes of computing net present value using discounted cash flow method, the valuation of intangible assets involves the extraction of non-

replaceable resource, a terminal value was not assigned to represent cash flows to be earned beyond the projected period.

Market risk - There are risks arising from the possibility that the value of an investment will decrease due to movement in market factors. The standard market risk factors relevant to the valuation of the intangible assets are: (a) commodity risk, or risk commodity prices will change. Current surplus demand for the commodity has caused nickel prices to reach record levels in the past few months, and is currently in a reversion/ correction phase. Any sustained decrease in nickel prices may decrease revenues and earnings, and (b) currency risk, or the risk that foreign exchange rates will change. The subsidiary's revenues are dominated in US dollar. Any sustained Peso appreciation may decrease revenues and earnings.

Management believes that there is a significant reason not to recognize impairment in this asset as of March 31, 2013 and December 31, 2012 .

6. Cash and Cash Equivalents

This account consists of:

		March 2013		Dec. 2012
Cash in bank	₱	10,622,610	₱	13,022,668
Cash on hand		-		82,881
Petty cash		37,000		22,000
	₱	10,659,610	₱	13,127,549

Cash with banks earns interest at the respective bank deposit rates amounting to ₱10,622,610 and ₱13,022,668 for the periods ended March 31, 2013 and December 31, 2012, respectively.

Short-term investments are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Foreign exchange loss recognized for the period March 31, 2013 amounted to ₱242,330. (See Note 20).

7. Trade and Other Receivables

This account consists of:

		March 2013		Dec. 2012
Advances to related parties		7,891,670	₱	7,887,885
Trade Accounts Receivable		11,237,407		9,254,835
Cash advance for liquidation		-		852,563
Cash advance - others		3,258,316		3,869,989
		22,387,393	₱	21,865,272
Allowance for impairment losses		8,235,423		8,235,423
		14,151,970	₱	13,629,849

There were no assets under this category that were used as a collateral or pledge on any loans or advances as of March 31, 2013 and December 31, 2012.

As of March 31, 2013, the aging analysis of trade receivables is as follows:

PAST DUE BUT NOT IMPAIRED						
	Total	Current	1-30 days	31-60 days	61-90 days	Over 91 days
Accounts receivable - trade	₱ 9,254,835	₱ -	₱ -	₱ -	₱ 7,369,050	₱ 1,885,785
Accts receivables - others	1,982,572	(1,254)	23,037	6,576	1,954,214	-
Advances to affiliates	8,196,670	-	1,417	1,387	1,292,571	6,901,294
Cash advance - others	2,953,316	8,365	334,648	377,985	2,157,536	74,782
	22,387,393	7,111	359,102	385,948	12,773,371	8,861,861
Allowance for impairment losses	(8,235,423)	-	-	-	-	(8,235,423)
	₱ 14,151,970	₱ 7,111	₱ 359,102	₱ 385,948	₱ 12,773,371	₱ 626,438

The carrying amount of trade and other receivables, which are expected to be settled within the next 12 months from reporting period, is a reasonable approximation of fair value .

8. Inventory

Movements of inventory are as follows:

	March 31 2013	December 31 2012
Balance at beginning of year	₱ 14,898,292	₱ 234,403,818
Additions during the period	54,550,467	157,657,158
Inventory available for sale	69,448,759	392,060,976
Cost of sales (Note)	-	377,162,684
Balance at end year	₱ 69,448,759	₱ 14,898,292

As at March 31, 2013 and December 31, 2012 , the Subsidiary's inventory consists of nickel ore stockpile amounting to ₱69,448,759 and ₱14,898,292 respectively. The inventories are carried at cost.

Mine products inventory of the subsidiary, which consists of nickel ore, is stated at the lower of cost or net realizable value (NRV). Cost includes capitalized expenses incurred directly attributable to mine site operations, depletion of mine site development cost, and depreciation of heavy equipment. NRV for the mine products is the selling price in the ordinary course of the business, less the estimated cost of completion and estimated cost necessary to make the sale. The subsidiary uses weighted average method in computing the inventory.

Cost of inventory includes capitalized expenses incurred directly attributable to mine site operations, depletion of mine site development cost, and depreciation of heavy equipment

There were no items under this category that was used as a pledge or security to any loans or advances.

9. Other Current Assets

This account consists of:

		March 2013		Dec. 2012
Other Current Assets				
Advances to contractor /supplier	₱	18,603,706	₱	11,902,937
Supplies Inventory		21,695,275		-
Prepayments		4,553,286		24,512,158
Prepaid tax		4,933		4,933
Deferred Charges MCIT		385,619		385,619
Total	₱	45,242,819	₱	36,805,647.00
Allowance for impairment losses		1,556,370		1,556,370.10
	₱	43,686,449	₱	35,249,277

Prepayments consist of prepaid rent and prepaid insurance. Inventories consist of spare parts supplies, lubricants, electrical and laboratory supplies. Advances to contractors pertain to advance payment made to contractors for future mining related services .

10. Property, Plant and Equipment

This account consists of the following:

	Land	Equip. Furniture and Fixtures	Building and Improvements	Mine Site Dev. Cost	Construction in Progress	Heavy and Equipment	Total March 31, 2013
Cost							
Beginning of year	26,697,157	35,409,505	15,995,088	743,100,897	49,893,347	499,323,838	1,370,419,832
Acquisition	49,200	102,510	-	-	591,733	-	743,443
Disposal	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	(2,734,286)	(2,734,286)
End of year	26,746,357	35,512,015	15,995,088	743,100,897	50,485,080	496,589,552	1,368,428,989
Accumulated Depreciation							
Beginning of year	-	15,397,118	2,525,981	43,593,324	-	132,672,001	194,188,424
Depletion	-	-	-	-	-	-	-
Depreciation	-	2,188,476	994,607	-	-	23,286,187	26,469,270
End of year	-	17,585,594	3,520,588	43,593,324	-	155,958,188	220,657,694
Net book value	26,746,357	17,926,421	12,708,677	699,507,573	50,485,080	340,631,364	1,147,771,295

Property and Equipment

	Land	Equip. Furniture and Fixtures	Building and Improvements	Mine Site Dev. Cost	Construction in Progress	Heavy and Equipment	Total Dec. 31, 2012
Cost							
Beginning of year	20,473,993	22,231,795	11,613,245	406,313,792	36,751,003	307,224,698	804,608,526
Acquisition	6,223,164	13,177,710	4,381,843	14,405,500	13,142,344	192,099,140	243,429,701
Disposal	-	-	-	-	-	-	-
Reclassifications	-	-	-	322,381,605	-	-	322,381,605
End of year	26,697,157	35,409,505	15,995,088	743,100,897	49,893,347	499,323,838	1,370,419,832
Accumulated Depreciation							
Beginning of year	-	7,359,398	1,101,822	23,086,925	-	47,967,330	79,515,475
Disposal	-	-	-	-	-	-	-
Depreciation/Depletion	-	8,037,720	1,424,159	20,506,399	-	84,704,671	114,672,949
End of year	-	15,397,118	2,525,981	43,593,324	-	132,672,001	194,188,424
Net book value	26,697,157	20,012,387	13,469,107	699,507,573	49,893,347	366,651,837	1,176,231,408

There were no assets under property, plant and equipment that were used as securities to any loan except for heavy equipments that were mortgaged with loan from UCPB obtained in 2012. The carrying value of the mortgaged heavy and transportation equipment amounted to ₱14,248,088 as of December 31, 2012.

11. Deferred Mine Exploration Cost

Deferred mine exploration costs relate to mining projects that are currently on-going. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties producible in commercial quantities. Allowances will be provided for those deferred costs that are specifically identified to be unrecoverable.

12. Other Noncurrent Assets

This account consists of:

	March 2013	Dec. 2012
Mine rehabilitation fund	5,204,379 ₱	5,204,379
Monitoring trust fund	159,894	159,894
Rental deposit	920,866	317,250
Input VAT	144,819,071	140,247,386
Foreign Tax credit	16,955	16,955
Deferred tax assets	1,666,228	1,641,203
Other	1,123,821	1,623,083
	153,911,214 ₱	149,210,150

The Parents Company's input tax amounting to ₱5,754,619 and ₱5,607,244 as of March 31, 2013 and December 31, 2012 respectively, is net of a valuation allowance amounting to ₱607,636.

Rehabilitation Cash Fund

Rehabilitation Cash Fund (RCF) is a fund designated to ensure 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 (EPEP). The RCF shall be equivalent to 10% of the total amount needed to implement the EPEP or Five Million (₱5,000,000) whichever is lower. In the event of withdrawals from the RCF, the Subsidiary shall annually replenish the RCF so as to maintain the minimum required amount thereof.

Monitoring Trust Fund

Monitoring Trust Fund (MTF) is a fund exclusively used in the monitoring program approved by the Mine Rehabilitation Fund (MRF) Committee. It shall be in cash and in amount to be determined by the MRF Committee which shall not be less than ₱150,000. Replenishment of the amount shall be done monthly to correspond to the expenses incurred by the monitoring team for the month.

Others primarily pertain to diesel fuel deposits of the subsidiary and rental, utility and office renovation deposits of the Parent Company.

13. Notes Payable

This account consists of:

	March 2013	Dec. 2012
United Coconut Planters Life Assurance Corp.	130,000,000.00 ₱	100,000,000.00
Wealth Securities	-	30,000,000.00
Asian Alliance Investment Corporation	19,800,000.00	19,800,000.00
Total	149,800,000.00	149,800,000.00

All of the Parent Company's unsecured notes as of March 31, 2013 and December 31, 2012 amounting to ₱149.8 million have annual interest rates ranging from 10% to 12% and with maturities of 2 years from the date of drawdown, payable in full upon maturity.

All of the above notes have the option to convert all or a portion of the principal amount of the loan into fully paid shares of stock priced at ₱2.20 per share of MHI at any time prior to the maturity of the loan. Upon converting all or portion of the loan, the lender shall be entitled to a warrant to subscribe to one (1) Parent Company share, for every four (4) converted shares at a price of ₱2.20 per share. The warrants are subject to a two (2) year exercise period.

On July 21, 2011 SEC approved the conversion of the private placements amounting to ₱100 million into 56,818,181 shares, consisting of 45,454,545 shares of the Parent Company and 11,363,636 warrants.

Interest expense charged to operations amounted to ₱9,980,000 and ₱16,346,495 for the period ended March 31, 2013 and December 31, 2012 respectively.

14. Interest-bearing Loans

The Company's interest-bearing loans are as follows:

	March 2013	Dec. 2012
Philexim	₱ 47,000,000 ₱	-
Orix Metro	23,317,824	26,815,498
United Coconut Planters Bank (UCPB)	40,187,957	38,109,089
	₱ 110,505,781 ₱	64,924,587
Less: Current portion	35,402,391	-
	₱ 75,103,390 ₱	64,924,587

The On December 2012 the Subsidiary obtained a loan from UCPB Leasing and finance Corporation amounting to 17.8M intended for working capital requirement with an annual interest of 11.81% maturing on November 2014. This loan is secured with the Company's heavy equipment with the net book value of ₱25,441,418 as of December 31, 2012.

The Subsidiary's loan from Orix Metro amounting to ₱26,815,498 was intended for the acquisition of transportation equipment with an interest of 2% maturing on October, 2013.

The Subsidiary's loan from UCPB amounting to ₱2,432,047 was intended for the acquisition of transportation equipments in June 2010 payable in two (2) years starting June 2010 which was fully paid on June 1, 2012(Note 8).

Subsidiary's unsecured loan from PVB as at December 31, 2011 amounted to ₱75,000,000 with annual interest of 4.9579% and with maturity date of March 1, 2012. This was intended for working capital requirements. This loan was fully paid on February 13, 2012.

The Subsidiary's unsecured loans from AAIC as at December 31, 2012 and 2011 intended for working capital requirements amounted to nil and ₱22,094,961 with annual average interest rate of 5% above the 360-day T-bill rate. As at December 31, 2012 and 2011 no interest was charged to the Company. The loan from AAIC is unsecured and has no fixed payment terms. This loan was fully paid on July 26, 2012.

15. Trade and Other Payables

This account consists of:

		March 2013		Dec. 2012
Accounts payable	₱	28,269,895	₱	55,259,200
Customer Deposit		250,753,901		193,482,202
Other payables		8,585,557		14,420,341
	₱	287,609,353	₱	263,161,743

Trade payables include payables to contractors and are noninterest-bearing and have different credit terms. Other payables include SSS, HDMF, Phil health withholding taxes and other accruals pertaining to recurring expenses; and accrued retirement expense.

Deposits payable pertain to advance payment made by various customers for the purchase and shipment of the Subsidiary's nickel products.

As March 31, 2013, the aging analysis of trade payables is as follows:

	Total	Current	1-30 days	31-60 days	61-90 days	Over 91 days
Accounts payable	₱ 28,269,895	₱ 2,586,663	₱ 5,111,855	₱ 4,806,991	₱ 15,225,247	₱ 539,140

The carrying amount of accounts payable and other payables, which are expected to be settled within the next 12 months from reporting period, is a reasonable approximation of fair value. (see Note 23).

16. Related Party Transactions

This represents non-interest bearing advances to and from the stockholders and its affiliates for working capital requirements. Such advances are payable on demand with no guarantees attached and with no fixed payment terms.

	March 2013	Dec. 2012
Advances to affiliates		
Marcventures Minerals Holdings Inc.	₱ 6,596,294	₱ 6,596,294
Carac-an Development Corporation	1,295,376	1,291,591
	7,891,670	7,887,885
Less: Allowance for impairment losses	6,596,294	6,596,294
	1,295,376	1,291,591
Advances from Stockholders	₱ 35,530,078	₱ 41,588,074
Advances from affiliates:		
Marcventures Resources Holdings Inc.	105,209	105,209
Marcventures Minerals Holdings Inc.	17,354	17,354
	₱ 35,652,641	₱ 41,710,637

Significant transactions with related parties include the following:

Advances to MMHI and Carac-an pertain to ventures entered into by the Subsidiary and has been discontinued. These advances are deemed to be worthless and the Subsidiary has already provided an allowance for impairment losses in full (See Note 7).

Advances from stockholder represent cash advances made to the Group by Mario J. Vjungco, a majority stockholder of the Parent Company.

17. Equity

Capital Stock:

Details of the Parent Company's capital stock are as follows:

	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Total
Balance as of January 1, 2013	₱ 1,735,676,783	₱ 109,837,311	₱ 332,001,621	₱ 2,177,515,715
Total Comprehensive loss for the period	-	-	(26,688,036)	(26,688,036)
Balance as of March 31, 2013	₱ 1,735,676,783	₱ 109,837,311	₱ 305,313,585	₱ 2,150,827,679
	Capital Stock	Additional Paid In Capital	Retained Earnings (Deficit)	Total
Balance as of January 1, 2011	₱ 1,721,460,875	₱ 92,778,223	₱ 194,564,746	₱ 2,008,803,844
Total Comprehensive income for the period	-	-	137,436,875	137,436,875
Conversion of private placement	8,009,090	-	-	8,009,090
Exercise of underlying warrants	6,206,818	-	-	6,206,818
Increase in additional paid in capital	-	17,059,088	-	17,059,088
Balance as of December 31, 2012	₱ 1,735,676,783	₱ 109,837,311	₱ 332,001,621	₱ 2,177,515,715

On July 21, 2011 SEC approved the registration of 45,454,545 Common Shares underlying the Convertible Loan, and 11,363,636 common shares underlying the Warrants of the Parent Company. On July 27, 2011, PSE approved the application to list the said shares to cover the underlying common shares of the convertible loan, subject to the actual conversion of the convertible loans, to be issued to various lenders at a conversion price of P2.20 per share.

In January 2012, the SEC approved the conversion to 8,009,090 shares of the Company pertaining to convertible loan private placement amounting to P18,820,000 and conversion to 6,206,817 shares of the Company pertaining to exercise of stock warrants.

Capital stock was held by a total of 2,169 and 2,188 stockholders as of March 31, 2013 and December 31, 2012 respectively.

18. General Administrative

This account consists of:

	March 31,	
	2013	2012
Salaries and allowances	P 3,265,723	P 349,522
Depreciation	2,047,248	1,436,484
Advertisement	119,965	179,958
Representation	3,404,980	577,475
Outside services	318,444	24,000
Professional fee	100,000	198,900
Office supplies	415,814	65,332
Communication, light and water	200,985	180,883
Rental	665,088	518,716
Retirement expense	253,240	147,465
Bank charges	800	522,826
Interest expense	9,980,000	10,638,000
Taxes and licenses	1,663,651	5,311,411
Miscellaneous	639,408	1,330,946
	P 23,075,345	P 21,481,918

19. Commitments

The Group leases all of the premises occupied by their offices. The lease contracts provide for annual rentals amounting to 3,116,404 and P2,636,789 as at March 31, 2013 December 31, 2012. The standard lease periods are from two to five years. The lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by both parties.

The Group's minimum lease payments on non-cancellable lease are as follows:

	September 30, 2012	Dec. 31, 2011
Less than one year	P3,116,404	P2,636,789
Between one year to five years	6,856,088	5,800,936
	P9,972,492	P8,437,725

Rental expense charged to operations amounted to ₱655,088 and ₱518,716 for the periods ended March 2013 and March 31, 2012, respectively (See Note 18).

20. Other Income (Expense)

This account consists of:

	March 31, 2013	March 31, 2012
Interest income	₱ 7,855.00	₱ 60,071.00
Other income	32,200.00	
Gain on sale of property and equipment		382,659.00
Interest expense	(3,410,415.35)	
Foreign currency loss	(242,330.61)	(4,186,215.00)
Miscellaneous	-	427,818.00
	₱ (3,612,690.96)	₱ (3,315,667.00)

21. Basic/Diluted Earnings (Loss) Per Share

The computation of the earnings (loss) per share is as follows:

	March 31, 2013	Dec. 31, 2012
Net Income (loss)	₱ (26,688,035.95)	₱ 137,436,874
Divide by weighted average number of common shares	1,735,676,782	1,735,676,782
	(0.0154)	0.0792

The computation of the diluted earnings (loss) per share is as follows:

	March 31, 2013	Dec. 31, 2012
Net income (loss)	₱ (26,688,036)	₱ 137,436,874
Divided by weighted average number of common shares	1,821,699,509	1,821,699,509
	₱ (0.0147)	₱ 0.0754

	March 31, 2013	Dec. 31, 2012
Weighted average number of common shares for basic earnings per share	1,735,676,782	1,735,676,782
Effect of exercise of conversion option and warrants	86,022,727	86,022,727
Weighted average number of common shares adjusted for the effect of exercise of conversion options and warrants	1,821,699,509	1,821,699,509

The Parent Company considered the effect of its potentially dilutive convertible promissory notes and warrants. The assumed exercise of these stock options would have resulted in additional 86,022,727 common shares as at March 30, 2013 and December 31, 2012, respectively (See Note 17).

22. Risk Management Objectives and Policies

General

The Group has risk management policies that systematically view the risks that could prevent the Group from achieving its objectives. These policies are intended to manage risks identified in such a way that opportunities to deliver the Group's objectives are achieved. The Group'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 Group's established business objectives.

Financial Risk Management Objectives and Policies

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

Credit Risk

Credit risk represents the loss that the Group would incur if counterparty failed to perform under its contractual obligations.

The Group's exposure to credit risk arises from default of counterparty, with a maximum exposure equal to the carrying amount of its financial assets. The Group assessed its receivable as collectible and in good standing as at March 31, 2013 and December 31, 2012.

(Amounts in ₱'000)

	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	more than 5 years	Total
March 31, 2013							
Cash and cash equivalent	₱ 10,623	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 10,623
Accounts receivable- trade	-	-	7,369.00	1,886.00	-	-	9,255
Accounts receivable-other	-	28.00	1,954.00	-	-	-	1,982
Advances to related parties	-	3	1,293	6,901	-	-	8,197
Cash advance-others	8	713	2,158	75	-	-	2,954
December 31, 2012							
Cash and cash equivalent	₱ 13,023	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 13,023
Accounts receivable- trade	-	7,369	1,886	-	-	-	9,255
Accounts receivable-other	-	81	-	-	-	-	81
Advances to related parties	7,888	-	-	-	-	-	7,888
Accounts receivables- employes	3,247	-	-	-	-	-	3,247
Cash advance for liquidation	-	853	-	-	-	-	853
Cash advance-others	-	542	-	-	-	-	542

Interest Rate Risk

As at March 31, 2013 and December 31, 2012, the Group's loans are based on fixed rates. Management believes that cash generated from future operations is sufficient to pay for its obligations under the loan agreement as they fall due.

The following table sets out the maturity profile and the effective interest rate of the Group's financial assets and financial liabilities that are exposed to interest rate risk:

(Amounts in ₱'000)

	Effective interest rate	Total ₱ '000	6 months or less ₱ '000	6 to 12 months ₱ '000	1 to 2 years ₱ '000	2 to 5 years ₱ '000	more than 5 years ₱ '000
March 31, 2013							
Cash and cash equivalents	various	₱ 10,623	₱ 10,623	₱ -	₱ -	₱ -	₱ -
Interest-bearing loans		110,505	109,235	1,270	-	-	-
Notes payable Fixed	10-12%	149,800	-	-	149,800	-	-
Related party payables		35,653	-	16,000	19,653	-	-
December 31, 2012							
Cash and cash equivalents	various	₱ 13,023	₱ 13,023	₱ -	₱ -	₱ -	₱ -
Interest-bearing loans		64,925	-	25,502	-	-	39,423
Notes payable Fixed	10-12%	149,800	-	-	149,800	-	-
Related party payables		41,711	-	-	41,711	-	-

Interest on financial assets classified as floating rate is repriced at intervals of less than one year. Interest on financial assets and financial liabilities classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are noninterest-bearing or have no fixed or determinable maturity.

Liquidity Risk

The Group 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 Group'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 Group's financial liabilities as of March 31, 2013 and December 31, 2012 based on contractual undiscounted payments. Notes and loans payable consist of principal and estimated future interest payments.

(Amounts in ₱'000)

	On demand	Less than 3 months	3-6 months	6-12 months	1-5 years	more than 5 years	Total
March 31, 2013							
Trade and other payables	₱ 4,550	₱ 256,349	₱ 15,225	₱ 539	₱ -	₱ -	₱ 276,663
Interest-bearing loans	-	-	109,235	1,270	-	-	110,505
Related party payable	-	-	-	16,000	19,653	-	35,653
Notes payable	-	-	-	-	149,800	-	149,800
December 31, 2012							
Trade and other payables	₱ 16,297	₱ 246,430	₱ -	₱ -	₱ -	₱ -	₱ 262,727
Interest-bearing loans	-	-	-	25,502	-	39,423	64,925
Related party payable	-	-	-	-	41,771	-	41,771
Notes payable	-	-	-	-	149,800	-	149,800

Currency Risk

The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, accounts receivable and customer deposits in US\$. For its foreign currency-denominated trade receivables, the Parent Company ensures timely follow-up and collection to mitigate the impact of foreign exchange fluctuations.

To mitigate the effects of foreign currency risk, the Group will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis. The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at March 31, 2012 and December 31, 2012 are as follows:

(Amounts in P'000)

	March 31, 2013		December 31, 2012	
	Foreign Account	Peso Equivalent	Foreign Account	Peso Equivalent
Financial Asset				
Cash in bank	\$10	₱ 423	\$5	₱ 192
Accounts receivable	\$225	9,211	\$225	9,255
		9,634	\$230	9,447
Financial Liabilities				
Customer deposit	\$4667	191,058	\$4697	₱ 193,482

The exchange rates used for conversion of US\$1.00 to peso equivalent were ₱40.938 as at March 31, 2013.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, interest rates, equity prices and other market changes.

23. Categories and Fair Values of Financial Assets and Liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

The carrying amounts of cash and cash equivalents, receivable, available-for-sale securities, trade and other payables, interest bearing loans, notes payable and related party payables approximate their carrying amounts due to relatively short-term nature of these financial instruments.

The fair values of the loans were based on the discounted value of future cash flows using the applicable rates for similar types of loans.

(Amounts in ₱'000)

Category of Financial Instruments	March 31, 2013		December 31, 2012	
	Carrying value	Fair Value	Carrying value	Fair Value
Cash and cash equivalents	₱ 10,670	₱ 10,670	₱ 13,125	₱ 13,125
Trade and other receivables	14,152	14,152	13,630	13,630
	₱ 24,822	₱ 24,822	₱ 26,755	₱ 26,755
Financial liabilities carried at amortized cost				
Trade and other payables	₱ 287,609	₱ 287,609	₱ 248,446	₱ 248,446
Interest-bearing loans	110,506	110,506	64,925	64,925
Notes payable	149,800	149,800	149,800	149,800
Related party payables	35,653	35,653	41,711	41,711
	₱ 583,568	₱ 583,568	₱ 504,882	₱ 504,882

During the periods ended March 31, 2013 and December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

24. Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders.

Governance framework

The Group has established a risk management functions with clear terms of reference and with the responsibility for developing on market credit and liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Group's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital management framework

The Group's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Group is the exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and revenue account, are reported to the Group's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement reviewed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

	March 2013	December 2012
Trade and other payables	₱ 287,609,353	₱ 263,161,743
Interest bearing loans	110,505,782	64,924,587
Notes payable	149,800,000	149,800,000
Related party payables	35,652,641	41,710,637
Total debt	583,567,776	519,596,967
Capital stock	1,735,676,782	1,735,676,782
Additional paid-in capital	109,837,311	109,837,311
Retained earnings (deficit)	305,313,584	332,001,621
Total equity	2,150,827,678	2,177,515,714
Debt-to-equity ratio	0.27:1	0.24:1

Regulatory framework

The operations of the subsidiary are also subject to the regulatory requirements of SEC, Bureau of Internal Revenue and DENR. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive functions.

25. **Others**

Sales agreement

The subsidiary has sales agreements with two of its buyers, Dunfeng Holdings Inc., and YinYi Philippine Mining Inc. The agreement with Dunfeng Holdings Inc. was signed last December 2011 and is for the sale of 3 million wet metric tons of nickel ore over a period of 3 years, beginning in 2012 and ending in 2014. The two agreements signed with YinYi Philippine Mining on December 2012 and January 2013, respectively, are for the sale of 495,000 wet metric tons of nickel ore over the year of 2013.

26. **Retirement / Pension Costs**

The Group has an unfunded and non-contributory defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on a certain percentage of final monthly basic salary for every year of credited service of the employees. Discount rate of 10% was used to get the present value of the defined benefit obligation and a 5% yearly salary increase was estimated.

The principal actuarial assumptions used to determine the pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates.

The Subsidiary's retirement plan was only recognized in its 2010 financial statements thus resulting to a prior period adjustment. This was only taken by the Parent Company in its December 31, 2011 consolidated financial statements.

Total pension cost in the consolidated statements of comprehensive income amounted to ₱1,768,238, ₱602,978 for the periods ended March 31, 2013 and December 31, 2012 respectively.

Details of the Subsidiary's retirement plan are as follows:

	March 31, 2013	Dec. 31, 2012
Current service cost	₱ 1,547,146	₱ 1,547,146
Interest cost on benefit obligation	221,092	221,092
	₱ 1,768,238	₱ 1,768,238

Changes in the present value of the defined benefit obligation are as follows:

	March 31, 2013	Dec. 31, 2012
Opening defined benefit obligation	₱ 2,210,921	₱ 2,210,921
Interest cost	221,092	221,092
Current service cost	1,547,146	1,547,146
	₱ 3,979,159	₱ 3,979,159

Seasonality or Cyclicity of Interim Operation:

Marcventures Mining Development Corp (the subsidiaty) usually has no mining or extraction activities from December to March period due to seasonal heavy rain in its area. Given this, operation are focused on preparatory activities for the beginning of its mining season that coincides with the relatively drier months of April – November. Preparatory activities consist primarily of maintenance operations for the various mountain roads that form part of the haulage network, as well as the causeway. Rehabilitation works are also performed on the fleet of heavy equipment.