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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 4 - 3 C I T I B A N K C E N T E R C O N D .  
8 7 4 1 P A S E O D E R O X A S M A K A T I C I T Y  
(Business Address: No. Street City/Town/Province)

Ana Katigbak  
(Contact Person)

02-8314479  
(Company Telephone Number)

1 2 3 1  
Mont Day  
h  
(Calendar Year)

1 7 - Q  
(Form Type)

Mont Day  
h  
(Annual Meeting)

N.A.  
Secondary License Type, If Applicable)

Finance Department  
Dept. Requiring this Doc.

March 31, 2016  
Period Ending Date

Total Amount of Borrowings

2,171  
Total No. of Stockholders

N/A N/A  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

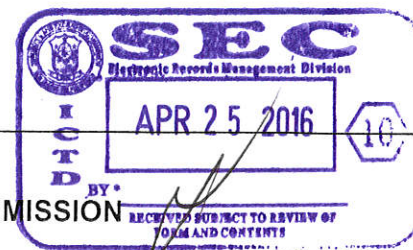
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SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

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, 2016**
2. Commission identification number **12942**
3. BIR Tax Identification No. **470-000-104-320**
4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code:  (SEC Use Only)
7. Address of registrant's principal office:  
**Unit 4-3 Citibank Center Cond.**  
**8741 Paseo de Roxas , Makati City**
8. Registrant's telephone number, including area code: **(63 2) 831-4479**
9. Former name, former address and former fiscal year, if changed since last report. **N A.**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock (P1.00 par value)	1,821,358,599 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?  
Note: only 1,821,327,687 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, 2016 and for the three month period ended March 31, 20145 with comparative audited figure as of December 31, 2015 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, 2016 and December 31, 2015**

	<b>March 31, 2016 Unaudited</b>	<b>Dec. 31, 2015 Audited</b>	<b>March 31, 2016 vs. Dec. 31, 2015</b>	
	<b>(P'000)</b>	<b>(P'000)</b>	<b>Amount Increase (decrease) (P'000)</b>	<b>Percentage Increase (decrease)</b>
Current assets	<b>P465,851</b>	<b>P580,377</b>	<b>(P114,526)</b>	<b>(19.73%)</b>
Noncurrent assets	<b>2,810,397</b>	<b>2,846,491</b>	<b>(36,094)</b>	<b>(1.27%)</b>
<b>Total Assets</b>	<b>P3,276,248</b>	<b>P3,426,868</b>	<b>(150,620)</b>	<b>(4.40%)</b>
Current Liabilities	<b>P232,007</b>	<b>P307,805</b>	<b>(75,798)</b>	<b>(24.63%)</b>
Noncurrent liabilities	<b>154,927</b>	<b>154,927</b>	<b>-</b>	<b>-</b>
Total Stockholders' Equity	<b>2,889,313</b>	<b>2,964,136</b>	<b>(74,822)</b>	<b>(2.52%)</b>
<b>Total Liabilities and Stockholders' Ec</b>	<b>P3,276,248</b>	<b>P3,426,868</b>	<b>(P161,084)</b>	<b>(4.40%)</b>

#### **Summary of Consolidated Income Statement for the three months period ended March 31, 2016 and 2015.**

	<b>For three months ending March</b>		<b>March 31, 2016 vs. March 31, 2015</b>	
	<b>2016 (P'000)</b>	<b>2015 (P'000)</b>	<b>Amount Increase (decrease) (P'000)</b>	<b>Percentage Increase (decrease)</b>
Revenues	<b>P-</b>	<b>P 152,120</b>	<b>(P152,120)</b>	<b>(100.00%)</b>
Cost of Sales	<b>-</b>	<b>146,390</b>	<b>(142,390)</b>	<b>(100.00%)</b>
Gross Profit	<b>-</b>	<b>5,730</b>	<b>(5,730)</b>	<b>(100.00%)</b>
Operating expenses	<b>73,396</b>	<b>67,643</b>	<b>5,753</b>	<b>8.51%</b>
Income from operations	<b>(73,396)</b>	<b>(61,913)</b>	<b>11,483</b>	<b>18.55%</b>
Other Income ( Expenses)	<b>(1,426)</b>	<b>(630)</b>	<b>796</b>	<b>126.35%</b>
<b>Net income (loss) for the period</b>	<b>(P74,822)</b>	<b>(P62,543)</b>	<b>(P12,279)</b>	<b>19.63%</b>



**Summary of Consolidated Statement of Cash Flows for the three months period ending March 31, 2016 and 2015.**

	<b>For Three Month Ending</b>	
	<b>2016</b>	<b>2015</b>
	<b>(P'000)</b>	<b>(P'000)</b>
Cash used in operating activities	<b>(P76,201)</b>	<b>(P239,222)</b>
Cash used in investing activities	<b>(8,613)</b>	<b>(133,783)</b>
Cash provided by ( used in) financing activities	<b>(4,669)</b>	<b>(150,979)</b>
Net decrease in cash and cash equivalent	<b>(89,484)</b>	<b>(523,984)</b>
Cash and cash equivalent- December 31, 2014	<b>190,207</b>	<b>614,134</b>
Cash and cash equivalent March 31, 2015	<b>P100,723</b>	<b>P90,150</b>

**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, 2016, with comparative figures for the corresponding periods in 2015 and audited consolidated financial statements as of December 31, 2015, 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, 2016 compared with three months March 31, 2015*

**Results of Operation:**

**Revenues**

For the three months period ended March 31, 2016 the company had an estimated mined inventory ore of 175,423 wet metric tonnes (WMT). No shipment was made during the first quarter of 2016 due to unfavorable weather condition and the nickel selling price was lower than the market price in Surigao because Western Philippine area is still shipping their ores. The company's scheduled the 2016 first shipment on April. During the same period last year the subsidiary sold a total volume of 223,320 WMT of nickel ore or equivalent to 4 shipments.

There was no recorded revenue for the quarter period ended March 31, 2016 as compared to the same period last year, revenue from the sale of nickel ore amounted to P152.12 million.

**Operating expenses**

Operating expenses increased by 8.51% or P5.76 million increased from P67.64 million for the 1st quarter period last year to P73.40 million this year. The increase was mainly accounted for by the following:

- **Increase in Representation** by P0.64 million or equivalent to 54.70% due to various meeting with prospective client.
- **Increase in Depreciation** by P8.16 million or 164.56% mainly due to depreciation of acquired service vehicles, office equipment, furniture & fixtures after the 2015 first quarter.
- **Increase in Professional fees** by P4.02 million or equivalent to 179.70% due to the hiring of additional management, technical personnel, and consultants.

- **Increase in Outside services** by ₱0.67 million or equivalent to 18.25% mainly due to equipment maintenance and pilotage services.
- **Increase in Rental** by ₱0.63 million or equivalent to 489.10% mainly due to lot rental at minesite.
- **Increase in Repairs and Maintenance** by ₱0.23 million or equivalent to 717.54% due to repair of service vehicles and office improvement.
- **Increase in Supplies** by ₱0.48 million or equivalent to 70.35% , due increase office supplies, food and pantry supplies.
- **Increase in Donation** by ₱1.18 million or equivalent to 84.13% due to financial assistance on leagues of municipalities, allowances of daycare workers and solicitation for graduation of various schools.
- **Environmental expenses** amounting ₱1.76 million consist of salaries of EPEP staff, materials and materials used in environmental protection.
- **Increase in Other expenses** by ₱1.16 million or equivalent to 40.41% mainly due to settlement of 2012 tax deficiency.

The above cost increases were partly offset by the following :

- **Decrease in Salaries and allowances** by ₱6.51 million or equivalent to 20.40%
- **Decrease in Taxes and licenses** by ₱1.03 million or equivalent to 14.20% .
- **Decrease in Director's Fee** by ₱1.97 million or equivalent to 42.48% .
- **Decrease in Social development program** by ₱0.66 million or equivalent to 24.71%.

#### Statement of Financial Position

March 31, 2016 vs. December 31, 2015

#### **Assets**

The consolidated total assets of the Company decreased by ₱150.62 million from ₱3,426.87 million as of December 31, 2015 to ₱3,276.25 million as of March 31, 2016 . The 4.40% decrease was mainly due to the following:

- **Decrease in total current assets** from ₱580.38 million as of December 31, 2015 to ₱465.85 million as of March 31, 2016. The 19.73% decrease was attributable to the following:
  - **Decrease in cash** from ₱190.21 million to ₱100.72 million or reduction of ₱89.49 million or 47.05%, due to payment of loans, trade payables and operating expenses.
  - **Decrease in Trade and other receivables** from ₱206.33 million to ₱41.20 million. The decrease of ₱165.13 million or 80.03% was due to earlier collection of trade and other receivable recognized in 2015.
  - **Increase in Inventory** from ₱35.72 million to ₱161.93 million. The increase of ₱126.21 or 353.35% pertains to the inventory buildup in preparation for the shipment operations.
  - **Increase in other current assets** from ₱75.61 million to ₱87.98 million. The increase of ₱12.37 million or 16.4% was due to advances to suppliers and increase in mining supplies.
  - **Decrease in Property and equipment** by ₱42.67 million mainly due to depreciation.

**Liabilities**

The total consolidated liabilities of the Company decreased by ₱75.80 million or a 16.38% from ₱462.73 million as of December 31, 2015 to ₱386.93 million as of March 31, 2015. The decrease was primarily due to payment trade and other payables amounting to ₱71.13 million.

**Equity**

The stockholders' equity of the Company decreased by ₱74.82 million or 2.52% from ₱2,964.14 million as of December 31, 2015 to ₱2,889.31 million as of March 31, 2016. The decrease pertains to the net loss for the quarter.

## Horizontal and Vertical Analysis:

Mar. 31, 2016 vs. Dec 31, 2015

	March 2016	December 2015	Percentage	
			Increased (Decreased)	
<b>A S S E T S</b>				
<b>Current Assets</b>				
Cash and cash in bank	100,723,043	190,206,924	(89,483,881)	-47.05%
Receivable	41,200,665	206,331,617	(165,130,952)	-80.03%
Inventories	161,928,233	35,717,894	126,210,339	353.35%
Receivable from related parties	74,016,764	72,511,953	1,504,811	2.08%
Other current assets	87,982,253	75,609,021	12,373,232	16.36%
Total Current Assets	465,850,958	580,377,409	(114,526,451)	-19.73%
<b>Non-current Assets</b>				
Investments	-	-	-	-
Advances to subsidiary	-	-	-	-
Property and Equipment - net	472,684,715	515,351,252	(42,666,537)	-8.28%
Mine and Mining Proprieties	836,052,030	831,818,187	4,233,843	0.51%
Explored Mineral Resources	1,098,559,100	1,098,559,100	-	0.00%
Deferred tax assets	15,857,627	15,857,627	-	0.00%
Other non current assets	387,243,886	384,904,627	2,339,259	0.61%
Total non-current assets	2,810,397,358	2,846,490,793	(36,093,435)	-1.27%
<b>TOTAL ASSETS</b>	<b>3,276,248,316</b>	<b>3,426,868,202</b>	<b>(150,619,886)</b>	<b>-4.40%</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>				
<b>Current Liabilities</b>				
Current Portion -long term loans	113,446,786	118,116,126	(4,669,340)	-3.95%
Trade and other payable	94,406,325	165,534,536	(71,128,211)	-42.97%
Related party payable	-	-	-	-
Income Tax payable	19,199,421	19,199,421	-	0.00%
Dividend payable	4,955,354	4,955,354	-	0.00%
Total Current liabilities	232,007,886	307,805,437	(75,797,551)	-24.63%
<b>Non current Liabilities</b>				
Interest bearing loans	74,316,486	74,316,486	-	0.00%
Deposit for future subscription	-	-	-	-
Pension liability	34,900,776	34,900,776	-	0.00%
Provision for mine site rehabilitation	45,709,730	45,709,730	-	0.00%
Total Non current liabilities	154,926,992	154,926,992	-	0.00%
	386,934,878	462,732,429	(75,797,551)	-16.38%
<b>Stockholders' Equity</b>				
Capital stock	1,821,358,599	1,821,358,599	-	0.00%
Subscribed capital stock	-	-	-	-
Additional paid in capital	212,655,494	212,655,494	-	0.00%
Deposit for future subscription	-	-	-	#DIV/0!
Retained Earnings (Deficit)	836,196,346	911,018,681	(74,822,335)	-8.21%
Actuarial Gain	19,102,999	19,102,999	-	0.00%
Total Equity	2,889,313,438	2,964,135,773	(74,822,335)	-2.52%
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>3,276,248,316</b>	<b>3,426,868,202</b>	<b>(150,619,886)</b>	<b>-4.40%</b>

## **STATEMENT OF CASH FLOWS**

The net cash used in operating activities amounted to ₱76.20 million for the three months ended March 31, 2016 as compared to the same period last year amounted to ₱239.22 million. The decrease in cash from operating activities is the net result of the following:

- Net loss generated during the first quarter this year.
- Higher interest paid due to payment of interest bearing loans
- Decrease in current liabilities

Net cash used in investing activities amounted to ₱8.62 million as compared to ₱133.78 million for the same period in 2015 .

Net cash used in financing activities amounted to ₱4.67 million for the current year due to payment of loan as compared to net cash used of ₱150.98 million last year mainly due to availment of an interest bearing loan of ₱100.00 million and payment of dividends amounting to ₱250.85 in 2015.

The net effect of the foregoing operating, investing and financing activities is a decrease of ₱89.48 million and a balance of ₱100.72 million in cash as of March 31, 2016 as compared to a decrease of ₱523.98 million and a balance of ₱90.15 million as of March 31, 2015.

## **OTHER INFORMATION**

- a. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.
- b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.
- c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- d. There are no material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;
- e. Aside from the volatile prices of ore in the market and USD exchange rate, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations
- f. The causes for the material changes from period to period in the financial accounts were explained in the management's discussion and analysis of financial condition and results of operation.
- g. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.
- h. There are no seasonal aspects that had a material effect on the financial condition or results of operations.

- i. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.
- j. There are no new Issuances, repurchases, and repayments of debt and equity securities.
- k. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.
- l. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
- m. There are no contingent liabilities or contingent assets since the last annual balance sheet date.
- n. There are no material contingencies and other material events or transactions during the interim period.
- o. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

### **Key Performance Indicators**

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

	March 31, 2016	March 31, 2015
Net Loss	(P74,822,335)	(P62,543,114)
Quick assets	141,923,708	255,203,873
Current assets	465,850,958	572,557,959
Total Assets	3,276,248,316	3,455,779,911
Current liabilities	232,007,885	368,232,290
Total liabilities	386,934,877	439,335,362
Stockholders' Equity	2,889,313,438	3,016,444,549
Number of common shares outstanding	1,821,358,599	1,821,358,599

Liquidity ratios:		
Current ratio <sup>(1)</sup>	2.00:1	1.55:1
Quick ratio <sup>(2)</sup>	0.61:1	0.69:1
Solvency Ratios:		
Debt ratio <sup>(3)</sup>	0.12:1	0.13:1
Debt to Equity ratio <sup>(4)</sup>	0.13:1	0.15:1
Profitability ratios:		
Earning ( loss) per share <sup>(5)</sup>	(0.04)	(0.03)

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 II - OTHER INFORMATION

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

**NONE**

## PART III - FINANCIAL SOUNDNESS INDICATORS

### Liquidity Ratio

- a. Current Ratio  
Total Current Assets/ Total Current Liabilities = 2.00:1
- b. Quick Ratio  
Quick asset / Total Current Liabilities = 0.61:1

### Solvency Ratio

- a. Debt Ratio  
Total liabilities / Total assets = 0.12:1
- b. Debt to Equity Ratio  
Total liabilities / Shareholder's Equity = 0.13:1

### Profitability Ratio

- a. Return on Equity Ratio  
Net income (loss) / Average shareholder's equity = (0.03):1
- b. Return on Assets  
Net income (loss)/ Average Total assets = (0.02):1
- c. Fixed Assets Turnover Ratio :  
Revenue/Property Plant and Equipment = 0.00:1
- d. Asset to Equity Ratio:  
Total Assets / Stockholders' Equity = 1.13:1
- e. Asset Turnover  
Revenue/Total Assets = 0.00:1


### Interest Coverage Ratio

Net Income (loss) / Interest expense = (30.64):1


**SIGNATURES**

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

Issuer: **MARCVENTURES HOLDINGS INC.**

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

Date: April 22, 2016

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

Date: April 22, 2016

**Marcventures Holdings, Inc. and Subsidiary**

**Consolidated Financial Statements  
March 31, 2016**

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	March 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	P100,723,043	P190,206,924
Trade and other receivables	7	41,200,665	206,331,617
Inventories		161,928,232	35,717,894
Advances to related parties	19	74,016,764	72,511,953
Other current assets	8	87,982,253	75,609,021
<b>Total Current Assets</b>		<b>465,850,958</b>	<b>580,377,409</b>
<b>Noncurrent Assets</b>			
Property and equipment	9	472,684,715	515,351,252
Mining rights on explored resources	10	1,098,559,100	1,098,559,100
Mine and mining properties	10	836,052,030	831,818,187
Deferred tax assets	21	15,857,627	15,857,627
Other noncurrent assets	11	387,243,886	384,904,627
<b>Total Noncurrent Assets</b>		<b>2,810,397,358</b>	<b>2,846,490,793</b>
		<b>P3,276,248,316</b>	<b>P3,426,868,202</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Current portion of long-term loans	13	P113,446,786	P118,116,126
Trade and other payables	12	94,406,325	165,534,536
Income Tax payable		19,199,421	19,199,421
Dividend payable		4,955,354	4,955,354
<b>Total Current Liabilities</b>		<b>232,007,886</b>	<b>307,805,437</b>
<b>Noncurrent Liabilities</b>			
Interest bearing loans		74,316,486	74,316,486
Retirement liability	18	34,900,776	34,900,776
Provision for mine site rehabilitation		45,709,730	45,709,730
<b>Total Noncurrent Liabilities</b>		<b>154,926,992</b>	<b>154,926,992</b>
<b>Equity</b>			
Capital stock	14	1,821,358,600	1,821,358,600
Additional paid-in capital		212,655,493	212,655,493
Retained earnings		836,196,346	911,018,681
Actuarial gain		19,102,999	19,102,999
<b>Total Equity</b>		<b>2,889,313,438</b>	<b>2,964,135,773</b>
		<b>P3,276,248,316</b>	<b>P3,426,868,202</b>

*See accompanying Notes to Consolidated Financial Statements.*

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the quarter ended March 31			
	Note	2016	2015
SALE OF ORE		P-	P152,120,237
COST OF GOODS SOLD	15	-	146,390,286
GROSS INCOME		-	5,729,951
OPERATING EXPENSES	16	73,396,192	67,642,710
INCOME(LOSS) FROM OPERATIONS		(73,396,192)	(61,912,759)
INTEREST EXPENSE	13	(2,441,863)	(2,055,803)
INTEREST INCOME	6	20,116	15,877
OTHER INCOME (CHARGES)	17	995,604	1,409,572
INCOME(LOSS) BEFORE INCOME TAX		(74,822,335)	(62,543,114)
BENEFIT FROM INCOME TAX	21	-	-
NET INCOME(LOSS)		(74,822,335)	(62,543,114)
OTHER COMPREHENSIVE LOSS		-	-
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>		<b>(P74,822,335)</b>	<b>(P62,543,114)</b>
Basic earnings (loss) per share	22	(P0.04)	(P0.03)
Diluted earnings (loss) per share	22	(P0.04)	(P0.03)

*See accompanying Notes to Consolidated Financial Statements.*

**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED MARCH 31, 2016 AND YEAR ENDED 2015**

	Note	2016	2015
<b>CAPITAL STOCK</b>			
Balance at beginning of year	14	<b>₱1,821,358,600</b>	<b>₱1,821,358,600</b>
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of year		<b>212,655,493</b>	<b>212,655,493</b>
<b>RETAINED EARNINGS</b>			
Balance at beginning of year		<b>911,018,681</b>	<b>1,030,073,433</b>
Net income (loss)		<b>(74,822,335)</b>	<b>(62,543,114)</b>
Balance at end of year		<b>836,196,346</b>	<b>967,530,319</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Balance at beginning of year		<b>19,102,999</b>	<b>14,900,142</b>
Actuarial Gain		<b>-</b>	<b>-</b>
Balance at end of year		<b>19,102,999</b>	<b>14,900,142</b>
		<b>₱2,888,313,438</b>	<b>₱3,016,444,554</b>

*See accompanying Notes to Consolidated Financial Statements.*



**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

		For the quarter ended March 31	
	Note	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income(loss) before income tax		(P74,822,335)	(P62,543,119)
Adjustments for:			
Depletion	10	-	-
Depreciation	9	44,706,236	59,373,276
Interest expense	13	2,441,863	2,055,803
Interest income	6	(20,116)	(15,877)
Operating income(loss) before working capital changes		(27,694,352)	(1,129,916)
Working capital changes in:			
Decrease (increase) in:			
Trade and other receivables		165,130,952	(151,979,751)
Inventory		(126,210,339)	(2,983,076)
Other current assets		(12,373,232)	(32,763,974)
Advances to related parties		(1,504,811)	(1,042,578)
Increase (decrease) in:			
Trade and other payables		(71,128,212)	(47,282,381)
Net cash generated from (used in) operations		(73,779,994)	(237,181,676)
Interest paid		(2,441,863)	(2,055,803)
Interest received		20,116	15,877
Net cash provided by/(used in) operating activities		(76,201,741)	(239,221,602)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Other noncurrent assets		(2,339,259)	(112,396,063)
Property and equipment	9	(2,039,699)	(19,801,978)
Mine and mining properties		(4,233,843)	(1,585,604)
Cash used in investing activities		(133,783,645)	(133,783,645)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availment (payment) of loans		(4,669,339)	99,875,050
Dividends paid		-	(250,854,017)
Net cash provided by (used in) financing activities		(4,669,339)	(150,978,967)
<b>NET DECREASE IN CASH</b>		<b>(89,483,881)</b>	<b>(523,984,215)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>190,206,9246</b>	<b>614,134,346</b>
<b>CASH AT END OF YEAR</b>		<b>P100,723,043</b>	<b>P90,150,132</b>

*See accompanying Notes to Consolidated Financial Statements.*

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**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

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**1. Corporate Information**

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

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

The Parent's shares of stock were initially listed in the Philippine Stock Exchange (PSE) on January 10, 1958. As at March 31, 2015 and December 31, 2013 1,821,358,599 of the Parent's shares of stock are listed in the PSE.

The Parent owns 100% interest in Marcventures Mining Development Corporation (MMDC), a company incorporated in the Philippines.

MMDC has been granted by the Philippine Department of Environment and Natural Resources (DENR) a Mineral Production Sharing Agreement (MPSA) covering an area of approximately 4,799 hectares located in Cantilan, Surigao Del Sur.

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

On October 29, 2009, MMDC's Declaration of Mining Feasibility was partially approved by the MGB because of certain limitations concerning the Environmental and Compliance Certificate (ECC), allowing MMDC to commence development and operation only within a 300-hectare area covered in the MPSA. On April 23, 2013, the ECC was amended. MMDC was granted authorization to develop and operate the whole 4,799-hectare area covered in the MPSA.

On July 19, 2010, MMDC 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, MMDC is entitled to an Income Tax Holiday (ITH) for four (4) years from July 2010 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

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

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## 2. Basis of Preparation and Statement of Compliance and Basis of Consolidation

### Basis of Preparation and Presentation

The accompanying consolidated financial statements of the Company have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine Peso, which is the Company's functional currency. All values are in absolute amounts unless otherwise indicated.

### Statement of Compliance

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

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiary, MMDC, as at March 31, 2016 and 2015.

A subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases.

All intra-company balances, transactions, income and expenses and profits and losses resulting from intra-company transactions that are recognized in assets, are eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

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## 3. Summary of Changes in PFRS

### Adoption of New and Revised PFRS

The Company adopted the following new and revised PFRS, which became effective as at January 1, 2014:

- PAS 1, *Financial Statement Presentation* - The amendment changed the presentation of other comprehensive income, wherein items that will be reclassified to profit or loss at a future point in time are presented separately from items that cannot be reclassified.
- PAS 19, *Employee Benefits* (Amendment) - The amendment introduced numerous changes such as, among others, the removal of the corridor approach in the recognition of actuarial gains or losses and the concept of expected returns on plan assets and the disclosure of sensitivity analyses on the significant actuarial assumptions and the disaggregation of plan assets by nature and risk.
- PFRS 10, *Consolidated Financial Statements* - The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. Management has to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.
- PFRS 12, *Disclosure of Interests in Other Entities* - The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31, *Interests in Joint Ventures* and PAS 28, *Investments in Associates and Joint Ventures*. These disclosures relate to an entity's

interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PAS 27, *Separate Financial Statements* (as revised in 2011) - As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) - The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.
- Amendments to PFRS 10, PFRS 11 and PFRS 12: *Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11 and PFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.
- PFRS 13, *Fair Value Measurement* - The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.
- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* - This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.
- Improvements to PFRS

The omnibus amendments to PFRS issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*
- PAS 1, *Presentation of Financial Statements*
- PAS 32, *Financial Instrument: Presentation*

Adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* - The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* - This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements. Additional disclosures will be included in the consolidated financial statements, as applicable.

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#### 4. Summary of Significant Accounting and Reporting 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 the years presented, unless otherwise stated.

##### Fair Value Measurement

The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

##### Financial Assets and Liabilities

###### a. Recognition

Financial instruments are recognized in the consolidated statement of financial position when the Company becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting. The initial measurement of the financial instruments, except for those classified at fair value through profit or loss (FVPL), includes transaction costs.

###### b. Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and

(d) Available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at March 31, 2016 and December 31, 2015, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

*Loans and Receivables.* Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable in the acquisition of the financial instrument. The amortization is included in profit or loss.

This category includes cash, trade and other receivables (excluding advances to contractors and suppliers) and advances to related parties.

*Other Financial Liabilities at Amortized Cost.* Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as when there is amortization process.

This category includes interest-bearing loans, trade and other payables (excluding statutory payables) and advances from related parties.

c. Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

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



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

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

d. Offsetting

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

e. Impairment of Financial Assets

*Loans and Receivables.* The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying value of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined had no impairment been recognized.

Inventories

Inventories, which consist of ore stockpile are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. Cost is determined using the moving average method.

Prepayments

Other current assets include expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

#### Property and Equipment

Property and equipment are initially measured at cost less accumulated depreciation and impairment losses, if any. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Cost also includes any asset retirement obligation and capitalized interest on borrowed funds used in the case of a qualifying asset.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expense in the period in which these are incurred.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the property and equipment:

	Number of Years
Building	5-10
Office equipment and furniture and fixture	2-5
Heavy and transportation equipment	4-10

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

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

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

#### Mine and Mining Properties

Upon start of commercial operations, mine development costs and deferred exploration costs are capitalized as part of mine and mining properties and presented as a separate line item in the consolidated statements of financial position. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves, which is reviewed periodically to ensure that the estimated depletion is consistent with the expected pattern of economic benefits from the mine and mining properties.

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

#### Mining Rights on Explored Resources

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

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

#### Impairment of Nonfinancial Assets

The Company assesses at each reporting date whether there is an indication that property and equipment, mine and mining properties and mining rights on explored resources may be impaired when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the asset or cash-generating unit is written down to its recoverable amount, which is the greater of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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

#### Retirement Benefits

The Company has an unfunded, non-contributory defined benefit plan covering all qualified employees. The retirement cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The net retirement liability or asset is the aggregate of the present value of the retirement liability and the fair value of plan assets on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

#### Borrowing Costs

Borrowing costs directly attributable to the development, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the asset. Capitalization of borrowing costs commences when activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Borrowing costs consist of interest and other financing costs that the Company incurs in connection with the borrowing of funds.

All other borrowing costs are recognized and charged to profit or loss as incurred.

#### Capital Stock

Capital stock is measured at par value for all shares issued.

#### Additional Paid-in Capital

Additional paid-in capital is the excess over par value of consideration received for the subscription and issuance of shares of stock.

#### Retained Earnings

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

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is 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. Revenue is recognized as follows:

*Sale of ore.* Sales are recognized upon delivery of goods to and acceptance by customers.

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

*Other Income.* Income from other sources is recognized when earned during the period.

#### Cost and Expenses Recognition

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably. Cost and expenses are presented using the function of expense method.

*Cost of Sales.* Cost of sales are recognized as expenses when the related goods are sold.

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

#### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the inception date, whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset;  
or
- d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

*Company as Lessee.* Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. For income tax purposes, expenses under operating lease agreements are treated as deductible expense in accordance with the terms of the lease agreements.

#### Foreign Currency-Denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. All differences are recognized in profit or loss.

#### Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of any unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax



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

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

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

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

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

#### Related Parties

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

#### Provisions and Contingencies

*General Provisions.* Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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

*Contingencies.* 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 are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

#### Earnings Per Share

*Basic.* Basic earnings per share is calculated by dividing the net income attributable to the ordinary stockholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares.

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

#### Events After the Reporting Date

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

#### Segment Reporting

The Company has only one operating segment which consists of mining exploration and development.

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### **5. Significant Accounting Judgments and Estimates**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Judgments

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

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

*Operating Lease Commitment - Company as Lessee.* The Company has an operating lease agreement for its office space. The Company has determined that the risks and benefits of ownership related to the leased properties are retained by the lessor. Accordingly, the lease is accounted for as an operating lease (see Note 20).

### Estimates

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

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

Trade and other receivables, net of allowance, amounted to ₱41.20 million and ₱206.33 million as at March 31, 2016 and December 31, 2015, respectively. Allowance for receivable impairment amounted ₱11.04 million as at March 31, 2016 and December 31, 2015 (see Note 7).

*Estimating Net Realizable Value of Inventories.* The Company recognizes loss on inventories whenever net realizable values become lower than costs due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Net realizable value is reviewed on a monthly basis to reflect the accurate valuation in the financial records. The carrying value of inventories, which is measured at cost, amounted to ₱161.93 million and ₱35.72 million as at March 31, 2016 and December 31, 2015, respectively.

*Estimating the Realizability of Input VAT.* The Company assesses the realizability of input VAT based on its ability to utilize the asset. The assessment is made on a continuing basis year on year. The carrying value of input VAT, which is included as part of "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱269.44 million and ₱266.59 million as at March 31, 2016 and December 31, 2015, respectively (see Note 11).

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

Property and equipment, net of accumulated depreciation, amounted to ₱472.68 million and ₱514.56 million as at March 31, 2016 and December 31, 2015, respectively (see Note 9).

*Estimating Depletion Rate and Recoverable Reserves.* Depletion rates used to amortize mine and mining properties and mining rights on explored resources are assessed on an annual basis based on the results of latest estimate of recoverable reserves, which is subject to future revisions. Recoverable reserves and resource estimates for development project are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cost based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project

funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. The Company's reserves are estimated based on local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a competent person.

Mine and mining properties, net of accumulated depletion, amounted to ₱836.06 million and ₱831.82 million as at March 31, 2016 and December 31, 2015, respectively (see Note 10).

Mining rights on explored resources, net of accumulated depletion, amounted to ₱1,098.56 million as at March 31, 2016 and December 31, 2015 (see Note 10).

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

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

No impairment loss was recognized in 2016 and 2015.

*Estimating Provision for Mine Rehabilitation.* The obligation to rehabilitate and decommission a mine generally arises when the ground/environment is disturbed at the production location. The amount of provision depends on the completeness of rehabilitation and decommissioning activities performed by the Company during and immediately after every mining operation. Changes in rehabilitation and decommissioning costs are recognized as additions or charges to the corresponding provision when these occur.

Provision for mine rehabilitation amounted to ₱45.71 million as at March 31, 2016 and December 31, 2015. (see Note 12).

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

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

Retirement liability amounted to ₱34.90 million as at March 31, 2016 and December 31, 2015, respectively (see Note 18).

## 6. Cash

This account consists of:

	March 31, 2016	December 31, 2015
Cash in banks	₱100,506,784	₱190,055,973
Cash on hand	216,259	150,951
	<b>₱100,723,043</b>	<b>₱190,206,924</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income from cash in banks amounted to ₱100,506,784 in March 31, 2016 and ₱190,055,973 as of December 31, 2015.

## 7. Trade and Other Receivables

This account consists of:

	March 31, 2016	December 31, 2015
Trade receivables	₱9,059,383	₱184,280,933
Advances to employees	10,928,456	18,818,508
Others	32,249,343	14,268,703
	<b>52,237,191</b>	<b>217,368,144</b>
Allowance for impairment	<b>(11,036,527)</b>	<b>(11,036,527)</b>
	<b>₱41,200,665</b>	<b>₱206,331,617</b>

Trade receivables are usually due within 30 days and are noninterest-bearing.

Advances to employees are unsecured, noninterest-bearing and subject to liquidation for a specified period of time of about one year.

Aging of Trade receivables

Current	1 to 30 days past due	31 to 60 days past due	61 to 90	120+ past due	Total
₱'000	₱'000	₱'000	₱'000	₱'000	₱'000
₱-	₱-	₱1,614	₱5,559	₱1,886	₱9,059

Movements of allowance for impairment in March 31, 2014 and December 31, 2013 are as follows:

	Trade receivables	Advances to employees	Others	Total
Balance at January 1, 2016	₱1,885,785	₱2,277,468	₱6,873,274	₱11,036,527
Impairment	-	-	-	-
Balance March 31, 2016	₱1,885,785	₱2,277,468	₱6,873,274	₱11,036,527

## 8. Other Current Assets

This account consists of:

	March 31, 2016	December 31, 2015
Mining and office supplies	<b>₱40,899,580</b>	₱34,452,989
Advances to contractors and suppliers	<b>11,285,907</b>	7,884,524
Prepaid expenses	<b>4,049,560</b>	4,269,301
Others	<b>31,747,206</b>	29,002,207
	<b>₱87,982,253</b>	₱75,609,021

Prepaid expenses pertain to insurance, rent, and excise taxes.

## 9. Property and Equipment

This account consists of the following:

	March 31, 2016					
	Land	Building	Office equipment furniture and fixture	Heavy and transportation equipment	Construction in-progress	Total
<b>Cost</b>						
Balance at beginning of year	₱57,217,484	₱132,049,286	₱64,037,464	₱829,301,223	₱6,636,103	<b>₱1,089,241,560</b>
Additions	155,280	2,233,824	1,164,784	155,008	177,159	<b>3,886,055</b>
Reclassification					1,846,356	<b>1,846,356</b>
Balance at end of year	57,372,764	134,283,110	65,202,248	829,456,231	4,966,906	<b>1,091,281,259</b>
<b>Accumulated Depreciation</b>						
Balance at beginning of year	-	27,586,966	39,939,991	506,363,352	-	<b>573,890,308</b>
Additions	-	3,051,317	2,695,670	38,959,248	-	<b>44,706,235</b>
Balance at end of year	-	30,638,283	42,635,661	545,322,599	-	<b>618,596,543</b>
<b>Net carrying amount, December 31, 2016</b>	<b>₱57,372,764</b>	<b>₱103,644,827</b>	<b>₱22,566,587</b>	<b>₱284,133,632</b>	<b>₱19,802,489</b>	<b>₱472,684,716</b>

	December 31, 2015					
	Land	Building	Office equipment furniture and fixture	Heavy and transportation equipment	Construction in-progress	Total
<b>Cost</b>						
Balance at beginning of year	₱47,078,744	₱ 113,158,652	₱ 48,108,631	₱677,103,094	₱19,020,120	₱904,469,241
Additions	10,138,740	1,711,194	14,694,879	158,902,304	18,469,489	203,916,606
Disposal	-	-	-	(10,622,518)	-	(10,622,518)
Reclassification	-	17,179,440	1,233,954	3,918,343	(30,853,506)	(8,521,769)
Balance at end of year	57,217,484	132,049,286	64,037,464	829,301,223	6,636,103	1,089,241,560
<b>Accumulated Depreciation</b>						
Balance at beginning of year	-	17,281,047	30,069,300	342,560,153	-	389,910,500
Additions	-	10,305,918	9,870,691	169,118,874	-	189,295,483
Disposal	-	-	-	(5,315,675)	-	(5,315,675)
Balance at end of year	-	27,586,965	39,939,991	506,363,352	-	573,890,308
Net carrying amount, December 31, 2014	₱57,217,484	₱104,462,321	₱ 24,097,473	₱ 322,937,871	₱ 6,636,103	₱515,351,252

Reclassification from construction in progress to mine and mining properties mainly pertain to mine development costs in Cabangahan and Pili area (see Note 10)

Heavy and transportation equipment, aggregating to ₱121.0 million as at March 31, 2016 and December 31, 2015, are held as collaterals for loan payable ( see Note 13).

In 2015, the Company disposed heavy and transportation equipment with carrying amount of ₱5.3 million for ₱4.6 million resulting to a loss of ₱0.7 million.

#### 10. Mine and Mining Properties and Mining Rights

Movements in mine and mining properties and mining rights on explored resources are as follows:

	March 31, 2016			
	Mining rights on explored resources	Mine and mining properties	Mine Rehabilitation Asset	Total
<b>Cost</b>				
Balance at beginning of year	₱1,098,559,100	₱932,174,993	₱42,170,134	₱2,072,904,227
Additions	-	4,233,843	-	4,233,843
Balance at end of year	1,098,559,100	936,408,836	42,170,134	2,077,138,070
<b>Accumulated depletion</b>				
Balance at beginning of year	-	140,370,156	2,156,784	142,526,940
Additions	-	-	-	-
Balance at end of year	-	140,370,156	2,156,784	142,526,940
Net carrying amount, 03.31.16	₱1,098,559,100	₱796,038,679	₱40,013,350	₱1,934,611,130

	December 31, 2015			
	Mining rights on explored resources	Mine and mining properties	Rehabilitation Asset	Total
<b>Cost</b>				
Balance at beginning of year	₱1,294,766,157	₱923,306,495	₱42,170,134	₱2,260,242,786
Additions	-	346,729		346,729
Reclassifications		8,521,769		8,521,769
Balance at end of year	1,294,766,157	923,174,993	42,170,134	2,269,111,284
<b>Accumulated Depletion</b>				
Balance at beginning of year	136,992,9740	97,690,617	-	234,683,591
Additions	59,214,083	42,679,539	2,156,784	104,050,406
Balance at end of year	196,207,057	140,370,156	2,156,784	338,733,997
Net carrying amount, 12.31.15	₱1,098,559,100	₱791,804,837	₱40,013,350	₱1,930,377,287

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

Additions to mine and mining properties represent reclassifications from construction-in-progress under property and equipment.

#### 11. Other Noncurrent Assets

This account consists of:

	March 31, 2016	December 31, 2015
Input VAT	₱269,439,539	₱266,592,646
Rehabilitation cash fund (RCF)	5,337,605	5,337,605
Rental deposit	468,959	468,959
Monitoring trust fund (MTF)	162,462	162,462
Others	111,835,321	112,342,955
	<b>₱387,243,886</b>	<b>₱384,904,627</b>

RCF is reserved as part of the Company's compliance with the approved rehabilitation activities and schedules for specific mining project phase, including research programs as defined in the Environmental Protection and Enhancement Program (EPEP).

MTF is exclusively used in activities approved by the Mine Rehabilitation Fund Committee.



## 12. Trade and Other Payables

This account consists of:

	March 31, 2016	December 31, 2015
Trade payables	<b>₱44,018,418</b>	₱121,099,163
Advance from customers	-	-
Accrued expenses		
Excise tax and other statutory payable	<b>8,942,029</b>	35,320,445
Salaries and wages	-	44,467
Others	<b>32,907,453</b>	219,210
Interest Payable		231,904
Dividend payable	-	-
Others	<b>8,538,425</b>	8,619,347
	<b>₱94,406,325</b>	165,534,536

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

Advances from customers represent preliminary collections related to the sale and shipment of nickel ores.

## 13. Interest-Bearing Loans

This account consists of:

	March 31, 2016	December 31, 2015
Long term loans	<b>₱87,763,272</b>	₱92,432,612
Short term loan	<b>100,000,000</b>	100,000,000
	<b>187,763,271</b>	192,432,612
Less: Current portion	<b>113,446,786</b>	118,116,126
	<b>₱74,316,486</b>	₱74,316,486

### Short-term Loan

MMDC obtained short-term loan from a local bank to finance working capital requirements. The short-term loan bears interest rates ranging from 5.00% to 5.50% to be repriced every month in 2016 and 2015 and has maturity of not more than one year.

### Long-term Loans

On July 15, 2015, the Company obtained a five (5) year promissory note with chattel mortgage on transportation equipment from a financing company amounting to ₱100.0 million with an annual interest rate of 6% maturing on July 15, 2020. Proceeds were used for working capital purposes. The carrying amount of transportation equipment covered by the chattel mortgage amounted to ₱120.1 million in 2015 (see Note 10).

In 2013, the Company obtained a three (3) year loan from a local bank amounting to ₱1.5 million which was used to meet working capital requirements and for the purchase of transportation equipment



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#### 14. Equity

##### Capital Stock

Movements in the Company's shares of capital stock consist of the following:

	Note	March 31, 2016	December 31, 2015
Authorized number of shares - ₱1.00 par value		2,000,000,000	2,000,000,000
Issued:			
Balance at beginning of year		₱1,821,358,599	₱1,821,358,599
		₱1,821,358,599	₱1,821,358,599

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#### 15. Cost of Goods Sold

This account consists of:

	Note	March 31, 2016	March 31, 2015
Production overhead		₱-	₱25,796,993
Contractual services		-	33,279,921
Personnel costs		-	35,883,798
Depletion	10	-	-
Depreciation	9	-	54,412,651
Excise tax		-	-
Net movement in inventory		-	(2,983,077)
		₱-	₱146,390,286

Contracted services pertain to activities directly related to mining. The services include, among others, mine extraction, stevedoring, janitorial, maintenance, and security.

Excise tax represents the Philippine Government's share on mineral production as defined under MMDC's MPSA. The MPSA also provides that any term favorable to the contractor resulting from the enactment of a new law shall inure to the benefit of the contractor and such law shall be considered part of the MPSA.

On March 3, 1995, Republic Act No. 7942 (RA 7942) or the Mining Act of 1995 was passed and enacted into law. Section 80 of RA 7942 prescribes that the total government share in an MPSA shall be the excise tax of 2.0% on gross revenue on mineral products.

## 16. Operating expenses

This account consists of:

	Note	March 31, 2016	March 31, 2015
Salaries and allowances		<b>₱25,394,084</b>	₱31,901,497
Depreciation	9	<b>13,123,938</b>	4,960,625
Professional fees		<b>6,259,005</b>	2,237,725
Taxes and licenses		<b>6,234,965</b>	7,266,867
Outside services		<b>4,337,331</b>	3,667,966
Directors fee		<b>2,670,000</b>	4,641,471
Donations		<b>2,589,626</b>	1,406,424
Social development program		<b>2,016,497</b>	2,678,393
Representation		<b>1,823,643</b>	1,178,841
Supplies		<b>1,163,204</b>	682,834
Environmental expenses		<b>1,759,573</b>	-
Communication, light and water		<b>980,647</b>	1,006,623
Rental	20	<b>759,534</b>	128,930
Repairs and Maintenance		<b>260,721</b>	31,891
Freight and shipping		-	1,339,920
Royalties		-	1,597,262
Others		<b>4,023,421</b>	2,915,441
		<b>₱73,396,192</b>	₱67,642,710

## 17. Other Income (Charges)

This account consists of:

	March 31, 2016	March 31, 2015
Foreign currency gain (loss)	<b>₱995,604</b>	₱1,409,572
Others	-	-
	<b>₱995,604</b>	₱1,409,572

## 18. Retirement Benefits

The Company has an unfunded, noncontributory defined benefit plan covering all its regular full-time employees.

The retirement liability recognized in the consolidated statement of financial position as at March 31, 2016 and December 31, 2015 and changes in the present value of defined benefit obligation are as follows:

	March 31, 2016	December 31, 2015
Balance at beginning of year	<b>₱34,900,776</b>	₱27,304,938
Current service cost	-	12,321,708
Interest cost	-	1,278,212
Net actuarial losses	-	(6,004,082)

Retirement benefits paid	-	-
Balance at end of year	<b>P34,900,776</b>	<b>P34,900,776</b>

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

	<b>2015</b>
Discount rates	<b>4.95%</b>
Salary increase rates	<b>5%</b>

Sensitivity analysis on defined benefit obligation as at December 31, 2015 is as follows:

	Change in Assumption	Effect on defined benefit liability
Discount rate	-100	(P6,510,702)
	+100	(5,165,778)
Salary increase rate	+100	6,074,249
	-100	(4,948,781)

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

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

Weighted average duration of the defined benefit obligation is 11 years.

## 19. Related Party Transactions

Significant transactions with related parties include the following:

	Transaction Amounts		Outstanding Balances			
Advances to Related parties	<b>2016 (Quarter)</b>	<b>2015 (1 year)</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>	Nature and Terms	Conditio ns
Receivables from:						
					Working fund; unsecured; non-interest bearing; settled on demand	
Under common management)	<b>(P5,058,749)</b>	<b>P1,042,578</b>	<b>P67,453,204</b>	<b>P72,511,953</b>		None

CDC is a company under common management.

## 20. Lease Commitments

The Company leases an office space for its operations. The lease is for a period of five (5) years. The minimum lease payments under operating lease amounted to ₱0.4 million in 2016 and 2015.

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

	2016	2015
Within 1 year	<b>₱300,000</b>	₱300,000
More than 1 year but within 5 years	<b>100,000</b>	100,000
	<b>₱400,000</b>	₱400,000

## 21. Income Taxes

The Company's net deferred tax assets arising from temporary differences as at March 31, 2016 and December 31, 2015 are summarized as follows:

	2016	2015
Deferred tax assets:		
Retirement benefit liability	<b>₱8,915,997</b>	₱8,915,997
Allowance for impairment losses on:		
Inventories	<b>10,694,165</b>	10,694,165
Trade and other receivables	<b>1,341,890</b>	1,341,890
Provision for mine rehabilitation	<b>573,479</b>	573,479
	<b>21,525,531</b>	21,525,531
Deferred tax liability on unrealized foreign exchange gain	<b>5,667,904</b>	5,667,904
	<b>₱15,857,627</b>	₱15,857,627

Details of unrecognized deferred tax assets are as follows:

	2016	2015
NOLCO	<b>₱-</b>	₱25,283,137
MCIT	-	4,201,000
Retirement benefit liability	-	1,554,235
	<b>₱-</b>	₱31,038,372

Details of NOLCO of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2015	2018	₱26,867,083	₱-	₱-	₱26,867,083
2013	2016	57,410,040	-	-	57,410,040
2012	2015	34,794,610	(24,897,589)	(9,897,021)	-
		<b>₱119,071,733</b>	<b>(₱24,897,589)</b>	<b>(₱9,897,021)</b>	<b>₱84,277,123</b>

Details of MCIT of the Parent Company are as follows:

Year incurred	Expiry date	Amount	Applied	Expired	Balance
2015	2018	₱1,701,000	₱–	₱–	₱1,701,000
2014	2017	2,500,000	–	–	2,500,000
		₱4,201,000	₱–	₱–	₱4,201,000

These deferred tax assets, which pertain to the Parent Company, were not recognized because management believes that there will be no future taxable income against which the deferred tax asset may be applied.

### 23. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net income attributable to stockholders of the Company by the weighted average number of ordinary shares in issue during the year.

Estimation of earnings per share as of March 31, 2015 and 2016 are as follows:

	March 2016	March 2015
Net income (loss) shown in the statement of comprehensive income (a)	(₱74,822,335)	(₱62,543,114)
Weighted average number of common shares (b)	1,821,358,599	1,821,358,599
Effect of dilution from conversion options and warrants	-	-
Weighted average number of common shares adjusted for the effect of dilution (c)	1,821,358,599	1,821,358,599
Basic earnings per share (a/b)	(₱0.04)	(₱0.03)
Diluted earnings per share (a/c)	(₱0.04)	(₱0.03)

### 24. Financial Risk Management Objectives and Policies

#### General

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

#### Financial Risk Management Objectives and Policies

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

The tables below show the credit quality per class of financial assets and an aging analysis of financial assets that are past due but not impaired as at March 31, 2016 and December 31, 2015.

*Credit Quality per Class of Financial Assets*

March 31, 2016						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
	P	P-	P-	P-	P-	P
Cash in banks	100,723,043	P-	P-	P-	P-	P 100,723,043
Trade and other receivables	19,987,837	21,212,829	-	-	11,036,527	52,237,191
Advances to a related party	-	74,016,764	-	-	-	74,016,764
	P120,710,880	P95,229,593	P-	P-	P11,036,527	P226,976,998

December 31, 2015						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks	P190,055,973	P-	P-	P-	P-	P190,055,973
Trade and other receivables	-	189,790,577	-	-	8,759,059	198,549,636
Advances to a related party	-	72,511,953	-	-	-	72,511,953
RCF and MTF	5,5600,067	-	-	-	-	5,500,067
Rental deposit	-	468,959	-	-	-	468,959
	P195,556,040	P262,771,489	P-	P-	P8,759,059	P467,086,588

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

Cash in banks, RCF and MTF are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency.

*Liquidity Risk.* The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal and interest payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial liabilities as at March 31, 2015 and December 31, 2014 based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

(P'000)

	On Demand	Less than 3 months	3 to 6 Months	More than 6 months	Total
<b>March 31, 2016</b>					
Trade and other payables*	P46,083	P11,630	P1,883	P45,083	P104,679
Dividend payable	-	-	4,955	-	4,955
Interest-bearing loans	113,447	-	-	74,317	187,764
	P159,530	P11,630	P6,838	P119,400	P297,398

(P'000)

	On Demand	Less than 3 months	3 to 6 Months	More than 6 months	Total
December 31, 2015					
Trade and other payables*	P40,222	P50,119	P7,160	P32,713	P130,214
Dividend Payable		4,955	-		4,955
Interest-bearing loans	100,000	4,453	4,514	83,465	192,433
	P140,222	P59,528	P11,674	P116,178	P327,602

\*Trade and other payables exclude statutory liabilities

#### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidated sale.

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

(P'000)

	Mar. 31, 2016		Dec. 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash in banks	P100,507	P100,507	P190,056	P190,056
Trade and other receivables*	41,201	41,201	198,549	198,549
Advances to related parties	74,017	74,017	72,512	72,512
RCF and MTF	216	216	5,500	5,500
Rental deposits	469	469	469	469
	P216,409	P216,409	P467,087	P467,087

	Mar. 31, 2016		Dec. 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Trade and other payables*	P104,679	P104,679	P130,214	P130,214
Dividends payable	4,955	4,955	4,955	4,955
Interest-bearing loans	187,764	187,764	192,433	192,433
	P297,398	P297,398	P327,602	P327,602

*Cash, Trade and other receivables, Advances to related parties, Trade and other payables and Dividends payable.* Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

*Loans payable.* The fair value approximates carrying value because the effective interest rate is comparable to prevailing market rates.

*RCF and MTF.* Fair values of RCF and MTF approximate the amount of consideration at reporting period.

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

*Liquidity Risk.* The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, including debt principal



and interest payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2015 and 2014, based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

(P'000)

	On Demand	Less than 3 months	3 to 6 Months	More than 6 months	Total
<b>March 31, 2016</b>					
Trade and other payables*	P46,083	P11,630	P1,883	P45,083	P104,679
Dividend payable			4,955		4,955
Interest-bearing loans	113,447			74,317	187,764
	<b>P159,530</b>	<b>P11,630</b>	<b>P6,838</b>	<b>P119,400</b>	<b>P297,398</b>

(P'000)

	On Demand	Less than 3 months	3 to 6 Months	More than 6 months	Total
<b>December 31, 2015</b>					
Trade and other payables*	P40,222	P50,119	P7,160	P32,713	P130,214
Dividend Payable		4,955	-		4,955
Interest-bearing loans	100,000	4,453	4,514	83,465	192,433
	<b>P140,222</b>	<b>P59,528</b>	<b>P11,674</b>	<b>P116,178</b>	<b>P327,602</b>

*\*Trade and other payables exclude statutory liabilities*

## 25. Capital Management Objectives, Policies and Procedures

### Capital Management

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares or by conversion of related party advances to an equity component item.

The Company monitors its capital using the debt to equity ratio, which is the total debt divided by the total equity. The Company includes total liabilities within the total debt. Equity includes capital stock, additional paid-in capital, retained earnings, and other comprehensive income.