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SEC Registration Number

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

(Company's Full Name)

U N I T 1 6 A 1 6 t h F L O O R C I T I B A N K T O W E R 8 7 4 1 P A S E O D E R O X A S M A K A T I C I T Y

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

Rhodel Salvador

(Contract Person)

(02) 836-8609

(Company Telephone Number)

1 2 3 1

Month Day (Calendar Year)

1 7 - Q

(Form Type)

Month Day (Annual Meeting)

N.A.

Secondary License Type, If Applicable)

Finance Department

Dept. Requiring this Doc.

September 30, 2013

Period Ending Date

2,171

Total No. of Stockholders

Total Amount of Borrowings N/A N/A

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

Document ID

LCU

Cashier

STAMPS

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**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

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

1. For the quarterly period ended: **September 30, 2013**
2. Commission identification number **12942**
3. BIR Tax Identification No. **470-000-104-320**
4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code:  **(SEC Use Only)**
7. Address of registrant's principal office:

**Unit 16A 16<sup>th</sup> Floor Citibank Tower  
8741 Paseo de Roxas , Makati City**

8. Registrant's telephone number, including area code: **(63 2) 836-86-09**
9. Former name, former address and former fiscal year, if changed since last report. **N A.**
10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

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

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

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

12. Indicate by check mark whether the registrant:

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

**Yes**

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

**Yes**

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## PART I - FINANCIAL INFORMATION

### Item 1- Financial Statements

The unaudited consolidated financial statements of Marcventures Holdings Inc. (the Company) as of September 30, 2013 and for the three months and nine months period ended September 30, 2013 and 2012 with comparative audited figure as of December 31, 2012 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 Sheets for the period ended September 30, 2013 and December 31, 2012.

(Amounts in ₱'000)

	<b>Unaudited September 30, 2013</b>	Audited December 31, 2012	Amount Increase (Decrease)	Percent (%) Increase (Decrease)
Current assets	<b>₱1,182,690</b>	₱76,905	₱1,105,785	1437.86%
Non current assets	<b>2,647,837</b>	2,620,208	27,630	1.05%
<b>Total Assets</b>	<b>₱3,830,527</b>	₱2,697,113	₱1,133,415	42.02%
Current liabilities	<b>₱512,925</b>	₱330,252	₱182,673	55.31%
Non current liabilities	<b>151,757</b>	189,345	(37,588)	-19.85%
Stockholders' equity	<b>3,165,845</b>	2,177,516	988,330	45.39%
<b>Total Equity</b>	<b>₱3,830,527</b>	₱2,697,113	₱1,133,415	42.02%

Summary of Consolidated Income Statements for the three months and nine months period ended September 30, 2013 and 2012. (Amounts in ₱'000)

	For Three Months Ended September 30,		For Nine Months Ended September 30,	
	<b>2013</b>	2012	2013	2012
Revenue	<b>₱1,338,825</b>	₱284,560	₱2,032,214	₱599,625
Cost of Sales	<b>584,593</b>	175,454	919,539	344,825
Gross Profit	<b>754,232</b>	109,106	1,112,675	254,800
Operating Expenses	<b>38,487</b>	26,279	74,388	52,508
Income from operations	<b>715,745</b>	82,827	1,038,287	202,292
Other income (expense)	<b>(26,830)</b>	(9,966)	(49,958)	(17,346)
Income from operation	<b>688,915</b>	72,861	988,330	184,946
Provision from income tax	-	-	-	119
<b>Net income</b>	<b>₱688,915</b>	₱72,861	₱988,330	₱184,827

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Summary of Consolidated Statements of Cash Flows for the three months and nine months period ended September 30, 2013 and 2012.

	For Three Months Ended		For Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Cash provided by operating activities	<b>₱755,307</b>	₱61,372	₱834,497	₱197,516
Cash used in investing activities	<b>(61,817)</b>	(54,996)	(107,747)	(248,213)
Cash provided by (used in) financing activities	<b>(128,652)</b>	(25,068)	69,907	(90,850)
Net increase (decrease) in cash and cash equivalent	<b>564,838</b>	(18,693)	796,657	(141,547)
Cash and cash equivalent at beginning of period	<b>244,947</b>	41,287	13,128	164,141
Cash and cash equivalent at end of period	<b>₱809,784</b>	₱22,594	₱809,784	₱22,594

#### **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 third quarter and nine-month period ending September 30, 2013, with comparative figures for the corresponding periods in 2012 and audited consolidated financial statements as of December 31, 2012, prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements

#### **Nine months ended September 30, 2013 compared with nine months ended September 30, 2012**

For the nine months ended September 30, 2013, MMDC made 41 shipments to China with an estimated total volume of 2,280,018 wet metric tonnes (WMT) as compared to 521,675 wet metric tonnes (WMT) or an increase of 1,758,343 (WMT) or 337% in the same period last year.

#### **Revenues**

The Company's revenue from the sale of nickel ore amounted to ₱2,032.21 million for the nine months ended September 30, 2013 as compared to ₱599.62 million for the same period last year, an increase of ₱1,432.6 million or 238.91%. This resulted to a consolidated net income of ₱988.33 million as of the third quarter of 2013 as compared to ₱184.83 million for the same period last year. The increase of ₱803.50 million or 434.7% was a result of higher volume of ore sold for the period.

#### **Cost of Sales**

The Company's cost of sales was ₱919.54 million for the nine months ended September 30, 2013 as compared to ₱344.82 million for the same period last year, an increase of ₱574.71 million or 166.7% attributable to higher tonnage of ore sold in the third quarter of 2013.

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On a per unit basis, cost per wet metric ton fell to ₱403.30 versus ₱661.00 in the same period last year, or a decrease of ₱257.69 due to the larger scale of operations, increased efficiencies, and shorter hauling distances.

#### **Administrative and operating expenses**

For the nine-month period ended September 30, 2013, the administrative and operating expenses increased to ₱74.39 million from ₱52.51 million for the comparative period in 2012, hence an increase of ₱21.88 million or 41.7% as a result of the following:

- **Increase in Salaries and wages** by ₱9.5 million or 174.0% due to hiring of additional office personnel for both managerial and executives positions, salary adjustments of officers and employees and separation benefits released to all terminated employees.
- **Increase in Depreciation** by ₱1.83 million or 41.2% due to additional depreciation of newly acquired property and equipment.
- **Increase in Representation** by ₱20.68 million or 360.59% due to various mining operations related representations.
- **Increase in Outside services** by ₱1.50 million or 315.4% due to increase in security manpower as well as mine pit, road, and stockyard maintenance.
- **Increase in Professional Fees** by ₱1.70 million or 442.2% due to additional legal and audit services rendered.
- **Decrease in Taxes and licenses** by ₱11.35 million or 77.0% due to payment of documentary stamps on behalf of investors who opted to convert their convertible loans into equity and exercise their stock warrants option in the third quarter of 2012.

#### **Three months ended September 30, 2013 compared with three months ended September 30, 2012.**

For the three months ended September 30, 2013, MMDC made 27 shipments to China with an estimated total volume of 1,491,833 wet metric tonnes (WMT) as compared to 266,870 wet metric tonnes (WMT) or an increase of 1,224,963 (WMT) in the same period last year.

#### **Revenues**

The Company's revenue from the sale of nickel ore amounted to ₱1,338.82 million for the three months ended September 30, 2013 as compared to ₱284.56 million for the same period last year, an increase of ₱1,054.26 million or 370.49%. This resulted to a consolidated net income of ₱688.91 million as of the third quarter of 2013 versus ₱72.86 million for the period last year. The increase of ₱616.05 million or 845.5% is attributable to higher tonnage of ore sold during the third quarter of 2013.

#### **Cost of Sales**

For the three months ended September 30, 2013, the Company's cost of sales amounted to ₱584.60 million as compared to ₱175.45 million for the same period in 2012, an increase of ₱409.14 million or 233.19% due to increased in shipment of ore sold in the third quarter of 2013.

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On a per unit basis, cost per wet metric ton fell to ₱391.86 versus ₱657.45 in the same period last year, or a ₱265.59 due to the larger scale of operations, increased efficiencies, and shorter hauling distances.

#### **Administrative and operating expenses**

The administrative and operating expenses increased to ₱38.49 million for the three-month period ended September 30, 2013 compared to ₱26.78 million for the same period in 2012 equivalent to an additional ₱12.21 million or 46.5% attributable to the following:

- **Increase in Salaries and wages** by ₱5.01 million or 159.5% due to hiring of additional office personnel for both managerial and executives positions and salary adjustments of all officers and employees.
- **Increase in Depreciation** by ₱0.67 million or 46.1% due to additional depreciation on the newly acquired property and equipment.
- **Increase in Representation** by ₱11.22 million or 491.9% due to mining operations related representations.
- **Increase in Outside services** by ₱0.18 million or 81.6% due to the additional security manpower and mine pit, road and stockyard maintenance.
- **Increase in Professional Fees** by ₱0.28 million or 281.0% due to additional audit and legal services rendered.
- **Decrease in Taxes and licenses** by ₱5.04 million or 85.8.0% due to payment of documentary stamps on behalf of investors who opted to convert their convertible loans into equity and exercise their stock warrants option in the third quarter of 2012.

#### **Statement of Financial Position**

##### **September 30, 2013 vs. December 31, 2012**

#### **Assets :**

The consolidated total assets of the Company increased to ₱3,830.53 million as of September 30, 2013 from ₱2,697.11 million as of December 31, 2012. The 42.0% increase was mainly due to the following:

- **Increase in total current assets** amounting to ₱1,182.70 as of September 30, 2013 million from ₱76.90 million as of December 31, 2012. The ₱1,105.8 increase was attributable to the following:

**Increase in Cash and cash equivalent** from ₱13.13 million to ₱809.78 million, an additional ₱796.66 million or 6,068.6% due to the collection of various receivables.

**Increase in Receivables** from ₱13.63 million to ₱302.63 million, equivalent to ₱289.0 million or 2,120.4% arising from the sale of nickel ore.

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**Increase in Inventories** due to the continuous production which resulted to an increase from ₱14.9 million to ₱24.15 million, or an additional ₱9.26 million equivalent to 62.1% increase.

**Increase in Other current assets** from ₱35.25 million to ₱46.12 million, or an additional ₱10.9 million equivalent to a 30.8% increase due to increase in advances to contractors for mining related services and inventories consisting of spare parts, lubricants, electrical and laboratory supplies.

- **Increase in Total Noncurrent assets** by ₱27.63 million or equivalent to 1.1% largely due to the increased in accumulated VAT Input tax amounted to ₱87.2 million.

#### **Liabilities :**

The total consolidated liabilities of the Company increased to ₱664.68 million as of September 30, 2013 from ₱519.60 million as of December 31, 2012, an additional ₱145.08 million or 27.9%. The increase was primarily due to the following:

**Increase in Trade and Other Payable** by ₱75.18 million or 28.6% arising from recognition of liabilities on hauling and other expenses relating to the shipments made and fuel consumption as of September 2013.

**Increase in Interest bearing loans** by ₱102.02 million or equivalent to 157.4% due to the additional loan from Phil. Business bank and Philexim.

**Decrease in Related party payables** of ₱32.11 million due to partial settlement of advances made from the stockholders.

#### **Stockholders' Equity :**

The total stockholders' equity of the Company increased to ₱3,165.85 million as of September 30, 2013, an additional ₱988.33 million or 45.4% from ₱2,177.52 million as of December 31, 2012. The increase pertains to the income generated from the sale of nickel ore by its subsidiary which registered a higher Retained Earnings amounting to ₱1,320.33 million.

#### **Statement of Cash Flows**

The net cash generated from operating activities amounted to ₱834.50 million for the nine months ended September 30, 2013 as compared to ₱197.52 million for the same period in 2012. The increase in cash was attributable to the following:

- Net income generated for this period amounted to ₱988.33 million as compared to ₱189.5 million last year.
- Higher collection of trade receivable which amounted to ₱289.00 million as compared to ₱29.09 million in 2012.



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- A decrease in cash of ₱10.87 million this year as compared to ₱22.90 million last year due to advance payments to contractors for mining related services and purchase of inventories such as spare parts, lubricants, electrical and laboratory supplies.
- Recognition of liabilities on hauling, trucking services and fuel consumption which amounted to ₱75.18 million and ₱72.57 million in 2013 and 2012 respectively.
- Increase in Inventory of ₱3.14 million and 12.22 million for the nine months ended September 30, 2013 and 2012, respectively.

In 2013, payment of interest expense for various loans amounted to ₱33.40 million and interest income of ₱0.29 million resulted to net cash flow from operating activities of ₱834.50 million as compared to ₱197.52 million in 2012.

For the nine months ended September 30, 2013, net cash used in investing activities amounted to ₱107.75 million as compared to ₱248.21 million for the same period in 2012 as a result of the following:

- Acquisition of property and equipment this year amounted to only ₱20.40 million and comparatively lower than the ₱209.19 million last year.
- Other noncurrent assets amounting to ₱87.35 million for the current year is considerably higher than the ₱39.03 million in 2012 due to input VAT on goods and services.

Net cash provided by financing activities which amounted to ₱69.91 million for the current year is lower compared to net cash used in financing activities of ₱90.85 million last year, as a result of the following:

- A substantial payment of ₱32.11 million for related party advances this year as compared to ₱1.48 million proceeds from related party loan availment last year.
- Proceeds from availment of bank loan amounted to ₱102.02 million this year as compared to last year's settlement of bank loan and notes payable which amounted to ₱104.78 million.
- In 2012, a decreased in notes payable by ₱18.82 million, thus an increase in capital stock by ₱14.22 million and increased in additional paid in capital by ₱17.06 million as a result of equity conversion of investors who opted to convert their convertible loans into equity.

The foregoing investing and financing activities resulted in an increase of ₱796.66 million in cash and cash equivalent and a balance of ₱809.78 million as of September 30, 2013 as compared to a decrease of ₱90.85 million and a balance of ₱22.59 million as of September 30, 2012.

## HORIZONTAL AND VERTICAL ANALYSIS

AMOUNT IN P'000

	A		B		C		Horizontal Analysis Increase (Decrease)		Vertical Analysis Percentage (%)	
	Unaudited		Audited		Amount		Percentage			
	Sept. 2013	June 2013	Dec. 31, 2012	Dec. 31, 2012	A vs. B	A vs. C	A vs. B	A vs. C	June 2013	Dec. 31, 2012
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash and cash equivalents	₱809,784	₱244,947	₱13,128	₱13,128	₱564,837	₱796,656	230.60%	6068.37%	21.14%	0.49%
Receivable	302,631	332,670	13,630	13,630	(30,039)	289,001	-9.03%	2120.33%	7.90%	0.51%
Inventories	24,153	29,429	14,898	14,898	(5,276)	9,255	-17.93%	62.12%	0.63%	0.55%
Other current assets	46,121	43,261	35,249	35,249	2,860	10,872	6.61%	30.84%	1.20%	1.31%
<b>Total Current Assets</b>	<b>1,182,690</b>	<b>650,307</b>	<b>76,905</b>	<b>76,905</b>	<b>532,383</b>	<b>1,105,785</b>	<b>81.87%</b>	<b>1437.86%</b>	<b>30.88%</b>	<b>2.85%</b>
<b>Non current assets</b>										
Property and equipment - net	1,116,510	1,134,525	1,176,231	1,176,231	(18,015)	(59,721)	-1.59%	-5.08%	0.00%	43.61%
Explored Mineral Resources	1294,766	1,294,766	1,294,766	1,294,766	-	-	0.00%	0.00%	33.80%	48.01%
Other non current assets	236,561	183,617	149,210	149,210	52,944	87,351	28.83%	58.54%	6.18%	5.53%
<b>Total Non current Assets</b>	<b>2,647,837</b>	<b>2,612,908</b>	<b>2,620,208</b>	<b>2,620,208</b>	<b>34,929</b>	<b>27,629</b>	<b>1.34%</b>	<b>1.05%</b>	<b>69.12%</b>	<b>97.15%</b>
<b>TOTAL ASSETS</b>	<b>₱3,830,527</b>	<b>₱3,263,215</b>	<b>₱2,697,113</b>	<b>₱2,697,113</b>	<b>₱567,312</b>	<b>₱1,133,414</b>	<b>17.39%</b>	<b>42.02%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>										
<b>Current Liabilities</b>										
Trade and other payable	₱338,340	₱324,990	₱263,162	₱263,162	₱13,350	₱75,178	4.11%	28.57%	8.83%	9.76%
Related party transaction	9,598	9,476	41,588	41,588	122	(31,990)	1.29%	-76.92%	0.25%	1.54%
Interest bearing loans	164,986	118,299	25,502	25,502	46,687	139,484	39.47%	546.95%	4.31%	0.95%
<b>Total Current liabilities</b>	<b>512,924</b>	<b>452,765</b>	<b>330,252</b>	<b>330,252</b>	<b>60,159</b>	<b>182,672</b>	<b>13.29%</b>	<b>55.31%</b>	<b>13.39%</b>	<b>12.24%</b>
<b>Non current Liabilities:</b>										
Notes payable-net of current portion	149,800	149,800	149,800	149,800	-	-	0.00%	0.00%	3.91%	5.55%
Interest-bearing loans	1,957	178,778	39,422	39,422	(176,821)	(37,465)	-98.91%	-95.04%	0.05%	1.46%
Related party transaction	-	123	123	123	(123)	(123)	-100%	-100.00%	0.00%	0.00%
<b>Total Non current liabilities</b>	<b>151,757</b>	<b>328,701</b>	<b>189,345</b>	<b>189,345</b>	<b>(176,944)</b>	<b>(37,588)</b>	<b>-53.83%</b>	<b>-19.85%</b>	<b>3.96%</b>	<b>7.02%</b>
<b>Stockholders' Equity:</b>										
Capital stock	1,735,677	1,735,677	1,735,677	1,735,677	-	-	0.00%	0.00%	45.31%	64.35%
Paid in Capital in excess of par value	109,837	109,837	109,837	109,837	-	-	0.00%	0.00%	2.87%	4.07%
Retained Earnings (Deficit)	1,320,331	636,235	332,002	332,002	684,096	988,329	107.52%	297.69%	34.47%	12.31%
<b>Total Stockholders' Equity</b>	<b>3,165,845</b>	<b>2,481,749</b>	<b>2,177,516</b>	<b>2,177,516</b>	<b>684,096</b>	<b>988,329</b>	<b>27.57%</b>	<b>45.39%</b>	<b>82.65%</b>	<b>80.74%</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>₱3,830,527</b>	<b>₱3,263,215</b>	<b>₱2,697,113</b>	<b>₱2,697,113</b>	<b>₱567,312</b>	<b>₱1,133,414</b>	<b>17.39%</b>	<b>42.02%</b>	<b>100.00%</b>	<b>100.00%</b>

## **PART II – OTHER INFORMATION**

### **Item 3. Nine Months Ending September 30, 2013 Developments**

*A. New project or investments in another line of business or corporation*  
None.

*B. Composition of Board of Directors and Officers (as of September 30, 2013)*

Name

Cesar C. Zalamea	Chairman & President
Macario U. Te	Director
Dy Chi Hing	Director
Augusto C. Serafica Jr.	Director
Isidro C. Alcantara	Director
Carlos T. Ocampo	Independent Director
Antonio H. Ozaeta	Independent Director
Andres A. del Rosario	Treasurer
Roberto San Jose	Corporate Secretary
Ana Maria A. Katigbak-Lim	Asst. Corporate Secretary
Diane Madelyn Ching	Asst. Corporate Secretary

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

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

*D. Declaration of dividends*

None.

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

None.

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

None.

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

None.

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

None.

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

None.

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**MARCVENTURES HOLDINGS INC.**

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**Item 4. Other Notes to three months ending September 30, 2013 Operations and Financials**

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

None.

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

None.

*L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities*  
*- please refer to Note 14 of the financial statement.*

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

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

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

None.

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

None.

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

None.

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

None.

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

None.

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**MARCVENTURES HOLDINGS INC.**

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

None.

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

None.

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

None.

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

None.

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

Not applicable.

*X. Disclosures not made under SEC Form 17-C*

None

**SEC FORM 17-Q****MARCVENTURES HOLDINGS INC.**

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**Item 5. Key Performance Indicators**

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

	<b>September 30, 2013</b>
Net income	₱988,329,579
Quick asset	₱1,112,415,294
Current assets	₱1,182,689,767
Property and Equipment	₱1,116,510,159
Total Assets	₱3,830,527,439
Current liabilities	₱512,924,903
Total liabilities	₱664,682,144
Stockholders' equity	₱3,165,845,295
Number of common shs. Outstanding	1,735,676,782
Liquidity ratios:	
Current ratio <sup>1</sup>	2.31:1
Quick ratio <sup>2</sup>	2.17:1
Solvency ratios:	
Debt ratio <sup>3</sup>	0.17:1
Debt to equity ratio <sup>4</sup>	0.21:1
Profitability ratios:	
Earnings per share <sup>5</sup>	0.569

Note:

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<sup>1</sup> Current assets / Current liabilities

<sup>2</sup> Quick assets / Current liabilities

<sup>3</sup> Total liabilities / Total assets

<sup>4</sup> Total liabilities / Shareholders' equity

<sup>5</sup> Net income / common shares outstanding

## SEC FORM 17-Q

### MARCVENTURES HOLDINGS INC.

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#### PART III – FINANCIAL SOUNDNESS INDICATORS

##### The group liquidity ratios:

a. Current Ratio

	September 30, 2013
Total Current Assets	₱1,182,689,767
Total Current Liabilities	₱512,924,903
	<b>2.31:1</b>

b. Quick Ratio

	September 30, 2013
Quick assets	₱1,112,415,294
Total Current Liabilities	₱512,924,903
	<b>2.17:1</b>

##### The group solvency ratios:

a. Debt Ratio

	September 30, 2013
Total liabilities	₱664,682,144
Total assets	₱3,830,527,439
	<b>0.17:1</b>

b. Debt to Equity Ratio

	September 30, 2013
Total liabilities	₱664,682,144
Shareholders' Equity	₱3,165,845,295
	<b>0.21:1</b>

##### The group profitability ratios:

a. Return on Equity

	September 30, 2013
Net income	₱988,329,579
Average shareholders' equity	₱ 2,671,680,505
	<b>0.37:1</b>

b. Return on Assets

	September 30, 2013
Net income	₱988,329,579
Average Total assets	₱3,263,820,060
	<b>0.30:1</b>

**SEC FORM 17-Q**

**MARCVENTURES HOLDINGS INC.**

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c. Fixed assets turnover ratio

	September 30, 2013
Revenue	₱2,032,214,146
Property and equipment	₱1,116,510,159
	<b>1.82:1</b>

**Asset to equity ratio**

	September 30, 2013
Total assets	₱3,830,527,439
Average shareholders' equity	₱2,671,680,505
	<b>1.43:1</b>

**Interest Coverage ratio**

	September 30, 2013
Net Income	₱988,329,579
Interest expenses	₱33,400,342
	<b>29.59:1</b>



**SEC FORM 17-Q**

**MARCVENTURES HOLDINGS INC.**

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**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: **ANDRES DEL ROSARIO**  
Treasurer

Date : November 14, 2013

Signature and Title: **ROLAND SANTOS**  
VP Finance

Date : November 14, 2013

**MARCVENTURES HOLDINGS INC  
AND SUBSIDIARY**

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
September 30, 2013**

SEC FORM 17-Q

MARCVENTURES HOLDINGS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited September 30, 2013	Audited December 31, 2012
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	₱809,784,361	₱13,127,549
Trade and other receivables (Note 7)	302,630,933	13,629,849
Inventory (Note 8)	24,153,472	14,898,292
Other current assets (Note 9)	46,121,002	35,249,277
Total Current Assets	1,182,689,767	76,904,967
<b>Noncurrent Assets</b>		
Explored Mineral Resources (Notes 4,5)	1,294,766,157	1,294,766,157
Property, plant and equipment - net (Note 10)	1,116,510,159	1,176,231,407
Other noncurrent assets (Note 12)	236,561,356	149,210,150
Total Noncurrent Assets	2,647,837,672	2,620,207,714
	₱3,830,527,439	₱2,697,112,681
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Interest-bearing loans (Note 14)	₱164,986,277	₱25,501,911
Trade and other payables (Note 15)	338,340,243	263,161,743
Related party payable (Note 16)	9,598,382	41,588,074
Total Current Liabilities	512,924,903	330,251,728
<b>Noncurrent Liabilities</b>		
Notes payable (Note 13)	149,800,000	149,800,000
Interest-bearing loans - net of current portion (Note 14)	1,957,241	39,422,676
Related party payables (Note 16)	-	122,563
Total Noncurrent Liabilities	151,757,241	189,345,239
<b>Equity</b>		
Capital stock (Note 19)	1,735,676,782	1,735,676,782
Paid in capital in excess of par value	109,837,311	109,837,311
Retained earnings	1,320,331,202	332,001,621
Total Equity	3,165,845,295	2,177,515,714
	₱3,830,527,439	₱2,697,112,681

See accompanying Notes to Financial Statements.

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

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Three Months Ended</b>	
	<b>September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>REVENUE</b>	<b>1,338,824,604</b>	<b>₱284,559,652</b>
<b>COST OF SALES</b>	<b>584,592,817</b>	<b>175,453,975</b>
	<b>754,231,787</b>	<b>109,105,677</b>
<b>LESS: EXPENSES</b> (Note 17)	<b>38,486,919</b>	<b>26,279,009</b>
<b>INCOME FROM OPERATIONS</b>	<b>715,744,868</b>	<b>82,826,668</b>
<b>OTHER INCOME</b>	<b>(26,830,175)</b>	<b>(9,965,711)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>688,914,693</b>	<b>72,860,957</b>
<b>BENEFIT FROM INCOME TAX</b>	<b>-</b>	<b>-</b>
<b>NET INCOME</b>	<b>₱688,914,693</b>	<b>₱72,860,957</b>
<b>Earnings per share</b> (Note 19)	<b>₱0.397</b>	<b>₱0.042</b>

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*See accompanying Notes to Financial Statements.*

**SEC FORM 17-Q****MARCVENTURES HOLDINGS INC.**

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Nine Months Ended September 30</b>	
	<b>2013</b>	<b>2012</b>
<b>REVENUE</b>	<b>₱2,032,214,146</b>	<b>₱599,624,707</b>
<b>COST OF SALES</b>	<b>919,538,861</b>	<b>344,824,593</b>
	<b>1,112,675,285</b>	<b>254,800,114</b>
<b>LESS: EXPENSES</b> (Note 17)	<b>74,388,055</b>	<b>52,508,041</b>
<b>INCOME FROM OPERATIONS</b>	<b>1,038,287,230</b>	<b>202,292,073</b>
<b>OTHER INCOME</b>	<b>(49,957,651)</b>	<b>(17,346,053)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>988,329,581</b>	<b>184,946,020</b>
<b>PROVISION FROM INCOME TAX</b>		<b>118,800</b>
<b>NET INCOME</b>	<b>₱988,329,581</b>	<b>₱184,827,220</b>
<b>Earnings per share</b> (Note 19)	<b>₱0.569</b>	<b>₱0.106</b>

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*See accompanying Notes to Financial Statements.*

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

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**FOR THE PERIOD ENDED SEPTEMBER 30, 2013**

	<b>Capital Stock</b>	<b>Additional Paid in Capital</b>	<b>Net Income (Deficit)</b>	<b>Total</b>
Balance as of January 1, 2013	₱1,735,676,782	₱109,837,311	₱332,001,621	₱2,177,515,714
Total Comprehensive Income for the period		-	988,329,581	988,329,581
Issuance of additional shares of stock	-	-	-	-
Increase in additional paid in capital	-	-	-	-
Balance as of September 30, 2013	₱1,735,676,782	₱109,837,311	₱1,320,331,202	₱3,165,845,295

*See accompanying Notes to Financial Statements.*

**FOR THE PERIOD ENDED SEPTEMBER 30, 2012**

	<b>Capital Stock</b>	<b>Additional Paid in Capital</b>	<b>Net Income (Deficit)</b>	<b>Total</b>
Balance as of January 1, 2012	₱1,721,460,874	₱92,778,223	₱194,564,746	₱2,008,803,843
Total Comprehensive Income for the period	-	-	184,827,220	184,827,220
Issuance of additional shares of stock	14,215,908	-	-	14,215,908
Increase in additional paid in capital	-	17,059,088	-	17,059,088
Balance as of September 30, 2012	₱1,735,676,782	₱109,837,311	₱379,391,966	₱2,224,906,059

*See accompanying Notes to Financial Statements.*

**MARCVENTURES HOLDINGS INC.-****MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY**  
(Formerly: AJO.net Holdings, Inc.)**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Three Months Ending September 30	
	2013	2012
Net income for the period	P688,914,694	P72,860,951
Adjustments for:		
Depreciation (Note 10)	22,745,447	1,456,784
Gain on sale of equipment	-	-
Interest expense	10,812,138	7,095,467
Retirement	-	176,874
Interest income	(129,756)	(215,984)
<b>Operating income before working capital changes</b>	<b>722,342,522</b>	<b>81,374,092</b>
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables (Note 7)	38,840,244	3,560,936
Inventory	9,842,575	53,511,525
Other current assets (Note 9)	(12,838,070)	(12,685,494)
Increase (decrease) in trade and other payables	7,801,971	(57,510,041)
<b>Cash generated from operations</b>	<b>765,989,242</b>	<b>68,251,018</b>
Interest received	129,756	215,984
Interest paid	(10,812,138)	(7,095,467)
<b>Net cash flows from operating activities</b>	<b>755,306,861</b>	<b>61,371,535</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Explored Mineral resources	-	-
Sale (Acquisition) of property and equipment	(8,871,452)	(44,127,555)
Collection of advances to affiliates	-	4,000,000
Increase in other non-current asset	(52,945,618)	(14,868,711)
<b>Net cash flows used in investing activities</b>	<b>(61,817,070)</b>	<b>(54,996,266)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Non controlling interest contribution	-	-
Proceeds from (payment of) in related payables	-	(2,582,882)
Proceeds from (payment of) convertible loan	-	-
Proceeds from (payment of) interest-bearing loans	(128,652,130)	(29,985,075)
Proceeds from (payment of) other payables	-	7,500,000
Conversion from debt to Equity	-	-
Additional subscription to increase capital stocks	-	-
Increase in additional paid in capital	-	-
<b>Net cashflows from (used in) financing activities</b>	<b>P (128,652,130)</b>	<b>P(25,067,957)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	<b>564,837,661</b>	<b>(18,692,688)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>244,946,700</b>	<b>41,286,970</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>P809,784,361</b>	<b>P22,594,282</b>

*See accompanying Notes to Financial Statements.*

## MARCVENTURES HOLDINGS INC.-

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine Months Ending September 30	
	2013	2012
Net income for the period	<b>₱988,329,581</b>	₱184,946,020
Adjustments for:		
Depreciation (Note 10)	<b>74,006,285</b>	4,434,788
Gain on sale of equipment	-	(395,999)
Interest expense	<b>33,400,342</b>	23,879,404
Retirement	-	176,874
Interest income	<b>(285,729)</b>	(295,012)
Operating income before working capital changes	<b>1,095,450,478</b>	212,746,075
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables (Note 7)	<b>(289,001,084)</b>	(29,087,810)
Inventory	<b>(3,144,639)</b>	(12,225,649)
Other current assets (Note 9)	<b>(10,871,725)</b>	(22,898,388)
Increase (decrease) in trade and other payables	<b>75,178,500</b>	72,566,432
Cash generated from operations	<b>867,611,530</b>	221,100,660
Interest received	<b>285,729</b>	295,012
Interest paid	<b>(33,400,341)</b>	(23,879,404)
<b>Net cash flows from operating activities</b>	<b>834,496,918</b>	197,516,268
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Explored Mineral resources	-	-
Sale (Acquisition) of property and equipment	<b>(20,395,575)</b>	(209,186,146)
Increase in other non-current asset	<b>(87,351,206)</b>	(39,026,831)
<b>Net cash flows used in investing activities</b>	<b>(107,746,781)</b>	(248,212,977)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Non controlling interest contribution	-	-
Proceeds from (payment of) in related payables	<b>(32,112,257)</b>	1,479,788
Proceeds from (payment of) convertible loan	-	-
Proceeds from (payment of) interest bearing loans	<b>102,018,932</b>	(104,784,825)
Proceeds from (payment of) other payables	-	-
Conversion from debt to Equity	-	(18,820,000)
Additional subscription to increase capital stocks	-	14,215,907
Increase in additional paid in capital	-	17,059,088
<b>Net cash flows from (used in) financing activities</b>	<b>69,906,675</b>	(90,850,042)
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>	<b>796,656,812</b>	(141,546,751)
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>13,127,549</b>	164,141,033
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>₱809,784,361</b>	₱22,594,282

See accompanying Notes to Financial Statements.



**MARCVENTURES HOLDINGS INC.-**

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**MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY.**

(Formerly: AJO.net Holdings, Inc.)

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

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

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

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

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

**MARCVENTURES HOLDINGS INC.-**

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Mining Claims and Properties

MMDC has been granted by the Department of Environmental and Natural Resources (DENR) of the Philippine National Government a Mineral Production Sharing Agreement (MPSA) No. 016-93-XIII covering an area of approximately 4,799 hectares located in Cantilan Surigao Del Sur. As the holder of the said MPSA, MMDC has the exclusive right to conduct and develop mining operations within the mineral property over a period of 25 years from July 1, 1993. MMDC has identified Nickel Ore as the primary mineral that will be extracted and sold to third parties due to the abundance and favorable characteristics of nickel within the mineral property.

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

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

On April 23, 2013, MMDC's request for an expansion of its ECC to cover the entire 4,799 hectares of the property was approved by the DENR. This approval is embodied in MMDC's ECC 0807-022-1093.

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

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**2. Summary of Significant Accounting Policies**

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

Basis of Preparation of Consolidated Financial Statements

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

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

**MARCVENTURES HOLDINGS INC.-**

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Presentation of Financial Statements

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

Functional and Presentation Currency

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

New Accounting Policies Adopted

The Group adopted the following new revisions and amendments to PFRS that are relevant to the Group and either effective or early adopted for financial statements for the annual period beginning on or before January 1, 2013:

- PAS 24 (Revised 2009) Related Party Disclosures
- PAS 27 (Revised 2011) Separate Financial Statements
- PFRS 7 (Amendment) Financial Instruments: Disclosures
- PFRS 12 Disclosure of Interest in other Entities
- PFRS 13 (Revised 2011) Fair Value Measurement
- Various Standards 2011 Annual Improvements to PFRS

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

PAS 24 (Revised 2009), "Related Party Disclosures", amends the requirements of the previous version of IAS 24 to (a) provide a partial exemption from related party disclosure requirements for government-related entities, (b) clarify the definition of a related party and (c) include an explicit requirement to disclose commitments involving related parties. The revision of this standard does not have any significant effect in the 2012 and 2011 consolidated financial statements.

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

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

The standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements. The revision of this standard does not have any significant effect in the 2012 and 2011 consolidated financial statements.

**MARCVENTURES HOLDINGS INC.-**

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

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

The standard introduces a single consolidation model for all entities based on control; irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under PFRS 10, control is based on whether an investor has (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the returns. The revision of this standard does not have any significant effect in the 2012 and 2011 consolidated financial statements.

PFRS 12, “Disclosure of Interests in Other Entities”, requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

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

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

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

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

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

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

**MARCVENTURES HOLDINGS INC.-**

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- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 - inputs other than quoted market prices included within Level one (1) that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability
- Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

Annual improvements

PAS 12 Income Taxes

PAS 19 (Revised 2011) Employee Benefits

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

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

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

The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of remeasurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing PAS 19)
- Introducing enhanced disclosures about defined benefit plans
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features

Basis of Consolidation

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

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

Cash and Cash Equivalents

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

Business Combinations

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

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

Explored Mineral Resources

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

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

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*Measurement after recognition of Explored Mineral Resources*

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

*Impairment of Explored Mineral Resources*

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

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

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

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

Financial Assets

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

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

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

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

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

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

*(b) Loans and Receivables*

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

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

*(c) Held-to-maturity Investments*

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

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



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*(d) Available-for-sale Financial Assets*

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

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

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

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

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

Determination of Fair Value

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

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

'Day 1' Profit

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

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recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Inventory

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

Input Tax Recoverable

Input tax recoverable is stated at 12% starting February 2006 of the applicable purchase of cost of goods and services, net of output tax liabilities and allowance for probable losses. Input tax recoverable represents the value-added tax (VAT) paid on purchases of goods and services, net of output tax liabilities, which can be recovered as a tax credit against future tax liabilities of the Group upon approval by the Bureau of Internal revenue (BIR) and/or the Philippine Bureau of Customs.

Prepayments

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

Deferred Mine Exploration Cost

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Mine Site Development Cost

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

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

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

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

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

Impairment of Nonfinancial Assets other than Explored Mineral Resources

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

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

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

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

Rental Deposits

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

Financial Liabilities

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

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

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

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

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

Derecognition of Financial Assets and Liabilities

*Financial asset*

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

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

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

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carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial liability*

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

Offsetting Financial Instrument

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

Capital Stock

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

Retained Earnings (deficit)

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

Revenue Recognition

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

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

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Cost and Expense

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

Short-term Employee Benefits

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

Pension Cost

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

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

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

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

Borrowing Costs

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

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

Foreign Currency Transaction

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

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

Income Taxes

*Current income tax*

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

*Deferred income tax*

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

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



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income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) in effect at the end of the reporting period.

Leases

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

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

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

*Group as a Lessee*

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

Related Parties

Parties were considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party making financial and operating decisions. Parties were also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties.

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Earnings (loss) per Share

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

Diluted earnings (loss) Per Share

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

Events after the Reporting Period

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

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**3. Significant Accounting Judgments and Estimates**

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

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

Judgments

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

*Determining Functional Currency*

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

*Deferred Tax Assets and Liabilities*

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The Group reviews its deferred tax assets and liabilities at end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

*Provisions and Contingencies*

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

Accounting Estimates and Assumptions

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

*Impairment of financial assets*

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

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

In addition to specific allowance against individual significant trade and other receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is generally based on the age and status of the accounts.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease in net income. Total carrying value of receivables and other current assets amounted to ₱302,630,933 and ₱13,629,849 as at September 30, 2013 and December 31, 2012, respectively. Allowance for impairment on financial assets recognized in the consolidated financial statements as at September 30, 2013 and December 31, 2013 amounted to ₱8,235,423 (See Note 7).

*Impairment of Inventory*

The Subsidiary recognizes impairment on inventories whenever net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to

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reflect the accurate valuation in the financial records. The carrying value of inventories in the consolidated financial statements amounted to ₱24,153,472 and ₱ 14,898,292 as at September 30, 2013 and December 31, 2012 (See Note 8).

*Estimated Useful Lives of Property, Plant and Equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. The carrying value of property and equipment in the consolidated financial statements as of September 30, 2013 and December 31, 2012 amounted to ₱1,116,510,159 and ₱ 1,176,231,407, respectively (See Note 10).

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

The estimated useful lives are as follows:

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

Based on management assessment as at June 30, 2013 and December 31, 2012 , there is no change in the estimated useful lives of property, plant and equipment. Actual results, however, may vary due to change in estimates brought about by changes in factors mentioned above.

*Recoverability and Estimates of Explored Mineral Resources*

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

Estimates of reserves for underdeveloped or partially developed area are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be

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subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.

*Estimating Impairment of Non-Financial Assets*

The Group assess at each reporting period whether there is an indication that the carrying amount of all non-financial assets maybe impaired or that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. There was no impairment loss on non-financial assets recognized during the year, except for the Parent Company's input taxes where a valuation allowance was provided amounting to ₱607,636 as September 30, 2013 and December 31, 2012 (See Note 12).

*Realizability of Deferred Tax Assets*

Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused MCIT and NOLCO. These assets are periodically reviewed for realization. Periodic reviews covered the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earning and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized. As September 30, 2013 and December 31, 2012 the Group did not recognize the deferred tax effect of NOLCO in the consolidated financial statements. The tax effect of MCIT of the Parent Company recognized in the consolidated financial statements amounted to ₱385,619 as at September 30, 2013 and December 31, 2012.

*Estimating Contingencies*

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

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**4. Explored Mineral Resources**

The explored mineral resources reported in the consolidated financial statements of financial position amounting to ₱1,294,766,157 as September 30, 2013 and December 31, 2012 represent the excess of shares issued by the Parent Company to acquire 100% ownership in MMDC which meets the definition of an intangible asset that is controlled and provide economic benefits, separable and arises from mineral property rights and claims for which fair value was measured reasonably.

*Valuation of intangible assets arising on combination*

Valuation of explored mineral resources on acquisition of MMDC's 100% ownership is primarily attached on the target commencement of MMDC's mine production activities by the 2<sup>nd</sup> quarter of 2010 which will in turn start the cash flow generation of the initial explored area of about 120 hectares which is 2.5% of the area covered by the MPSA. Cost from the exploration permits are substantially immaterial and charged to operation. In addition, this valuation does not

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include any assignment to the Parent Company and/or MMDC of operating agreement an additional mining tenement that may contain other minerals.

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

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

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

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**5. Impairment Testing of Explored Mineral Resources**

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

- a. Uncertainty in estimation of mineral resources - technical, geologic and market date on the Mineral Resources are estimates and there is no assurance that the anticipated tonnages and grades will be achieved, neither is it ascertained that the indicated recovery rate will be realized.
- b. Discounted cash flow method - For the purposes of computing net present value using discounted cash flow method, the valuation of intangible assets involves the extraction of non-replaceable resource, a terminal value was not assigned to represent cash flows to be earned beyond the projected period.

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

Management believes that there is a significant reason not to recognize impairment in this asset as at September 30, 2013 and December 31, 2012.

**MARCVENTURES HOLDINGS INC.-****6. Cash and Cash Equivalents**

This account consists of:

	September 30, 2013	December 31, 2012
Cash in bank	₱ 809,498,991	₱13,022,667
Cash on hand	246,370	82,881
Petty cash	39,000	22,000
	₱809,784,361	₱13,127,548

Cash in banks earns interest at the respective bank deposit rates amounting to ₱809,784,361 and ₱13,127,548 for the periods ended September 30, 2013 and December 31, 2012, respectively. Short-term investments are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

Foreign exchange gain recognized for the period September 30, 2013 amounted to ₱1,528,040.

**7. Trade and Other receivables**

This account consists of:

	September 30, 2013	December 31, 2012
Trade Accounts Receivable	₱295,368,727	₱9,254,835
Advances to related parties	7,895,624	7,887,885
Cash advance for liquidation	1,488,893	852,563
Cash advance to employees	1,479,955	3,247,163
Cash advance – others	4,633,157	622,826
	₱310,866,356	₱21,865,272
Allowance for impairment losses	8,235,423	8,235,423
	₱302,630,933	₱13,629,849

There were no assets under this category that were used as a collateral or pledge on any loans or advances as at September 30, 2013 and December 31, 2012.

As of September 30, 2013, the aging analysis of receivables is as follows:

PAST DUE BUT NOT IMPAIRED						
	Total	Current	1-30 days	31-60 days	61-90 days	Over 91 days
Accounts receivable – trade	₱295,368,727	₱244,880,485	₱38,152,856	₱2,394,700	₱-	₱9,940,685
Cash advances for liquidation	1,488,893	550,488	1,500	-	6,014	930,891
Advances to employees	1,479,955	124,508	46,108	73,639	33,667	1,202,033
Advances to affiliates	7,895,624	16,975	-	-	6,379	7,872,270
Cash Advances – others	4,633,157	29,372	755,168	-	1,289,531	2,559,086
	310,866,356	245,601,834	38,956,033	2,473,952	1,514,077	22,320,460
Allowance for impairment loss	8,235,423	-	-	-	-	8,235,423
	₱302,630,933	₱245,601,834	₱38,956,033	₱2,473,952	₱1,514,077	₱14,085,037

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

**MARCVENTURES HOLDINGS INC.-****8. Inventory**

Movement of inventory are as follows:

	September 30, 2013	December 31, 2012
Beg. Balance	₱14,898,292	₱234,403,818
Additions during the period	928,794,041	157,657,158
Inventory available for sale	943,692,333	392,060,976
Cost of sales	919,538,861	377,162,684
Balance – end	₱24,153,472	₱14,898,292

As at September 30, 2013 and December 31, 2012 , the Subsidiary’s inventory consists of nickel ore stockpile amounting to ₱24,153,472 and ₱14,898,292, respectively. The inventories are carried at cost.

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

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

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

**9. Other Current Assets**

This account consists of:

	September 30, 2013	December 31, 2012
Advances to suppliers and contractors	₱17,083,316	₱11,902,937
Prepaid expenses and others	29,876,604	24,512,158
Deffered tax MCIT	385,619	385,619
Prepaid tax	331,833	4,933
Total	₱47,677,372	₱36,805,647.00
Allowance for impairment losses	1,556,370	1,556,370
	₱46,121,002	₱35,249,277

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



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### MARCVENTURES HOLDINGS INC.-

#### 10. Property, Plant and Equipment

This account consists of the following:

	Land	Equipment, Furniture and Fixture	Building	Mine Site Development Cost	Construction in progress	Heavy and mobile equipment	September 30, 2013
<b>Cost</b>							
Beginning of year	₱31,380,697	₱32,998,978	₱15,995,088	₱743,100,897	₱49,893,346	₱497,050,826	₱1,370,419,832
Acquisition	2,186,480	10,843,501	-	-	4,526,428	5,573,453	23,129,862
Disposal	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	(2,734,286)	(2,734,286)
End of the year	33,567,177	43,842,479	15,995,088	743,100,897	54,419,775	499,889,993	1,390,815,409
<b>Accumulated Depreciation</b>							
Beginning of year	-	16,064,680	3,768,806	43,593,324	-	130,761,614	194,188,424
Depreciation/depletion	-	7,534,286	2,963,108	-	-	69,619,431	80,116,825
Disposal	-	-	-	-	-	-	-
End of year	-	23,598,966	6,731,914	43,593,324	-	200,381,045	274,305,249
Net book value	₱33,567,177	₱20,243,513	₱9,263,175	₱699,507,573	₱54,419,775	₱299,508,948	₱1,116,510,160
<b>Beginning Balance</b>							
	Land	Equipment, Furniture and Fixture	Building	Mine Site Development Cost	Construction in progress	Heavy and mobile equipment	December 31, 2012
<b>Cost</b>							
Beginning of year	₱20,473,993	₱22,231,795	₱11,613,245	₱406,313,792	₱36,751,003	₱307,224,698	₱804,608,526
Acquisition	6,223,164	13,177,710	4,381,843	14,405,500	13,142,344	192,099,140	243,429,701
Disposal	-	-	-	-	-	-	-
Reclassifications	-	-	-	322,381,604	-	-	322,381,604
End of the year	26,697,157	35,409,505	15,995,088	743,100,896	49,893,346	497,050,826	1,370,419,831
<b>Accumulated Depreciation</b>							
Beginning of year	-	7,359,398	1,101,822	23,086,925	-	47,967,330	79,515,475
Depreciation/depletion	-	8,037,720	1,424,159	20,506,399	-	84,704,671	114,672,949
Disposal	-	-	-	-	-	-	-
End of year	-	15,397,118	2,525,981	43,593,324	-	130,761,614	194,188,424
Net book value	₱26,697,157	₱20,012,387	₱13,469,107	₱699,507,572	₱49,893,346	₱366,289,213	₱1,176,231,407

There were no assets under property, plant and equipment that were used as collateral to any loan except for Heavy and transportation equipment that were obtained by the subsidiary through United Coconut Planters Bank (UCPB) and Orix Metro Leasing Corp.

Depreciation charge to inventory and cost amounted to ₱6,110,540 and ₱67,744,882, respectively as of September 30, 2013.

Depreciation charge to operations amounted to ₱6,261,402 as of September 30, 2013.

#### 11. Deferred Mine Exploration Cost

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

**MARCVENTURES HOLDINGS INC.-****12. Other Noncurrent Assets**

This account consists of:

	September 30, 2013	December 31, 2012
Input VAT	₱227,456,983	₱140,247,386
Mine rehabilitation fund	5,245,006	5,204,379
Monitoring trust fund	160,875	159,894
Rental deposit	378,450	317,250
Other	3,320,042	3,281,241
	<u>₱236,468,803</u>	<u>₱149,210,150</u>

The Parent Company's input tax amounting to ₱6,278,883.14 and ₱5,607,244 as at September 30, 2013 and December 31, 2012, respectively, is net of a valuation allowance amounting to ₱607,636.

Rehabilitation Cash Fund

Rehabilitation Cash Fund (RCF) is a fund designated to ensure compliance with the approved rehabilitation activities and schedules for specific mining project phase, including research programs as defined in the Environmental Protection and Enhancement Program (EPEP). The RCF shall be equivalent to 10% of the total amount needed to implement the EPEP or Five Million (₱5,000,000) whichever is lower. In the event of withdrawals from the RCF, the Subsidiary shall annually replenish the RCF so as to maintain the minimum required amount thereof.

Monitoring Trust Fund

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

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

**MARCVENTURES HOLDINGS INC.-****13. Notes Payable**

This account consists of:

	September 30, 2013	December 31, 2012
United Coconut Planters Life Assurance Corp.	₱130,000,000	₱100,000,000
Wealth Securities	-	30,000,000
Asian Alliance Investment Corporation	19,800,000	19,800,000
<b>Total</b>	<b>₱149,800,000</b>	<b>₱149,800,000</b>

All of the Parent Company's unsecured notes as at September 30, 2013 and December 31, 2012 amounting to ₱149.8 million have annual interest rates of 10% and with maturities of 3 years from the date of drawdown, payable in full upon maturity.

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

Interest expense charged to operations amounted to ₱33,400,342 and ₱16,346,495 for the period ended September 30, 2013 and December 31, 2012, respectively.

**14. Interest-bearing Loans**

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

	September 30, 2013	December 31, 2012
Philippine Business Bank (PBB)	₱150,000,000	₱-
Orix Metro	15,156,586	26,815,498
United Coconut Planters Bank	1,786,933	38,109,089
	166,943,519	64,924,587
Less: Current portion	164,986,277	25,501,911
	<b>₱1,957,241</b>	<b>₱39,422,676</b>

The Subsidiary's loans from UCPB Leasing and finance Corporation was intended for the acquisition of heavy equipment and the same equipment was used as security for the loan.

The Subsidiary's loan balance from Orix Metro Leasing Corp. amounting to ₱15,156,586 with an interest of 15% secured by 26 units of Sinotruck Howo Dump Truck .

PBB loan amounting to ₱150 million with an interest of 7.5% per annum was fully paid on November 4, 2013.

**MARCVENTURES HOLDINGS INC.-****15. Trade and Other Payables**

This account consists of:

	September 30, 2013	December 31, 2012
Accounts payable	₱64,204,991	₱54,964,153
Customer Deposit	113,843,311	193,482,201
Other payables	160,291,940	14,715,389
	<b>₱338,340,243</b>	<b>₱263,161,743</b>

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

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

As at September 30, 2013, the aging analysis of trade payables is as follows:

	Total	1-60 days	61-90 days	91-180 days	Over 180 days
Accounts payable	₱70,799,980	₱53,209,805	₱9,901,292	₱5,684,939	₱2,003,945
Accounts payable-others	122,454,540	61,296,669	11,973,500	2,502	49,181,869
Accrued expenses	145,085,723	138,187,134	27,520	6,786,228	84,841
	<b>₱338,340,243</b>	<b>₱252,693,607</b>	<b>₱21,902,313</b>	<b>₱12,473,669</b>	<b>₱51,270,655</b>

The carrying amount of accounts payable and other payables, which are expected to be settled within the next 12 months from reporting period, is a reasonable approximation of fair value (see Note 20).

**16. Related Party Transactions**

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

Significant transactions with related parties include the following:

	September 30, 2013	December 31, 2012
<b>Advances to affiliates</b>		
Marcventures Minerals Holdings Inc.	₱6,596,294	₱6,596,294
Carac-an Development Corporation	1,587,354	1,291,591
	<b>₱8,183,648</b>	<b>₱7,887,885</b>
<b>Advances from Stockholders</b>	<b>₱9,475,819</b>	<b>₱41,465,511</b>
<b>Advances from Affiliates</b>		
Marcventures Resources Holdings Inc.	105,209	105,209
Marcventures Minerals Holdings Inc.	17,354	17,354
	<b>₱9,598,382</b>	<b>₱41,588,074</b>

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

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

**17. General Administrative and Operating Expenses**

This account consists of:

	September 30, 2013		September 30, 2012	
	3 months	9 months	3 months	9 months
Salaries and allowances	₱5,429,520	₱12,186,232	₱3,138,627	₱5,438,619
Fringe Benefit	2,716,591	2,716,591	-	-
Environmental expenses	7,206,323	7,256,928	-	-
Depreciation	2,128,303	6,261,403	1,456,784	4,434,788
Advertisement	76,345	110,545	53,349	189,804
Representation	13,495,832	26,419,541	2,280,099	5,736,039
Outside Services	396,580	1,971,046	218,441	474,441
Professional fees	381,010	2,088,372	100,000	385,200
Office supplies	1,038,365	2,251,424	732,317	2,164,556
Communication, light and water	216,438	680,674	280,736	593,221
Rental	708,560	2,082,207	656,394	1,929,661
Per Diem	400,000	760,000	-	-
Taxes and licenses	832,718	3,387,945	5,876,188	14,742,097
Miscellaneous	3,460,334	6,215,146	11,486,074	16,419,615
<b>Total</b>	<b>₱38,486,919</b>	<b>₱74,388,055</b>	<b>₱26,279,009</b>	<b>₱52,508,041</b>

**18. Lease Commitments**

The Group leases all of the premises occupied by their offices. The lease contracts provide for annual rentals amounting to ₱2,574,646 and ₱2,154,660 as at September 30, 2013 December 31, 2012. The standard lease periods are from two to five years. The lease contracts contain renewal options, which give the Group the right to extend the lease on terms mutually agreed upon by both parties.

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

	September 30, 2013	December 31, 2012
Less than one year	₱2,574,646	₱2,154,660
Between one year to five years	438,000	3,614,228
	<b>₱3,012,646</b>	<b>₱5,768,888</b>

Rental expense charged to operations amounted to ₱2,082,207 and ₱1,929,661 for the nine-month periods ended September 30, 2013 and September 30, 2012, respectively (See Note 17).

**MARCVENTURES HOLDINGS INC.-****19. Basic/Diluted Earnings (Loss) Per Share**

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

	September 30	
	2013	2012
Net income	₱988,329,579	₱184,827,220
Divided by weighted average number of common shares	1,735,676,782	1,731,766,744
	₱0.57	₱0.107

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

	September 30	
	2013	2012
Net income	₱988,329,579	₱184,827,220
Divided by weighted average number of common shares	1,821,699,508	1,821,699,508
	₱0.54	₱0.101

	September 30	
	2013	2012
Weighted average number of common shares		
For basic earnings per share	1,735,676,782	1,731,766,744
Effect of exercise of conversion options	68,090,909	68,090,909
Effect of exercise of conversion warrants	17,931,817	17,931,817
Weighted average number of common shares adjusted for the effect of exercise of conversion options and warrant	1,821,699,508	1,817,789,470

The Parent Company considered the effect of its potentially dilutive convertible promissory notes and warrants. If the stock option will be exercise the effect would have resulted in additional 86,022,727 common shares as at September 30, 2013 and September 30, 2012.

**20. Risk Management Objectives and Policies**General

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

**MARCVENTURES HOLDINGS INC.-**Financial Risk Management Objectives and Policies

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

*Credit Risk*

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

The Group's exposure to credit risk arises from default of counterparty, with a maximum exposure equal to the carrying amount of its financial assets. The Group assessed its receivable as collectible and in good standing as at September 30, 2013 and December 31, 2012.

(Amounts in ₱'000)

	On demand	Less than 3 mos	3-6 months	6-12 months	1-5 years	More than 5years	Total
<b><u>September 30, 2013</u></b>							
Cash and cash equivalents	₱809,784	₱-	₱-	₱-	₱-	₱-	₱809,784
Accounts receivable – trade	244,880	38,153	2,395	8,055	1,886	-	295,369
Accounts receivables – other	52	275	44	289	1672	-	2,331
Advances to related parties	16	-	6	249	7929	-	8,200
Accounts receivables – employees	125	46	107	165	732	-	1,175
Cash advances for liquidation	551	8	185	73	674	-	1,489
Cash advance – other	-	453	51	1252	546	-	2,302
<b><u>December 31, 2012</u></b>							
Cash and cash equivalents	₱13,023	₱	-	₱-	-₱	₱-	₱13,023
Accounts receivable – trade	-	7,369	1,886	-	-	-	9,255
Accounts receivables – other	-	81	-	-	-	-	81
Advances to related parties	7,888	-	-	-	-	-	7,888
Accounts receivables – employees	3,247	-	-	-	-	-	3,247
Cash advances for liquidation	-	853	-	-	-	-	853
Cash advance – other	-	542	-	-	-	-	542

*Interest Rate Risk*

As at September 30, 2013 and December 31, 2012, the Group's loans are based on fixed rates. Management believes that cash generated from future operations is sufficient to pay for its obligations under the loan agreement as they fall due.

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

(Amounts in P'000)

	Effective interest Rate	Total P '000	6 months or less P '000	6 to 12 months P '000	1 to 2 years P '000	2 to 5 years P '000	More than 5years P '000
<b>September 30, 2013</b>							
Cash and cash equivalents	various	₱809,784	₱809,784	₱-	₱-	₱-	₱-
Interest-bearing loans		166,943	-	164,986	1,957	-	-
Notes payable fixed	10-12%	149,800	-	-	149,800	-	-
Related party payables		₱9,598	9,598	-	-	₱-	-
<b>December 31, 2012</b>							
Cash and cash equivalents	various	₱13,023	₱13,023	₱-	₱-	₱-	₱-
Interest-bearing loans		64,925	-	25,502	-	-	39,423
Notes payable fixed	10-12%	149,800	-	-	149,800	-	-
Related party payables		₱41,711	-	-	₱41,711	-	-

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

*Liquidity Risk*

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

The tables below summarize the maturity profile of the Group's financial liabilities as at September 30, 2013 and December 31, 2012 based on contractual undiscounted payments. Notes and loans payable consist of principal and estimated future interest payments.

(Amounts in P'000)

	On demand	Less than 3 mos	3-6 months	6-12 months	1-5 years	More than 5years	Total
<b>September 30, 2013</b>							
Trade and other payables	₱6,379	₱246,098	₱34,376	₱27,192	₱24,078	₱216	₱338,340
Interest bearing loans	-	-	-	-	-	-	-
Related party payable	-	-	-	-	9,598	-	9,598
Notes payable	₱-	₱-	₱-	₱-	₱149,800	₱-	149,800



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Trade and other payables	₱-	₱16,297	₱246,430	₱-	₱-	-₱	₱248,446
Interest bearing loans	-	-	-	25,502		39,423	64,925
Related party payable	-	-	-	-	41,711	-	41,711
Notes payable	₱-	₱-	₱-	₱-	₱149,800	₱-	₱149,800

*Currency Risk*

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

To mitigate the effects of foreign currency risk, the Group will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at September 30, 2013 and December 31, 2012 are as follows:

(Amounts in ₱'000)

	September 30, 2013		December 31, 2012	
	Foreign Account	Peso Equivalent	Foreign Account	Peso equivalent
<b>Financial Asset</b>				
Cash in bank	\$10,889	₱474,126	\$5	₱192
Accounts receivable	6,741	295,369	225	9,255
	\$17,630	₱769,495	\$230	₱9,447
<b>Financial liabilities</b>				
Customer deposit	\$6,615	₱113,843	\$4,697	₱193,482

*Market Risk*

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

**21. Categories and Fair Values of Financial Assets and Liabilities**

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

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

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

(Amounts in ₱'000)

Category of Financial Instruments	September 30, 2013		December 2012	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	₱809,784	₱809,784	₱13,125	₱13,125
Trade and other receivables	302,631	302,631	13,630	13,630
	₱1,112,415	₱1,112,415	₱26,758	₱26,758

Financial liabilities carried at amortized cost

Trade and other payables	₱338,340	₱338,340	₱248,446	₱248,446
Interest-bearing loans	166,944	166,944	64,925	64,925
Notes payable	149,800	149,800	149,800	149,800
Related party payables	9,598	9,598	41,711	41,711
	₱664,682	₱664,682	₱504,882	₱504,882

During the periods ended September 30, 2013 and December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## **22. Capital Management Objectives, Policies and Procedures**

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

### Governance framework

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

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

### Capital management framework

The Group's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Group is the exposed,

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

	September 30, 2013	December 31, 2012
Trade and other payables	P338,340,243	P263,161,743
Interest bearing loans	166,943,518	64,924,587
Notes payable	149,800,000	149,800,000
Related party transaction	9,598,380	41,710,637
<b>Total debt</b>	<b>664,682,141</b>	<b>519,596,967</b>
Capital stock	1,735,676,782	1,735,676,782
Paid in capital in excess of par value	109,837,311	109,837,311
Retained earning	1,320,331,202	332,001,621
<b>Total equity</b>	<b>P3,165,845,295</b>	<b>P2,177,515,714</b>
<b>Debt-to-equity ratio</b>	<b>0.21:1</b>	<b>0.24:1</b>

Regulatory framework

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

**23. Others**Seasonality or Cyclicity of Interim Operation:

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