CR07478-2016

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
   Sep 30, 2016
2. SEC Identification Number
   12942
3. BIR Tax Identification No.
   000-104-320-000
4. Exact name of issuer as specified in its charter
   Marcventures Holdings, Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   4th Floor, Citibank Center, Paseo de Roxas, Makati City
   Postal Code
   1227

8. Issuer's telephone number, including area code
   (+632)831-4479 or (+632)831-4483
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
common	1,821,358,599

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (●) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 twelve (12) months (or for such shorter period that the registrant was required to file such reports)

(●) Yes ( ) No

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

◉ Yes ○ No

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

Marcventures Holdings, Inc.
MARC

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Sep 30, 2016
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2016	Dec 31, 2015
Current Assets	665,069,860	580,377,409
Total Assets	3,369,600,304	3,426,868,202
Current Liabilities	302,886,011	307,805,437
Total Liabilities	457,813,003	462,732,429
Retained Earnings/(Deficit)	858,670,209	911,018,681
Stockholders' Equity	2,911,787,301	2,964,135,773
Stockholders' Equity - Parent	2,846,569,096	1,821,358,599
Book Value per Share	1.6	1.63

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	285,201,394	169,049,594	330,143,532	190,100,461
Other Revenue	4,187,055	23,077,255	3,764,231	27,244,678
Gross Revenue	289,388,449	192,126,849	333,907,763	217,345,139
Operating Expense	146,258,477	86,944,249	378,321,879	272,063,393
Other Expense	2,881,066	2,134,332	7,934,356	7,249,274
Gross Expense	149,139,543	89,078,581	386,256,235	279,312,667
Net Income/(Loss) Before Tax	140,248,906	103,048,268	-52,348,472	-61,967,528

Income Tax Expense	-	-	-	-
Net Income/(Loss) After Tax	140,248,906	103,048,268	-52,348,472	-61,967,528
Net Income Attributable to Parent Equity Holder	140,248,906	103,048,268	-52,348,472	-61,967,528
Earnings/(Loss) Per Share (Basic)	0.08	0.06	-0.03	-0.03
Earnings/(Loss) Per Share (Diluted)	0.08	0.06	-0.03	-0.03

Other Relevant Information
None.

Filed on behalf by:

Name	Raquel Frondoso
Designation	Compliance Officer

1	2	9	4	2					

SEC Registration Number

MARCVENTURES HOLDINGS INC.
AND SUBSIDIARY

(Company's Full Name)

UNIT 4-3 4th FLOOR CITIBANK CTR
8741 PASEO DE ROXAS MAKATI CITY

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

Rolando S. Santos

(Contact Person)

02-8314479

(Company Telephone Number)

1	2

Month *Day*
(Calendar Year)

3	1

1	7	-	Q	

(Form Type)

Month *Day*
(Annual Meeting)

N.A.

Secondary License Type, If Applicable)

Finance Department

Dept. Requiring this Doc.

September 30, 2016

Period Ending Date

Total Amount of Borrowings

2,170

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **September 30, 2016**

2. Commission identification number **12942**

3. BIR Tax Identification No. **470-000-104-320**

4. Exact name of registrant as specified in its charter: **MARCVENTURES HOLDINGS INC.**

5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: [ ] **(SEC Use Only)**

7. Address of registrant's principal office:

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

8. Registrant's telephone number, including area code: **(63 2) 831-44-79**

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

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock (₱1.00 par value)	1,821,358,599 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Note: only 1,821,327,687 are listed with PSE
Yes. The common shares are listed on the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

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

Yes

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

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PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

The Unaudited Interim Consolidated Financial Statements as at September 30, 2016 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2015) and for three-month and nine-month period ended September 30, 2016 and 2015 are in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Consolidated Statemen as of September 30, 2016 and December 31, 2015

	September 30,2016 Unaudited	Dec. 31, 2015 Audited	September 30, 2016 vs. Dec. 31, 2015	
			Amount Increase (decrease)	Percentage Increase (decrease)
	(₱'000)	(₱'000)	(₱'000)	
Current assets	**₱ 665,070**	₱ 580,377	₱84,693	14.59%
Noncurrent assets	**2,704,530**	2,846,491	(141,961)	(4.99%)
Total Assets	**₱3,369,600**	₱3,426,868	(₱57,268)	(1.67%)
Current Liabilities	**₱ 302,886**	₱ 307,805	(₱4,919)	(1.60%)
Noncurrent liabilities	**154,927**	154,927	–	–
Total Stockholders' Equity	**2,911,787**	2,964,136	(52,349)	(1.77%)
Total Liabilities and Stockholders' Equity	**₱3,369,600**	₱3,426,868	(₱57,268)	(1.67%)

Summary of Consolidated Income Statements for the three months and nine months period ended September 30, 2016 and 2015.

	For three months ending September 30		**For nine months ending September 30**	
	2016	**2015**	**2016**	2015
	(₱'000)	(₱'000)	**(₱'000)**	(₱'000)
Sale of Ore	**₱ 880,027**	₱ 1,156,700	**₱ 1,455,615**	₱ 1,853,473
Cost of goods sold	**594,826**	987,651	**1,125,472**	1,663,373
Gross Income	**285,201**	169,049	**330,143**	190,100
Operating expense	**146,258**	86,944	**378,322**	272,063
Income (loss) from operation	**138,943**	82,105	**(48,179)**	(81,963)
Other Operating Income (expense)	**1,306**	20,943	**(4,170)**	19,995
Net income (loss) before income tax	**140,249**	103,048	**(52,349)**	(61,968)
Benefit from income tax	–	–	–	–
Net Income (loss) for the period	**₱140,249**	₱103,048	**(₱52,349)**	(₱61,968)

Summary of Consolidated Statement of Cash Flows for three-month and nine-month period endend September 30, 2016 and 2015.

	For three months ending September 30		**For nine months ending September 30**	
	2016 (₱'000)	2015 (₱'000)	**2016** (₱'000)	2015 (₱'000)
Cash provided by (used in) operating activities	**₱ 36,895**	₱143,570	**(₱415)**	(₱252,621)
Cash used in investing activities	**(11,111)**	(5,231)	**(50,059)**	(316,039)
Cash provided by (used in) financing activities	**(4,246)**	(3,458)	**(13,522)**	196,292
Net increase (decrease) in cash	**21,538**	134,881	**(63,996)**	(372,368)
Cash at begining of period	**104,672**	106,885	**190,206**	614,134
Cash at end of period	**₱126,210**	₱241,766	**₱126,210**	₱241,766

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

The following discussion and analysis is based on the unaudited interim consolidated financial statements as at September 30, 2016 (with comparative Audited Consolidated Statements of Financial Position as at December 31, 2015) and for three-month and nine-month period ended September 30, 2016 and 2015, prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

Results of Operations

Nine months ended September 30, 2016 compared with nine months ended September 30, 2015

Revenues for the nine-month period ended September 30, 2016 decreased by ₱397.8 million or 21.5% compared to the same period in 2015. This is a combined result of lower nickel prices and lower volume of ore shipped for the current year compared to the previous year. Total volume shipped out for nine-month period ended September 30, 2016 was 2,219,732 wmt as compared to 2,806,300 wmt in the same period of 2015. This decrease in volume was part of a plan implemented by the Subsidiary in order to adapt to the unfavorable market situation. By changing the product mix and increasing the proportion of the higher-grade product, Saprolite, the Subsidiary was able to keep its overall average price at only 4.6% lower than the previous year despite the 27.2%i drop in the nine-month average LME Nickel Price from 2015 to 2016.

Total cost and expenses for the nine month period also decreased by $1.0 per ton of ore shipped as compared to 2016. This is due to the various cost reduction and optimization measures implemented during the year, including renegotiation of major service contracts and reorganization of the manpower structure.

Despite the further decline in the Nickel market prices, the operating result during the nine-month period ended September 30, 2016 improved by ₱33.8 million compared to the same period in 2015.

[i] *http://www.westmetall.de/en/markdaten.php?action=show_table_average&field=LME_Ni_cash*

The bottomline for the same period improved by ₱9.6 million. If not for the intermittent heavy rains that delayed several of the shipments scheduled during the second and third quarters, the operating result for the nine-month period would have been positive.

Cost and Expenses
Cost and expenses amounted to ₱1,503.8 million for the period ended September 2016 compared to ₱1,935.4 million for the same period in 2015, a decrease of ₱431.6 million or 22.30%.

Cost of Goods Sold
For the nine months of 2016, the cost of goods sold amounted to ₱1,125.5 million compared to ₱1,663.4 million for the same period in 2015, a decrease of ₱537.9 million or 32.34%. The decrease was due to the cost savings initiative of the Company.

Operating expenses
Operating expenses for the period ended September 2016 amounted to ₱378.3 compared to ₱272.1 for the same period in 2015, an increase of ₱106.2 or 39.05%. The increase was mainly accounted for by the following:

- **Social development program ("SDP")** for the nine- month period increased by ₱23.53 million or equivalent to 208.19%. SDP is in compliance with implementimg rules and regulation of 1995 Phil. Mining Act which requires that 1.5% of operating cost be allocated for the development of host and neighboring mining communities.
- **Depreciation** for the nine-month period increased by ₱12.98 million or 48.91% mainly due to depreciation of acquired service vehicles, office equipment, furniture & fixtures in 2015.
- **Outside services** for the nine-month period increased by ₱17.32 million or equivalent to 279.72% mainly due to equipment maintenance and other outsourced services.
- **Representation** for the nine-month period increased by ₱2.81 million or equivalent to 162.05% due to various meeting with prospective clients, trainings and conferences.
- **Supplies** for the nine month period increased by ₱2.54 million or equivalent to 89.53%, due to increase mining, and office supplies.
- **Rental** for the nine month period increased by ₱2.61 million or equivalent to 711.3% mainly due to addtional rental for parking space and office equipment and equipment rentals in the minesite.
- **Repairs and maintenance** for the nine month period increased by ₱1.18 million due to repair of service vehicles and heavy equipment.
- **Other expenses** for the nine month period increased by ₱89.85 million mainly due to settlement of tax deficiency for the years 2012 to 2014 totalling to ₱30.0 million and environmental protection and enchancement program expenses amounted to ₱44.93 million.

The above cost increases were partly offset by the following :

- **Decrease in Salaries and allowances** by ₱4.95 million or equivalent to 5.79%.
- **Decrease in Taxes and licenses** by ₱1.92 million or equivalent to 6.18% .
- **Decrease in Donations** by ₱4.66 million or equivalent to 51.01% .
- **Decrease in Royalties** by ₱4.18 or equivalent to 21.47% due to lower revenue and production for the nine months period.
- **Decrease in Professional fees** by ₱19.13 million or equivalent to 41.67%
- **Decrease in Communication, light and water** by ₱1.35 million or equivalent to 28.80%

- **Decrease in Freight and shipping** by ₱5.74 million or equivalent to 34.09% due to lower volume shipped for the nine month period.
- **Decrease in Advertisement** by ₱.08 million or equivalent to 46.44%**.**

Three months ended September 30, 2016 compared with three months ended September 30, 2015

Revenues for the three-month period ended September 30, 2016 decreased by ₱276.7 million or 23.9% compared to the same period in 2015. This is mainly a result of the lower volume of ore shipped during the current year compared to the previous year. Total volume shipped out for three-month period ended September 30, 2016 was 1,174,857 wmt as compared to 1,767,648 wmt in the same period of 2015. Despite the lower volume, the overall average price for the quarter was higher by 7.9% compared to the same period in 2015. This is due to a different product mix with higher proportion of the higher-grade product Saprolite.

As a result, the operations for the three-month period ended September 30, 2016 produced higher margins and generated a net income of ₱140.2 million, which is 36.1% higher compared to ₱103.2 million in the same period in 2015.

Administrative and Operating expenses

For the three months ended September 30, 2016, administrative and operating expenses amounted to ₱146.26 million. This reflects an increase of ₱59.31 million or 68.21% from ₱86.94 million for the same period last year. The increase was primarily due to the following:

- **SDP** for the three months period is ₱19.27 million in compliance with implementimg rules and regulation of 1995 Phil. Mining Act, which requires that 1.5% of operating cost be allocated for the development of host and neighboring mining communities.
- **Depreciation** increased by ₱0.53 million or 4.16% mainly due to depreciation of acquired service vehicles, office equipment, furniture & fixtures.
- **Outside services** increased by ₱6.43 million mainly due to equipment maintenance, and other outsourced services.
- **Supplies** increased by ₱1.02 million or equivalent to 84.26% , due to increase in office and mining supplies.
- **Rental** increased by ₱1.32 million due to addtional rental for parking space, office equipment and equipment rentals.
- **Repairs and maintenance** increased by ₱0.47 million due to repair of service vehicles and heavy equipment.
- **Salaries and wages** increased by ₱2.43 million or equivalent to 12.25%
- **Taxes and licenses** increased by ₱4.47 million or equivalent to 35.61% payment of third quarter busines permit.
- **Other expenses** increased by ₱34.79 million mainly due to environmental protection and enchancement program expenses.

The above cost increases were partly offset by the following :

- **Decrease in Royalties** by ₱3.11 million or equivalent to 25.58% due to lower revenue for the period.

- **Decrease in Donation** by ₱3.54 million or equivalent to 105.29% .
- **Decrease in Professional fees** by ₱0.54 million or equivalent to 8.67%
- **Decrease in Communication light and water** by ₱0.62 million or equivalent to 34.31%
- **Decrease in Representation by** ₱2.27 million.
- **Decrease in Freight and shipping by** ₱5.79 million or equivalent 54.51% due to lower volume shipped out for the period.
- **Decrease in Advertisement by** ₱0.09 million

Statement of Financial Position

Assets

The consolidated total assets of the Company decreased to ₱3,369.60 million as of September 30, 2016 from ₱3,426.87 million as of December 31, 2015 a decline of ₱57.27 million or 1.67% mainly due to the following:

- **Total current assets** resulted to a net increase of ₱84.69 million from ₱580.38 million as of December 31, 2015 to ₱665.07 million as of September 30, 2016. The 14.59% increase was attributable to the following:
    - **Cash** decreased by ₱64.00 million or 33.65% from ₱190.21 million to ₱126.21 million. The decrease attributable to operating expenses, settlement of payables, acquisition of service and mining equipment and additional mine development cost and mining property.
    - **Trade and other receivables** increased by ₱86.30 million or 41.83% from ₱206.33 million to ₱292.63 million due to receivable from sale of nickel ore .
    - **Inventory** increased by ₱47.67 million or 133.47% from ₱35.72 million to ₱83.39 million due to lower volume of shipment brought about by the prolonged rainy season in the minesite.
    - **Other current assets** increased by ₱9.91 million or 13.10% from ₱75.61 million to ₱85.52 million due to increase in advances to contractors, prepaid expenses and increase in mining supplies.
- **Total noncurrent assets** decreased by ₱141.96 million or equivalent to 4.99% from ₱2,846.49 million to ₱2,704.53 million which resulted from the ₱94.19 million or 18.28% decrease due to depreciation of property and equipment and decrease in explored mineral resources of ₱44.98 million due to depletion.

Liabilities

The total consolidated liabilities of the Company decreased by ₱4.92 million or 1.06% from ₱ 462.73 million as of December 31, 2015 to ₱457.81 million as of September 30, 2016. This is mainly due to the following:

- increase in trade and other payables of ₱21.51 million,
- decrease in income tax payable by ₱12.91 million due to payment of income tax, and
- decrease in current portion of long term loan amounting to ₱13.52 million due partial settlement of loan.

Equity

The stockholders' equity of the Company decreased by ₱52.35 million or 1.77% from ₱2,964.14 million as of December 31, 2015 to ₱2,911.79 million as of September 30, 2016. The decrease pertains to the net loss of ₱52.35 million recognized for the nine months period.

Statement of Cash Flows

The net cash used in operating activities amounted to ₱0.41 million for the nine months ended September 30, 2016 as compared to ₱252.62 million for same period in 2015. The decrease in cash from operating activities is the net result of the following:

- Faster collection
- Extended payment terms
- Payment of income tax
- Lower interest income received.

Net cash used in investing activities amounted to ₱50.06 million as compared to ₱316.04 million for the same period in 2015 mainly as a result of the acquisition of office and other equipment and additional mine development.

Net cash used by financing activities amounted to ₱13.52 million for the current year due to partial settlement of loan as compared to net cash provided in financing activities of ₱196.29 million last year due to availment of an interest bearing loan in 2015 .

The net effect of the foregoing operating, investing and financing activities is an decrease of ₱64.0 million and a balance of ₱126.21 million in cash as of September 30, 2016 as compared to a decrease of ₱372.371 million and a balance of ₱241.77 million as of September 30, 2015.

Horizontal and Vertical Analysis:

	Consolidated		Increase(decrease)	
	September 2016	**December 2015**	Amount	Percentage
ASSETS				
Current Assets				
Cash	**₱126,209,745**	₱190,206,924	(₱63,997,179)	(41.53%)
Trade and other receivables	**292,633,842**	206,331,617	86,302,225	41.83%
Inventories	**83,390,956**	35,717,894	47,673,062	133.47%
Advances to related parties	**77,319,174**	72,511,953	4,807,221	27.32%
Other current assets	**85,516,143**	75,609,021	9,907,122	13.10%
Total Current Assets	**665,069,860**	580,377,409	84,692,451	14.59%
Non-current Assets				
Property and equipment	**421,159,897**	515,351,252	(94,191,355)	(18.28%)
Mining rights on explored resources	**1,053,580,761**	1,098,559,100	(44,978,339)	(4.09%)
Mine and mining properties	**814,147,672**	831,818,187	(17,670,515)	(2.12%)
Deferred tax assets	**23,360,064**	15,857,627	7,502,437	47.29%
Other non current assets	**392,282,050**	384,904,627	7,377,423	1.92%
Total Noncurrent assets	**2,704,530,444**	2,846,490,793	(141,960,349)	(4.99%)
TOTAL ASSETS	**₱3,369,600,304**	₱3,426,868,202	(₱57,267,898)	(1.67%)
LIABILITIES AND EQUITY				
Current Liabilities				
Current portion -long term loans	**₱104,593,704**	₱118,116,126	(₱13,522,422)	(11.45%)
Trade and other payable	**187,049,212**	165,534,536	21,514,676	13.00%
Income tax payable	**6,287,741**	19,199,421	(12,911,680)	(67.27%)
Dividend payable	**4,955,354**	4,955,354	–	–

Total Current liabilities	**302,886,011**	307,805,437	(4,919,426)	(1.60%)
Non current Liabilities				
Long-term loans - net of current portion	**74,316,486**	74,316,486	–	–
Provision for mine site rehabilitation	**45,709,730**	45,709,730	–	–
Retirement liability	**34,900,776**	34,900,776	–	–
Total Non current liabilities	**154,926,992**	154,926,992	–	–
	457,813,003	462,732,429	(4,919,426)	(1.06%)
Equity				
Capital stock	**1,821,358,599**	1,821,358,599	–	–
Additional paid in capital	**212,655,494**	212,655,494	–	–
Retained Earnings	**858,670,209**	911,018,681	(52,348,472)	(5.75%)
Actuarial Gain	**19,102,999**	19,102,999	–	–
Total Equity	**2,911,787,301**	2,964,135,773	(52,348,472)	(1.77%)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**₱3,369,600,304**	₱3,426,868,202	(₱57,267,898)	(1.67%)

Other Information

a. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

b. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

c. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

d. There are no material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

e. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations

f. The causes for the material changes from period to period in the financial accounts were explained in the management's discussion and analysis of financial condition and results of operation.

g. There are no significant elements of income or loss that did not arise from the registrant's continuing operations.

h. There are no seasonal aspects that had a material effect on the financial condition or results of operations.

i. There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

j. There are no new Issuances, repurchases, and repayments of debt and equity securities.

k. There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

l. There are no changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

m. There are no contingent liabilities or contingent assets since the last annual balance sheet date.

n. There are no material contingencies and other material events or transactions during the interim period.

o. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Key Performance Indicators

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

	September 30, 2016	September 30, 2015
Net Loss	(₱52,348,472)	(₱61,967,528)
Quick assets	418,843,587	728,876,101
Current assets	665,069,860	896,191,728
Total Assets	3,369,600,304	3,787,052,530
Current liabilities	302,886,011	606,088,533
Total liabilities	457,813,003	770,032,391
Stockholders' Equity	2,911,787,301	3,017,020,139
Number of common shares outstanding	1,821,358,599	1,821,358,599

Liquidity ratios:		
Current ratio (1)	2.20:1	1.48:1
Quick ratio (2)	1.38:1	1.20:1
Solvency Ratios:		
Debt ratio (3)	0.14:1	0.20:1
Debt to Equity ratio (4)	0.16:1	0.26:1
Profitability ratios:		
Return on equity (5)	(0.02)	(0.02)
Return on assets (6)	(0.02)	(0.02)
Earning (loss) per share (7)	(0.03)	(0.03)
Book value per share	1.60	1.66

Note:
1. Current assets / Current liabilities
2. Quick assets / Current liabilities
3. Total liabilities / Total assets
4. Total Liabilities / Shareholders' equity
5. Net income (loss) / Ave. Shareholders' equity
6. Net income (loss) / Ave. Total Assets
7. Net Income (loss) / common shares outstanding
8. Stockholders' equity / Common share outstanding

PART II - OTHER INFORMATION

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

NONE

PART III – FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a. Current Ratio
   Total Current Assets/ Total Current Liabilities 2.20:1
b. Quick Ratio
   Quick asset / Total Current Laibilities = 1.38:1

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets = 0.14:1
b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = 0.16:1

Profitability Ratio

a. Return on Equity Ratio
   Net loss / Average shareholder's equity = **(**0.02) :1
b. Return on Assets
   Net loss / Average Total assets = **(**0.02):1
c. Fixed Assets Turnover Ratio :
   Revenue/Property Plant and Equipment = (0.12):1
d. Asset to Equity Ratio:
   Total Assets / Ave. Stockholders' Equity = 1.15:1
e. Asset Turnover
   Revenue/Total Assets = (0.02):1
f. Book value per share
   Stockholders' equity/Common shares outstanding = 1.60

Interest Coverage Ratio
loss / Interest expense = 6.8:1

SIGNATURES

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

Issuer**:** **MARCVENTURES HOLDINGS INC.**

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

Date: November 18, 2016

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

Date: November 18, 2016

SIGNATURES

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

Issuer: **MARCVENTURES HOLDINGS INC.**

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

Date: November 18, 2016

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

Date: November 18, 2016

Marcventures Holdings, Inc. and Subsidiary

Consolidated Financial Statements

AS AT SEPTEMBER 30, 2016 (UNAUDITED) AND DECEMBER 31, 2015 (AUDITED)
AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (UNAUDITED)

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016
(With Comparative Audited Figures as at December 31, 2015)

	Note	**September 30, 2016**	December 31, 2015
ASSETS			
Current Assets			
Cash	6	**₱126,209,745**	₱190,206,924
Trade and other receivables	7	**292,633,842**	206,331,617
Inventories		**83,390,956**	35,717,894
Advances to related parties	19	**77,319,174**	72,511,953
Other current assets	8	**85,516,143**	75,609,021
Total Current Assets		**665,069,860**	580,377,409
Noncurrent Assets			
Property and equipment	9	**421,159,897**	515,351,252
Mining rights on explored resources	10	**1,053,580,761**	1,098,559,100
Mine and mining properties	10	**814,147,672**	831,818,187
Deferred tax assets	21	**23,360,064**	15,857,627
Other noncurrent assets	11	**392,282,050**	384,904,627
Total Noncurrent Assets		**2,704,530,444**	2,846,490,793
		₱3,369,600,304	₱3,426,868,202
LIABILITIES AND EQUITY			
Current Liabilities			
Current portion of long-term loans	13	**₱104,593,704**	₱118,116,126
Trade and other payables	12	**187,049,212**	165,534,536
Income tax payable		**6,287,741**	19,199,421
Dividend payable		**4,955,354**	4,955,354
Total Current Liabilities		**302,886,011**	307,805,437
Non current Liabilities			
Long Term loans-net of current portion	13	**74,316,486**	74,316,486
Provision for mine site rehabilitation		**45,709,730**	45,709,730
Retirement liability	18	**34,900,776**	34,900,776
Total Non current liabilities		**154,926,992**	154,926,992
Total Liabilities		**₱457,813,003**	₱462,732,429
Equity			
Capital stock	14	**₱1,821,358,599**	₱1,821,358,599
Additional paid-in capital		**212,655,494**	212,655,494
Retained earnings		**858,670,209**	911,018,681
Actuarial Gain		**19,102,999**	19,102,999
Total Equity		**2,911,787,301**	2,964,135,773
		₱3,369,600,304	₱3,426,868,202

See accompanying Notes to Consolidated Financial Statements.

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

		For the three months ended September 30		For the nine months ended September 30	
	Note	**2016**	2015	**2016**	2015
SALE OF ORE		**₱880,027,384**	₱ 1,156,700,140	**₱1,455,615,172**	₱ 1,853,472,999
COST OF GOODS SOLD	15	**594,825,990**	987,650,546	**1,125,471,640**	1,663,372,538
GROSS INCOME		**285,201,394**	169,049,594	**330,143,532**	190,100,461
OPERATING EXPENSES	16	**146,258,477**	86,944,249	**378,321,879**	272,063,393
INCOME(LOSS) FROM OPERATIONS		**138,942,917**	82,105,345	**(48,178,347)**	(81,962,932)
OTHER INCOME (CHARGES)	17	**1,305,989**	20,942,923	**(4,170,125)**	19,995,404
NET INCOME (LOSS)		**₱140,248,906**	₱103,048,268	**(₱52,348,472)**	(₱61,967,528)
Basic loss per share	22	**₱0.08**	₱0.06	**(₱0.03)**	(₱0.03)
Diluted loss per share	22	**₱0.08**	₱0.06	**(₱0.03)**	(₱0.03)

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED September 30, 2016 AND 2015

	Note	**September 30,2016**	September 30, 2015
CAPITAL STOCK			
Balance at beginning of year	14	**₱1,821,358,599**	₱ 1,821,358,599
ADDITIONAL PAID-IN CAPITAL			
Balance at beginning of year		**212,655,494**	212,655,494
RETAINED EARNINGS			
Balance at beginning of year,		**911,018,681**	₱1,030,073,433
Net loss		**(52,348,472)**	(61,967,528)
Actuarial Gain		**19,102,999**	14,900,141
Balance at end for the period		**877,773,208**	₱983,006,046
		₱2,911,787,301	₱3,017,020,139

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the three months ended September 30 **2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱140,248,905**	₱103,048,268
Adjustments for:			
Depletion	10	**46,981,248**	57,777,964
Depreciation	9	**34,749,636**	38,696,693
Interest expense	13	**2,881,066**	2,134,332
Interest income	6	**(48,726)**	(84,451)
Operating income before working capital changes		**224,812,129**	201,572,806
Working capital changes in:			
Decrease (increase) in:			
Trade and other receivables		**(158,876,011)**	(224,365,418)
Inventory		**4,979,757**	107,681,192
Other current assets		**12,190,884**	(1,200,515)
Advances to related parties		**(2,555,774)**	29,603,185
Increase (decrease) in:			
Trade and other payables		**(39,609,536)**	32,328,534
Income tax		**(1,214,696)**	-
Net cash generated from operations		**39,726,753**	145,619,784
Interest paid		**(2,881,066)**	(2,134,333)
Interest received		**48,726**	84,451
Net cash provided by operating activities		**36,894,413**	143,569,902
CASH FLOWS FROM INVESTING			
Additions to:			
Other noncurrent assets		**(1,170,440)**	(2,096,340)
Property and equipment	9	**(2,997,197)**	(8,366,454)
Mine and mining properties		**(6,943,592)**	5,231,667
Cash used in investing activities		**(11,111,229)**	(5,231,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loans		**(4,245,858)**	(3,458,283)
Net cash used in financing activities		**(4,245,858)**	(3,458,283)
NET INCREASE IN CASH		**21,537,326**	134,880,492
CASH AT BEGINNING OF YEAR		**104,672,419**	106,885,389
CASH AT END FOR THE PERIOD		**₱126,209,745**	₱241,765,881

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the nine months ended September 30 **2016**	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(₱52,348,473)**	(₱61,967,528)
Adjustments for:			
Depletion	10	**79,031,669**	93,301,141
Depreciation	9	**120,490,546**	140,688,459
Interest expense	13	**7,934,356**	7,249,274
Interest income	6	**(157,063)**	(198,247)
Operating income before working capital changes		**154,951,035**	179,073,099
Working capital changes in:			
Decrease (increase) in:			
Trade and other receivables		**(86,302,225)**	(474,036,229)
Inventory		**(47,673,062)**	142,481,972
Other current assets		**(9,907,122)**	(25,192,698)
Advances to related parties		**(4,807,221)**	(4,040,443)
Increase (decrease) in:			
Trade and other payables		**21,514,676**	(63,856,137)
Income tax		**(20,414,117)**	–
Net cash generated from operations		**7,361,964**	(245,570,436)
Interest paid		**(7,934,356)**	(7,249,274)
Interest received		**157,063**	198,247
Net cash used in operating activities		**(415,329)**	(252,621,463)
CASH FLOWS FROM INVESTING			
Additions to:			
Other noncurrent assets		**(7,377,423)**	(132,640,558)
Property and equipment	9	**(26,299,190)**	(176,992,025)
Mine and mining properties		**(16,382,815)**	(6,406,236)
Cash used in investing activities		**(50,059,428)**	(316,038,819)
CASH FLOWS FROM FINANCING			
Payment of loan		**(13,522,422)**	(3,708,183)
Availment (payment) of loans		–	200,000,000
Net cash provided by (used in) financing activities		**(13,522,422)**	196,291,817
NET DECREASE IN CASH		**(63,997,179)**	(372,368,465)
CASH AT BEGINNING OF YEAR		**190,206,924**	614,134,346
CASH AT END OF PERIOD		**₱126,209,745**	₱241,765,881

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

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

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

The Parent's shares of stock were initially listed in the Philippine Stock Exchange (PSE) on January 10, 1958. As at June 30, 2014 and December 31, 2013 1,821,358,599 of the Parent's shares of stock are listed in the PSE.

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

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

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

On October 29, 2009, MMDC's Partial Declaration of Mining Feasibility was approved by the MGB, allowing MMDC to commence development and operation within a 300-hectare area covered in the MPSA but production was limited to only 120 hectares covered by the Environmental Compliance Certificate (ECC) issued in December 22, 2008. On April 23, 2013, the ECC was amended. MMDC was granted authorization to develop and operate the whole 4,799-hectare area covered in the MPSA.

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

The Parent Company's registered office is located at Unit 4-3 Citibank Center, 8741 Paseo de Roxas, Makati City.

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

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

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

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its subsidiary, MMDC, as September 30, 2016 and December 31,2015.

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

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

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization* – The amendment clarifies how the gross carrying amount and the accumulated depreciation/amortization are treated when an entity uses the revaluation model.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

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

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16 - *Clarification of Acceptable Methods of Depreciation*, and PAS 38 - *Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefit* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

- Amendments to PFRS 10, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Effective for annual periods beginning on or after January 1, 2018 -

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

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

  For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value

through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

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

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

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

4. Summary of Significant Accounting and Reporting Policies

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

Fair Value Measurement

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

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

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

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

Financial Assets and Liabilities

a. Recognition

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

b. Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) Available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at September 30, 2016 and December 31, 2015, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

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

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

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

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

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

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

c. Derecognition

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

- the right to receive cash flows from the asset has expired; or

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the assets, but has transferred control over the asset.

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

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

d. Offsetting

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

e. Impairment of Financial Assets

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

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

Inventories

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

Prepayments

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

Property and Equipment

Property and equipment are initially measured at cost less accumulated depreciation and impairment losses, if any. The cost of an asset consists of its purchase price and costs directly attributable to

bringing the asset to its working condition for its intended use. Cost also includes any asset retirement obligation and capitalized interest on borrowed funds used in the case of a qualifying asset.

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

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

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

	Number of Years
Building	5-10
Office equipment and furniture and fixture	2-5
Heavy and transportation equipment	3-10

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

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

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

Mine and Mining Properties

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

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

Mining Rights on Explored Resources

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

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

Impairment of Nonfinancial Assets

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

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

Retirement Benefits

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

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

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

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

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

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

Borrowing Costs

Borrowing costs directly attributable to the development, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as

part of the asset. Capitalization of borrowing costs commences when activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Borrowing costs consist of interest and other financing costs that the Company incurs in connection with the borrowing of funds.

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

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is the fair value of the consideration received or receivable from gross inflow of economic benefits during the period arising from the course of the ordinary activities of the entity and it is shown net of taxes such as value added tax (if applicable), estimated returns, discounts and volume rebates. Revenue is recognized as follows:

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

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

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

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

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

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

Leases

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

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

Foreign Currency-Denominated Transactions

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

Income Taxes

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

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

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

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

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

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

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

Related Parties

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

Provisions and Contingencies

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

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

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

Earnings Per Share

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

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

Events After the Reporting Date

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

Segment Reporting

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

5. Significant Accounting Judgments and Estimates

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

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

Judgments

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

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

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

Estimates

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

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

Trade and other receivables, net of allowance, amounted to ₱292.6 million and ₱206.3 million as at September 30, 2016 and December 31, 2015, respectively. Allowance for receivable impairment amounted to ₱11 million as at September 30, 2016 and December 31, 2015 (see Note 7).

Estimating Net Realizable Value of Inventories. The Company recognizes loss on inventories whenever net realizable values become lower than costs due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Net realizable value is reviewed on a monthly basis to reflect the accurate valuation in the financial records. The carrying value of inventories, which is measured at cost, amounted to ₱83.4 million and ₱35.7 million as at September 30, 2016 and December 31, 2015, respectively.

Estimating the Realizability of Input VAT. The Company assesses the realizability of input VAT based on its ability to utilize the asset. The assessment is made on a continuing basis year on year.

The carrying value of input VAT, which is included as part of "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱273.8 million and ₱266.6 million as at September 30, 2016 and December 31, 2015, respectively (see Note 11).

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

Property and equipment, net of accumulated depreciation, amounted to ₱421.2 million and ₱515.4 million as at September 30, 2016 and December 31, 2015, respectively (see Note 9).

Estimating Depletion Rate and Recoverable Reserves. Depletion rates used to amortize mine and mining properties and mining rights on explored resources are assessed on an annual basis based on the results of latest estimate of recoverable reserves, which is subject to future revisions. Recoverable reserves and resource estimates for development project are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cost based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. The Company's reserves are estimated based on local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly reviewed and verified by a competent person.

Mine and mining properties, net of accumulated depletion, amounted to ₱814.1 million and ₱831.8 million as at September 30, 2016 and December 31, 2015, respectively (see Note 10).

Mining rights on explored resources , net of accumulated depletion, amounted to ₱1,053.6 million and ₱1,098.6 million as at September 30, 2016 and December 31, 2015, respectively (see Note 10).

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

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

No impairment loss was recognized in 2016 and 2015.

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

Provision for mine rehabilitation amounted to ₱45.7 million as at September 30, 2016 and December 31, 2015.

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

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

Retirement liability amounted to ₱34.9 million as at September 30, 2016 and December 31, 2015 (see Note 19).

6. Cash

This account consists of:

	2016	2015
Cash on hand	**₱ 258,519**	₱150,951
Cash in banks	**125,951,226**	190,055,973
	₱126,209,745	₱190,206,924

Cash in banks earn interest at the respective bank deposit rates. Interest income from cash in banks amounted to ₱157,063 in September 30,2016 and ₱377,478 as of December 31, 2015.

7. Trade and Other Receivables

This account consists of:

	2016	2015
Trade receivables	**₱ 244,004,332**	₱184,280,933
Advances to officers and employees	**7,661,688**	18,818,508
Others	**52,004,349**	14,268,703
	303,670,369	217,368,144
Allowance for impairment	**(11,036,527)**	(11,036,527)
	₱292,633,842	₱206,331,617

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

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

Others primarily pertain to advances to former related parties which are fully provided with allowance.

No additional allowances for impairment was provided for the six month period September 30, 2016 and December 31, 2015.

Current	*1 to 30 days past due*	*31 to 60 days past due*	*61 to 90*	*120+ past due*	*Total*
₱'000	*₱'000*	*₱'000*	*₱'000*	*₱'000*	*₱'000*
₱199,521	*₱29,966*	*₱12,631*	*₱0.00*	*₱1,886*	*244,004*

8. Other Current Assets

This account consists of:

	2016	2015
Mining and office supplies	**₱40,322,214**	₱34,452,989
CWTs	**27,303,933**	27,299,000
Advances to contractors and suppliers	**9,665,085**	7,884,524
Prepaid expenses	**5,138,057**	4,269,301
Others	**3,086,854**	1,703,207
	₱85,516,143	₱75,609,021

Advance to contractors and suppliers include materials and fuel and oil supplied for the use of heavy equipment. The cost of which shall be deducted against the billings.

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

9. Property and Equipment

This account consists of the following:

	2016					
	Land	**Building and Improvements**	**Office Equipment and Furniture and Fixture**	**Heavy and Transportation Equipment**	**Construction in-progress**	**Total**
Cost						
Balance at beginning of year	**₱57,217,484**	**₱132,049,286**	**₱64,037,464**	**₱829,301,223**	**₱6,636,103**	**₱1,089,241,560**
Additions	**715,930**	**4,919,499**	**12,914,286**	**2,855,690**	**4,893,786**	**26,299,191**
Balance at end of year	**57,933,414**	**136,968,785**	**76,951,750**	**832,156,913**	**11,529,889**	**1,115,540,751**
Accumulated Depreciation						
Balance at beginning of year	**–**	**27,586,966**	**39,939,991**	**506,363,351**	**–**	**573,890,309**
Depreciation	**–**	**10,659,999**	**10,117,303**	**99,713,243**	**–**	**120,490,545**
Balance at end of year	**–**	**38,246,965**	**50,057,294**	**606,076,5947**	**–**	**694,380,854**
Net Carrying Amount	**₱57,933,414**	**₱98,721,820**	**₱26,894,456**	**₱ 226,080,319**	**₱ 11,529,889**	**₱421,159,897**

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

Reclassification from construction in progress to mine and mining properties mainly pertain to mine development costs in Cabangahan and Pili area (see Note 11)

Heavy and transportation equipment with carrying value aggregating ₱99.31 million are held as collaterals for loans payable, as discussed in Note 13.

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

Fully depreciated property and equipment with cost ₱26.4 million are still being used by the company and retained in the accounts.

Depreciation is allocated to profit or loss as follows:

	Note	**2016**	2015
Cost of goods sold	15	**₱ 80,968,632**	₱146,539,445
Operating expenses	16	**39,521,913**	42,756,038
		₱120,490,545	₱189,295,483

10. Mine and Mining Properties and Mining Rights

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

	2016			
		Mine and Mining Properties		
	Mining Rights on Explored Resources	**Mine Development Costs**	**Mine Rehabilitation Asset**	**Total**
Cost				
Balance at beginning of year	**₱1,294,766,157**	**₱932,174,993**	**₱42,170,134**	**₱2,269,111,284**
Additions	**–**	**16,382,815**	**–**	**16,382,815**
Reclassifications	–	–	–	–
Balance at end of year	**1,294,766,157**	**948,557,808**	**42,170,134**	**2,285,494,099**
Accumulated Depletion				
Balance at beginning of year	**196,207,057**	**140,370,156**	**2,156,784**	**338,733,997**
Depletion	**44,978,339**	**32,420,585**	**1,632,745**	**79,031,670**
Balance at end of year	**241,185,396**	**172,790,741**	**3,789,529**	**417,765,667**
Net Carrying Amount	**₱1,053,580,761**	**₱775,767,067**	**₱38,380,605**	**₱1,867,728,432**

	2015			
		Mine and Mining Properties		
	Mining Rights on Explored Resources	Mine Development Costs	Mine Rehabilitation Asset	Total
Cost				
Balance at beginning of year	₱1,294,766,157	₱923,306,495	₱42,170,134	₱2,260,242,786
Additions	–	346,729	–	346,729
Reclassifications	–	8,521,769	–	8,521,769
Balance at end of year	1,294,766,157	932,174,993	42,170,134	2,269,111,284
Accumulated Depletion				
Balance at beginning of year	136,992,974	97,690,617	–	234,683,591
Depletion	59,214,083	42,679,539	2,156,784	104,050,406
Balance at end of year	196,207,057	140,370,156	2,156,784	338,733,997
Net Carrying Amount	₱1,098,559,100	₱791,804,837	₱40,013,350	₱1,930,377,287

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

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

In 2015, additions to mine and mining properties represent reclassifications from construction-in-progress under property and equipment.

11. Other Noncurrent Assets

This account consists of:

	Note	**2016**	2015
Input VAT		**₱ 273,848,007**	₱266,592,646
Advances to contractor		**111,925,000**	111,925,000
RCF		**5,337,605**	5,337,605
Rental deposit	23	**391,158**	468,959
MTF		**162,462**	162,462
Others		**617,818**	417,955
		₱392,282,050	₱384,904,627

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

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

Others includes Advances to contractors are advanced payments made to contractor to invest, build and operate a nickel processing plant.

12. Trade and Other Payables

This account consists of:

	2016	2015
Trade payables	**₱ 85,341,488**	₱121,099,163
Accrued expenses		
Excise tax and other statutory payables	**14,359,248**	35,320,445
Interest payable	**–**	231,904
Salaries and wages	**–**	44,467
Other accrued expenses	**46,122,137**	219,210
Advances from customers	**33,084,645**	–
Others	**8,141,694**	8,619,347
	₱187,049,212	₱165,534,536

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

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

Other statutory payables include other taxes payable and mandatory contributions. These are normally settled within one month after the end of the reporting period.

Others pertain to advances from a former related party.

13. **Interest-Bearing Loans**

This account consists of:

	2016	2015
Short-term loan	**₱100,000,000**	₱100,000,000
Long-term loans	**78,910,190**	92,432,612
	178,910,190	192,432,612
Less current portion	**104,593,704**	118,116,126
	₱74,316,486	₱74,316,486

The loan obtained from UCPB, which reached up to 1.5 million during 2013, which was used to meet working capital requirements and for the purchase of transportation equipment. The loan which bears an annual interest rate of 11.81%, will mature in November 2014. Transportation equipment are used to secure the loan (see Note 9).

In 2015 the loan of the company from Philippine Business Bank and Orix Metro Leasing and Finance Corporation was used for working capital and for the purchase of transportation equipment. The loan from PBB bears an interest rate of 5% per annum, is secured by MMDC's stock certificate.

14. **Equity**

Capital Stock

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

	2016	2015
Common stock - ₱1 par value		
Authorized - 2,000,000,000 shares		
Issued and outstanding	**1,821,358,599**	1,821,358,599

15. **Cost of Goods Sold**

This account consists of:

	Note	**2016**	2015
Contractual services		**₱ 546,622,209**	₱ 976,988,317
Personnel costs		**104,690,957**	143,869,813
Production overhead		**277,146,299**	105,130,934
Depreciation	9	**80,968,632**	116,844,919
Depletion	10	**79,031,670**	97,028,632
Demurrage costs		**40,166,795**	43,958,491
Excise tax		**44,518,139**	37,069,460

	1,173,144,701	1,520,890,566
Net movement in inventory	**(47,673,061)**	142,481,972
	₱1,125,471,640	₱1,663,372,538

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

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

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

16. **Operating expenses**

This account consists of:

		Nine Months		Three Months	
		2016	2015	**2016**	2015
Salaries and allowances		**₱80,590,701**	₱ 85,541,142	**₱22,248,688**	₱19,820,493
Depreciation	9	**39,521,913**	26,541,207	**13,216,805**	12,688,602
Social development program		**34,826,281**	11,300,361	**19,268,287**	–
Taxes and licenses		**29,167,126**	31,089,544	**17,030,712**	12,558,884
Professional fees		**26,782,501**	45,913,781	**5,645,029**	6,181,065
Outside services		**17,319,224**	4,561,031	**6,786,855**	354,349
Royalties	24	**15,283,021**	19,461,467	**9,038,979**	12,145,352
Freight and shipping		**11,098,146**	16,837,798	**4,828,897**	10,616,146
Office supplies		**5,378,447**	2,837,761	**2,229,024**	1,209,691
Representation		**4,549,725**	1,736,186	**2,140,293**	(128,407)
Donations		**4,472,506**	9,129,000	**(178,264)**	3,366,911
Communication, light and water		**3,330,939**	4,678,104	**1,190,483**	1,812,241
Rental	23	**2,976,535**	366,886	**1,423,895**	103,037
Repairs and maintainance		**1,460,749**	277,083	**539,102**	65,106
Advertisement		**89,605**	167,313	**(85,599)**	10,000
Others		**101,474,460**	11,624,729	**40,935,291**	6,140,779
		₱378,321,879	₱272,063,393	**₱146,258,477**	₱86,944,249

17. **Other Income (Charges)**

This account consists of:

	2016	2015
Foreign exchange gain	**₱3,607,168**	₱26,629,027
Interest income	**157,063**	–
Interest expense	**(7,934,356)**	–
Others	**–**	417,404
	(₱4,170,125)	₱27,046,431

18. **Retirement Benefits**

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

The retirement liability recognized in the consolidated statement of financial position as at September 30, 2016 and December 31, 2015 and changes in the present value of defined benefit obligation are as follows:

	September 30, 2016	December 31, 2015
Balance at beginning of year	**₱34,900,776**	₱27,304,938
Current service cost	–	12,321,708
Interest cost	–	1,278,212
Net actuarial losses	–	(6,004,082)
Retirement benefits paid	–	–
Balance at end of year	**₱34,900,776**	₱34,900,776

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

	2015
Discount rates	**4.95%**
Salary increase rates	**5.00%**

Sensitivity analysis on defined benefit obligation as at December 31, 2013 is as follows:

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

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

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

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

19. **Related Party Transactions**

Significant transactions with related parties include the following:

	Transaction Amounts		Outstanding Balances			
Advances to Related parties	**2016 (nine months)**	**2015 (1 year)**	**September 30, 2016**	December 31, 2015	Nature and Terms	Conditions

Receivables from:						
BrightGreen Resources Corp. (BRC)	₱4,813,789	₱11,526,437	₱77,325,742	₱72,511,953	Working fund; unsecured; non-interest bearing; settled on demand	None
	₱4,813,789	₱11,526,437	₱77,325,742	₱72,511,953		

20. Lease Commitments

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

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

	2016	2015
Within 1 year	**₱300,000**	₱300,000
More than 1 year but within 5 years	**100,000**	100,000
	₱400,000	₱400,000

21. Income Taxes

As discussed in Note 1, MMDC is 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 and enjoys ITH for a period of four years until June 2014. On Sept. 18, 2014, the BOI approved the extension for one year of the ITH incentive for the period July 18, 2014 to July 18, 2015. The company however, did not avail of the ITH incentive for the period January 1 to July 8, 2015. ITH incentive availed in 2014 and 2013 amounted to ₱261.6 million and ₱300.4 million respectively.

Benefit from income tax represents the movement in recognized deferred tax assets.

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

	2016	2015
Retirement liability	**₱8,915,997**	₱8,915,997
Allowance for impairment losses	**–**	–
Inventories	**10,694,165**	10,694,165
Receivable	**1,341,890**	1,341,890
Provision for mine site development cost	**573,479**	573,479
Excess of MCIT over RCIT	**7,502,437**	–
	29,027,968	21,525,531
Deferred tax liability on unrealized FOREX	**5,667,904**	5,667,904
	₱23,360,064	₱15,857,627

Details of unrecognized deferred tax assets are as follows:

	2015
NOLCO	₱25,283,137
Retirement liability	1,554,235
MCIT	4,201,000
	₱31,038,372

Details of NOLCO are as follows:

Year incurred		Year of Expiry
2015	26,867,083	2018
2013	57,410,040	2016
	₱84,277,123	

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

22. Basic/Diluted Earnings Per Share

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

Estimation of earnings per share as of September 30, 2016 and 2015 are as follows:

	September 2016	September 2015
Net income (loss) shown in the statement of comprehensive income (a)	**(₱52,348,472)**	(₱61,967,528)
Weighted average number of common shares (b)	**1,821,358,599**	1,821,358,599
Effect of dilution from conversion options and warrants	–	–
Weighted average number of common shares adjusted for the effect of dilution (c)	**1,821,358,599**	1,821,358,599
Basic earnings per share (a/b)	**(₱0.03)**	(₱0.03)
Diluted earnings per share (a/c)	**(₱0.03)**	(₱0.03)

23. Financial Risk Management Objectives and Policies

General

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

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and cash equivalents and loans payable. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as receivable, trade and other payables and related party receivables and payables, which arise directly from its operations. The main risks

arising from the use of these financial instruments are credit risk, liquidity risk, currency risk and market risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

Foreign Currency Risk. The Company's foreign exchange risk results primarily from movements of the Philippine peso against the US dollar with respect to US dollar-denominated financial assets.

The Company's transactional currency exposures arise from its trade receivables and advances from customers which are denominated in currencies other than the Company's functional currency. The Company periodically reviews the trend of the foreign exchange rates to address its exposure in foreign currency risk.

The following table shows the Company's US dollar-denominated monetary financial assets and their Philippine Peso equivalent as at September 30, 2016 and December 31, 2015

	Sepetmebr 30, 2016		December 31, 2015	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Current financial asset:				
Cash in banks	**₱1,381,367**	**$28,482**	**₱6,696,826**	**$142,304**
Trade receivables	**242,118,546**	**4,993,812**	**182,395,147**	**3,875,800**
	₱243,499,913	**$5,022,294**	**189,091,973**	**4,018,104**
Current financial liability -				
Trade Payable	–	–	**39,104,117**	**830,942**
Advances from customers	**33,084,645**	**704,000**	–	–
Net financial asset (liability)	**₱33,084,645**	**$704,000**	**₱149,987,856**	**$3,187,162**

For purposes of restating the outstanding balances of the Company's foreign currency-denominated financial assets and liabilities as at September 30, 2016 and December 31, 2015, the exchange rate applied was ₱48.50 and ₱47.06 per US$1, respectively.

Credit Risk Credit risk arising from the inability of counterpart to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligation exceed the obligation of the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise cash in banks, trade and other receivables and advances to a related party , the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company trades only with recognized, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification precedures. In addition, trade and other receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The table below show the credit quality per class of financial asset and aging analysis of financial assets that are past due but not impaired as at September 30, 2016 and December 30, 2015.

The aging analysis of the Company's financial assets as at September 30, 2016 and December 31, 2015 are as follows:

(₱'000)

	Current	Less than 3 months	3 to 6 months	6 to 12 months	Impaired	Total
September 30, 2016						
Cash in banks	**₱126,210**	**₱–**	**₱–**	**₱–**	**₱–**	**₱126,210**
Trade and other receivables	**259,187**	**42,598**	**–**	**1,886**	**(11,037)**	**292,634**
Advances to related parties	**777**	**2,098**	**744**	**73,707**	**–**	**77,326**
RCF and MTF	**5,500**	**–**	**–**	**–**	**–**	**5,500**
Rental deposit	**–**	**–**	**–**	**391**	**–**	**391**
	₱391,674	**₱44,696**	**₱744**	**₱75,984**	**(₱11,037)**	**₱502,061**

	Current	Less than 3 months	3 to 6 months	Past due but not impaired	Impaired	Total
December 31, 2015						
Cash in banks	₱190,056	₱–	₱–	₱–	₱–	₱190,056
Trade and other receivables	–	189,791	–	–	8,759	198,550
Advances to related parties	–	72,512	–	–	–	72,512
RCF and MTF	5,500	–	–	–	–	5,500
Rental deposit	–	469	–	–	–	469
	₱195,556	₱262,771	₱–	₱–	₱8,759	₱467,086

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

The tables below summarize the maturity profile of the Company's financial liabilities as at September 30, 2016 and December 31, 2015 based on contractual undiscounted payments. Loans payable consist of principal and estimated future interest payments.

(₱'000)

	On Demand	Less than 3 months	3 to 6 Months	More than 6 months	Total
September 30, 2016					
Trade and other payables*	**₱43,339**	**₱26,420**	**₱1,760**	**₱13,822**	**₱85,341**
Dividend payable	–	–	–	**4,955**	**4,955**
Interest-bearing loans	**101,523**	**3,344**	–	**74,043**	**178,910**
	₱144,862	**₱29,764**	**₱1,760**	**₱92,820**	**₱269,206**

(₱'000)

	On Demand	Less than 3 months	3 to 6 Months	More than 6 months	Total
December 31, 2015					
Trade and other payables*	₱40,222	₱50,119	₱7,160	₱32,713	₱130,214
Dividend payable		4,955			4,955
Interest-bearing loans	100,000	4,453,	4,514	83,465	192,432
	₱140,222	₱59,527	₱11,674	₱116,178	₱327,601

**Trade and other payables exclude statutory liabilities*

Fair Value of Financial Assets and Financial Liabilities

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

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

(₱'000)

	September 30, 2016		December 31, 2015	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and receivables:				
Cash	**₱126,210**	**₱126,210**	₱190,056	₱190,056
Trade and other receivables	**284,972**	**284,972**	198,550	198,550
Advances to related parties	**77,319**	**77,319**	72,512	72,512
Rental deposit	**531**	**531**	469	469
	₱489,032	**₱489,032**	₱461,587	₱461,587
Other financial liabilities:				
Trade and other payables	**₱144,560**	**₱144,560**	₱135,169	₱135,169
Loans payable	**178,635**	**178,635**	192,433	192,433
	₱323,195	**₱323,195**	₱327,602	₱327,602

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

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

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