CR03986-2020

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
   Mar 31, 2020
2. SEC Identification Number
   12942
3. BIR Tax Identification No.
   000-104-320-000
4. Exact name of issuer as specified in its charter
   Marcventures Holdings Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
6. Industry Classification Code(SEC Use Only)

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

8. Issuer's telephone number, including area code
   632-8314479
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
    (●) Yes ( ) No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange
12. 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	Mar 31, 2020
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2020	Dec 31, 2019
Current Assets	798,643,053	779,290,957
Total Assets	6,094,131,640	6,091,350,455
Current Liabilities	1,512,455,233	1,403,367,545
Total Liabilities	2,294,405,638	2,167,660,001
Retained Earnings/(Deficit)	481,662,064	605,626,516
Stockholders' Equity	3,799,726,002	3,923,690,454
Stockholders' Equity - Parent	3,946,727,880	3,946,727,880
Book Value per Share	1.26	1.31

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	-	0	-	0

Gross Expense	-	0	-	0
Non-Operating Income	16,549	5,125	16,549	5,125
Non-Operating Expense	124,300,946	130,276,959	124,300,946	130,276,959
Income/(Loss) Before Tax	-123,964,452	-130,271,834	-123,964,452	-130,271,834
Income Tax Expense	-	0	-	0
Net Income/(Loss) After Tax	-123,964,452	-130,271,834	-123,964,452	-130,271,834
Net Income Attributable to Parent Equity Holder	123,964,452	-130,271,834	123,964,452	-130,271,834
Earnings/(Loss) Per Share (Basic)	-0.04	-0.04	-0.04	-0.04
Earnings/(Loss) Per Share (Diluted)	-0.04	-0.04	-0.04	-0.04

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-0.07	-0.04
Earnings/(Loss) Per Share (Diluted)	-0.07	-0.04

Other Relevant Information
None.

Filed on behalf by:

Name	Maila Lourdes De Castro
Designation	VP Legal

1	2	9	4	2					

SEC Registration Number

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

(Company's Full Name)

U	N	I	T		4	-	S3			C	I	T	I	B	A	N	K		C	E	N	T	E	R		C	O	N	D	.		
8	7	4	1			P	A	S	E	O		D	E		R	O	X	A	S			M	A	K	A	T	I		C	I	T	Y

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

Rolando S. Santos

(Contact Person)

(02) 8831-4479

(Company Telephone Number)

1	2	3	1

Month *Day*
(Calendar Year)

1	7	-	Q	

(Form Type)

Month *Day*
(Annual Meeting)

N/A

Secondary License Type, If Applicable)

Finance Department

Dept. Requiring this Doc.

March 31, 2020

Period Ending Date

Total Amount of Borrowings

2,177

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2020**

2. Commission identification number **12942**

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

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

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

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

7. Address of registrant's principal office:

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

8. Registrant's telephone number, including area code: **(63 2) 831-4479**

9. Former name, former address and former fiscal year, if changed since last report. **N A.**

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock (₱1.00 par value)	3,014,820,305 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?
Yes. The common shares are listed on the Philippine Stock Exchange.
Note: only 1,821,758,599 are listed with PSE

12. Indicate by check mark whether the registrant:

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

Yes

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

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PART I - FINANCIAL INFORMATION

Item 1- Financial Statements

The unaudited Consolidated Financial Statement of Marcventures Holdings Inc. as of March 31, 2020 and for the three month period ended March 31, 2019 with comparative audited figure as of December 31, 2019 is in compliance with generally accepted accounting principles and there were no changes made in accounting policies and methods of computation in the preparation of the interim financial statements.

Summary of Consolidated Balance Sheet
As of March 31, 2020 and December 31, 2019

	March 31, 2020 Unaudited	Dec. 31, 2019 Audited	March 31, 2020 vs. Dec. 31, 2019	
			Amount Increase (Decrease)	Percentage Increase (Decrease)
	(₱'000)	(₱'000)	(₱'000)	
Current assets	**₱798,643**	₱779,291	₱19,352	2.48%
Noncurrent assets	**5,295,489**	5,312,059	(16,570)	(0.31%)
Total Assets	**₱6,094,132**	₱6,091,350	₱2,782	0.05%
Current liabilities	**₱1,512,455**	₱1,403,368	₱109,087	7.77%
Noncurrent liabilities	**781,951**	764,292	17,659	2.31%
Equity	**3,799,726**	3,923,690	(123,964)	(3.16%)
Total Liabilities and Equity	**₱6,094,132**	₱6,091,350	₱2,782	0.05%

Summary of Consolidated Statement of Cash Flows
For the Three Months Period ending March 31, 2020 and 2019

	For Three Months Ending March 31		March 31, 2020 vs. March 31, 2019	
			Amount Increase (Decrease)	Percentage Increase (Decrease)
	2020 (₱'000)	2019 (₱'000)	(₱'000)	
Revenues	**₱ –**	₱ –	₱ –	–
Cost of Sales	–	–	–	–
Gross Profit	–	–	–	–
Operating expenses	**(113,297)**	(115,858)	(2,561)	(2.21%)
Income from operations	**(113,297)**	(115,858)	(2,561)	(2.21%)
Other Income (Expenses)	**(10,668)**	(14,414)	(3,746)	(25.99%)
Net income (loss) for the period	**(₱123,965)**	(₱130,272)	(₱6,307)	(4.84%)

Summary of Consolidated Statement of Cash Flows
For the Three Months period ending March 31, 2020 and 2019.

	For Three Month Ending March 31	
	2020	2019
	(₱'000)	(₱'000)
Cash used in operating activities	**(₱10,004)**	(₱13,479)
Cash used in investing activities	**955**	7,432
Cash provided by (used in) financing activities	**(19,008)**	(14,386)
Net decrease in cash and cash equivalent	**(28,057)**	(20,433)
Cash - beginning	**314,441**	35,765
Cash - ending	**₱286,384**	₱15,332

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

The following discussion is based on the unaudited interim consolidated financial statements for the first quarter period ended March 31, 2020, with comparative figures for the corresponding periods in 2019 and audited consolidated financial statements as of December 31, 2019, prepared in conformity with Philippine Accounting Standards 34, Interim Financial Reporting and included herein, and should be read in conjunction with those unaudited interim consolidated financial statements.

Financial Condition and Results of Operation:

Three months ended March 31, 2020 compared with three months March 31, 2019

Revenues
For the first quarter ended March 31, 2020, the company focused on preparatory activities consisting primarily of restoration of mine pit, waste dump site, and settling pond, road widening, repair of haul roads and causeway improvement.

Operating expenses
Operating expenses decreased by 2.21% or ₱2.56 million from ₱115.86 million for the first quarter period last year to ₱113.3 million this year. The decrease was mainly accounted for by the following:

- **Decrease in Salaries and wages** by ₱21.56 million or 47.39% due the management reorganization to promote efficiency.
- **Decrease in Rental** by ₱5.60 million or equivalent to 84.37% rental on various equipment were ceased since its off-mining season.
- **Decrease in Depreciation** by 5.92 million or equivalent to 31.60% due to most of the service and mining equipments were already fully depreciated.
- **Decrease in Other Expenses** by 11.96 million or equivalent to 68.79% which contributed the decrease of operating expenses.

The above cost decreases were partly offset by the following:

- **Increased in Taxes and licenses** by ₱10.17 million or equivalent to 115.95% due to higher assessment of LGU business tax on the gross revenue in 2019 as basis for payment of business permits and licenses.
- **Increased in Community relations** by 1.20 million or 510.54% aside from SDMP, the company

also provides livelihood to the community, public utilities and socio-cultural preservation.

- **Increased in Repairs and Maintenance** by 3.0 million or 2,906.03% in preparation for the mining season.
- **Increased in Environmental expenses** amounting ₱16.23 million, the Company implemented projects on the environmental protection and enhancement program including the protection and rehabilitation of the affected mined environment.
- **Increased in Social development program** by ₱6.12 million or equivalent to 600.39%, the company is continuously implementing health, livelihood and education program as compliance with the Department of Environment and Natural Resources (DENR).

Statement of Financial Position

March 31, 2020 vs. December 31, 2019

Assets

The consolidated total assets of the Company increased by ₱2.78 million from ₱6,091.35 million as of December 31, 2019 to ₱6,094.12 million as of March 31, 2020. The 0.05% increase was mainly due to the following:

- **Increased in Inventory** from 76.93 million to 130.95 million or increase of ₱54.01 million or 70.21 % pertains to the stock filing in preparation for the mining season.
- **Increase in Other Current Assets** from ₱132.09 million to ₱151.87 million. The increase of ₱19.78million or 14.98% pertains to the advance payment of excise taxes.

The above cost decreases were partly offset by the following:

- **Decrease in Cash** from ₱314.44 million to ₱286.38 million or reduction of ₱28.05 million or 8.92%, due to payment of interest, partial settlement of loan and funding for operations.
- **Decreased in Trade and other Receivable** decreases from 204.46 million to 182.88 million or ₱21.58 million or 10.56% due to subsequent collections.
- **Decrease in Advances to Related Parties** from ₱53.26 million to ₱31.79 million. The decrease of ₱21.47 million or 40.31% was due to collection from advances to subsidiaries.

Liabilities

The total consolidated liabilities of the Company increased by ₱126.75 million or 5.85% from ₱2,167.66 million as of December 31, 2019 to ₱2,294.41 million as of March 31, 2020. The increase was mainly due to the current contractor payables unpaid for the period.

Equity

The stockholders' equity of the Company decreased by ₱123.96 million or 3.16% from ₱3,923.69 million as of December 31, 2019 to ₱3,799,73 million as of March 31, 2020, due to the net loss incurred for the period.

STATEMENT OF CASH FLOWS

In 2020 the cash used in operating activities are ₱10.0 million and ₱13.48 million in 2019 due to the company's net operating loss of ₱124.0 million and ₱130.27 in March 31, 2020 and 2019 respectively.

In 2020, the company's net cash provided in investing activities of ₱0.96 million and ₱7.43 million in 2019 due to decreased in other asset of ₱2.88 million and ₱16.71 million in 2020 and 2019 respectively. The decreased is partially offset by the increased in mine and mining properties amounting to ₱1.57 million in 2020 and ₱9.26 million in 2019.

In 2020, the company's net cash used in financing activities of 19.00 million and 14.39 million in 2019 are mainly due to payment of interest on loan amounting to ₱11.0 million and partial settlement on loan payable of ₱8.0 million in 2020 and in 2019 payment of interest of ₱14.39 million.

The net effect of the foregoing operating, investing and financing activities is a decrease of ₱28.06 million and a balance of ₱286.38 million in cash as of March 31, 2020 as compared to a decrease of ₱20.43 million and a balance of ₱15.33 million as of March 31, 2019.

Horizontal and Vertical Analysis:

	Consolidated		Increase (Decrease)	
	March 31, 2020	**Dec. 31, 2019**	Amount	%
ASSETS				
Current Assets				
Cash	**₱286,383,787**	₱314,440,796	(₱28,057,009)	(8.9%)
Trade and other receivables	**182,881,555**	204,463,789	(21,582,234)	(10.6%)
Inventories	**130,946,588**	76,934,360	54,012,228	70.2%
Advances to related parties	**46,565,282**	51,366,755	(4,801,473)	(9.35%)
Other current assets	**151,865,841**	132,085,257	19,780,594	15.0%
Total Current Assets	**798,643,053**	779,290,957	19,352,096	
Noncurrent Assets				
Property and equipment	**260,622,496**	275,879,333	(15,256,837)	(5.53%)
Mining rights on explored resources	**4,505,980,102**	4,504,413,119	1,566,983	0.03%
Net deferred tax assets	**32,716,374**	32,716,374	–	0.00%
Other noncurrent assets	**496,169,615**	499,050,672	(2,881,057)	(0.58%)
Total Noncurrent Assets	**5,295,488,587**	5,312,059,498	(16,570,911)	(0.31%)
TOTAL ASSETS	**₱6,094,131,640**	₱6,091,350,455	₱2,781,184	(0.05%)
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	**₱870,995,479**	₱769,333,142	₱101,662,337	13.21%
Loans payable	**525,758,070**	510,069,579	15,688,491	3.08%
Advances from related parties	**102,583,680**	110,846,820	(8,263,140)	(7.45%)
Dividends payable	**4,707,886**	4,707,886	–	0.00%
Income tax payable	**8,410,118**	8,410,118	–	0.00%
Total Current Liabilities	**1,512,455,233**	1,403,367,545	109,087,688	7.77%

	Consolidated		Increase (Decrease)	
	March 31, 2020	**Dec. 31, 2019**	Amount	%
Noncurrent Liabilities				
Long-term debt - net of current portion	**226,657,748**	208,999,799	17,657,949	8.45%
Provision for mine rehabilitation and decommissioning	**52,634,827**	52,634,827	–	0.00%
Retirement benefit liability	**37,395,071**	37,395,071	–	0.00%
Deferred tax liability	**465,262,759**	465,262,759	–	0.0%
Total Noncurrent Liabilities	**781,950,405**	764,292,456	17,657,949	8.45%
Total Liabilities	**2,294,405,638**	2,167,660,001	126,745,637	5.85%
Equity				
Capital stock	**3,014,820,305**	3,014,820,305	–	
Additional paid-in capital	**269,199,788**	269,199,788	–	0.00%
Retained earnings	**481,662,064**	605,626,516	(123,964,452)	(20.5%)
Remeasurement gain on retirement benefit liability - net of deferred tax	**34,043,845**	34,043,845	–	0.00%
Total Equity	**3,799,726,002**	3,923,690,454	(123,964,452)	(3.16%)
TOTAL LIABILITIES AND EQUITY	**₱6,094,131,640**	₱6,091,350,455	₱ 2,781,185	**0.05%**

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. Aside from the volatile prices of ore in the market and USD exchange rate, there are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations

e. 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.

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

g. Due to continuous rain in the first quarter and Tropical Storm Basyang we MMDC there were no shipment made as compared to last year.

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

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

j. 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.

k. 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.

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

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

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

Key Performance Indicators

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

	March 31, 2020	March 31, 2019
Net Loss	**(₱123,964,452)**	(₱130,271,834)
Quick assets	**469,265,342**	218,287,499
Current assets	**798,643,053**	511,178,672
Total assets	**6,094,131,640**	5,819,356,127
Current liabilities	**1,512,455,233**	1,198,601,907
Total liabilities	**2,294,405,638**	2,009,541,835
Stockholders' Equity	**3,799,726,002**	3,809,814,292
Number of common shares outstanding	**3,014,820,305**	3,014,820,305

Liquidity ratios:	**March 31, 2020**	March 31, 2019
Current ratio [(1)]	**0.53:1**	0.43:1
Quick ratio [(2)]	**0.31:1**	0.18:1
Solvency Ratios:		
Debt ratio [(3)]	**0.37:1**	0.34:1
Debt to Equity ratio [(4)]	**0.60:1**	0.53:1
Profitability ratios:		
Earnings (Loss) per share [(5)]	**(0.04)**	(0.04)
Book value per share [(6)]	**1.26**	1.26

Note:
1. Current Assets / Current liabilities
2. Quick Assets / Current liabilities
3. Total Liabilities / Total assets
4. Total Liabilities / Shareholders' equity
5. Net Income (Loss) / Common shares outstanding
6. Stockholders' Equity / Common shares outstanding

PART II - OTHER INFORMATION

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

NONE

PART III - FINANCIAL SOUNDNESS INDICATORS

Liquidity Ratio

a. Current Ratio
   Total Current Assets/ Total Current Liabilities = 0.53:1
b. Quick Ratio
   Quick asset / Total Current Liabilities = 0.31:1

Solvency Ratio

a. Debt Ratio
   Total liabilities / Total assets = 0.37:1
b. Debt to Equity Ratio
   Total liabilities / Shareholder's Equity = 0.60:1

Profitability Ratio

a. Return on Equity Ratio
   Net Income (Loss) / Average shareholder's equity = (0.03):1
b. Return on Assets
   Net Income (Loss)/ Average Total assets = (0.02):1
c. Fixed Assets Turnover Ratio:
   Revenue/Property Plant and Equipment = 0.00
d. Asset to Equity Ratio:
   Total Assets / Stockholders' Equity = 1.60:1
e. Asset Turnover
   Revenue/Total Assets = 0.00

Interest Coverage Ratio
Net Income (Loss) / Interest expense = (10.27):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: June 29, 2020

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

Date: June 29, 2020

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	2	9	4	2

COMPANY NAME

MARCVENTURES HOLDINGS, INC.
AND SUBSIDIARIES

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
mhicorporate@marcventures.com.ph	(02) 8-831-4479	0998-985-0229

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2177	September 26	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Rolando S. Santos	rolly.santos@marcventures.com.ph	(02) 8-831-4479	0998-985-0229

CONTACT PERSON'S ADDRESS

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

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

NOTE 2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**Unaudited March 31, 2020**	Audited Dec. 31, 2019
ASSETS			
Current Assets			
Cash	5	**₱286,383,787**	₱314,440,796
Trade and other receivables	6	**182,881,555**	204,463,789
Inventories	7	**130,946,588**	76,934,360
Advances to related parties	19	**46,565,282**	51,366,755
Other current assets	8	**151,865,841**	132,085,257
Total Current Assets		**798,643,053**	779,290,957
Noncurrent Assets			
Property and equipment	9	**260,622,496**	275,879,333
Mining rights and other mining assets	10	**4,505,980,102**	4,504,413,119
Net deferred tax assets		**32,716,374**	32,716,374
Other noncurrent assets	11	**496,169,615**	499,050,672
Total Noncurrent Assets		**5,295,488,587**	5,312,059,498
		₱6,094,131,640	₱6,091,350,455
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱870,995,479**	₱769,333,142
Current portion of loans payable	14	**525,758,070**	510,069,579
Advances from related parties	19	**102,583,680**	110,846,820
Dividends payable	15	**4,707,886**	4,707,886
Income tax payable		**8,410,118**	8,410,118
Total Current Liabilities		**1,512,455,233**	1,403,367,545
Noncurrent Liabilities			
Long-term debt - net of current portion	14	**226,657,748**	208,999,799
Provision for mine rehabilitation and decommissioning	13	**52,634,827**	52,634,827
Retirement benefit liability	18	**37,395,071**	37,395,071
Deferred tax liability	4	**465,262,759**	465,262,759
Total Noncurrent Liabilities		**781,950,405**	764,292,456
Total Liabilities		**2,294,405,638**	2,167,660,001
Equity			
Capital stock	15	**3,014,820,305**	3,014,820,305
Additional paid-in capital	15	**269,199788**	269,199,788
Retained earnings		**481,662,064**	605,626,516
Remeasurement gain on retirement benefit liability - net of deferred tax		**34,043,845**	34,043,845
Total Equity		**3,799,726,002**	3,923,690,454
		₱6,094,131,640	₱6,091,350,455

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31

	Note	Three Months Ended March 31,	
		2020	2019
REVENUE		**₱ –**	₱ –
COST OF SALES		**–**	–
GROSS INCOME		**–**	–
OPERATING EXPENSES	16	**113,296,576**	115,858,288
INCOME (LOSS) FROM OPERATIONS		**(113,296,576)**	(115,858,288)
INTEREST EXPENSE		**(11,004,370)**	(14,386,221)
INTEREST INCOME	5	**16,549**	5,125
OTHER INCOME (CHARGES) - Net	17	**319,945**	(32,450)
INCOME (LOSS) BEFORE INCOME TAX		**(123,964,452)**	(130,271,834)
NET INCOME (LOSS)			
OTHER COMPREHENSIVE INCOME			
Not to be reclassified to profit or loss - Remeasurement gain (loss) on retirement benefit liability - net of deferred income tax		**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS)		**(₱123,964,452)**	(₱130,271,834)
Basic and diluted earnings (loss) per share	22	**(₱0.041)**	(₱0.043)

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31

	Note	Three Months Ended March 31,	
		2020	**2019**
CAPITAL STOCK - ₱1 par value	15		
Authorized - 4,000,000,000 shares			
Issued and outstanding:			
Balance at beginning of year		**₱3,014,820,305**	₱2,969,088,599
Issuance		**–**	45,731,706
Balance at end of year		**3,014,820,305**	3,014,820,305
ADDITIONAL PAID-IN CAPITAL	15	**269,199,788**	269,199,788
RETAINED EARNINGS			
Balance at beginning of year		**605,626,516**	567,784,110
Transition adjustment on initial application of PFRS 9 - net of deferred tax		**–**	49,939,953
Balance at beginning of year		**605,626,516**	617,724,063
Net income (loss)		**(123,964,452)**	(130,271,834)
Balance at end of year		**481,662,064**	487,452,229
REMEASUREMENT GAIN ON RETIREMENT BENEFIT LIABILITY - net of deferred tax		**34,0438,45**	38,341,970
		₱3,799,726,002	₱3,809,814,292

See accompanying Notes to Consolidated Financial Statements.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31

	Note	Three Months Ended March 31,	
		2020	2019
CASH FLOWS FROM OPERATINGACTIVITIES			
Income (loss) before income tax		**(₱123,964,452)**	(₱130,271,834)
Adjustments for:			
Depreciation	9	**15,615,339**	17,783,075
Interest expense		**11,004,370**	14,386,221
Interest income	5	**(16,549)**	(5,125)
Operating income (loss) before working capital changes		**(97,361,292)**	(98,107,663)
Decrease (increase) in:			
Trade and other receivables		**21,582,234**	948,396
Inventories		**(54,012,228)**	-
Advances to related parties		**4,801,473**	27,470,054
Other current assets		**(19,780,584)**	5,521,083
Increase (decrease) in:			
Trade and other payables		**143,012,839**	74,891,551
Advances from related parties		**(8,263,140)**	(18,207,772)
Net cash generated from operations		**(10,020,698)**	(13,479,226)
Interest received	5	**16,549**	5,125
Net cash provided by operating activities		**(10,004,149)**	(13,479,226)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	9	**(358,502)**	(22,002)
Mining rights and other mining assets	10	**(1,566,983)**	(9,256,068)
Decreased in other noncurrent assets		**2,881,057**	16,710,472
Net cash provided in investing activities		**₱955,572**	₱7,432,402
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Interest		**(11,004,370**)	(14,386,221)
Loans		**(8,004,062)**	–
Net cash used in financing activities		**(19,008,432)**	(14,386,221)
NET INCREASE (DECREASE) IN CASH		**(28,057,009)**	(20,433,045)
CASH AT BEGINNING OF YEAR		**314,440,796**	35,765,139
CASH AT END OF YEAR		**₱286,383,787**	₱15,332,094

See accompanying Notes to Consolidated Financial Statements.

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

1. Corporate Information

General Information

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

The Parent Company was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 7, 1957. Its primary purpose is to deal with properties of every kind and description to the extent permitted by law without engaging in the business of an investment company as defined in the Investment Company Act (Republic Act 2629), or act as a securities broker or dealer. On August 7, 2007, the SEC approved the extension of the Parent Company's corporate life for another 50 years.

The Parent Company's shares of stocks were initially listed in the Philippine Stock Exchange, Inc. (PSE) on January 10, 1958. As at December 31, 2019 and 2018, 3,014,820,305 shares of the Parent Company's shares of stocks are listed in the PSE.

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

Events After the Reporting Period

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated enhanced community quarantine all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company operations and financial performance, however, cannot be reasonably determined as at our report date.

Nonetheless, the Company strongly believes that it can remain a going concern given its access to short-term and long-term funding from stockholders.

Merger of the Parent Company, Brightgreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC)

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

BHI owns 100% interest in BrightGreen Resources Corporation (BGRC) and APMPC owns 100% interest in Alumina Mining Philippines, Inc. (AMPI) and Bauxite Resources, Inc. (BARI).

Information about the Subsidiaries

All of the subsidiaries of the Parent Company are wholly owned.

Marcventures Mining and Development Corporation (MMDC). MMDC was incorporated and registered with the SEC on January 18, 1995 primarily to engage and/or carry on the business of extracting, mining, smelting, refining and converting mineral ores such as, but not limited to nickel, chromites, copper, gold, manganese and other similar ores and/natural metallic or non-metallic resource.

MMDC has been granted by the Department of Environment and Natural Resources (DENR) Mineral Production Sharing Agreement (MPSA) No. 016-93-X (SMR) covering an area of approximately 4,799 hectares located in the municipalities of Carrascal, Cantilan and Madrid, Surigao Del Sur.

Originally, the MPSA was granted to Ventura Timber Corporation (VTC) on June 19, 1992. In January 1995, VTC executed a deed of assignment (the Deed) to transfer to MMDC all its rights and interest in and title to the MPSA. On January 15, 2008, the Deed was approved by the Mines and Geosciences Bureau (MGB).

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

On February 13, 2017, MMDC received an order dated February 8, 2017 from the DENR cancelling its MPSA. Management and its legal counsel believe that the order has no basis and the outcome of legal actions taken will not have a material adverse effect on the Company's operations (see Note 25). Accordingly, MMDC has continued its mining operations in areas covered by the MPSA.

BGRC. BGRC was incorporated and registered with the SEC on July 20, 1989 to engage in the mining business.

On July 1, 1993, the DENR approved BGRC's application for MPSA No. 015-93-XI (SMR) covering an area of approximately 4,860 hectares located in the municipalities of Carrascal and Cantilan, Surigao del Sur. BGRC is undertaking its continuous exploratory drilling program to block mineral resources at indicated and measured category.

AMPI. AMPI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

On December 5, 2002, the DENR approved AMPI's application for MPSA No. 179-2002-VIII-SBMR covering 6,694 hectares in the municipalities of San Jose de Buan and Paranas Samar in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.

BARI. BARI was incorporated and registered with the SEC on August 31, 2001 to engage in the mining business.

On December 5, 2002, the DENR approved BARI's application for MPSA No. 180-2002-VIII-SBMR covering 5,519 hectares in the Municipalities of Gandara, San Jose de Buan, Matuguinao, and San Jorge, Province of Samar (formerly known as Western Samar) in Eastern Visayas (Region VIII), valid for 25 years and renewable for another 25 years.

BGRC, AMPI and BARI received a Show-Cause Order dated February 13, 2017 from the DENR to explain why their MPSA should not be cancelled pursuant to an alleged violation. The Company

submitted a reply explaining that BGRC, AMPI and BARI have prior legal right (see Note 25).

Subsequently, AMPI and BARI obtained certifications from the Forest Management Bureau that its mining tenement is outside officially designated proclaimed watersheds. This was further confirmed by the MGB in its letter dated August 10, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

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

The consolidated financial statements of the Company have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Further disclosures are included in Note 26, *Financial Risk Management Objectives and Policies and Fair Value Measurement.*

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following relevant new and amended PFRS which the Company adopted effective for annual periods beginning January 1, 2019:

- PFRS 16, *Leases*

  PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for most leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

  The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

  Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

  Company as a Lessee. The Company has applied the requirements of PFRS 16 retrospectively. On the date of transition, the Company has lease agreements for its office space that has lease term of less than (12) twelve months subject to renewal on an annual basis, upon mutual agreement between the parties. Further, the lease qualifies a short-term lease and the Company has elected not to recognize ROU assets and lease liability. The related rental on this lease arrangement is recognized in the profit or loss on a straight line basis (see Note 22).

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

The adoption of the foregoing new and amended PFRS does not have any material effect on the consolidated financial statements of the Company.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a "business" which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, 'an integrated set of activities and assets' must now include 'an input and a substantive process that together significantly contribute to the ability to create an output'. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, MMDC, BGRC, AMPI and BARI as at March 31, 2020 and December 31, 2019 and for the quarters ended March 31, 2020 and 2019.

Subsidiaries
A subsidiary is an entity that is controlled by the Parent Company and is consolidated from the date on which control is transferred to the Parent Company directly or through the holding companies. Control is achieved when the Company is exposed or has rights to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee. A subsidiary is deconsolidated from the date on which control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as that of the company using uniform accounting policies. Significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in full.

A change in ownership interest in a subsidiary, without a change in control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, the Company: (a) derecognizes the assets and liabilities of the subsidiary; (b) derecognizes the carrying amounts of any non-controlling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the Company's share of components previously recognized in Other Comprehensive Income (OCI) to profit or loss.

Financial Assets and Liabilities

a. Recognition

The Company recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

b. Classification and Subsequent Measurement Policies

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value

through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at March 31, 2020 and December 31, 2019, the Company does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at March 31, 2020 and December 31, 2019, the Company's cash, trade and other receivables (excluding advances to officers and employees), advances to related parties and rehabilitation cash fund (RCF), rental deposit and monitoring trust fund (MTF) (included under "Other noncurrent assets") account are classified under this category (see Notes 6, 8, and 11).

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at March 31, 2020 and December 31, 2019, the Company's trade and other payables (excluding advances from customers and excise tax and other statutory payables), loans payable, advances from related parties, dividends payable and long-term debt are classified under this category (see Notes 12 ,14 and 19).

c. Reclassification

The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

d. Impairment Policy on Financial Assets at Amortized Cost

The Company records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

e. Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

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

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the consolidated statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

f. Offsetting of Financial Assets and Liabilities

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

g. Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Cash

Cash in the consolidated statements of financial position comprise cash on hand and in banks, excluding any restricted cash. Restricted cash, which includes RCF and MTF, is not available for use by the Company and therefore is not considered highly liquid.

Inventories

Inventories, which consist of ore stockpiles, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). Cost consists of contractual services, personnel costs, depletion, depreciation and other costs that are directly attributable in bringing the ore in its saleable conditions. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

Other Current Assets

Other current assets include prepaid income tax, advances to contractors and suppliers, mining and office supplies and prepaid expenses.

Prepaid Income Tax. Prepaid income tax represents creditable withholding tax and other tax credits of the Parent Company.

Advances to Contractors and Suppliers. Advances to contractors and suppliers represent advance payments on goods or services to be purchased in connection with the mining operation. These are reclassified to proper asset account in the consolidated statements of financial position or charged to expense in the consolidated statements of comprehensive income upon actual receipt of goods or services, which is normally within 12 months or within the normal operating cycle. Otherwise, these are classified as noncurrent assets.

Mining and Office Supplies. Mining and office supplies comprise all costs of purchase and other costs incurred in bringing the mining and office supplies to their present location and condition. The purchase cost is determined on a moving average method. These are charged to expense in the consolidated statements of comprehensive income upon use.

Prepaid Expenses. Prepaid expenses represent expenses not yet incurred but paid in advance and are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

Property and Equipment

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

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

Each part of an item of property and equipment with a cost that is significant in relation to the total

cost of the item shall be depreciated separately.

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

	Number of Years
Building and improvements	5-20
Office furniture, fixtures and equipment	2-5
Heavy and transportation equipment	4-10

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

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

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

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

Mining Rights and Other Mining Assets

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

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

Deferred Exploration Costs. Deferred exploration costs include costs incurred in connection with exploration activities. Deferred exploration cost is carried at cost less accumulated impairment losses.

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of the mineral resource.

Exploration and evaluation activities include:

- Gathering exploration data through geological studies;
- Exploratory drilling and sampling; and

- Evaluating the technical feasibility and commercial viability of extracting the mineral resource. Once the reserves are established and development is sanctioned, deferred exploration costs are tested for impairment and reclassified to mine development costs.

Mine and Mining Properties. Upon start of commercial operations, mine development costs are reclassified as part of mine and mining properties. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves, which is reviewed periodically to ensure that the estimated depletion is consistent with the expected pattern of economic benefits from the mine and mining properties.

Deferred exploration costs and construction-in-progress related to an already operating mine are reclassified to mine and mining properties and stated at cost. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, which are not depleted or amortized until the development has been completed and become available for use.

Impairment of Nonfinancial Assets

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

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

Employee Benefits

Short-term Benefits. The Company provides short-term benefits to its employees in the form of basic and 13th month pay, bonuses, employer's share on government contribution and other short-term benefits.

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

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements, and interest cost in profit or loss.

Interest cost is calculated by applying the discount rate to the retirement benefit liability.

Current service costs are the increase in the present value of the defined benefit obligation resulting from employee service and are recognized in profit or loss.

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

Remeasurements comprising actuarial gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurements are directly recognized in equity or in OCI and are not reclassified to profit or loss in subsequent periods.

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

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

Equity

Capital Stock. Capital stock is measured at par value for all shares issued and outstanding. Incremental costs directly attributable to the issuances of capital stock are recognized as a deduction from equity.

Additional Paid-In Capital (APIC). APIC is the excess over par value of consideration received for the subscription and issuance of shares of stock.

Retained Earnings. Retained earnings represent the cumulative balance of the Company's operating results, dividend distributions and effect of change in accounting policy.

OCI. OCI comprises of items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS. OCI pertains to remeasurement gain or loss on retirement benefit liability.

Deposit for Future Stock Subscription

Deposit for future subscription represents funds received from existing or potential stockholders to be applied as payment for future issuance of capital stock. Deposit for future stock subscription is recognized as equity if and only if, all of the following elements set forth by the SEC are present as of end of the reporting period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

- There is BOD and stockholders' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation); and

- The application for the approval of the proposed increase has been presented for filing or has been filed with the SEC.

If any or all of the foregoing elements are not present, the deposit for future stock subscription shall be recognized as a liability.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Sale of Ore. Sale of ore is recognized upon delivery of goods to and acceptance by customers.

Reservation Fee for Ore Allocation. Revenue is recognized when the grant of right to ore to be provided in the future is established.

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

Other Income. Income from other sources is recognized when earned.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefits related to a decrease in an asset or an increase in a liability that can be measured reliably.

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

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

Interest Expense. Interest expense is recognized in the consolidated statements of comprehensive income using the effective interest method.

Leases

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customers has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and

- The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

Company as Lessee
The Company has elected not to recognize ROU asset and lease liability for short-term lease. The Company recognized the lease payments associated with this lease as an expense on a straight-line basis over the lease term.

Foreign Currency-Denominated Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at reporting date. Exchange rate differences arising from the translation or settlement of monetary items at rates different from those at which these were initially recorded during the period are recognized in the profit or loss in the period these arise.

Income Taxes

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

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

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

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

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

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

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

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from the taxation authority is included as part of "Other noncurrent assets" in the consolidated statements of financial position.

Related Party Transactions and Related Parties
Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled, or under common control with the Company; (b) associates; and (c) individuals owning directly or indirectly, an interest in the voting power of the Company that give them significant influence over the Company and close members of the family of any such individual; and (d) members of the key management personnel of the Company.

In considering each possible related party relationship, attention is directly to the substance of the relationship and not merely on the legal form.

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

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

Where applicable, the Company recognizes a mine rehabilitation asset under the mine and mining properties related to the obligation arising from the mine rehabilitation and decommissioning. The cost of such asset corresponds to the present value of future cost of rehabilitation and decommissioning and amortized over expected settlement of the obligation using units of production method. The estimated future costs of rehabilitation and decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. Any amount deducted from the cost of asset shall

not exceed its carrying amount. In case the decrease in the obligation exceeds the carrying amount of the asset, the excess shall be recognized immediately in profit or loss.

Contingencies

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

Earnings (Loss) Per Share

Basic. Basic earnings (loss) per share is calculated by dividing the net income (loss) by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares, if any.

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

Events After the Reporting Date

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

Segment Reporting

The Company has one operating segment which consists of mining exploration, development and production. The Company's asset producing revenues are located in the Philippines.

3. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

Assessing the Ability of the Company to Continue as a Going Concern. The Company received an order from the DENR for the cancellation of its MPSA. The management and its legal counsel believe that the order has no basis and the outcome of the legal actions taken will not have a material adverse effect on the Company's operations (see Note 1). Accordingly, the management assessed that the company would continue as a going concern.

Establishing Control over the Subsidiaries. The Parent Company determined that it has control over the subsidiaries by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns.

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

Determining Operating Segments. Determination of operating segments is based on the information about the components that management uses to make decisions about the operating matters of the Company. Operating segments use internal reports that are regularly reviewed by the Company's chief operating decision maker, which is defined to be the Company's BOD, in order to allocate resources to the segment and assess its performance.

Management has assessed that the Company has only one operating segment which consists of mining exploration, development and production.

Defining Default and Credit-Impaired Financial Assets. Upon adoption of PFRS 9, the Company defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.

b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

    - The borrower is experiencing financial difficulty or is insolvent;

    - The borrower is in breach of financial covenants; and

    - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

Accounting for Operating Lease - Company as Lessee. The Company has a lease agreement for its office space qualifies as a short-term lease with a lease term of less than twelve (12) months. The Company has elected not to recognize ROU asset and lease liability for these leases.

Rental expense recognized by the Company amounted to ₱1.0 million, ₱6.7 million in March 31, 2020 and 2019 respectively (see Note 16).

Accounting Estimates and Assumptions

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

Estimating Allowance for ECL on Trade and Other Receivables. The Company uses a provision matrix based on historical default rates for trade and other receivables (excluding advances to officers and

employees). The provision matrix specifies provision rates depending on the number of days that receivable is past due. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information such as forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual experience.

Provision for ECL amounted to nil and ₱20.0 million March 31, 2020 and December 31, 2019, respectively. The allowance for ECL amounted to ₱66.6 million as at March 31, 2020 and December 31, 2019. The carrying amounts of trade and other receivables (excluding advances to officers and employees) are ₱172.1 million and ₱177.5 million as at March 31, 2020 and December 31, 2019, respectively (see Note 6).

Estimating Allowance for ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions;
- actual or expected significant adverse changes in the operating results of the borrower; and
- significant changes in credit spread, rates or terms such as more stringent covenants and increased amount of collateral or guarantees.

For cash in banks and advances to related parties, the Company assessed that these financial assets have low credit risk because the counterparties are reputable banks and related parties which possess good credit standings. Thus the ECL on these financial assets in 2019, 2018 and 2017 are not significant and not recognized.

The carrying amounts of the Company's other financial assets at amortized cost subjected to impairment testing are disclosed in Note 24, *Financial Risk Management Objectives and Policies*.

Estimating NRV of Inventories. The Company recognizes loss on inventories whenever NRV becomes lower than costs due to damage, physical deterioration, obsolescence, changes in price levels or other causes. NRV is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

No provision for inventory obsolescence was recognized in March 2020 and as at December 31, 2019. The carrying amount of inventories, which is measured at the lower of cost and NRV, amounted to ₱130.9 million and ₱76.9 million as at March 31, 2020 and December 31, 2019, respectively (see Note 7).

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

No provision for impairment loss was recognized in March 31, 2020 and as at December 31, 2019. The carrying amount of input VAT, which is included as part of "Other noncurrent assets" account in the consolidated statements of financial position, amounted to ₱306.8 million and ₱306.4 million as at March 31, 2020 and December 31, 2019, respectively (see Note 11).

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

There were no changes in estimated useful lives of property and equipment in 2020 and 2019. Property and equipment, net of accumulated depreciation, amounted to ₱260.6 million and ₱275.9 million as at March 31, 2020 and December 31, 2019, respectively (see Note 9).

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

The carrying amounts of mining rights and other mining assets are as follows:

	Note	**Mar. 31, 2020**	Dec. 31, 2019
Mining rights	10	**₱2,582,800,790**	₱2,582,800,790
Mine and mining properties	10	**1,771,077,160**	1,771,077,160

Estimating Provision for Mine Rehabilitation and Decommissioning. The Company recognizes provision for its obligation to decommission and rehabilitate mine sites at the end of term of its MPSA. The provision represents the best estimate of the expenditures required to settle the present obligation at the current reporting date. The amount of provision depends on the completeness of rehabilitation and decommissioning activities performed by the Company during and immediately after every mining operation. Changes in rehabilitation and decommissioning costs are recognized as additions or charges to the corresponding provision when these occur.

While the Company has made its best estimate in establishing the decommissioning and rehabilitation provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning and rehabilitation activities, the ultimate provision requirements could either increase or decrease significantly from the Company's current estimates. The obligation to rehabilitate and decommission a mine generally arises when the ground/environment is disturbed at the production location.

Mine rehabilitation asset, recognized under the mine and mining properties and presented as part of

"Mining assets" in the consolidated statements of financial position, amounted to ₱36.2 million as at March 31, 2020 and December 31, 2019, (see Note 10).

Provision for mine site rehabilitation and decommissioning amounted to ₱52.6 million as at March 31, 2020 and December 31, 2019 (see Note 13).

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

- significant underperformance relative to expected historical or projected future operating results;

- significant changes in the manner of use of the acquired assets or the strategy for overall business; or
- significant negative industry or economic trends.

No impairment loss was recognized in 2020 and 2019.

The carrying amounts of the Company's nonfinancial assets are as follows:

	Note	**Mar. 31,2020**	**Dec. 31, 2019**
Advances to officers and employees	6	**₱12,811,078**	₱28,579,937
Other current assets	8	**151,865,842**	132,085,257
Property and equipment	9	**260,622,496**	275,879,333
Mining rights and other mining assets	10	**4,505,980,102**	4,504,413,119
Other noncurrent assets (excluding financial assets and input VAT)	11	**183,321,344**	186,580,281

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

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

Retirement benefit liability amounted to ₱37.4 million as at March 31, 2020 and December 31, 2019 (see Note 18).

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

The Company's recognized deferred tax assets amounted to ₱34.0 million as at March 31, 2020 December 31, 2019, respectively.

Deferred tax assets were not recognized on NOLCO, MCIT and retirement benefit liability of certain subsidiaries as at March 31, 2020 and December 31, 2019 because the management assessed that there will be no sufficient future taxable profits against which the deferred tax asset can be utilized.

The Company's unrecognized deferred tax assets amounted to ₱72.0 million as at march 31, 2020 and December 31, 2019.

Contingencies. The Company is currently involved in various legal proceedings which the Company believes to have no material adverse effect on its financial position. It is possible however, that changes in estimates relating to these proceedings may materially affect the results of operations of the Company.

4. Acquisition of Group of Assets

On December 29, 2017, the SEC approved the application for merger of the Parent Company, BHI and APMPC, with the Parent Company as surviving entity (see Note 1). As at the acquisition date, BHI's and APMPC's assets consist mainly of mining rights and deferred exploration costs. Management determined that based on the substance of the underlying circumstances at that date, BHI and APMPC did not constitute a business and, accordingly, was not accounted for as a business combination. The transaction was accounted for as an acquisition of a group of assets, wherein the acquisition cost was allocated among the individual identifiable assets net of liabilities assumed in the group based on their relative fair values.

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

	BHI	APM	Allocation
Assets			
Current assets	₱2,862,560	₱111,725	₱2,974,285
Mining rights	695,649,865	945,163,500	1,640,813,365
Deferred exploration costs	75,640,185	2,195,389	77,835,574
Property and equipment	2,062,499	–	2,062,499
	776,215,109	947,470,614	1,723,685,723
Liabilities			
Advances from related parties	111,856,563	14,897,589	126,754,152
Deferred tax liability	211,153,999	254,108,760	465,262,759
Loans payable	1,742,257	–	1,742,257
Other liabilities	1,462,290	3,464,265	4,926,555
	326,215,109	272,470,614	598,685,723
Net assets acquired	₱450,000,000	₱675,000,000	₱1,125,000,000

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

The assets of BGRC, AMPI and BARI are among the assets acquired in the merger between MHI, APMPC and BHI (see Note 1). The merger was accounted by virtue of a tax-free exchange pursuant to Section 40(C)(2) in relation to Section 40(C)(6)(b) of the National Internal Revenue Code of 1997, as amended.

The fair value of the mining rights used as basis for allocating the acquisition cost are based on the report by Competent Persons (CP) dated June 30, 2017 and was arrived at using the Discounted Cash Flow method (DCF) under the income approach methodology. Under this approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. Under the DCF method, the forecasted cash flows is discounted back to the valuation date, resulting in a present value of the asset.

The significant unobservable inputs used in the fair value measurement of the Company's mining rights categorized within Level 3 of the fair value hierarchy follows:

	BHI	APM
Mining life	10	20
Discount rate	12%	12%
Estimated mineral ore reserves (WMT):		
Nickel ore	9,513,459	–
Bauxite ore	–	28,904,888
Market price (per WMT)	₱850 to ₱1,550	₱1,350 to ₱1,550
Estimated annual shipment of mineral ore (WMT)	951,345	1,445,244
Production costs:		
Average variable cost	₱477 to ₱479	₱663
Fixed	₱448	₱490
Operating costs (percentage of gross revenue)	18%	19% to 33%
Estimated project costs	₱976,901,820	₱1,693,192,588
Exchange rate of Philippine Peso to US Dollar	₱50: $1	₱50: $1

Discount Rate. The risk inherent in the pre-feasibility study stage and scale of production was considered in determining the Risk Adjusted Discount Rate that was used to discount the net cash flows generated from shipments during the period of analysis.

Estimated Mineral Ore Reserves. Ore reserve estimation is performed by the CP in accordance with Philippine Mineral Reporting Code.

Market Prices. Market prices are based on the Bloomberg conservative Nickel ore price forecast and Shanghai metal market for the nickel and bauxite mineral ore, respectively.

Production Costs. Estimated costs incurred in extracting mineral ores that composed of variable and fixed costs.

Operating Cost. Estimated cost of administering the business and costs incurred to sell and market goods.

Estimated Project Costs. Project costs pertain to project-related capital expenditures such as mining equipment fleet, mine support services equipment and tools, mine development works and infrastructures, safety equipment, environmental facilities, exploration expenses, permits and licenses and final mine rehabilitation and decommissioning program.

Sensitivity Analysis
Significant increases (decreases) in estimated mineral ore reserves, market price and exchange rate in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate, production and operating costs and estimated project costs in isolation would result in a lower (higher) fair value measurement.

Information about the Absorbed Companies

BHI. BHI was incorporated and registered with the SEC on January 11, 2017 to deal with any and all properties of every kind and description to the extent permitted by law provided it shall not engage in the business of an investment company as defined in the Republic Act 2629, Investment Company Act, or act as a securities broker or dealer. BHI owns 100% interest in BGRC (see Note 1).

APMPC. APMPC was incorporated and registered with the SEC on August 14, 2013 to engage in mining activities. APM owns 100% interests in AMPI and BARI (see Note 1).

5. Cash

This account consists of:

	Unaudited March 31, 2020	Audited December 31, 2019
Cash on hand	**₱134,731**	₱214,091
Cash in banks	**286,249,056**	314,226,705
	₱286,383,787	₱314,440,796

Cash in banks earn interest at prevailing bank deposit rates. Interest income of ₱16,549 and 149,306 was earned for the period ended March 31, 2020 and for the year ended December 31, 2019, respectively.

6. Trade and Other Receivables

This account consists of:

	Unaudited March 31, 2020	Audited December 31, 2019
Trade receivables	**₱224,599,614**	₱232,879,542
Advances to officers and employees	**12,811,078**	28,579,937
Others	**12,102,449**	9,635,896
	249,513,1415	271,095,375
Allowance for ECL	**(66,631,586)**	(66,631,586)
	₱182,881,555	₱204,463,789

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

Advances to officers and employees are unsecured, noninterest-bearing and subject to liquidation within one (1) year.

Movements in allowance for ECL are as follows:

	Unaudited March 31, 2020	Audited December 31, 2019
Balance at beginning of year	**₱66,631,586**	**₱46,631,586**
Provision	**–**	**20,000,000**
Balance at end of year	**₱66,631,586**	**₱66,631,586**

Aging of Trade Receivables as at March 31, 2020:

Current ₱'000	*1 to 30 days past due ₱'000*	*31 to 60 days past due ₱'000*	*61 to 90 ₱'000*	*120+ past due ₱'000*	*Total ₱'000*
₱–	*₱–*	*₱–*	*₱70,918*	*₱153,682*	*₱153,682*

7. Inventories

This account consists of beneficiated nickel ore amounting to ₱130.9 million and ₱76.9 million which is stated at cost as at March 31, 2020 and December 31, 2019. The cost of inventories is lower than its NRV.

8. Other Current Assets

This account consists of:

	Unaudited March 31, 2020	Audited December 31, 2019
Prepaid income tax	**₱49,529,464**	₱49,529,464
Advances to contractors and suppliers	**31,323,029**	17,541,605
Mining and office supplies	**18,678,630**	18,201,636
Prepaid expenses	**34,334,952**	32,340,725
Others	**17,999,766**	14,471,827
	₱151,865,842	₱132,085,257

Prepaid income tax represents creditable withholding tax and other tax credits of the Parent Company.

Advances to contractors and suppliers include materials and fuel and oil to be supplied for the use of the heavy equipment and are deductible against contractors' future billings.

Mining and office supplies include mechanical, electrical and other materials that will be used in the Company's mining operation.

Prepaid expenses pertain to insurance, excise tax and rent.

Others pertain to advances made to National Commission of Indigenous People (NCIP).

9. Property and Equipment

The balances and movements of this account are as follows:

	Unaudited March 31, 2020					
	Land	**Building and Improvements**	**Office Furniture, Fixtures and Equipment**	**Heavy and Transportation Equipment**	**Construction in-progress**	**Total**
Cost						
Balances at beginning of year	**₱58,597,484**	**₱169,768,530**	**₱100,108,592**	**₱378,846,725**	**₱45,063,720**	**₱752,385,051**
Additions	**–**	**66,800**	**271,500**	**20,202**	**–**	**358,502**
Balances at end of year	**58,597,484**	**169,835,330**	**100,380,092**	**378,866,927**	**45,063,720**	**752,743,553**
Accumulated Depreciation and Amortization						
Balances at beginning of year	**–**	**74,293,407**	**89,799,986**	**312,412,325**	**–**	**476,505,718**
Depreciation and amortization	**–**	**2,445,879**	**1,345,878**	**11,823,583**	**–**	**15,615,339**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**
Balances at end of year	**–**	**76,739,286**	**91,145,864**	**324,235,908**	**–**	**492,121,057**
Net Carrying Amount	**₱58,597,484**	**₱93,096,044**	**₱9,234,228**	**₱54,631,019**	**₱45,063,720**	**₱260,622,496**

	Audited December 31, 2019					
	Land	Building and Improvements	Office Furniture, Fixtures and Equipment	Heavy and Transportation Equipment	Construction in-progress	Total
Cost						
Balances at beginning of year	₱58,597,484	₱169,727,730	₱98,672,406	₱382,296,725	₱45,188,518	₱754,482,863
Additions	–	–	1,436,186	–	(83,998)	1,352,188
Disposal	–	–	–	(3,450,000)	–	(3,450,000)
Reclassification	–	40,800	–	–	(40,800)	–
Balances at end of year	58,597,484	169,768,530	100,108,592	378,846,725	45,063,720	752,385,051
Accumulated Depreciation and Amortization						
Balances at beginning of year	–	62,962,064	80,555,340	266,932,435	–	410,449,839
Depreciation and amortization	–	11,331,343	9,244,646	48,929,890	–	69,505,879
Disposal	–	–	–	(3,450,000)	–	(3,450,000)
Balances at end of year	–	74,293,407	89,799,986	312,412,325	–	476,505,718
Net Carrying Amount	₱58,597,484	₱95,475,123	₱10,308,606	₱66,434,400	₱45,063,720	₱275,879,333

Heavy and transportation equipment with carrying amounts of ₱35.3 million as at December 31, 2019, are held as collaterals for loans payable. In 2017, MMDC obtained additional long-term debt with transportation equipment held as collateral with carrying amount of ₱0.6 million as at December 31, 2019 (see Note 14). In 2017, BGRC obtained a four-year promissory note with transportation equipment held as collateral with carrying amount of ₱0.8 million December 31, 2019.

In 2019, the Company disposed a fully depreciated asset with a total cost of ₱3.5 million.

Depreciation and amortization are allocated to profit or loss as follows:

	Note	**Audited December 31, 2019**
Charged to:		
Capitalized to inventory	7	**₱2,793,005**
Operating expenses	18	**12,822,334**
		₱15,615,339

Fully depreciated property and equipment with cost of ₱190.7 million as at March 31, 2020 and December 31, 2019 are still being used by the Company and retained in the accounts.

10. Mining Rights and Other Mining Assets

The balances and movements of this account are as follows:

	Unaudited March 31, 2020					
			Mine and Mining Properties			
	Mining Rights	**Deferred Exploration Costs**	**Mine Development Costs**	**Mine Rehabilitation Asset**	**Total**	**Total**
Cost						
Balances at beginning of year	**₱2,935,579,522**	**₱150,535,169**	**₱2,066,297,519**	**₱44,167,841**	**₱2,110,465,360**	**₱5,196,580,05**
Additions	**–**	**1,566,983**		**–**	**–**	**1,566,983**
Balances at end of year	**2,935,579,522**	**152,102,152**	**2,066,297,519**	**44,167,841**	**2,110,465,360**	**5,198,147,034**
Accumulated Depletion						
Balances at beginning of year	**352,778,732**	**–**	**331,442,381**	**7,945,819**	**339,388,200**	**692,166,932**
Depletion	**–**	**–**	**–**	**–**	**–**	**–**
Balances at end of year	**352,778,732**	**–**	**331,442,381**	**7,945,819**	**339,388,200**	**692,166,932**
Net Carrying Amount	**₱2,582,800,790**	**₱152,102,152**	**₱1,734,855,138**	**₱36,222,022**	**₱1,771,077,160**	**₱4,505,980,102**

	Audited December 31, 2019					
			Mine and Mining Properties			
	Mining Rights	Deferred Exploration Costs	Mine Development Costs	Mine Rehabilitation Asset	Total	Total
Cost						
Balances at beginning of year	₱2,935,579,522	₱142,224,907	₱1,904,405,593	₱44,167,841	₱1,948,573,434	₱5,026,377,863
Additions	–	8,310,262	161,891,926	–	161,891,926	170,202,188
Balances at end of year	2,935,579,522	150,535,169	2,066,297,519	44,167,841	2,110,465,360	5,196,580,051
Accumulated Depletion						
Balances at beginning of year	331,407,578	–	292,093,028	7,124,244	299,217,272	630,624,850
Depletion	21,371,154	–	39,349,353	821,575	40,170,928	61,542,082
Balances at end of year	352,778,732	–	331,442,381	7,945,819	339,388,200	692,166,932
Net Carrying Amount	₱2,582,800,790	₱150,535,169	₱1,734,855,138	₱36,222,022	₱1,771,077,160	₱4,504,413,119

Mining Rights

Mining rights of the Company consist of:

	Note	**March 31, 2020**	December 31, 2019
Mining rights on explored resources		**₱941,987,425**	₱941,987,425
Mining rights of BGRC, AMPI and BARI	4	**1,640,813,365**	1,640,813,365
		₱2,582,800,790	₱2,582,800,790

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

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

Deferred Exploration Costs

Deferred exploration costs pertain to the capitalized expenditures associated with finding specific mineral resources such as acquisition of rights to explore, geological and geophysical studies and exploration drilling and sampling.

Mine and Mining Properties

Mine Development Costs. Mine development costs include the costs incurred on an already operating mine area. Such costs pertain to expenses incurred in sourcing new resources and converting these into reserves, road developments and developing additional mine yards. Carrying value of mine and mining properties amounted to ₱1,771.1 million as at March 31, 2020 and December 31, 2019.

The additions in mine and mining properties include depreciation of heavy equipment used for developing additional mine yards and road improvements amounting to ₱1.4 million 2019. (see Note 9).

Mine Rehabilitation Asset. Mine rehabilitation asset is the estimated rehabilitation cost of MMDC's mine site upon termination of MMDC's ore activities, as required in MMDC's MPSA (see Note 13).

11. Other Noncurrent Assets

This account consists of:

	Note	**Unaudited March 31, 2020**	Audited December 31, 2019
Input VAT		**₱306,816,125**	₱306,438,245
Advances to a contractor		**101,139,441**	101,139,441
Rehabilitation cash fund (RCF)		**5,511,116**	5,511,116
Rental deposit	22	**355,250**	355,250
Monitoring trust fund (MTF)		**165,780**	165,780
Others		**82,181,903**	87,812,635
		₱496,169,615	₱499,050,672

Advances to a contractor are advance payments made to the contractor to build and operate a nickel processing plant.

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.

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

Others pertain to deposit in compliance with the requirements of regulatory agencies

12. Trade and Other Payables

This account consists of:

	Note	**Unaudited March 31, 2020**	Audited December 31, 2019
Trade payables		**₱253,572,277**	₱328,322,949
Advances from customers		**531,022,566**	343,997,812
Excise tax and other statutory payables		**23,673,176**	28,244,589
Accrued expenses:			
Interest		**777,094**	5,327,094
Others		**55,304,763**	57,186,872
Others		**6,645,603**	6,253,826
		₱870,995,479	₱769,333,142

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

Advances from customers pertain to noninterest bearing advances and refundable deposit made by customers for future ore shipments.

Other statutory payables include other taxes payable and mandatory contributions. These are normally settled within one (1) month.

Other accrued expenses include accrual of expenditures for social development management

program as required by the MGB.

13. Provision for Mine Rehabilitation and Decommissioning

Movements of this account are as follows:

	Note	**Unaudited March 31, 2020**	Audited December 31, 2019
Balance at beginning of year		**₱52,634,827**	₱51,980,329
Accretion of interest		**–**	654,498
Balance at end of year		**₱52,634,827**	₱52,634,827

A provision is recognized for the estimated rehabilitation costs of the Company's mine site upon termination of the Company's ore extraction activities, which is about 13 years. The provision is calculated by the Company's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 4.53% as the effective interest rate.

14. Loans Payable

This account consists of:

	Unaudited March 31, 2020	Audited December 31, 2019
Short-term loan – MMDC	**₱497,954,760**	₱490,733,751
Long-term debt:		
AMPI	**₱198,854,439**	₱198,854,439
MMDC	**55,429,526**	29,114,165
BGRC	**177,094**	367,023
	254,461,058	228,335,627
Less current portion	**27,803,310**	19,335,828
	₱226,657,748	₱208,999,799

Short-term Loan

MMDC obtained short-term loans from local banks to finance working capital requirements. The short-term loans bear interest rates ranging from 5.00% to 8.00% to be repriced normally every month and has maturity of not more than one year.

On January 12, 2015, MMDC obtained a credit facility amounting to ₱200.0 million and a domestic bills purchase line amounting to ₱5.0 million from a local bank. The credit facilities are secured by the interests and rights of the Parent Company over 647,692 shares of stocks of MMDC.

In 2018, MMDC obtained credit facilities limited to ₱400.0 million. The facilities will be used to finance MMDC's sales contracts or purchase order. The credit facility is secured by shares of the Parent Company in MMDC covering 150% of the credit facility limit.

Outstanding balance of these credit facilities are summarized below:

Classification	**Unaudited March 31, 2020**	Audited December 31, 2019
200.0 million credit facility	**₱75,000,000**	₱75,000,000
400.0 million credit facilities	**399,649,870**	399,649,870
	₱474,649,870	₱474,649,870

In 2018, MMDC obtained a short-term loan from a related party amounting to ₱26.0 million which will be utilized for MMDC's business operations and project development and bears an interest rate of 10.00% (see Note 21). This was not yet paid and renewed for another term.

Long-term Debt

AMPI
On September 21, 2018, AMPI obtained a five-year promissory note of ₱200.0 million which will be used to finance AMPI's ongoing development project. The loan is secured by a real estate mortgage on properties held by the Parent Company and a related party and bears annual interest of 9.5%. The principal is due on maturity.

Debt-Issue Costs
Movements of unamortized debt-issue costs are as follows:

	Unaudited March 31, 2020	Audited December 31, 2019
Balance at beginning of year	**₱1,361,718**	₱1,361,718
Amortization	**(216,157)**	(216,157)
Balance at end of year	**₱1,145,561**	₱1,145,561

MMDC
On July 15, 2015, MMDC obtained a five-year promissory note amounting to ₱100.0 million from a local financing company, which is covered by a chattel mortgage on transportation equipment and bears an annual interest rate of 6%. The principal payments and interest are payable monthly until maturity.

The carrying amount of heavy and transportation equipment held as collateral amounted to ₱35.3 million as at December 31, 2019 (see Note 9).

On July 11, 2017, MMDC obtained a five-year promissory note amounting to ₱1.6 million from a local bank, which is covered by a chattel mortgage on MMDC's transportation equipment and bears an annual interest rate of 10.34%.

The carrying amount of transportation equipment held as collateral amounted to ₱0.6 million and ₱1.3 million as at December 31, 2019 (see Note 9).

BGRC
On June 30, 2016, BGRC obtained a four-year promissory note from a local bank amounting to ₱2.6 million, which is covered by a chattel mortage and bears an annual interest rate of 9.02%.

The carrying amount of transportation equipment held as collateral amounted to ₱0.8 million as at December 31, 2019 (see Note 9).

Interest expense of the Company was incurred from the following sources:

	Note	**Unaudited March 31, 2020**	Audited December 31, 2019
Loans payable		**₱61,630,647**	₱60,976,149
Provision for mine rehabilitation and decommissioning	13		654,498
		₱61,630,647	₱61,630,647

15. Equity

Movements of this account are as follows:

	Three Months Ended March 31			
	2020		2019	
	Shares	**Amount**	Shares	Amount
Authorized Capital Stock at ₱1 par value	**4,000,000,000**	**₱4,000,000,000**	4,000,000,000	₱4,000,000,000
Capital Stock				
Balance at beginning of year	**3,014,820,305**	**₱3,014,820,305**	2,969,088,599	₱2,969,088,599
Issuance of shares	**–**	**–**	45,731,706	45,731,706
Balance at end of year	**3,014,820,305**	**₱3,014,820,305**	3,014,820,305	₱3,014,820,305
Additional Paid-in Capital		**₱269,199,788**		₱269,199,788

Cash dividends declared by the Company are as follows:

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

Dividends payable amounted to ₱4.7 million as at December 31, 2019 and 2018, respectively.

16. Operating Expenses

This account consists of:

		For the three months ended March 31,	
	Note	**2020**	2019
Salaries and allowances		**₱23,934,171**	₱45,490,418
Environmental expenses	20	**16,896,684**	**–**
Depreciation and amortization	9	**12,822,334**	18,745,265
Taxes and licenses		**18,946,676**	8,773,777
Professional fees		**7,320,507**	5,922,122
Social development program	20	**7,138,458**	1,019,211
Community relations		**1,431,345**	234,439
Outside services		**7,172,964**	5,262,722
Communication, light and water		**1,672,027**	1,714,850
Transportation and travel		**1,511,701**	1,629,808

		For the three months ended March 31,	
	Note	**2020**	2019
Representation		**2,010,201**	452,189
Dues and subscriptions		**785,400**	756,487
Office supplies		**2,048,200**	1,692,416
Repairs and maintenance		**3,107,637**	103,380
Rent expense	20	**1,043,184**	6,675,706
Advertisement		**29,386**	1,659
Others		**5,425,701**	17,383,839
		₱113,296,576	₱115,858,288

Others include insurance, trainings and seminars, security services, among others.

17. **Other Income (Charges)** - Net

This account consists of:

		For the three months ended March 31,	
	Note	**2020**	2019
Foreign exchange loss		**(₱31,674)**	(₱32,450)
Others		**351,619**	
		₱319,945	(₱32,450)

18. **Retirement Benefit Liability**

The Company has an unfunded, noncontributory defined benefit plan covering all its permanent employees. Under this plan, the employees are entitled to retirement benefits ranging from 50% to 200% of the final monthly salary for each year of credited service. This plan is in accordance with Republic Act No. 7641, which mandates a minimum retirement benefit equivalent to one-half month salary per year of service.

An independent actuary conducted a valuation of the retirement benefit obligation using the projected unit credit method. The latest actuarial valuation is for the year ended December 31, 2019.

The components of retirement benefit expense presented under "Operating expenses" account in profit or loss are as follows:

	Audited December 31, 2019
Current service cost	₱5,354,636
Net interest cost	2,064,314
Past service cost	–
Settlement gain	(2,546,807)
	₱4,872,143

The retirement benefit liability recognized in the consolidated statements of financial position as at

December 31, 2019 and changes in the present value of defined benefit obligation are as follows:

	Audited December 31, 2019
Balance at beginning of year	₱22,552,229
Retirement benefits expense recognized in profit or loss:	
Current service cost	4,735,379
Net interest cost	1,660,320
Past service cost	2,306,965
Settlement gain	–
Remeasurement losses (gains) recognized in OCI arising from:	
Changes in financial assumptions	634,254
Deviations of experience from assumptions	5,505,924
Benefits paid	–
Balance at end of year	₱37,395,071

The principal actuarial assumptions used to determine retirement benefit liability for 2019 and 2018 are as follows:

	Audited December 31, 2019
Discount rates	4.64%
Salary increase rates	3.00%

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

Sensitivity analysis on defined benefit obligation as at December 31, 2019 is as follows:

	Change in basis points	Effect on defined benefit obligation
Discount rate	+1%	(2,764,351)
	-1%	2,620,805
Salary increase rate	+1%	2,673,940
	-1%	(2,284,148)

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

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

The cumulative remeasurement gain recognized in OCI as at December 31, 2019:

	Audited December 31, 2019		
	Accumulated Remeasurement Gain	Deferred Tax Liability (see Note 23)	Net Remeasurement Gain
Balance at beginning of year	₱54,774,243	(₱15,176,337)	₱38,341,970
Actuarial loss	(6,140,178)	1,667,981	(4,298,125)
Balance at end of year	₱48,634,065	(₱13,508,356)	₱34,043,845

The average duration of the expected benefit payments at the end of the reporting period is 17 years.

19. Related Party Transactions

Significant transactions with related parties include the following:

Related Parties under Common Management

		Transaction Amounts		Outstanding Balances		
	Note	**Unaudited March 31, 2020**	Audited December 31, 2019	**Unaudited March 31, 2020**	Audited December 31, 2019	Nature and Terms
Advances to related parties		**(₱4,801,473)**	**₱2,627,325**	**₱46,565,282**	**₱51,366,755**	Working fund; unsecured; noninterest-bearing; Collectible on demand
Advances from related parties		**(₱8,263,140)**	**₱8,818,9754**	**₱102,583,680**	**₱110,846,820**	Working fund; unsecured; noninterest-bearing; payable on demand
Loans payable	14	**₱–**	**₱–**	**₱26,000,000**	**₱26,000,000**	Short-term loan; unsecured; interest-bearing; payable in installments

As at March 31, 2020 and December 31, 2019, the Company has not provided any allowance for ECL for amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

20. Commitments

Social and Environmental Responsibilities

Social Development Management Programs (SDMP)

SDMP are five (5) year programs of the projects identified and approved for implementation, in consultation with the host communities. The Company provides an annual budget for SDMP projects that focus on health, education, livelihood, public utilities and socio-cultural preservation. The implementation of the program is monitored by the MGB.

The Company's implemented social development programs to host communities amounted to

₱7.1 million and ₱1.0 million in March 2020 and 2019 respectively (see Note 16).

Environmental Protection and Enhancement Program (EPEP)
EPEP refers to comprehensive and strategic environmental management plan to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment. This program is monitored by the Multipartite Monitoring Team, a group headed by a representative from the Regional MGB and representatives of Local Government Units (LGU), other government agencies, non-government organizations, the church sector and the representatives of the Company.

The Company implemented projects amounting to ₱16.0 million in March 2020.

Royalty Agreement
In July 2008, the Company entered into a memorandum of agreement with the Indigenous Cultural Communities/Indigenous People (ICC/IP) and NCIP pursuant to the requirements, the Company pays royalties equivalent to a certain percentage of gross revenue to the ICC/IP.

Lease Commitment
The Company leases an office space for its operations. Rental deposit amounted to ₱0.4 million as at March 31, 2020 and December 31, 2019 (see Note 11).

Rental expense arising from short-term leases amounted to ₱1.0 million and ₱6.7 million as at March 2020 and in 2019 respectively (see Note 16).

21. NOLCO

Management believes that it may not be probable that future taxable profit will be available in the future against which the benefits of the following deferred tax assets can be utilized.

	Audited December 31, 2019
NOLCO	₱67,570,654
Retirement benefit liability	2,638,915
Excess MCIT over RCIT	1,750,320
	₱71,959,889

Details of NOLCO of the Company are as follows:

Year incurred	Expiry date	Amount	Expired/ Application	Balance
2019	2022	₱98,920,439	₱–	₱98,920,439
2018	2021	388,423,742	(289,601,160)	98,822,582
2017	2020	27,492,491	–	27,492,491
2016	2019	13,742,387	(13,742,387)	–
		₱528,579,059	(₱303,343,547)	₱225,235,512

Details of Excess MCIT over RCIT of the Company are as follows:

Year incurred	Expiry date	Amount	Expired	Balance
2019	2022	₱2,432,232	₱–	₱2,432,232
2018	2021	1,787,769	–	1,787,769
2017	2020	1,717,760	–	1,717,760
2016	2019	1,808,880	(1,808,880)	–
		₱7,746,641	(₱1,808,880)	₱5,937,761

22. Earnings (Loss) Per Share

Earnings (loss) per share are computed as follows:

	Three Months Ended March 31,	
	2020	2019
Net loss shown in the consolidated statements of comprehensive income (a)	**(₱123,964,452)**	(₱130,271,834)
Weighted average number of common shares (b)	**3,014,820,305**	3,014,820,305
Basic loss per share (a/b)	**(₱0.041)**	(₱0.043)

The Company does not have potentially dilutive common shares.

23. Contingencies

Cancellation of MMDC's MPSA

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

The management and its legal counsel have assessed that the order is without basis in fact and in law. Foremost, MMDC is engaged in clean and responsible mining. It has implemented all the necessary measures to ensure that it is environmentally compliant. While its operation is within a proclaimed watershed, Presidential Proclamation No. 1747 recognizes its prior legal right to mine in the area considering that its MPSA was approved in 1993 prior to the issuance of the said proclamation in 2009.

As to the alleged non-compliance to the planting of three million seedlings, MMDC was prevented from implementing the same due to previous inaction of the DENR. The Company submitted the program for the tree planting of three million seedlings as early as February 24, 2015. There were several communications between MMDC and the DENR/MGB regarding this matter. In a letter dated April 22, 2016, MMDC informed MGB that there is a strong objection from the LGU in the host communities of MMDC since they will not benefit from the Program as MGB directed MMDC to plant in different regions. Thereupon, MMDC suggested DENR/MGB to implement the program through its National Greening Project to be funded by MMDC. After several follow-ups, on December 21, 2016, MMDC received a letter from then DENR Secretary Gina Lopez dated December 1, 2016 finally directing MMDC to plant the three million seedlings in its host communities. MMDC immediately

coordinated with the Regional Director of DENR. Hence, an inventory of seedlings available in the area was then made. Based on the report of DENR Region XIII, a total of 1,513,928 seedlings are available in the area. To ensure immediate and proper implementation of the tree planting activity, MMDC entered into a Memorandum of Agreement with the mayors of the municipalities in its host communities on February 9, 2017. This action demonstrates MMDC's readiness and willingness to implement the program. Thus, no fault can be attributed to MMDC with regard to the implementation of the three million seedlings.

With regard to alleged violations of environmental laws and regulations, the DENR failed to specify the facts and the provisions of law which MMDC allegedly violated.

The Technical Committee Report on MMDC shows only a recommendation for fine and suspension. Thus, the management strongly believes that the cancellation of MMDC's MPSA is unwarranted and should be overturned. Thus, on February 17, 2017, MMDC filed a Notice of Appeal to the Office of the President. Subsequently, on March 17, 2017, MMDC filed its Appeal Memorandum.

In May 2017, the Company, through its external counsel, filed a Notice of Appeal to the Office of the President requesting said Office to issue a formal Stay of Execution Order, thus the execution of the Order of the DENR Secretary is deemed stayed as a matter of course on account of the pendency of MMDC's appeal. Further, in the said Appeal, MMDC was able to address the grounds for cancellation cited by the DENR: (a) operations is allowed by law since said MPSA dated 01 July 1993 is granted with prior rights and is allowed by law as indicated specifically in Proclamation 1747 issued in 2009 by former President GMA; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area.

As of December 31, 2019, the Company has not received any decision nor update from the Office of the President and in view of the Notice of Appeal filed by MMDC, the Management and its Legal Counsel take a good faith position that the company may continue its operations because the issuance of the Office of the President of a formal Stay of Execution is unnecessary.

MMDC has continuously been granted the necessary authorizations, permits and licenses to operate from the LGUs and the DENR through the MGB, among others, including but not limited to Discharge Permits, Ore Transport Permits (OTP) and Mineral Ore Export Permits. To attest to its compliance, MMDC also has been issued a certification from the MGB as of January 22, 2020, attesting to the validity and existence of its MPSA and that MMDC has an approved Declaration of Mining Project Feasibility covering its entire contract mining area as of 15 October 2014.

The Company has continued mining operations in areas covered by the MPSA (see Note 1).

Show-Cause Orders of BGRC, AMPI and BARI

On 27 February 2017, BRC, AMPI and BARI received Show-Cause Orders dated 13 February 2017. The said Show Cause Orders indicated that the covered areas of their respective MPSAs (MPSA No. 015-93-X-SMR for BRC, 179-2002-VIII- SBMR for AMPI and 180-2002-VIII- SBMR for BARI) are within a watershed and they are directed to show cause why their respective MPSAs should not be cancelled.

BGRC

The Management and the Legal Counsel of BRC take the good faith position that the operations of BRC under said MPSA is granted with prior rights and is allowed by law and the alleged impairment and damage in the BRC MPSA area is not supported by any specific acts of impairment because BRC is not yet operating in the area but has only completed exploration and drilling.

AMPI and BARI

The Management and the Legal Counsel of AMPI and BARI take the good faith position that the concerned MPSAs and the area of operations are not located in lawfully declared watershed, thus there is no legal basis for the cancellation.

The Forest Management Bureau (FMB) issued a letter dated 27 July 2017 indicating that the MPSAs of AMPI and BARI fall outside any proclaimed watersheds.

Subsequently, the DENR issued a letter dated 10 August 2017 stating that the MPSA Nos. 179-2002-VIII- SBMR (for AMPI) and 180-2002-VIII- SBMR (for BARI) are not located within any proclaimed watershed.

As at December 31, 2019, the DENR has not issued any other Show Cause Orders for BGRC, AMPI and BARI. Basing on the above letters from FMB and DENR, the Management and Legal Counsel of BGRC, AMPI and BARI take a good faith position that these have rendered that Show-Cause Orders moot and academic. Of note is the recent letter-approval of the DENR, through the MGB, dated 18 May 2020, granting the requested extension of the Exploration Period of AMPI and BARI's respective MPSAs from 18 June 2020 to 18 June 2022.

Legal Proceedings

The Company is a party of certain legal proceedings and the Management, after consultation with its legal counsel, believes that none of these contingencies will materially affect the Company's financial position and results of operations.

24. Financial Risk Management Objectives and Policies and Fair Value Measurement

General

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

Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash, loans payable and long-term debt. The primary purpose of these financial instruments is to finance the Company's operations. The Company has other financial instruments such as trade and other receivables (excluding advances to officers and employees), RCF, MTF, rental deposit, trade and other payables (excluding excise tax and other statutory payables and advances from customers), dividends payable and advances to and from related parties, which arise directly from operations. The main risks arising from the use of these financial instruments are foreign currency risk, interest rate risk, credit risk, and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

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

The Company's transactional currency exposures arise from its cash in banks and trade receivables which are denominated in US dollar. The Company periodically reviews the trend of the foreign

exchange rates to address its exposure in foreign currency risk.

The following table shows the Company's US dollar-denominated financial assets and their Philippine Peso equivalent as at March 31, 2020 and December 31, 2019:

	Unaudited March 31, 2020		Audited December 31, 2020	
	Philippine Peso	**US Dollar**	Philippine Peso	US Dollar
Cash in banks	**₱40,130,457**	**$786,193**	₱239,250,801	$4,714,859
Trade receivables	**224,569,614**	**4,399,530**	232,349,372	4,588,711
	₱264,700,071	**$5,185,723**	₱471,600,173	$9,303,570

For purposes of restating the outstanding balances of the Company's US dollar-denominated financial assets as at March 31, 2020 and December 31, 2019, the exchange rates applied were ₱51.04 and ₱50.74 per US$1, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before tax for the years ended December 31, 2019 and 2018 (due to changes in the fair value of financial assets). There is no other impact on the Company's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2019	+1.27	₱5,989,322
	-1.27	(5,989,322)

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows on the fair values of financial instruments. The Company follows a prudent policy on managing its assets or liabilities so as to ensure that exposures to fluctuations in interest rate are kept within acceptable limits.

The Company's short-term loan and long-term debt are exposed to changes in market interest rates since the loans are subject to variable interest rates.

The table below set forth the estimated change in the Company's income before tax to a reasonably possible change in the market prices of loans payable brought about by reasonably possible change in interest rates as at December 31, 2019.

	Increase/Decrease in Interest Rate	Effect on Income before Tax
December 31, 2019	+3.42%	(₱20,992,080)
	-3.42%	20,992,080

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

The tables below show the credit quality per class of financial assets as at March 31, 2020 and December 31, 2019.

	Unaudited March 31, 2020						
			Past Due				
	High Grade	Standard Grade	1 – 30 Days	31 – 90 Days	More than 90 Days	Total	Allowance for ECL
Lifetime ECL (not credit impaired):							
Trade and other receivables*	₱–	₱9,639,231	₱10,898,025	₱12,762,354	₱209,219,163	₱242,518,773	₱66,631,586
12 - month ECL:							
Cash in banks	314,226,705	–	–	–	–	314,226,705	–
Advances to related parties	–	51,366,755	–	–	–	51,366,755	–
RCF and MTF	5,676,896	–	–	–	–	5,676,896	–
Rental deposit	–	355,250	–	–	–	355,250	–
	319,903,601	51,722,005	–	–	–	371,625,606	–
	₱319,903,601	₱61,361,236	₱10,898,025	₱12,762,354	₱209,219,163	₱614,144,379	₱66,631,586

**Excluding advances to officers and employees amounting to ₱28.4 million in 2019.*

	Audited December 31, 2019						
			Past Due				
	High Grade	Standard Grade	1 – 30 Days	31 – 90 Days	More than 90 Days	Total	Allowance for ECL
Lifetime ECL (not credit impaired):							
Trade and other receivables*	₱–	₱9,639,231	₱10,898,025	₱12,762,354	₱209,219,163	₱242,518,773	₱66,631,586
12 - month ECL:							
Cash in banks	314,226,705	–	–	–	–	314,226,705	–
Advances to related parties	–	51,366,755	–	–	–	51,366,755	–
RCF and MTF	5,676,896	–	–	–	–	5,676,896	–
Rental deposit	–	355,250	–	–	–	355,250	–
	319,903,601	51,722,005	–	–	–	371,625,606	–
	₱319,903,601	₱61,361,236	₱10,898,025	₱12,762,354	₱209,219,163	₱614,144,379	₱66,631,586

**Excluding advances to officers and employees amounting to ₱31.2 million in 2018.*

Customer credit risk from trade and other receivables is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The calculation of provision rates reflects the information that is available at the reporting date about past events, current conditions and forecast of future economic conditions. Generally, trade receivables are written-off if the Company has actually ascertained that these are worthless and uncollectible as of the end of the year.

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

For other financial assets consisting of cash in banks, advances to related parties, RCF and MTF and rental deposit, the Company manages credit risk based on the Company's policy and uses judgment in making assumptions for estimating the risk of default and expected loss rates. This is based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

from the Company to collect are considered substandard grade accounts.

Cash in banks, RCF and MTF are classified as high grade since these are deposited in reputable banks having good credit rating and low probability of insolvency. While the advances to related parties is classified under standard grade since the counterparties are reputable related parties with low credit risk.

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

The tables below summarize the maturity profile of the Company's financial liabilities as at March 31, 2020 and December 31, 2019, based on contractual undiscounted payments. Loans payables consist of principal and estimated future interest payments.

	On Demand	Less than three months	Three to six months	More than six months to one year	More than one year	Total
Unaudited March 31, 2020						
Trade and other payables*	**₱7,422,697**	**₱55,304,763**	**₱253,572,277**	**₱–**	**₱–**	**₱316,299,737**
Dividends payable	**4,707,886**	**–**	**–**	**–**	**–**	**4,707,886**
Loans payable and long-term debt**	**105,000,000**	**9,687,308**	**232,999,471**	**262,799,788**	**248,604,324**	**859,090,891**
Advances from a related party	**102,583,680**	**–**	**–**	**–**	**–**	**102,583,680**
	₱219,714,263	**₱64,992,071**	**₱486,571,748**	**₱262,799,788**	**₱248,604,324**	**₱1,282,682,194**
Audited December 31, 2019						
Trade and other payables*	₱11,580,920	₱57,186,872	₱286,972,447	₱–	₱–	₱355,740,239
Dividends payable	4,707,780	–	–	–	–	4,707,780
Loans payable and long-term debt**	101,000,000	19,989,762	210,598,988	261,713,969	252,743,573	846,046,292
Advances from a related party	110,846,820	–	–	–	–	110,846,820
	₱228,135,520	₱77,176,634	₱497,571,435	₱261,713,969	₱252,743,573	₱1,317,341,131

**Excluding excise tax and other statutory payables and advances from customers amounting to ₱554.7 million and ₱372.2 million as at March 31, 2020 and December 31, 2019 and 2018, respectively.*

***Including interest payable up to maturity amounting to ₱0.77 million and ₱85.6 as at March 31, 2020 and December 31, 2019,*

Fair Value of Financial Assets and Financial Liabilities

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

	Unaudited March 31, 2020		Audited December 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Cash	**₱286,383,787**	**₱286,383,787**	₱314,440,796	₱314,440,796
Trade and other receivables*	**170,070,477**	**170,070,477**	175,887,187	175,887,187
Advances to related parties	**46,565,282**	**46,565,282**	51,366,755	51,366,755
RCF and MTF	**5,676,896**	**5,676,896**	5,676,896	5,676,896
Rental deposit	**355,250**	**355,250**	355,250	355,250
	₱509,051,692	**₱509,051,692**	₱547,726,884	₱547,726,884

**Excluding advances to officers and employees amounting to ₱28.6 million and ₱31.2 million as at December 31, 2019 and 2018, respectively.*

	Unaudited March 31, 2020		Audited December 31, 2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Trade and other payables*	**₱316,299,737**	**₱316,299,737**	₱355,740,239	₱355,740,668
Dividends payable	**4,707,886**	**4,707,886**	4,707,780	4,707,780
Loans payable and long-term debt	**760,419,881**	**760,419,881**	760,419,880	843,959,023
Advances from related parties	**102,583,680**	**102,583,680**	110,846,820	110,846,820
	₱1,184,011,184	**₱1,184,011,184**	₱1,231,714,719	₱1,315,254,291

**Excluding excise tax and other statutory payables and advances from customers amounting to ₱554.7 million and ₱372.2 million as at March 31, 2020 December 31, 2019, respectively.*

Cash, Trade and Other Receivables (excluding advances to officers and employees), Advances to Related Parties, RCF and MTF, Trade and Other Payables (excluding excise tax and other statutory payables and advances from customers), Dividends Payable and Advances from Related Parties. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

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

Loans Payable and Long-term Debt. Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing PDST-R2 rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

25. Capital Management Objectives, Policies and Procedures

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

	Unaudited March 31, 2020	Audited December 31, 2019
Total debt	**₱2,294,405,638**	₱2,273,707,552
Total equity (excluding remeasurement gain on retirement benefit liability)	**3,765,682,157**	3,887,364,110
Debt-to-equity ratio	**0.61:1.00**	0.56:1.00

There were no changes in the Company's objectives, policies or processes in 2020 and 2019.

MARCVENTURES HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT MARCH 31, 2020 AND DECEMBER 31, 2019

Ratio	Formula	**Unaudited March 31, 2020**	Audited December 31, 2019
Current ratio			
	Total Current Assets	**₱798,643,053**	₱779,290,957
	Divided by: Total Current Liabilities	**1,512,455,233**	1,403,367,545
	Current ratio	**0.53:1**	0.56:1
Solvency ratio			
	Net Income (Loss) Before Depreciation and Amortization	**(₱111,142,118)**	₱255,639,473
	Divide by: Total liabilities	**2,294,405,638**	2,167,660,001
	Solvency ratio	**(0.05):1**	0.12:1
Debt-to-equity ratio			
	Total Liabilities	**₱2,294,405,638**	₱2,167,660,001
	Divide by: Total equity	**3,799,726,002**	3,923,690,454
	Debt-to-equity ratio	**0.60:1**	0.55:1
Asset-to-equity ratio			
	Total Assets	**₱6,094,131,640**	₱6,091,350,455
	Divide by: Total equity	**3,799,726,002**	3,923,690,454
	Asset-to-equity ratio	**1.60:1**	1.55:1
Interest rate coverage Ratio			
	Pretax income (loss) before interest	**(₱112,960,082)**	₱187,589,599
	Divided by: Interest expense	**11,004,370**	61,630,647
	Interest rate coverage ratio	**(10.27):1**	3.04:1
Profitability Ratio			
	Net income (loss)	**(₱123,964,452)**	₱37,842,406
	Divide by: Total equity	**3,799,726,002**	3,923,690,454
	Profitability ratio	**0.03:1**	0.01:1