CR03927-2020

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
   102165
3. BIR Tax Identification No.
   000-803-498-000
4. Exact name of issuer as specified in its charter
   Bright Kindle Resources & Investments, 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
   16th floor, Citibank Tower, Paseo de Roxas, Makati City
   Postal Code
   1227
8. Issuer's telephone number, including area code
   (+632) 8833-0769
9. Former name or former address, and former fiscal year, if changed since last report
   -
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	1,528,474,000

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

BKR
Bright Kindle Resources & Investments, Inc.

Bright Kindle Resources & Investments Inc.
BKR

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	22,505,332	23,505,274
Total Assets	2,608,676,934	2,634,827,849
Current Liabilities	1,673,578,760	1,673,673,206
Total Liabilities	1,673,578,760	1,673,673,206
Retained Earnings/(Deficit)	87,946,431	114,002,900
Stockholders' Equity	935,098,174	961,154,643
Stockholders' Equity - Parent	-	-
Book Value per Share	0.61	0.63

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	312	91	312	91
Gross Expense	1,387,855	1,536,043	1,387,855	1,536,043

Non-Operating Income	-	-	-	-
Non-Operating Expense	24,668,926	25,924,095	24,668,926	25,924,095
Income/(Loss) Before Tax	-26,056,469	-27,460,047	-26,056,469	-27,460,047
Income Tax Expense	-	-	-	-
Net Income/(Loss) After Tax	-26,056,469	-27,460,047	-26,056,469	-27,460,047
Net Income Attributable to Parent Equity Holder	-	-	-	-
Earnings/(Loss) Per Share (Basic)	-0.02	-0.02	-0.02	-0.02
Earnings/(Loss) Per Share (Diluted)	-0.02	-0.02	-0.02	-0.02

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0	-0.06
Earnings/(Loss) Per Share (Diluted)	0	-0.06

Other Relevant Information
NONE

Filed on behalf by:

Name	Maila Lourdes De Castro
Designation	Corporate Secretary, Compliance Officer and Data Privacy Officer

COVER SHEET

0	0	0	0	1	0	2	1	6	5

S.E.C. Registration Number

BRIGHT KINDLE RESOURCES & INVESTMENTS, INC. (A Subsidiary of RYM Business Management Corp.)

(Company's Full Name)

16th Floor, Citibank Tower 8741 Paseo de Roxas Makati City

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

ROLANDO S. SANTOS

Contact Person

817-6046/817-4183

Company Telephone Number

1	2		3	1

Month *Day*

Fiscal Year

SEC 17-Q

FORM TYPE

Last Thursday of May

Month *Day*

Annual Meeting

N/A

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

629

Total No. of Stockholders

1,671,501,723

Domestic

nil

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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 **102165**

3. BIR Tax Identification No. **000-803-498-000**

4. Exact name of registrant as specified in its charter: **BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.**

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

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

7. **16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City 1209**
   Address of issuer's principal office Postal Code

8. **632 / 833-0769**
   Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 and 12 of the Code, 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 Stock, P0.55 par value	**1,528,474,000 (as of 03/31/20)**

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

    Yes [x] No [ ]

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 shorter period the registrant was required to file such reports):

    Yes [x] No [ ]

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

    Yes [x] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. – Financial Statements

The unaudited Financial Statements of Bright Kindle Resources & Investments, Inc. ("the Company") as at March 31, 2020 (with comparative audited Statements of Financial Position as at December 31, 2019), and for the three months ended March 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 statements of financial position as at March 31, 2020 and December 31, 2019:

	Unaudited March 31, 2020 (₱'000)	Audited December 31, 2019 (₱'000)	Increase (decrease) Amount (₱'000)	Percentage
Current assets	**₱22,505**	₱23,505	(₱1,000)	(4.25%)
Noncurrent assets	**2,586,172**	2,611,323	(25,151)	(0.96%)
Total Assets	**₱2,608,677**	₱2,634,828	(₱26,151)	(0.99%)
Current Liabilities	**₱1,673,579**	₱1,673,673	(₱94)	(0.006%)
Equity	**935,098**	961,155	(26,057)	(2.71%)
Total Liabilities and Equity	**₱2,608,677**	₱2,634,828	(₱26,151)	(0.99%)

Summary of unaudited statements of comprehensive income for the three months period ended March 31, 2020 and 2019:

	For the three months ended March 31, 2020 (₱'000)	2019 (₱'000)
General and administrative expenses	**(₱1,388)**	(₱1,536)
Share in net income (loss) of an associate	**(24,669)**	(25,924)
Interest income	**0**	0
Income (loss)	**(₱26,057)**	(₱27,460)

Summary of unaudited statements of cash flows for the three months period ended March 31, 2020 and 2019:

	For three months ended March 31, 2020 (₱'000)	2019 (₱'000)
Cash provided by operating activities	**₱348**	₱37
Cash provided by (used in) investing activities	–	–
Cash provided by (used in) financing activities	–	–
Increase in cash	**348**	37
Cash at beginning of period	**559**	259
Cash at end of period	**₱907**	₱296

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

Results of Operation

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

Income

The Company's income mainly comes from interest on bank deposits. The balance of interest is minimal for both periods, due to lower level of cash in banks.

General and administrative expenses

Except for its monthly recurring general and administrative expenses, the Company has no major disbursements during the period. Total general and administrative expenses for the period of ₱1.39 million has slightly declined by ₱0.15 million compared with the same period last year. The movement is attributable to the following:

a. *Professional fees*

   Professional fees declined by ₱0.07 million or 16.51% compared with same period last year. Payment for the progress billing to external auditor last year, resulted to higher expense than the current period.

b. *Outside services*

   More outsourced services were incurred last year than this year, resulting to decrease in Outside services account by ₱0.06 million or 43.30%.

Share in net loss of an associate

The Company's share in net loss of an associate amounted to ₱24.67 million this period. There is a slight decrease in share in net loss by ₱1.26 million or 4.84% compared with the same period last year. MARC, an associate has net loss position, both this year and last year.

Statements of Financial Position

The significant changes in the statement of financial position accounts during the three months ended March 31, 2020 compared with the December 31, 2019 level are as follows:

- *Cash*

  Cash balance has increased by ₱0.35 million or 62.34%. The increase in the account is mainly due to collection of receivables from a related party totaling ₱1.5 million during the period. Payments for general and administrative expenses, and of last year's accruals has offset the increase in cash.

- *Due from related parties*

  The decrease in this account by ₱1.5 million is mainly due to collection of receivables from MMDC during the period.

- *Other current assets*

  The increase in other current asset by ₱0.15 million is mainly due to down payment made to a third party in connection with the preparation of the Company's Sustainability report.

- *Property and equipment*

  Decrease in property and equipment by ₱0.48 million is mainly due to depreciation for the period. No additions and/or disposals were made during the first quarter of the current year.

- *Investment in an associate*

  The decline in investment in an associate by ₱24.67 million pertains to the share in net loss of an associate recognized during the period.

- *Accrued expenses and other current liabilities*
  This account decreased by ₱0.09 million or 30.92%, due to payments made on the previous year's accruals.

- *Retained earnings*
  The decline in retained earnings by ₱26.06 million, pertains to the net loss recognized for the period.

Statements of Cash Flows

Cash provided by operating activities for the three months ended March 31, 2020 and March 31, 2019 amounts to ₱0.35 million, and ₱0.04 million, respectively. Increase in cash for the current period is the net result of the following significant transactions:

- Collection of ₱1.5 million from a related party.
- Payment of general and administrative expenses during the period.
- Payment of last year's accruals.

HORIZONTAL AND VERTICIAL ANALYSIS

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	Increase (Decrease) Amount	Increase (Decrease) Percentage
ASSETS				
Current Assets				
Cash	**₱907,023**	₱558,722	₱348,301	62.34%
Due from related parties	**11,948,152**	13,448,152	(1,500,000)	-11.15%
Other current assets	**9,650,157**	9,498,400	151,757	1.60%
Total Current Assets	**22,505,332**	23,505,274	(999,942)	-4.25%
Noncurrent Assets				
Property and equipment	**40,720,810**	41,202,857	(482,047)	-1.17%
Investment in an associate	**2,545,450,792**	2,570,119,718	(24,668,926)	-0.96%
Total Noncurrent Assets	**2,586,171,602**	2,611,322,575	(25,150,973)	-0.96%
	₱2,608,676,934	₱2,634,827,849	(₱26,150,915)	-0.99%
LIABILITIES AND EQUITY				
Current Liabilities				
Accrued expenses and other current liabilities	**₱211,006**	₱305,452	(₱94,446)	-30.92%
Due to a related party	**1,866,031**	1,866,031	–	–
Note payable	**1,671,501,723**	1,671,501,723	–	–
Total Current Liabilities	**1,673,578,760**	1,673,673,206	(94,446)	-0.006%
Equity				
Capital stock	**840,660,700**	840,660,700	–	–
Retained earnings	**87,946,431**	114,002,900	(26,056,469)	-22.95%
Other comprehensive income	**6,491,043**	6,491,043	–	–
Total Equity	**935,098,174**	961,154,643	(26,056,469)	-2.71%
	₱2,608,676,934	₱2,634,827,849	(₱26,150,915)	-0.99%

Key Performance Indicators

	March 31, 2020	March 31, 2019
Net loss	**(₱26,056,469)**	(₱27,460,047)
Quick assets	**12,855,175**	16,751,222
Current assets	**22,505,332**	26,083,181
Total Assets	**2,608,676,934**	2,606,257,113
Current liabilities	**1,673,578,760**	1,674,068,998
Total liabilities	**1,673,578,760**	1,674,068,998
Stockholders' Equity	**935,098,174**	932,188,115
Number of common shares outstanding	**1,528,474,000**	1,528,474,000
Liquidity ratios:		
Current ratio (1)	**0.01:1**	0.02:1
Quick ratio (2)	**0.01:1**	0.01:1
Solvency Ratios:		
Debt ratio (3)	**0.64:1**	0.64:1
Debt to Equity ratio (4)	**1.79:1**	1.80:1
Profitability ratios:		
Return on equity (5)	**(0.03)**	(0.03)
Return on assets (6)	**(0.01)**	(0.01)
Income (loss) per share (7)	**(0.02)**	(0.02)

Other Information

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

   Nothing to disclose

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

   Nothing to disclose

c. All 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.

   Nothing to disclose

d. Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

   Nothing to disclose

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

   Nothing to disclose

f. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

Nothing to disclose

PART II - OTHER INFORMATION

The Company may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

PART III - FINANCIAL SOUNDNESS INDICATORS

	March 31, 2020	March 31, 2019
Liquidity Ratio		
Current Ratio	**0.01**	0.02
Current assets	**22,505,332**	26,083,181
Current liabilities	**1,673,578,760**	1,674,068,998
Quick Ratio	**0.01**	0.01
Quick asset	**12,855,175**	16,751,222
Current liabilities	**1,673,578,760**	1,674,068,998
Solvency Ratio		
Debt Ratio	**0.64**	0.64
Total liabilities	**1,673,578,760**	1,674,068,998
Total assets	**2,608,223,458**	2,606,257,113
Debt-to-equity Ratio	**1.79**	1.80
Total liabilities	**1,673,578,760**	1,674,068,998
Total equity	**935,098,174**	932,188,115
Profitability Ratio		
Asset-to-equity Ratio	**2.79**	2.80
Total assets	**2,608,223,458**	2,606,257,113
Total equity	**935,098,174**	932,188,115
Return on Equity Ratio	**(0.03)**	(0.03)
Net income (loss)	**(26,056,469)**	(27,460,047)
Average shareholder's equity	**948,126,409**	945,918,139
Return on Assets	**(0.01)**	(0.01)
Net income (loss)	**(26,056,469)**	(27,460,047)
Average total assets	**2,621,752,392**	2,619,432,452

SIGNATURES

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

Issuer: **BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.**

Date: June 30, 2020

ROLANDO S. SANTOS
VP – Finance/Treasurer

JACKY-LYN S. VALENZUELA
Accountant

BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
(A Subsidiary of RYM Business Management Corp.)

STATEMENTS OF FINANCIAL POSITION

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
ASSETS			
Current Assets			
Cash	4	**₱907,023**	₱558,722
Due from related parties	12	**11,948,152**	13,448,152
Other current assets	5	**9,650,157**	9,498,400
Total Current Assets		**22,505,332**	23,505,274
Noncurrent Assets			
Property and equipment	6	**40,720,810**	41,202,857
Investment in an associate	7	**2,545,450,792**	2,570,119,718
Total Noncurrent Assets		**2,586,171,602**	2,611,322,575
		₱2,608,676,934	₱2,634,827,849
LIABILITIES AND EQUITY			
Current Liabilities			
Accrued expenses and other current liabilities	8	**₱211,006**	₱305,452
Due to a related party	12	**1,866,031**	1,866,031
Note payable	9	**1,671,501,723**	1,671,501,723
Total Current Liabilities		**1,673,578,760**	1,673,673,206
Equity			
Capital stock		**840,660,700**	840,660,700
Retained earnings		**87,946,431**	114,002,900
Other comprehensive income		**6,491,043**	6,491,043
Total Equity		**935,098,174**	961,154,643
		₱2,608,676,934	₱2,634,827,849

See accompanying Notes to Financial Statements.

BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
(A Subsidiary of RYM Business Management Corp.)

UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME

		Three Months Ended March 31,	
	Note	**2020**	2019
GENERAL AND ADMINISTRATIVE EXPENSES	11	**(₱1,387,855)**	(₱1,536,043)
SHARE IN NET LOSS OF AN ASSOCIATE	7	**(24,668,926)**	(25,924,095)
INTEREST INCOME	4	**312**	91
LOSS		**(₱26,056,469)**	(₱27,460,047)
LOSS PER SHARE - BASIC AND DILUTED	13	**(₱0.02)**	(₱0.02)

See accompanying Notes to Financial Statements.

BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
(A Subsidiary of RYM Business Management Corp.)

UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Note	March 31, 2020	March 31, 2019
CAPITAL STOCK - ₱0.55 par value	10		
Authorized - 2,000,000,000 shares			
Issued, subscribed and outstanding -			
1,528,474,000 shares		**₱840,660,700**	₱840,660,700
RETAINED EARNINGS			
Balance at beginning of period		**114,002,900**	111,641,092
Net income (loss)		**(26,056,469)**	(27,460,047)
Balance at end of period		**87,946,431**	84,181,045
Share in other comprehensive income of an associate:		**6,491,043**	7,346,370
TOTAL EQUITY		**₱935,098,174**	₱932,188,115

See accompanying Notes to Financial Statements.

BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
(A Subsidiary of RYM Business Management Corp.)

UNAUDITED STATEMENTS OF CASH FLOWS

		Three Months Ended March 31,	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before tax		**(₱26,056,469)**	(₱27,460,047)
Adjustments for:			
Share in net loss (income) of an associate	7	**24,668,926**	25,924,095
Depreciation	6	**482,047**	484,581
Interest income	4	**(312)**	(91)
Operating loss before working capital changes		**(905,808)**	(1,051,462)
Decrease (increase) in:			
Due from related parties		**1,500,000**	–
Other current assets		**(151,757)**	(21,202)
Increase (decrease) in:			
Accrued expenses and other current liabilities		**(94,446)**	243,338
Due to a related party		**–**	866,031
Net cash provided by (used in) operations		**347,989**	36,705
Interest received		**312**	91
INCREASE IN CASH		**348,301**	36,796
CASH AT BEGINNING OF PERIOD		**558,722**	258,845
CASH AT END OF PERIOD		**₱907,023**	₱295,641

See accompanying Notes to Financial Statements.

BRIGHT KINDLE RESOURCES & INVESTMENTS, INC.
(A Subsidiary of RYM Business Management Corp.)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

General Information

Bright Kindle Resources & Investments, Inc. (the Company), formerly Bankard, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 4, 1981 as a credit card corporation. On March 21, 1995, the Company listed its shares with Philippine Stock Exchange, Inc. (PSE).

On October 18, 2013, the Board of Directors (BOD) of Rizal Commercial Banking Corporation (RCBC) approved the sale of its 89.98% collective stake in the Company to RYM Business Management Corp. (the Parent Company) and other investors. The Parent Company acquired 76.56% interest in the Company.

In November 2013, the BOD approved the amendment to change the corporate name to Bright Kindle Resources & Investments, Inc. and primary business purpose to a holding company.

The Company's principal office address is at 16th Floor Citibank Tower, 8741 Paseo de Roxas, Makati City.

Events After Reporting Period

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company's operations and financial performance, however, cannot be reasonably determined as at the report date. Nonetheless, the Company strongly believes that it can remain a going concern given its liquidity position and its access to short-term funding.

Investment in Marcventures Holdings, Inc. (MARC)

On December 15, 2014, the Company acquired 600,000,000 shares of MARC representing 33% equity interest for ₱2,604.0 million from the Philippine Business Bank - Trust and Investment Center (PBB).

On December 29, 2017, the SEC approved the application of the merger of MARC, Brightgreen Resources Holdings Inc. (BHI) and Asia Pilot Mining Phils. Corp. (APMPC), with MARC as the surviving entity. MARC issued 1,125,000,000 shares to BHI and APMPC resulting to a reduction of the Company's equity interest in MARC to 20%. In 2018, MARC issued 45,731,706 shares at ₱1.64 per share or a total of ₱ 75.0 million to a major stockholder resulting to a reduction of the Company's equity interest in MARC to 19.90% (see Note 7).

On February 13, 2017, Marcventures Mining and Development Corporation (MMDC), a subsidiary of MARC, received an order dated February 8, 2017 from the Department of Environment and Natural Resources cancelling its Mineral Production Sharing Agreement (MPSA). 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, MMDC, 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 Gloria

Macapagal-Arroyo; (b) despite operations in a watershed, MMDC has not impaired farmlands, rivers or coastal areas within the MPSA area.

As of December 2019, MMDC 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 MMDC 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.

MMDC has continued mining operations in areas covered by the MPSA.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

Measurement Bases

The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All values represent absolute amounts except otherwise stated.

The financial statements have been prepared using the 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 valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 market 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.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in Note 16, *Financial Risk Management Objectives and Policies*.

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 new and amended PFRS which the Company adopted effective January 1, 2019:

- 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 PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost or, depending on the business model, at fair value through other comprehensive income (FVOCI).

- Amendments to PAS 28, Investments in Associates and Joint Ventures - Long-term Interests in Associates and *Joint Ventures* – The amendments require entities to use PFRS 9, *Financial Instruments*, in accounting for its long-term interests (i.e., preference shares and long-term receivables or loans for which settlement is neither planned nor likely to occur in the foreseeable future) in an associate or joint venture in which the equity method under PAS 28 is not applied. The clarification is relevant because the expected credit loss (ECL) model under PFRS 9 shall be applied to these long-term interests.

- Annual Improvements to PFRS 2015 to 2017 Cycle -

    - Amendments to PAS 12, Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income (OCI) or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

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

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 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 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.

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

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the 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 settlement date accounting.

Initial Recognition and Measurement. 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 or 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.

Classification and Subsequent Measurement. 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 ECL, 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 and due from related parties are classified under this category.

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 accrued expenses, due to a related party and note payable are classified under this category.

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 the difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment Policy on Financial Assets at Amortized Cost
The Company records an allowance for 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 financial assets 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.

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 profit or loss.

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 profit or loss.

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.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the 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 statements of financial position.

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.

<u>Other Current Assets</u>
Other current assets include input value-added tax (VAT), creditable withholding taxes (CWT), current portion of deferred input VAT, and prepayments.

VAT. Expenses and assets are recognized net of the amount of VAT, except for payables that are stated with the amount of VAT included. The net amount of input VAT recoverable from the taxation authority is included as part of "Other current assets" account in the statements of financial position.

CWT. CWTs are amounts withheld from income subject to expanded withholding taxes. CWT can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Deferred Input VAT. In accordance with the Revenue Regulations (RR) No. 16-2005, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

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

<u>Investment in an Associate</u>
Investment in an associate is recognized initially at cost and subsequently accounted for using the equity method.

An associate is an entity in which the Company has significant influence but not control, over the financial and operating policies of such entity. The Company's share of its associate's post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying value of the investment.

The reporting date of the associate and that of the Company are identical and the associate's accounting policies conform to those used by the Company for like transactions and events in similar circumstances. When necessary, adjustments are made to conform the associate's accounting policies in line with those of the Company.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between the Company and its associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Company determines at the end of each reporting year whether there is any evidence that the investment is impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying value of the investment and recoverable amount.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable purchase taxes after deducting trade discounts and rebates and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

	Number of Years
Condominium unit	31
Office furniture and fixtures	3-5
Service vehicle	3

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those property and equipment.

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 credited to or charged against current operations.

Impairment of Nonfinancial Assets
Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and where the

carrying value of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are treated as deduction from equity, net of tax.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss net of any dividend declaration.

OCI. OCI comprises of items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. OCI of the Company pertains to share in OCI of an associate.

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 perform 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 following specific recognition criteria must be met before revenue is recognized:

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

Expenses Recognition

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

General and Administrative Expenses. General and administrative expenses constitute cost of administering the business. These are expensed as incurred.

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, carry-forward benefits of 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 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 value 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 rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate that has been enacted or substantively enacted at the reporting date.

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

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split and excluding common shares purchased by the Company and held as treasury shares.

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

Where the earnings (loss) per share effect of potential dilutive common shares would be anti-dilutive, basic and diluted earnings (loss) per share are stated at the same amount.

Operating Segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components.

The Company has no operating segment other than being a holding company.

Related Party Relationship and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

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.

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

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

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3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. The judgment, estimates and assumptions used in the 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.

The following are the significant judgments, accounting estimates and assumptions made by the Company:

Classifying Investment Property and Owner-occupied Property. The Company considers a property as an investment property when the property generates cash flows which are largely independent of other assets held by the Company and a property as owner-occupied property when cash flows generated by it pertains not only to the property but also to other assets used for operations or administrative purposes.

A property may comprise of portions held for capital appreciation and portions used in operation or administrative purpose. If these portions cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in operation or for administrative purpose.

The Company classified its condominium unit under property and equipment.

Determining Significant Influence over MARC. When an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case. If the holding is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- representation on the BOD or equivalent governing body of the investee;

- participation in the policy-making process, including participation in decisions about dividends or other distributions;
- material transactions between the entity and the investee; interchange of managerial personnel; or
- provision of essential technical information.

The Company has determined that the decrease in ownership interest in MARC in 2018 resulting to a less than 20% ownership interest would not affect its significant influence by virtue of the existence of the above indicators in the Company's dealings with MARC.

Assessing the Modification on the Terms of the Note Payable. The Company considers its note payable to be substantially modified 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. Such modification will result to derecognition of original liability and the recognition of a new liability.

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 value is adjusted by the costs or fees paid or received in the restructuring.

The Company assessed that there is no substantial modification on the terms of the note payable.

Determining Operating Segments. The Company determines and presents operating segments based on the information that is internally provided to the BOD. As at March 31, 2020 and December 31, 2019, the Company has determined that it has no operating segment other than being a holding company.

Assessing the Impairment of 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; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Company's financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months ECL. The Company has assessed that the ECL for other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no impairment loss was recognized in 2020 and 2019.

The carrying amounts of the Company's financial assets at amortized cost are as follows:

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Cash	4	**₱907,023**	₱558,722
Due from related parties	12	**11,948,152**	13,448,152

Assessing the Impairment of Investment in an Associate. The Company assesses the impairment of investment in an associate whenever events or changes in circumstances indicate that the carrying amount of investment in an associate may not be recoverable. Factors that the Company considered in deciding when to perform impairment review include the following, among others:

- significant decline in business and operating performance in relation to expectations; and
- significant changes in the business operations and strategies of the Company and its associate.

Based on management assessment, there are no indicators of impairment that will warrant impairment assessment. The management and its legal counsel believe that the order for the cancellation of MMDC's MPSA will not have a material adverse effect on MMDC's operations (see Note 1). Accordingly, no impairment loss was recognized in 2020 and 2019. The carrying amount of investment in an associate amounted to ₱2,545.0 million and ₱2,570.1 million as at March 31, 2020 and December 31, 2019, respectively (see Note 7).

Assessing the Impairment of Other Nonfinancial Assets. The Company assesses impairment on other nonfinancial assets whenever events or changes in circumstances indicate that the carrying value of these assets 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; and
- significant negative industry or economic trends.

The Company recognizes an impairment loss whenever the carrying value of an asset exceeds its recoverable amount. The recoverable amount is computed using the value-in-use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Determining such amount requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No impairment loss was recognized in 2020 and 2019.

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

	Note	**March 31, 2020 (Unaudited)**	December 31, 2019 (Audited)
Other current assets	5	**₱9,650,157**	₱9,498,400
Property and equipment	6	**40,720,810**	41,202,857

Estimating the 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 annually reviews 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 the estimated useful lives of the Company's property and equipment in 2020 and 2019. The carrying amount of property and equipment amounted to ₱40.7 million and ₱41.2 million as at March 31,2020 and December 31, 2019, respectively (see Note 6).

Assessing the Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying value 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 assets to be utilized.

Deferred tax assets were not recognized on NOLCO as at December 31, 2019 and 2018 because the management assessed that there will be no sufficient taxable profits against which the deferred tax asset can be utilized.

The Company's unrecognized deferred tax asset amounted to ₱5.8 million and ₱5.6 million as at December 31, 2019 and 2018, respectively.

4. Cash

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	**₱5,000**	₱5,000
Cash in banks	**902,023**	553,722
	₱907,023	₱558,722

Cash in banks earn interest at prevailing bank deposit rates. Interest income earned amounted to ₱312 and ₱91 in 2020 and 2019, respectively.

5. Other Current Assets

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Input VAT	**₱8,886,088**	₱8,818,016
CWT	**600,685**	600,685
Prepayments	**147,248**	62,563
Others	**16,136**	17,136
	₱9,650,157	₱9,498,400

6. Property and Equipment

Balances and movements in this account are as follows:

		March 31, 2020 (Unaudited)		
	Note	**Condominium Unit**	**Office Furniture and Fixtures**	**Total**
Cost				
Balance at beginning and end of year		**₱47,788,569**	**₱1,795,919**	**₱49,584,488**
Accumulated Depreciation				
Balance at beginning of year		**7,351,294**	**1,030,337**	**8,381,631**
Depreciation	11	**394,786**	**87,261**	**482,047**
Balance at end of year		**7,746,080**	**1,117,598**	**8,863,678**
Carrying Amount		**₱40,042,489**	**₱678,321**	**₱40,720,810**

		December 31, 2019 (Audited)		
	Note	Condominium Unit	Office Furniture and Fixtures	Total
Cost				
Balance at beginning and end of year		₱47,788,569	₱1,795,919	₱49,584,488
Accumulated Depreciation				
Balance at beginning of year		5,772,153	674,133	6,446,286
Depreciation	11	1,579,141	356,204	1,935,345
Balance at end of year		7,351,294	1,030,337	8,381,631
Carrying Amount		₱40,437,275	₱765,582	₱41,202,857

On April 20, 2018, a fully depreciated service vehicle was sold; subsequently, no gain or loss on the disposal of the asset was recognized.

As at December 31, 2019, the cost of fully depreciated office furniture and fixtures still in use amounted to ₱0.05 million.

7. Investment in an Associate

Movements in this account are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Acquisition cost	**₱2,604,000,000**	₱2,604,000,000
Accumulated share in equity:		
Balance at beginning of period	**(34,333,758)**	(40,555,594)
Share in:		
Net loss	**(24,668,926)**	7,530,639
OCI	–	(855,327)
Balance at end of period	**(58,549,208)**	(33,880,282)
Carrying amount	**₱2,545,450,792**	₱2,570,119,718

The Company has 600,000,000 shares of MARC representing 19.90% equity interest as at March 31, 2020 and December 31, 2019 (see Note 1). MARC's principal place of business is at Unit E, One Luna Place, E. Luna St., Butuan City, Agusan del Norte.

Summarized financial information of MARC follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Total current assets	**₱798,643,053**	₱779,290,957
Total noncurrent assets	**5,295,488,587**	5,312,059,498
Total current liabilities	**1,512,455,233**	1,404,527,772
Total noncurrent liabilities	**781,950,405**	763,132,229
Revenue	–	1,432,534,095
Net income (loss)	**(123,964,452)**	37,842,406
Other comprehensive income (loss)	–	(4,298,125)
Total comprehensive income (loss)	**(123,964,452)**	33,544,281

8. Accrued Expenses and Other Current Liabilities

This account consists of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Accrued expenses	**₱207,682**	₱292,180
Statutory payables	**3,324**	13,272
	₱211,006	₱305,452

Accrued expenses pertain to accrual of outside services, professional fees, and electricity, among others, which are expected to be settled in the next reporting period.

Statutory payables pertain to withholding taxes that are to be remitted to the government within the next reporting period.

9. Note Payable

Movements in this account are as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning and end of period	**₱1,671,501,723**	₱1,671,501,723

The noninterest-bearing note was assigned by PBB to Trans Middle East Philippines Equities, Inc. (TMEE). This liability represents the unpaid portion of the purchase price of the investment in an associate. The note's original maturity date was December 31, 2019 but was then extended by both parties until December 31, 2020.

10. Equity

On March 21, 1995, the SEC approved the listing of the Company's 118,000,000 shares at an offer price of ₱1 per share. As at March 31, 2020 and December 31, 2019, 1,528,474,000 shares are listed in the PSE.

The following summarizes the information on the Company's issued and subscribed shares as at March 31, 2020:

	Number of shares issued and subscribed	Percentage of shares
Non-public shareholdings:		
a. Related parties	1,170,159,989	76.56%
b. Affiliates, directors and officers	94,929,000	6.21%
Public shareholdings	263,385,011	17.23%
Total	1,528,474,000	100.00%

The total number of shareholders of the Company is 629 as at March 31, 2020 and December 31, 2019.

The principal market for the Company's capital stock is the PSE. The high and low trading prices of the Company's shares are as follows:

Quarter	High	Low
January to March 2020	**₱1.07**	**₱0.51**
January to December 2019		
First	₱1.68	₱1.31
Second	1.38	1.14
Third	1.43	1.11
Fourth	1.33	0.84

11. General and Administrative Expenses

This account consists of:

	Note	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Depreciation	6	**₱482,047**	₱484,581
Professional fees		**351,000**	420,400
Membership dues and other fees		**350,579**	350,579
Outside services		**73,000**	128,758
Communication, light and water		**55,314**	55,885
Taxes and licenses		**17,729**	17,149
Director's fees		**15,000**	10,000
Others		**43,186**	68,691
		₱1,387,855	₱1,536,043

12. Related Party Transactions

The Company has the following transactions with its Parent Company and other related parties:

	Nature of Transactions	Amount of Transactions 2020 (Unaudited)	Amount of Transactions 2019 (Audited)	Outstanding Balances March 31, 2020 (Unaudited)	Outstanding Balances December 31, 2019 (Audited)
Due from Related Parties					
Parent Company	Advances for working capital	**₱–**	₱–	**₱8,000,000**	₱8,000,000
Under common control -					
MMDC	Advances for working capital	**(1,500,000)**	–	**3,948,152**	5,448,152
				₱11,948,152	₱13,448,152
Due to a Related Party					
Affiliate -					
Prime Media Holdings, Inc.	Advances for working capital	**₱–**	₱866,031	**₱1,866,031**	₱1,866,031

Due from related parties are noninterest-bearing, collectible on demand, not impaired and to be settled in cash. Due to a related party is noninterest-bearing, unsecured, payable on demand and to be settled in cash.

In 2018, the Company assigned the receivable from the Parent Company to TMEE to offset with the note payable amounting ₱38.5 million in 2018 (see Note 9).

Compensation of Key Management Personnel

Compensation of key management personnel amounted to ₱0.05 million, ₱0.05 million, ₱0.1 million in 2019, 2018 and 2017, respectively.

13. Basic and Diluted Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share is computed as follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Net income (loss)	**(₱26,056,469)**	₱2,361,808
Weighted average number of common shares outstanding	**1,528,474,000**	1,528,474,000
Earnings (loss) per share - basic and diluted	**(₱0.02)**	₱0.002

There has been no transaction involving common shares or potential common shares that occurred subsequent to the reporting dates.

14. Contingencies

Legal Claims and Assignment of Litigation Cases

The Company is a co-defendant in a collection case for US$1.5 million filed in the Los Angeles Superior Court by a foreign merchant and its Philippine affiliate in 2012. The plaintiffs have alleged that they were not paid the charge cards availments that the Company processed under a Tripartite Merchants Agreements (TMA). Based on Company's records, however, payments due to the foreign merchant were wired to the latter's designated agent. The Company did not breach any regulatory or trade standards in complying with the TMA. The Company's management and its counsel believe that the collection case is legally defensible, and any ultimate liability resulting therefrom will not materially affect the Company's financial position and results of operations. Moreover, under the Share Purchase Agreement dated October 18, 2013, RCBC will indemnify the Company should the court adjudge the Company liable.

15. Financial Risk Management Objectives and Policies

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, due from related parties, accrued expenses, due to a related party and note payable. The primary purpose of these financial instruments is to finance the Company's operations. The main risks arising from the use of these financial instruments are credit risk and liquidity risk. Management reviews and approves the policies for managing each of these risks which are summarized below.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligation. The Company's exposure to credit risk arises primarily from cash in banks and due from related parties.

The Company's maximum exposure to credit risk on the financial assets as at amortized cost is the carrying amount of those assets as at the reporting date.

Financial Assets at Amortized Cost

The Company limits its credit risk from balances with banks by depositing its cash with highly reputable and pre-approved financial institutions. For due from related parties, credit risk is low since the Company only transacts with related parties with strong capacity to meet its contractual cash flow obligations in the near term.

As discussed in Note 3 to the financial statements, the Company considers credit risk in measuring ECL of financial assets at amortized cost. Since the financial assets at amortized cost of the Company are considered to have low credit risk, impairment loss is limited to 12-month ECL.

The table below presents high grade credit quality of the Company's financial assets at amortized cost.

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in banks	**₱902,023**	₱553,722
Due from related parties	**11,948,152**	13,448,152
	₱12,850,175	₱14,001,874

High grade credit quality represents settlements which are obtained from counterparty following the terms of the contracts without much collection effort.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. The Company aims to maintain flexibility by maintaining sufficient cash to meet all foreseeable cash needs.

The tables below summarize the maturity profile of the Company's financial liabilities at amortized cost as at March 31, 2020 and December 31, 2019 based on contractual undiscounted cash flows.

	March 31, 2020 (Unaudited)			
	Less than One Month	**One Month to One Year**	**More than One Year**	**Total**
Accrued expenses	**₱207,682**	**₱–**	**₱–**	**₱207,682**
Due to a related party	**–**	**1,866,031**	**–**	**1,866,031**
Note payable	**–**	**1,671,501,723**	**–**	**1,671,501,723**
	₱207,682	**₱1,673,367,754**	**₱–**	**₱1,673,575,436**

	December 31, 2019 (Audited)			
	Less than One Month	One Month to One Year	More than One Year	Total
Accrued expenses	₱292,180	₱–	₱–	₱292,180
Due to a related party	–	1,866,031	–	1,866,031
Note payable	–	1,671,501,723	–	1,671,501,723
	₱292,180	₱1,673,367,754	₱–	₱1,673,659,934

Fair Value of Financial Assets and Financial Liabilities
The carrying values of the following financial instruments approximates it fair values due to the short-term nature of the financial instruments.

	March 31, 2020 (Unaudited)	December 31,2019 (Audited)
Financial Assets at Amortized Cost		
Cash	**₱907,023**	₱558,722
Due from related parties	**11,948,152**	13,448,152
	₱12,855,175	₱14,006,874
Financial Liabilities at Amortized Cost		
Accrued expenses	**₱207,682**	₱292,180
Due to a related party	**1,866,031**	1,866,031
Note payable	**1,671,501,723**	1,671,501,723
	₱1,673,575,436	₱1,673,659,934

16. 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. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may return capital to shareholders or issue new shares.

The Company considers its total equity amounting to ₱935.1 million and ₱961.2 million as at March 31, 2020 and December 31, 2019, respectively, as its capital.

There has been no change in the objectives, policies and processes in 2020 and 2019.