

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

BERNARD B. RABANZO

(Contact Person)

8846-7910

(Company Telephone Number)

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Month Day
(Fiscal Year)

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(Form Type)

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Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Page 10 of 10

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

LCU

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Document ID

Cashier

Cashier

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. SEC identification number 184228 3. BIR Tax Identification No 000-275-291-000

4. Exact name of issuer as specified in its charter **MRC ALLIED, INC.**

5. **Makati City, Philippines**

Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **5th Floor, Eurovilla 4 Building, 853 A. Arnaiz Avenue, Makati City** **1229**

Address of issuer's principal office Postal Code

8. **+632 8846-7910**

Issuer's telephone number, including area code

9. **MRC ALLIED INDUSTRIES, INC.**

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 Shares

8,512,658,975

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

Yes ☒ No ☐

12. Indicate by check mark whether the registrant:

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 twelve (12) months (or for such shorter period 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 ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

See attached.

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

See attached.

PART II--OTHER INFORMATION

The issuer 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.

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.

MRC ALLIED, INC.

By:


JIMMY T. YAOKASIN
Chairman of the Board
June 18, 2020


AUGUSTO M. COSIO JR.
President
June 18, 2020


BERNARD B. RABANZO
Treasurer
June 18, 2020


ATTY. JOHNSTON R. BRUSOLA
Corporate Secretary
June 18, 2020

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE QUARTER ENDED MARCH 31, 2020
(With Comparative Figures for December 31, 2019)

	March 31, 2020 UNAUDITED	2019
ASSETS		
Current Assets		
Cash	931,385	1,086,804
Trade and other receivables-net	112,542	112,542
Due from related parties	11,456,091	11,293,788
Real estate projects	562,805,383	562,805,383
Other current assets-net	7,266,843	7,110,501
Total Current Assets	582,572,244	582,409,018
Noncurrent Assets		
Property and equipment-net	25,842,250	26,164,152
Exploration and evaluation assets	231,749,591	231,749,591
Other noncurrent assets	278,727,147	278,727,147
Total Noncurrent Assets	536,318,988	536,640,890
TOTAL ASSETS	1,118,891,232	1,119,049,908
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans	25,000,000	25,000,000
Trade and other payables	381,096,176	380,283,726
Due to related parties	229,120,085	222,474,297
Subscription payable	255,250,000	255,250,000
Statutory and other payables	16,442,966	16,476,502
Income tax payable	0	2,660
Total Current Liabilities	906,909,227	899,487,185
Noncurrent Liability		
Pension liability	9,262,997	9,262,997
Performance bond	4,958,333	4,958,333
Deferred Tax Liability	2,123,245	2,123,245
Total Noncurrent Liabilities	16,344,575	16,344,575
Total Liabilities	923,253,802	915,831,760
Equity (Capital Deficiency)		
Capital stock-P0.10 par value		
Authorized shares-15,000,000,000		
Issued shares-8,512,658,975	851,265,898	851,265,898
Additional paid-in capital	-	-
Deficit	(655,628,468)	(648,047,750)
Total Equity	195,637,430	203,218,148
TOTAL LIABILITIES AND EQUITY	1,118,891,232	1,119,049,908

See accompanying Notes to Consolidated Statements

MRC ALLIED, INC. (formerly MRC ALLIED INDUSTRIES, INC.) AND SUBSIDIARIES

Notes to Financial Statements

As of March 31, 2020

1	Cash	Bank of Commerce	931,385
2	Real Estate Projects		
		Developed Land for Sale	359,257,715
		Land Under Development	203,547,668
			562,805,383
3	Other Current Assets		
		Input VAT	6,199,419
		Deposits	3,735,443
		Creditable WHT	3,418,129
		Advances to Suppliers	1,067,423
		Allowance for Unrecoverable Taxes	(7,153,571)
			7,266,843
3	Due from related parties		
		New Cebu Township One	11,456,091
4	Property and equipment		
		Solar PV Systems	19,692,474
		Transportation equipment	3,550,253
		Land and Lease Improvements	1,236,146
		Land	1,045,000
		Furniture, Fixtures and Equipment	318,377
			25,842,250
5	Exploration and evaluation assets		
		Surigao Mines, Inc.	211,749,591
		Tampakan Mines, Inc.	20,000,000
			231,749,591
6	Bank Loans		
		First Metro Investment Corporation	25,000,000
7	Accounts Payable and Other Liabilities		
	Accrued Expenses		
		Interest & Penalties	381,096,176
		Project Cost	10,769,539
		Retention Payable	2,224,091
		Other Expenses	1,422,489
	Statutory Liabilities		2,010,347
	Others		16,500
			397,539,142
8	Due to related parties		
		Advances From Stockholders	229,120,085

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED MARCH 31, 2020
(With Comparative Figures for March 31, 2019)

	JANUARY TO MARCH 31, 2020 UNAUDITED	JANUARY TO MARCH 31, 2019 UNAUDITED
REVENUES	154,673	-
EXPENSES		
Mining Expenses	-	-
Interest	812,450	812,450
General and administrative	6,922,941	7,016,568
Other charges-net	-	-
LOSS BEFORE INCOME TAX	7,580,718	7,829,018
INCOME TAX BENEFIT	-	-
NET LOSS	7,580,718	7,829,018
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS	7,580,718	7,829,018
BASIC/DILLUTED LOSS PER SHARE	0.001	0.001

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2020
(With Comparative Figures for March 31, 2019)

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at December 31, 2019	851,265,898	-	(648,047,750)	203,218,148
Total Comprehensive loss for the quarter			(7,580,718)	(7,580,718)
Balances at January to March 31, 2020	851,265,898	-	(655,628,468)	195,637,430
Balances at December 31, 2018	851,265,898	-	(365,508,994)	485,756,904
Total Comprehensive loss for the quarter			(7,829,018)	(7,829,018)
Balances at January to March 31, 2019	851,265,898	-	(373,338,012)	477,927,886

See accompanying Notes to Consolidated Statements.

MRC ALLIED, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2020
(With Comparative Figures for March 31, 2019)

	JANUARY TO MARCH 31, 2020 UNAUDITED	JANUARY TO MARCH 31, 2019 UNAUDITED
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(7,580,718)	(7,829,018)
Adjustment for:		
Interest expense	-	-
Depreciation and amortization	321,902	758,039
Provision for probable losses and impairment		
Operating loss before working capital changes	(7,258,816)	(7,070,979)
Decrease (increase) in:		
Trade and accounts receivable	-	-
Other current assets	(318,645)	(152,596)
Increase (decrease) in:		
Trade and other payables	776,254	894,362
Pension liability	-	
Net cash used in operating activities	(6,801,207)	(6,329,213)
CASH FLOW FROM A FINANCING ACTIVITIES		
Increase in amount due to related parties	6,645,788	6,253,159
NET INCREASE IN CASH	(155,419)	(76,054)
CASH AT BEGINNING OF FIRST QUARTER	1,086,804	798,779
CASH AT END OF YEAR	931,385	722,725
NON CASH TRANSACTIONS		
Advances by related parties for:		
Exploration and evaluation costs capitalized		
Property and equipment acquisitions		
Increase in other noncurrent assets		
Settlement of loans		
Debt-to-equity conversion		
	-	-

See accompanying Notes to Consolidated Statements.

PART I – FINANCIAL INFORMATION

ITEM 1. Financial Statements Required under SRC RULE 68.1

Basic and Diluted Earnings per Share (See Attached Income Statement)

The accompanying consolidated interim financial statements of MRC Allied, Inc. (MAI) were prepared in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS).

Notes to Financial Statements:

The consolidated financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency. All values are rounded to the nearest Peso, unless otherwise indicated.

The consolidated financial statements of the Company have been prepared under 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 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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ☐ In principal market for the asset or liability; or
- ☐ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal on the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best interest.

A fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to other market participants that would use the asset in its highest and best use.

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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

All assets and liabilities that are recognized in the consolidated 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 date.

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 Notes 4 and 17 to the consolidated financial statements.

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 for annual periods beginning on or after 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 all 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.

Transition. The Company has applied the requirements of PFRS 16 retrospectively, but opted not to present a third consolidated statement of financial position because the adoption of PFRS 16 did not result to a significant adjustment in the opening retained earnings of the earliest period presented.

On the date of transition, the Parent Company has lease agreement for its office space for a period of one year, subject to renewal on an annual basis, upon mutual agreement between the parties. The Company has elected not to recognize ROU assets and lease liabilities for these short-term leases.

- ☐ 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.

- 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 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 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 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 consolidated financial statements. Additional disclosures have been included in the notes to consolidated financial statements, as applicable.

Amended PFRS Not Yet Adopted

Relevant amended PFRS which are not yet effective for the year ended 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 -

- Amendment to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should 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 amended PFRS is not expected to have any material effect on the consolidated financial statements of the Company.

Basis of Consolidation

The consolidated financial statements of the Company comprise the financial statements of Parent Company and its subsidiaries as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017.

Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. In assessing control, the Parent Company considers if it is exposed, or has right, to variable returns from its investment with the subsidiary and if it has the ability to affect those returns.

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continue to be consolidated until the date such control ceases. The results of operations of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

Changes in the controlling equity ownership (i.e., acquisition of noncontrolling interest or partial disposal of interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

Financial Assets and Liabilities

Date of 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.

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 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 amount.

Classification. 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.

The Company does not have financial assets and liabilities at FVPL as at December 31, 2019 and 2018.

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 December 31, 2019 and 2018, the Company’s cash in banks, trade receivables and due from related parties are classified under this category.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI 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 selling the financial assets; 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.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the consolidated statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2019 and 2018, the Company designated its unquoted investment in equity

securities as financial assets at FVOCI.

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 impaired or through the amortization process.

As at December 31, 2019 and 2018, the Company's trade and other payables (excluding statutory payable), loans payables, accrued interest and penalties, amounts due to a related party and subscription payables 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. Meanwhile, 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.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

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 of Financial Assets at Amortized Cost

The Company records an allowance for "expected credit loss" (ECL) 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 debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs 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 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.

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.

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.

Real Estate Projects

Real estate projects are valued at the lower of cost or net realizable value (NRV). Expenditures for development and improvements are capitalized as part of the cost of the land. Costs of land and improvements include interest incurred on loans while development is in progress, the proceeds of which were used to finance the development of the land. Interest capitalization is suspended for the periods in which there are no active development and improvements. NRV is the fair value in the ordinary course of business less marketing costs.

Other Current Assets

Other current assets consist of input value-added tax (VAT), deposits, creditable withholding tax (CWT) and advances to a contractor.

Input VAT. Input VAT represents tax imposed on the Company by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Company's current VAT liability. Input VAT is stated at NRV.

Deposits. Deposits represent payments made in relation to the lease and other agreements entered into by the Company. These are carried at cost less any impairment in value, and will generally be applied as lease payment or final payment at the end of the agreements.

CWT. CWTs represent taxes withheld by the Company's customers as required under Philippine taxation laws and regulations. CWTs are recognized as asset and will be used to offset against the Company's income tax liability. CWTs are stated at their estimated NRV.

Advances to a Contractor. Advances to a contractor pertains to advance payment for purchase of goods and services which are not yet received by or rendered to the Company. These are measured at transaction price less impairment in value, if any.

Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less impairment loss, if any.

The initial cost of property and equipment comprises its purchase price 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 operations, such as repairs and maintenance, are recognized in the consolidated statements of comprehensive income in the period 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 cost of property and equipment.

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives and method of depreciation are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property and equipment are as follows:

	Number of Years
Solar PV system	20
Transportation equipment	5
Furniture, fixtures and equipment	5
Leasehold improvements	3 years or term of the lease whichever is shorter
Land improvements	5

When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation are removed from the accruals and any resulting gain or loss is recognized in the consolidated statements of comprehensive income.

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

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

Exploration and Evaluation Assets

Exploration and evaluation assets represent the Company's acquired rights to do exploration and evaluation of certain mining areas. Expenditures for mine exploration work prior to and subsequent to drilling are deferred as incurred. These shall be written-off if the results of the exploration work are determined to be not commercially viable. If the results are commercially viable, the deferred expenditures and the subsequent development cost shall be capitalized and amortized from the start of commercial operations using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Other Noncurrent Assets

Other noncurrent assets owned by the Company are assets that are not expected to be realized within the normal operating cycle. These are accounted for at cost less impairment in value.

Predevelopment costs. Predevelopment costs are stated at the amount of cash given up by the Company less impairment in value. The Company capitalizes predevelopment costs if it is probable that such cost will be realized through the ultimate construction of a solar power plant. These also include other costs directly related to the development of the solar power project.

Paintings. Paintings are valuable and treasured art pieces that do not have a determinable useful life. While the actual physical condition of the property may influence the value placed on the object, it will not ordinarily limit or determine its useful life. Accordingly, no depreciation or amortization is provided.

Impairment of Nonfinancial Assets

Nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount 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 the time value of money and the risks specific to the asset. For an asset that

does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

Capital Stock

Capital stock represents the par value of the issued shares.

Deficit

Deficit represents cumulative balance of the Company's result of operations.

Basic and Diluted Earnings Per Share (EPS) Attributable to the Equity Holders of the Parent

Basic EPS is computed by dividing net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year excluding shares held by subsidiaries, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Where the EPS effect of potential dilutive ordinary shares would be anti-dilutive, basic and diluted EPS are stated at the same amount.

Segment Reporting

An operating segment is a component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

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.

Rental Income. Revenue is recognized as income when the related service have been rendered based on contractual terms.

Interest Income. Interest income is recognized as it accrues based on the effective interest method.

Cost and Expenses Recognition

Cost and expenses are recognized in the statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase of liability has arisen that can be measured reliably.

Direct Cost. Direct cost is recognized as expense when the related service is rendered.

Operating Expenses. Operating expenses constitute cost of administering the business. These are expensed as incurred.

Interest Expense. Interest expense represents the cost of money used in operations. It is recognized as incurred using the effective interest rate method.

Penalties. Penalties represent the cost of money paid for late charges. These are expensed as incurred.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract 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, the Company uses the definition of a lease in PFRS 16.

Company as a Lessee

At the commencement date of the lease, the Company recognizes a ROU asset and a lease liability.

ROU Asset. ROU asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred, less any incentives received. The ROU asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term. In addition, ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Company presents the ROU asset as part of "Property and equipment" account in the consolidated statements of financial position.

Lease Liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the fixed payments, including in-substance fixed payments, and if applicable:

- ☐ variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- ☐ amounts expected to be payable under a residual value guarantee; and
- ☐ the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

Short-term Leases. The Company applies the short-term lease recognition exemption to its short-term leases of office and building space (i.e., those leases that have a lease term of 12 months or less from

the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Employee Benefits

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

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

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailment and non-routine settlements, and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability. Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment curtailment, and the date the Company recognizes restructuring related costs.

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

The retirement liability is the aggregate of the present value of the retirement 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.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have 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 unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and 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 tax credits and unused tax losses 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 rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized under OCI and outside profit or loss.

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

Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party 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 enterprise, or between and/or among the reporting enterprises and their key management personnel, directors, or its stockholders. Related parties may be individuals or corporate entities. An entity is also related to the Company when it directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions with related parties are accounted for at arm's-length prices or terms similar to those offered to non-related entities in an economically comparable market.

Provisions

Provisions, if any, 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 the consolidated statements of comprehensive income 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.

Contingencies

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

Events After the Reporting Date

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

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 operations and financial performance, however, cannot be reasonably determined as at our report date.

MRC ALLIED, INC.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results or Plan of Operation

2a) Plan of Operation

The company has incurred deficit amounting to P648.0 million and P365.5 million as at December 31, 2019 and 2018, respectively. The Company has incurred expenses as it continues to explore and develop potential business ventures, particularly renewable energy and mining. Further, in 2019, the

Company recognized an impairment loss on exploration and evaluation assets amounting to P232.5 million. With the lifting of the moratorium on mining applications, the Mines and Geosciences Bureau (MGB) release the result of its re-validation of the mining area covered by the Company's application for Exploration Permit (EP) for its Mines Operating Agreements (MOA) with Pensons Mining Corporation (PMC). MGB's re-validation determined that a huge portion of the mining area covered by the application falls within the "Areas Closed to Mining Applications" pursuant to the pertinent provisions of the Department of Environment and Natural Resources (DENR) Administrative Order No. 2012-07, implementing rules and regulations of Executive Order No. 79, as amended (the Administrative Order) while certain portions are situated within the Davao City Conservation Area. Hence, the mining area applied for by the said EP has been reduced from 8,475.60 hectares to 593.19 hectares resulting to the impairment loss of P232.5 million.

However, because of the debt-to-equity conversions in 2013 and 2012 and the equity restructuring in 2014 and 2013, it has reduced its deficit resulting to a positive equity of P203.2 million and P485.8 million as at December 31, 2019 and 2018, respectively.

The Company, through a subsidiary, also had a Solar Energy Service Contract (SESC) with the Department of Energy (DOE) for the exclusive right to explore and develop a solar project on Naga City, Cebu. In 2018, the DENR ordered the suspension of development activities within the solar project's area because of the supervening events affecting the condition and feasibility of the area. Thus, the Company had to surrender its service contract with DOE to allow the re-evaluation of the solar project's technical feasibility and design. The validity of the SESC is highly dependent on the result of the re-evaluation which is still pending as at December 31, 2019. Predevelopment costs related to the service contract amounted to P23.5 million as at December 31, 2019 and 2018.

These factors indicate material uncertainty which may cast significant doubt on the Company's ability to continue as a going-concern. The Company, however, is exploring potential business ventures to generate revenue and sustain operations over time.

The Company's business development projects are discussed as follows:

a. Clean and Renewable Energy

- Solar Power Plant

On October 2, 2017, the Company entered into an agreement to acquire 15% ownership in Sulu Electric Power and Light (Philippines) Inc. [SEPALCO] which owns and operates a 50 megawatt solar project located in Palo, Leyte for P255.3 million. The power generated from this project is currently being sold to Wholesale Electricity Spot Market (WESM). As at December 31, 2019, the management has ongoing negotiations with local distribution utilities for possible offtake agreements.

The Company, through its subsidiary, had a service contract with DOE for the exclusive right to explore and develop a solar project in Naga City, Cebu. However, because of the supervening events affecting the condition and feasibility of the location, the DENR ordered the suspension of all development activities within the area in 2018. The Company had to surrender the service contract with the DOE which will then re-evaluate the project's technical feasibility and design. The result of the re-evaluation is still pending as at December 31, 2019.

- Solar Photovoltaic (PV) System Project

In 2018, the Company entered into Memorandum of Agreements to develop, design, construct and install a 550 kilowatt power (kWp) and 1,100 kWp solar PV rooftop systems for a third party rice miller located in the Northern Luzon area and a mall located in Mindanao, respectively. These Agreements were pursued and implemented through MREN as the project vehicle.

In 2019, MREN has completed the procurement, design, testing, installation and commissioning of the 550 kWp solar PV system project.

b. Real Estate

The Company has two land banks consisting of 160-hectare industrial estate in Naga City, Cebu known as the New Cebu Township One (NCTO) and 700 hectares raw land located in the Municipality of San Isidro, Leyte known as Amihan Woodlands Township (AWT). The NCTO comprises parcels of land that are registered with the Philippine Economic Zone Authority (PEZA). Based on the latest appraisal dated June 1, 2017, these properties have affair market value of P1,902.1 million.

In January 2020, the Department of Agrarian Reform (DAR) issued a press release on the distribution of 2,200 hectares of agricultural land in San Isidro, Leyte, which includes the land owned by the Company, to qualified beneficiaries. As of date, the Company has not yet received a formal notice or correspondence from DAR or other government agencies regarding the planned distribution.

c. Mining

The Company entered into Mines Operating Agreements (MOA) for gold and copper with Alberto Mining Corporation (AMC) and Pensons Mining Corporation (PMC) for the exploration and evaluation of the following mining sites:

Location	No. of Hectares as at December 31, 2019	No. of Hectares as at December 31, 2018
Paquibato, Davao City	593.2	8,475.6
Kiblawan, Davao del Sur and Columbio, Sultan Kudarat	7,559.1	7,559.1
Boston and Cateel, Davao Oriental	4,860.0	4,860.0
Marihatag, Surigao del Sur	3,759.3	3,759.3

The above mining sites have ongoing applications for Exploration Permit (EP) with the Mines and Geosciences Bureau (MGB) which were held in abeyance since 2011 due to the moratorium issued by the DENR on the approval of new mining projects. In July 2018, the moratorium was lifted. On December 9, 2019, the MGB released the results of its re-validation of the mining area covered by the Company's application for EP for the mine site located in Paquibato, Davao City. MGB's re-validation showed that certain portions of mining areas covered by the application are within the restricted areas for mining application pursuant to the DENR's Administrative Order, thus the area possible for mining covered by the application has been reduced from 8,475.60 hectares to 593.19 hectares.

With the lifting of moratorium, the Company has persistently pursued its pending applications for EP for the other mine sites which are in the final stage of evaluation by the MGB. The MGB is set to issue letter-notices on the results on the results of the evaluation of the Company's full compliance with the requirements included in these notices are crucial for the approval of the applications.

d. Export

In December 2019, the Company entered into an agreement with a third party liability domiciled and incorporated under the laws of the Republic of China for delivery of sand for a period of five (5) years. Under this agreement, the Company will be delivering a natural river sand in bulk from a potential seller for a fixed price per Metric Ton (MT).

The ability of the Company to continue as a going concern depends largely on the successful implementation and outcome of the foregoing projects. The stockholders have committed to continue to provide financial support to the Company.

2b) Financial Condition and Results of Operation as of December 31, 2019

2019 – The company total assets is P1.119 billion and P1.334 billion as at December 31, 2019 and December 31, 2018, respectively. Real estate projects are valued at P359.26 million and P203.55 million for AWT and NCTO, respectively. There were no borrowing costs capitalized as at December 31, 2019 and 2018. The Company, in its normal course of business, has transactions with its related parties. Noninterest bearing cash advances to MCC of ₱11.54 million in December 31, 2019 and P12.50 million in December 31, 2018. In 2019 and 2018, the Company provided allowance for impairment losses amounting to P0.25 million. The Company obtained cash advances from its stockholder for working capital requirements which amounted to P222.47 million and P192.71 million as at December 31, 2019 and 2018, respectively. These advances are due and payable on demand. There were no compensation of key management personnel of the Company in 2019 and 2018. Other current assets amounting to P7.11 million and P5.03 million as at December 31, 2019 and 2018, respectively. Property and equipment amounted to P48.38 million and P28.52 million as at December 31, 2019 and 2018, respectively. Fully depreciated property and equipment with cost and accumulated depreciation amounting to P26.16 million and P7.52 million as at December 31, 2019 and 2018, respectively, are still being used in operations. The carrying amount of exploration and evaluation assets amounted to P231.75 and P464.25 million as at December 31, 2019 and 2018, respectively. Other noncurrent assets of P255.25 million as at December 31, 2019 and 2018 is attributable to 15% investment in the shares of stock of SEPALCO and the predevelopment costs incurred by the Company in acquiring licenses and service contracts in relation to Menlo Renewable Energy's solar energy service contract with DOE in Naga City, Cebu. Bank loans of P25.0 million as at December 31, 2019 and 2018, represents due and demandable, unsecured loans payable to First Metro Investment Corporation, with 13% annual interest. Trade and Other Payable consists of Accrued Interest and penalties incurred on the outstanding loans amounting to P396.76 million and P365.07 million for 2019 and 2018, respectively. Due to related parties of P222.47 for 2019 and P192.71 million for 2018 are transactions made from a stockholder for working capital advances and acquisition of licenses for Menlo Renewable Corporation. Retirement liabilities amounted to P9.26 million for 2019 and P8.22 for 2018, respectively. These are unfunded, defined benefit retirement plan covering all its qualified employees. As a result, the Company's deficit for 2019 is at negative P648.05 million while for 2018, it's a negative P365.51 million.

In terms of profitability, MRC's net loss stood at P282.54 million in 2019 compared to P59.26 million net loss in 2018. The increases in net loss of P216.35 million are primarily attributable to the impairment loss on exploration and evaluation assets amounting to P232.5 million.

2c) Comparable Discussion of Interim Period as of 31 March 2020

The Group's aggregate resource stood at P1.119 Billion, while total liabilities and equity amounted to P923.25 Million and P195.64 Million respectively, as of 31 March 2020. Comparing March 31, 2020 against December 2019 level, total resources net decreased by P0.159 million attributed principally on net of accumulated depreciation, due from related parties and other current assets. Total liabilities went up by P7.42 Million in 31 March 2020 due to the following: (i) accrual of interest and penalties of the existing bank loans and (ii) transactions recorded in the related parties and advances to stockholders to fund the day to day operations of the Company. Total stockholders' equity was recorded at P195.64 Million in 31 March 2020 as against P203.22 Million in 31 December 2019 due mainly to the general expenses for the first quarter of 2020.

On a quarter to quarter basis, total assets of the Group for the first quarter of 2020 amounted to P1.119 Billion compared to the total assets as of end of first quarter of 2019 were decreased by P214.74 million. The decrease is due to revalidation of the mining area covered by the Company's application that falls within the Areas closed to mining applications by DENR Administrative Order No.2012-07, and the increase of accumulated depreciation, related parties and other current assets.

Total liabilities of the Group as of first quarter of 2020 increased by P7.42 Million net of P915.83 million compared to P923.25 million this quarter against the same quarter of 2019. This increase was due to the advances made to stockholders for working capital requirements of its subsidiaries and the accrual of interest on the bank loan and other payables for this quarter of 2020.

MRC ended the first quarter of 2020, with a total net loss of P7.58 Million compared to P7.83 Million in the first quarter of 2019. The increase was largely due to the related party transaction with Menlo

Capital Corporation to support the general and administrative expenses of the company and the accrual of interest on the bank loans.

Key Performance Indicators

	2020	2019
Current/liquidity ratio	0.64	0.65
Current Assets	582,572,244	582,409,018
Current liabilities	906,909,227	899,487,185
Solvency ratio	(0.008)	(0.31)
After tax income (loss) less depn	(7,580,718)	(282,373,273)
Total liabilities	923,253,802	915,831,760
Debt-to-equity ratio	4.72	4.51
Total liabilities	923,253,802	915,831,760
Total equity	195,637,430	203,218,148
Asset-to-equity ratio	5.72	5.51
Total assets	1,118,891,232	1,119,049,908
Total equity	195,637,430	203,218,148
Interest rate coverage ratio	(5.50)	(14.64)
Loss before interest and taxes	(6,768,268)	(264,465,763)
Interest expense	812,450	18,070,333
Profitability ratio		
Return on assets	(0.01)	(0.25)
After tax income	(7,580,718)	(282,373,273)
Total assets	1,118,891,232	1,119,049,908
Return of equity	(0.04)	(0.12)
After tax income	(7,580,718)	(282,373,273)
Total equity	195,637,430	203,218,148

Discussion and Analysis of Materials Events

- (1)
 - i. MRC's debt-to-equity restructuring have a material impact on its liquidity and equity in the first quarter of 2014. The quasi-reorganization, debt-to-equity conversion and the decrease in MRC's par value resulted to a positive equity.
 - ii. There are no other known trends, commitments, events or uncertainties that will have a material impact on MRC's liquidity within the next twelve (12) months except for those mentioned above.
- (2)
 - i. There are no material commitments as yet for capital expenditures.

There are no events that will trigger any direct or contingent financial obligation that is material to the Group or any default or acceleration of an obligation for the period.
- (3) There is nothing to disclose regarding any material off-balance sheet transaction, arrangements, obligations (including contingent obligations) and other relationships of MRC with unconsolidated entities or other persons created during the reporting period.
- (4) There are no other significant elements of income or loss that did not arise from the MRC's operations or borrowings for its projects.

- (5) The material changes of 5% or more from period to period of the following accounts are as follows:

Balance Sheet Accounts:

Total assets is P1.119 billion and total liabilities and equity is P923.25 million and P195.64 million, respectively. Total assets went down by P0.159 million this quarter due to accumulated depreciation, due from related parties and other current assets.

Trade and other payables of P397.54 million went up by P0.776 million because of the accrual of interest on the bank loan, statutory liabilities and other payables in first quarter of 2020.

Due to a related party amounted to P229.12 million in 2020. The increase of P6.65 million was due to the advances made from a stockholder for working capital operation of its subsidiary.

Net loss of P7.58 million compared to the Company's net loss of P7.83 for 2019 of the same quarter. Net loss for this quarter is attributed to the accrual of interest of loans amounting to P0.812 million, due to related parties of P6.65 and depreciation of P0.322 million.

General and administrative expenses of P6.92 million for first quarter of 2020 as against P7.02 million as of the same quarter of 2019. The increase in general and administrative expenses is attributed to the security expenses of P0.478, rental of P0.455 million, depreciation and amortization amounting to P0.322 million; salaries and wages of P3.441 million; and other expenses in the day to day operation of the Company.

Financial Risk Disclosure under SRC RULE 17.1 (1) (A) (ii)

The Company's principal financial instruments are cash, due from a stockholder, loans payable, accrued interest and penalties and other payables (excluding statutory payables) and due to a related party.

The BOD is responsible for the Company's risk management. The Company has risk management policies to identify and manage Company exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risks which are summarized below.

Liquidity Risk. The Company's objective is to maintain a balance between continuity of funding and flexibility through availing of loans and advances from related parties. The maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018 based on contractual payments follow:

Credit Risk. Credit risk refers to potential loss arising from failure by counter parties to fulfill their obligations.

Cash amounted to P=0.931 million and P=1.087 million as at December 31, 2019 and 2018, respectively. These are high grade receivables.

Due from related parties amounted to P=11.46 million and P=11.29 million as at December 31, 2019 and 2018, respectively. These are standard grade receivables having risks of default but are still collectible.

MRC Allied, Inc.
Aging of Accounts
Receivable
As of March 31, 2020

	Total	1-3 mos	4-6 mos	7 mos to 1 year	1-2 years	3-5 years	Past Due Accts. & Items in Litigation
1) Type of Accounts Receivable:							
a) Trade Receivables	0.00					0.00	
Less: Allowance for Doubtful Accounts	(0.00)					(0.00)	
Net Trade Receivables	0.00					0.00	
b) Non-Trade Receivable:							
1. Advances							
Suppliers	0.00					0.00	
Officers & Employees	384,757					384,757	
Net Receivable	0.00	0.00	0.00	0.00	0.00	0.00	

-Nothing follows-