

40938

S.E.C. Registration No.

UNITED PARAGON MINING CORPORATION

(Company's Full Name)

5TH Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City

(Company's Address: No. Street, City/Town/Province)

(632) 631-5139

(Company's Telephone Numbers)

September 30, 2018

(Quarter Ending -- Month & Day)

SEC FORM 17-Q

(Form Type)

N/A

Amendment Designation (If applicable)

Period Ended Date

N/A

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: September 30, 2018

2. Commission ID No. 40938

3. BIR Tax Identification No. 000-169-117-000

UNITED PARAGON MINING CORPORATION

4. Exact name of issuer as specified in its charter

Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: _____ (SEC Use Only)

7. Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550
Address of issuer's principal office Postal Code

8. (63 2) 631-5139
Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
<u>Common Stock</u>	<u>261,314,797,080 shares</u>

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

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc.

Common Stock

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 SRC and SRC 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 []

TABLE OF CONTENTS

		Page No.
PART I	FINANCIAL INFORMATION	
Item 1	Financial Statements	5
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations, including Plan of Operations	6 - 10
Item 3	Management's Assessment and Evaluation of Financial Risk	10- 14
PART II	OTHER INFORMATION	15
	SIGNATURE	15
PART III	ATTACHMENTS - FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES	
	Statements of Financial Position as of September 30, 2018 and December 31, 2017	16
	Statements of Comprehensive Income for the Period Ended September 30, 2018 and 2017	17
	Statements of Changes in Equity for the Period Ended September 30, 2018 and 2017	18
	Statements of Cash Flows for the Period Ended September 30, 2018 and 2017	19
	Schedule 1-Financial Ratios	27
	Notes to Financial Statements	28 - 43
	Aging of Accounts Receivable	43

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

1. The unaudited Financial Statements of the Company (Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows) for the interim period ended December 31, 2017 and September 30, 2018 are included in this report.
2. The basic and diluted loss per share is presented on the face of the attached Statements of Comprehensive Income as well as the basis of computation thereof.
3. The Company's interim financial statements for the period ended December 31, 2017 and September 30, 2018 have been prepared in accordance with accounting principles generally accepted in the Philippines and Philippine Financial Reporting Standards.
4. The Company follows/adopts the same accounting policies and methods of computation in its interim financial statements (January to September 30, 2018) as compared with the most recent annual financial statements (December 31, 2017) and no policies or methods have been changed.
5. All adjustments, which are in the opinion of management, are necessary to a fair statement of the results for the interim period (January to September 30, 2018) is reflected in the interim financial statements.
6. Unusual items during the interim period (January to September 30, 2018), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company are shown/described under Management's Discussion and Analysis of Financial Condition and Results of Operations.
7. There were NO changes in the estimates of amounts reported in prior financial years (December 31, 2018 and 2017), which had a material effect in the current interim period (January to September 30, 2018).
8. There were NO long-term contracts entered into by the Company during the interim period (January to September 30, 2018).
9. There were NO capitalization of liabilities, new borrowings and any modification of existing financing arrangements during the interim periods under review (January to September 30, 2018 and 2017) other than discussed under Management's Discussion and Analysis of Financial Condition and Results of Operations and Discussion and Analysis of Material Events and Uncertainties.
10. There were NO issuances, repurchases, and repayments of debt and equity securities for this interim period (January to September 30, 2018) and for the same period last year.
11. There were NO dividends paid (aggregate or per share) separate for ordinary shares and other shares for this interim period (January to September 30, 2018) and for the same period last year.
12. The Company has NO business segment, which would require disclosure of segment revenue and segment result for business segments or geographical segments.
13. Up to the time of filing of this report, there were NO material events subsequent to the end of the interim period (January to September 30, 2018) that have not been reflected in the

financial statements for the interim period except that on August 24, 2018 the Company received the approval of its Exploration Permit Application denominated as EP-016-2016-V

14. There were NO changes in the composition of the Company during the interim period (January to September 30, 2018), including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.
15. There were NO material changes in contingent liabilities or contingent assets since the last annual balance sheet date (December 31, 2017).
16. There were NO additional material contingencies and any other events or transactions that are material to the understanding of the current interim period that are not disclosed in this report.

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

Results of Operations (September 30, 2018 vs. September 30, 2017)

The Company reported no operating income for the period and incurred accumulated net loss of P49.5 million and P39.6 million for the period ending **September 30, 2018 vs. September 30, 2017**, respectively. The higher net loss for the period was due to interest expense accrual and foreign exchange loss offset by decrease in administrative expense due to termination of employment of onsite personnel.

General and administrative expenses for the period ending **September 30, 2018** was P1.0 million lower as compared to P7.0 million in the same period in 2017. The decrease pertains to termination of employment of one site regular employee.

The finance expenses of P34.6 million reported for the period ending **September 30, 2018** was higher by P3.8 million as compared to the same period in 2017 due to compounded interest calculation on Camarines Minerals Inc., past due obligation.

Restatement of foreign currency denominated liabilities for the period ending **September 30, 2018** resulted into a foreign exchange loss of P8.5 million due to peso depreciation from P49.923 (12.31.17) to P54.251 (9.30.18).

Financial Condition (September 30, 2018 vs. December 31, 2017)

The Company has total assets of P1, 113.6 million and P1, 114.1 million as of **September 30, 2018** and December 31, 2017, respectively. The difference was due to increased in the cash and cash equivalent in the current asset section due to increase in related party cash advances offset by cash disbursement for operating expenses and provision for depreciation.

Total current liabilities increased to P1,100.1 million from P1, 051.1 million for the period ending **September 30, 2018** and December 31, 2017, respectively. The increase was mainly due to interest accrual and other payables and related party transaction.

The stockholders' equity decreased to P12.4million from P61.9 million as of **September 30, 2018** and December 31, 2017 due to accumulated net loss for the period.

The loans and advances due to a related party are covered by promissory notes subject to automatic roll over every ninety (90) days with interest accrued in the books.

Due to the suspension of mining and milling operations and limited sources of funds, the Company failed to meet payments within the stated terms to majority of its suppliers, contractors and creditors. However, the Company has been continuously paying the accounts that relates to its

current working capital requirement, and the old accounts due to its suppliers, contractors and creditors remain unchanged. The internal and external sources of funds and the courses of action that the Company plans to undertake to address the liquidity problem are discussed under "Plan of operations for the year 2018".

The gold price at the end of **September 30, 2018** fell to its lowest level by 9% as compared to December 31, 2017. Gold was traded in the London Metal Exchange ("LME") with a closing price of US\$1,183.50/oz. as of September 30, 2018 as compared to US\$1,296.50/oz as of December 31, 2017. In 2018 gold price reached an all-time high of US\$1,360.25 on January 25, 2018.

Inasmuch as the Company's mining and milling operations are still suspended, the key performance indicators of the Company as of **September 30, 2018** as compared to December 31, 2017 are as follows:

Ratios	Formula	Sept 30 2018	December 31 2017
Current Ratio		0.0310	0.033
	Current Assets/ Current Liabilities	P 34,149,799 P 1,100,147,613	P 34,618,989 P 1,051,114,539
Quick Ratio		0.0004	0.0006
	Current Asset-Inventory-Prepaid/ Current Liabilities	P 493,268 P 1,100,147,613	P 673,274 P 1,051,114,539
Solvency Ratio		1.0113	1.0588
	Total Assets/ Total Liabilities	P 1,113,703,141 P 1,101,257,528	P 1,114,147,606 P 1,052,224,454
Debt Ratio		0.99	0.94
	Total Liabilities/ Total Assets	P 1,101,257,528 P 1,113,703,141	P 1,052,224,454 P 1,114,147,606
Debt to equity ratio		88.49	16.99
	Total liabilities/ Stockholders' equity	P 1,101,257,528 P 12,445,613	P 1,052,224,454 P 61,923,152
Equity to debt ratio		0.01	0.06
	Stockholders' equity/ Total liabilities	P 12,445,613 P 1,101,257,528	P 61,923,152 P 1,052,224,454
Asset to equity ratio		89.49	17.99
	Total Assets Stockholders' equity/	P 1,113,703,141 P 12,445,613	P 1,114,147,606 P 61,923,152
Interest coverage ratios		(0.43)	(0.22)
	Earnings (loss) before interest & taxes Interest Expense	P (14,919,818) P 34,557,720	P (9,485,515) P 42,209,731
Book value per share		0.0000	0.0002
	Stockholders' equity/ Total # of shares	P 12,445,613 261,314,797,080	P 61,923,152 261,314,797,080
Loss per share		0.00019	0.00020
	Net loss/ Total # of shares	P 49,477,538 261,314,797,080	P 51,695,246 261,314,797,080

The change in key indicators as of **September 30, 2018** as compared to same period in year 2017 was noted, decrease in current ratio by 6%, 30% quick ratio due to receivable was classified not liquid asset, 5% solvency ratio, 81% equity-to-debt ratio and 80% book value per share. Increase in ration was seen in debt ratio 5%, 421% debt-to-equity, 397% asset-to-equity and 92% interest coverage.

The key performance indicators of the Company as of **Sept 30, 2018** as compared to **Sept 30, 2017** are as follows:

Ratios	Formula	Sept 30 2018	Sept 30 2017
Current Ratio		0.0310	0.0338
	Current Assets/ Current Liabilities	P 34,149,799 P 1,100,147,613	P 35,097,217 P 1,039,832,119
Quick Ratio		0.0004	0.0008
	Current Asset-Inventory-Prepaid/ Current Liabilities	P 493,268 P 1,100,147,613	P 864,543 P 1,039,832,119
Solvency Ratio		1.0113	1.0709
	Total Assets/ Total Liabilities	P 1,113,703,141 P 1,101,257,528	P 1,114,626,467 P 1,040,861,342
Debt Ratio		0.99	0.93
	Total Liabilities/ Total Assets	P 1,101,257,528 P 1,113,703,141	P 1,040,861,342 P 1,114,626,467
Debt to equity ratio		88.49	14.11
	Total liabilities/ Stockholders' equity	P 1,101,257,528 P 12,445,613	P 1,040,861,342 P 73,765,124
Equity to debt ratio		0.01	0.07
	Stockholders' equity/ Total liabilities	P 12,445,613 P 1,101,257,528	P 73,765,124 P 1,040,861,342
Asset to equity ratio		89.49	15.11
	Total Assets Stockholders' equity/	P 1,113,703,141 P 12,445,613	P 1,114,626,467 P 73,765,124
Interest coverage ratios		(0.43)	(0.28)
	Earnings (loss) before interest & taxes Interest Expense	P (14,919,818) P 34,557,720	P (8,794,484) P 30,858,784
Book value per share		0.0000	0.0003
	Stockholders' equity/ Total # of shares	P 12,445,613 261,314,797,080	P 73,765,124 261,314,797,080
Loss per share		0.00019	0.00015
	Net loss/ Total # of shares	P 49,477,538 261,314,797,080	P 39,653,268 261,314,797,080

The change in key indicators as of Sept 30, 2018 as compared to same period in year 2017 was noted, decrease in current ratio by 8%, 46% quick ratio due to receivable was classified not liquid asset, 6% solvency ratio, 84% equity-to-debt ratio and 83% book value per share. Increase in ration was seen in debt ratio 6%, 527% debt-to-equity, 492% asset-to-equity, 51% interest coverage and 25% loss per share.

Changes in other line items shown in the Company's Unaudited Financial Statements in Part 1, Items 1 and 2 of this report are due to the usual period-to-period fluctuation in amounts natural in every business operation. There are no material unusual items other than as discussed above.

Discussion and Analysis of Material Events and Uncertainties

Except as discussed in this report, management is not aware of any material event or uncertainty that affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional/global financial and political crises. The Company's financial statements for the interim period ended **September 30, 2018** reflect foreign exchange loss on the Company's dollar denominated accounts.

1. There are NO known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity except as disclosed below:

The Company entered into a P250.0 million Convertible Loan Agreement with Alakor Corporation, which was approved on September 20, 2011. The proceeds of the facility shall be used to finance the cost of conducting a feasibility study on the Longos Gold Project and for general working capital requirements of the Company. In the meantime, the Company will pursue various options to raise project funding for its exploration work program and for further rehabilitation of the Longos mine, once the Company obtained the necessary government permits. The Company received its Exploration Permit denominated as EP-016-2016-V on August 24, 2018, and is currently complying with the conditions required by the MGB after approval. Should the required conditions be met and the financing materialize during the year; this will have a material impact on liquidity. Also, please refer to item "C" under "Plan of Operations for the year 2018".

2. There are NO events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
4. There are NO material commitments for capital expenditures except on the implementation of the two (2) years approved exploration work program by the Mines and Geosciences Bureau.
5. There are NO known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.

7. There were NO seasonal or cyclical aspects that have or had a material effect on the financial condition or results of operations of the Company.

Plan of Operations

- A. The plan of operations for the year 2018 covers the following activities:
 - a. The Company is in the process of complying pre-condition requirement after approval of its Exploration Permit Application on August 24, 2018. Once complied with the company will proceed with the implementation of the approved exploration work program within the two (2) year period.
 - b. The Company will work on to get the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either by external sources or internal sources.

A summary of any product research and development for the term of the plan.

Exploration, drilling and development for a mining company, are the equivalent of research and development.

The Company had suspended the exploration drilling at the San Mauricio property in Jose Panganiban due to delays in the release of its mineral production sharing agreement ("MPSA") on the said area. Application for Production Sharing Agreement ("APSA") for this area denominated as APSA V-041 was already endorsed by the Mines and Geosciences Bureau Region V ("MGB R-V") to MGB Central Office for final evaluation and approval in June 2005. However, in December 2009, the MGB Central Office returned all documents pertaining to said MPSA Application to MGB R-V for completion of the deficiency documents. The Company had completed and submitted the remaining deficiencies for the above MPSA to MGB R-V and were subsequently endorsed to MGB Central Office in June 2010. The Company received a letter from MGB Central Office dated September 9, 2015 returning the said application to MGB Regional Office for further evaluation.

Furthermore, DENR Secretary, Regina Paz L. Lopez issued Memorandum Circular No. 2016-01 on July 8, 2016, requiring an audit of all operating mines and a moratorium on the acceptance, processing and/or approval of mining applications and/or mining projects for all metallic and non-metallic minerals. We are hopeful that the newly-appointed DENR Secretary Roy Cimatu will grant the mining industry in the country due process towards responsible mining and that new permits would be granted to all qualified applicants.

- B. Any expected purchase or sale of plant and significant equipment.

The Company has no intention at present to acquire any plant and significant equipment until it has been granted a mining permit and funding for the planned rehabilitation and further development of the Longos mine becomes available, in which case, additional plant and significant machinery and equipment will be acquired.

In the meantime, the Company is continuing with its care and maintenance of existing mine buildings, equipment and other facilities to preserve them for future use in order to minimize the capital requirement of the rehabilitation of the mine.

- C. Any significant changes in the number of employees.

Manpower as of September 30, 2018 consists of seven (7) regular personnel. The Company expects no significant change in the number of employees for the ensuing year unless the necessary permits have been awarded to the company and the needed funding requirements for exploration and further rehabilitation and development of the Longos Mine becomes available, in which case, a significant number of employees will be hired.

Item 3. Management's Assessment and Evaluation of Financial Risk Exposures

The Company's financial instruments consist mainly of cash and cash equivalents, receivables, accounts payable, advances from related parties and accrued interest, other current liabilities and long-term debt. The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

The risks arising from the Company's financial instruments are credit risk, liquidity risk and foreign exchange risk.

The BOD has the overall responsibility for the establishment and oversight of the Company's risk management policies. The Finance & Administration Manager is responsible for developing and monitoring the Company's risk management policies. Issues affecting the operations of the Company are reported regularly to the BOD.

Management addresses the risks faced by the Company in the preparation of its annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk exposure arises principally from the possibility that the counterparties may fail to fulfill their agreed obligations. To manage such risk, the Company monitors its receivables on an ongoing basis. The objective is to reduce the risk of loss through default of counterparties.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective allowance is determined based on historical data of payment statistics for similar financial assets.

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and receivables, the Company's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amounts of these instruments.

The tables below show the credit quality by class of financial assets.

The Company has assessed the credit quality of the following financial assets:

1. Cash and cash equivalents are assessed as high grade since these are deposited with reputable banks.
2. Receivables, which pertain mainly to receivables from staff and employees and others, were assessed as standard grade since there were no history of default on the outstanding receivables as of September 30, 2018 and December 31, 2017. These were assessed based on past collection experience and the debtors' ability to pay the receivables.

(in Million Pesos)

	Sept 30, 2018				
	Neither Past Due Nor Impaired		Past Due But		Total
	High Grade	Standard Grade	Not Impaired	Impaired	
Cash in bank*	0.49	0	0	0	0.49
Total credit risk exposure	0.49	-	-	-	0.49

(In Million Pesos)

	December 31, 2017				
	Neither Past Due Nor Impaired		Past Due But		Total
	High Grade	Standard Grade	Not Impaired	Impaired	
Cash and cash equivalents*	0.67	0	0	0	0.67
Total credit risk exposure	0.67	-	-	-	0.67

Liquidity risk is the risk that the Company will be unable to meet its obligations as they fall due. To effectively manage liquidity risk, the Company has arranged for funding from related parties and continues to dispose of scrap, obsolete and excess assets to raise additional funds aside from the capital restructuring completed in 2008.

As of September 30, 2018 and December 31, 2017, the contractual undiscounted cash flows from cash and cash equivalents and receivables, which are short-term in nature and used for liquidity purposes amounted to ₱0.49 million and ₱0.67 million, respectively.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Sept 30, 2018

(In Million Pesos)

	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 year	Total
Accounts payable and other current liabilities	774.33	0	0	44.63	818.97
Advances from related parties (current)	135.08	0	0	0	135.08
Redeemable preferred shares	26.10	0	0	0	26.10
Due to related parties (non-current)					
Principal	120	0	0	0	120.00
Future Interest	36	0	0	0	36.00
	1,091.51	0	0	44.63	1,136.15

December 31, 2017

(In Million Pesos)

	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 year	Total
Accounts payable and other current liabilities	743.32	0	35.82	0	779.14
Advances from related parties (current)	125.86	0	0	0	125.86
Redeemable preferred shares	26.10	0	0	0	26.10
Due to related parties (non-current)					
Principal	120	0	0	0	120.00
Future Interest	36	0	0	0	36.00
	1,051.28	0	35.82	-	1,087.10

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company uses the Peso (₱) as its functional currency and is therefore exposed to foreign exchange movements, primarily on the US Dollar (\$). The Company follows a policy to manage this risk by closely monitoring its cash flow position and by providing forecast on its exposures in non-peso currency.

The Company's net exposure to foreign exchange risk arises from \$-denominated accrued interest and other current liabilities.

Information on the Company's \$-denominated monetary liabilities and their ₱ equivalent are as follows:

(in Million)

	Sept 30, 2018		December 31, 2017	
	USD	PHP	USD	PHP
Accrued interest and other current liabilities	1.92	104.24	1.92	95.92

As of September 30, 2018 and December 31, 2017, the exchange rate of the Philippine peso to the USD is ₱54.251 and ₱49.923, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in Philippine Peso/US Dollar exchange rate, with all other variables held constant, of the Company's income before income tax. There is no other impact on the Company's equity other than those affecting the statement of comprehensive income.

(in Million Pesos)

	Change in exchange rate	
	\$ strengthens by 5%	\$ weakens by 5%
Increase (decrease) in income before income tax and equity		
Sept 30, 2018	(5.21)	5.21
December 31, 2017	(4.79)	4.79

Fair Values of Financial Instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The table below presents a comparison by category of carrying amounts and estimated fair values of the Company's financial assets and liabilities as of Sept 30, 2018 and December 31, 2017.

(In Million Pesos)	Sept 30, 2018		December 31, 2017	
	Carrying Values	Fair Value	Carrying Values	Fair Value
Cash				
Cash and cash equivalents	0.49	0.49	0.67	0.67
	0.49	0.49	0.67	0.67
Other financial liabilities:				
Accounts payable and other current liabilities	818.97	818.97	779.14	779.14
Advances from related parties (current)	135.08	135.08	125.86	125.86
Redeemable preferred shares	26.10	26.10	26.10	26.10
Due to related parties (non-current)				
Principal	120.00	120.00	120.00	120.00
Future interest	36.00	120.00	36.00	36.00
	1,136.15	1,220.15	1,087.10	1,087.10

Cash, Accounts Payables and Other Current Liabilities, Due to Related Parties and Redeemable Preferred Shares

The carrying amounts approximate of cash, accounts payables and other current liabilities, due to related parties and redeemable preferred shares their fair values due to their short-term maturities.

During the quarter ending September 30, 2018 and December 31, 2017, there were no transfers among Levels 1, 2 and 3 of fair value measurements.

Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to increase the value of shareholders' investment. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure upon commencement of its operations.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. No changes were made in the objectives, policies or processes during the period ended Sept 30, 2018 and year ended December 31, 2017.

Management's plans on how to address the Company's deficit in explained under Plan of Operations for 2018.

The following table summarizes what the Company considers as its total capital as of September 30, 2018 and December 31, 2017.

Capital stock	₱2,613,147,971
Share premium	19,449,376
	₱2,632,597,347


PART II - OTHER INFORMATION

There is no other information for this interim period not previously reported in a report on SEC Form 17-C.


SIGNATURES

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

Issuer
Signature & Title
Date


ALFREDO C. RAMOS
Chairman of the Board and President

Issuer
Signature & Title
Date


GILBERT V. RABAGO
Finance & Administrative Manager

UNITED PARAGON MINING CORPORATION
STATEMENTS OF FINANCIAL POSITION
In Million Pesos

	Sept 30, 2018 (Unaudited)	December 31, 2017 (Audited)
CURRENT ASSETS		
Cash and cash Equivalents	0.49	0.67
Materials and supplies - at net realizable value	17.33	17.32
Other current assets	16.33	16.62
TOTAL CURRENT ASSETS	34.15	34.62
NONCURRENT ASSETS		
Property, plant and equipment	994.68	994.82
Deferred exploration costs	81.37	81.37
Other noncurrent assets	3.50	3.34
TOTAL NONCURRENT ASSETS	1,079.55	1,079.53
TOTAL ASSETS	1,113.70	1,114.15
CURRENT LIABILITIES		
Accounts payable and other current liabilities	818.97	779.14
Due to related parties	255.08	245.86
Redeemable preferred shares	26.10	26.10
Income tax payable	-	0.01
TOTAL CURRENT LIABILITIES	1,100.15	1,051.11
NONCURRENT LIABILITIES		
Pension liability	1.11	1.11
TOTAL NONCURRENT LIABILITIES	1.11	1.11
TOTAL LIABILITIES	1,101.26	1,052.22
EQUITY		
Capital stock - P.01 par value		
Authorized - 397,325,000,000 shres		
Issued - 261,314,797,080 shares	2,613.15	2,613.15
Additional paid-in capital	19.45	19.45
Actuarial gains on retirement benefits obligation	1.12	1.12
Deficit	(2,621.28)	(2,571.80)
TOTAL EQUITY	12.45	61.92
TOTAL LIABILITIES AND EQUITY	1,113.70	1,114.15

UNITED PARAGON MINING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Nine Months Ended September 30, 2018
In Million Pesos
(Unaudited)

	Nine Months ended Sept 30		Quarter (July - Sept)	
	2018	2017	2018	2017
GENERAL AND ADMINISTRATIVE EXPENSES	6.40	7.06	2.08	2.04
OTHER (INCOME) EXPENSES				
Finance expenses	34.56	30.86	12.24	10.94
Foreign exchange (gain) loss	8.52	2.44	1.56	1.18
Interest income	(0.00)	(0.00)	(0.00)	(0.00)
Other (income) expenses	(0.00)	(0.71)	-	(0.08)
	43.07	32.59	13.80	12.03
NET LOSS FOR THE PERIOD	49.48	39.65	15.88	14.07
LOSS PER COMMON SHARE COMPUTED AS FOLLOWS:				
<i>In Philippine Pesos</i>				
	Nine Months ended Sept 30		Quarter (July - Sept)	
	2018	2017	2018	2017
Net loss	49,477,538	39,653,268	15,880,383	14,074,809
Weighted average no. of shares	261,314,797,080	261,314,797,080	261,314,797,080	261,314,797,080
LOSS PER COMMON SHARE				
Basic and diluted	0.00019	0.00015	0.00006	0.00005

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2018
In Million Pesos
(Unaudited)

	2018	2017
SHARE CAPITAL		
Authorized		
Common – 397,325,000,000 shares @ P0.01 par value per share	3,973.25	3,973.25
Preferred Class “A” – 13,500,000 shares @ P0.50 par value per share ⁽¹⁾	6.75	6.75
Preferred Class “B” – 400,000 shares @ P50.00 par value per share ⁽¹⁾	20.00	20.00
Total Authorized Capital Stock	4,000.00	4,000.00
Issued and outstanding		
Common shares-261,314,797,080 shares @ P0.01 par value per share		
Balance at beginning of year	2,613.15	2,613.15
Issuance for the period	0	0
Balance at end of third quarter	2,613.15	2,613.15
SHARE PREMIUM		
Balance at beginning of year	19.45	19.45
Movement for the period	0	0
Balance at end of third quarter	19.45	19.45
ACTUARIAL GAINS ON RETIREMENT BENEFIT OBLIGATION		
Balance at beginning of year	1.12	0.92
Movement for the period	0	0
Balance at end of third quarter	1.12	0.92
EQUITY		
Balance at beginning of year, as previously reported	(2,571.80)	(2,520.10)
Net loss for the period	(49.48)	(39.65)
Balance at end of third quarter	(2,621.28)	(2,559.76)
	12.45	73.77

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CASH FLOWS
For the NineMonths Ended September 30, 2018
In Million Pesos
(Unaudited)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) before income tax	(49.48)	(39.65)
Adjustments for:		
Finance expenses	34.56	30.86
Depreciation Expense	0.01	0.47
Foreign Exchange (gain) loss	8.52	2.44
Interest & Other Income	(0.00)	(0.71)
Operating loss before changes in working capital	(6.39)	(6.59)
Changes in:		
Receivables	0.25	(0.43)
Materials and supplies	(0.00)	0.01
Prepaid expenses and other current assets	0.04	(0.05)
Accounts payable	-	-
Accrued interest and other current liabilities	(3.14)	(1.45)
Cash used in operations	(9.24)	(8.50)
Interest received	0.00	(0.00)
Income taxes paid (MCIT)	(0.00)	0.00
Net cash used in operating activities	(9.24)	(8.50)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Additions (deduction) to property, plant, and equipment	0.00	0.71
Deferred exploration costs - evaluation expenditures	-	-
Increase in other assets	(0.16)	(0.16)
Net Cash used in investing activities	(0.16)	0.55
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	9.22	8.30
Loan Payable		
Net cash provided by financing activities	9.22	8.30
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	0	0
NET INCREASE (DECREASE) IN CASH	(0.18)	0.35
CASH		
January 1	0.67	0.51
Sept 30	0.49	0.86

SCHEDULE A

**UNITED PARAGON MINING CORPORATION
FINANCIAL ASSETS IN EQUITY SECURITIES
September 30, 2018**

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued
NOT APPLICABLE			

SCHEDULE B

UNITED PARAGON MINING CORPORATION
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
September 30, 2018

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written-off	Current	Not Current	Balance at end period
NOT APPLICABLE							

SCHEDULE C

**UNITED PARAGON MINING CORPORATION
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
September 30, 2018**

Name and Designation of Debtor	Balance at Beginning period	Amounts Collected/Settlements	Amounts Written-off	Current	Not Current	Balance at end period
NOT APPLICABLE						

SCHEDULE D

**UNITED PARAGON MINING CORPORATION
INTANGIBLE ASSETS - OTHER ASSETS
September 30, 2018**

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
NOT APPLICABLE						

SCHEDULE E

**UNITED PARAGON MINING CORPORATION
LONG-TERM DEBT
September 30, 2018
(Amounts in Thousands)**

Title of issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
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NOT APPLICABLE

SCHEDULE F

**UNITED PARAGON MINING CORPORATION
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
September 30, 2018**

Name of Related Party	Balance at beginning of period	Balance at end of period
NOT APPLICABLE		

SCHEDULE G

**UNITED PARAGON MINING CORPORATION
GUARANTEES OF SECURITIES OF OTHER ISSUERS
September 30, 2018**

Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

**UNITED PARAGON MINING CORPORATION
CAPITAL STOCK
September 30, 2018**

The Company's authorized share capital is ₱4.0 billion divided into 397.3 billion shares at ₱0.01 par values. As at September 30, 2018, total shares issued and outstanding is 261,314,797,080 held by 1,194 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Directors and Officers	Principal/ Substantial Stockholders	No of shares held by Government	Banks	Others
Common Stock	397,338,900,000	261,314,797,080	-	689,814,318	205,328,291,218	-		55,296,691,544-

SCHEDULE 1

**UNITED PARAGON MINING CORPORATION
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED**

	Sept 30, 2018	December 31, 2017
<u>PROFITABILITY RATIOS:</u>		
Return on Assets	-4.442%	-4.640%
Return on Equity	-397.550%	-83.480%
Gross profit Margin	0	0
Net Profit Margin	0	0
<u>LIQUIDITY AND SOLVENCY RATIOS:</u>		
Current Ratio	0.031 : 1	0.0329 : 1
Quick Ratio	0.0152 : 1	0.0006 : 1
Solvency Ratio	1.0133 : 1	-0.0486 : 1
<u>FINANCIAL LEVERAGE RATIOS:</u>		
Asset to Equity ratio	89.49 : 1	17.99 : 1
Debt ratio	0.99 : 1	0.94 : 1
Debt to equity ratio	88.49 : 1	16.99 : 1
Interest Coverage ratio	-0.43 : 1	-0.22 : 1

UNITED PARAGON MINING CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
September 30, 2018

1. Corporate Information

Corporate Information

United Paragon Mining Corporation (the Company) was the name given to United Asia Resources and Geothermal Corporation (UARGC), surviving corporation, when the Securities and Exchange Commission (SEC) approved the merger of UARGC and Abcar-Paragon Mining Corporation (APMC) on January 29, 1990. The more significant provisions of the merger, which for accounting purposes were effective July 31, 1989, included the acquisition of assets and assumption of APMC's obligations by UARGC through issuance of shares of stock.

The Company's major activities are principally devoted to the exploration and development of its underground mining operations for the extraction of gold.

No person or entity holds more than 50% of the Company's voting securities. Accordingly, the Company has no parent company.

The Company's registered office address is 5th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City. Its exploration and mining operations are located in Longos, Paracale, Camarines Norte.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine peso, which is the Company's functional currency and presentation currency in compliance with Philippine Financial Reporting Standards (PFRSs). All amounts are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The Company's financial statements have been prepared in accordance with PFRSs.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards, which are effective for annual periods beginning on or after January 1, 2017.

PFRS 12 (Amendments), Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014-2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Company's financial statements as the Company does not have any interest in a subsidiary, a joint venture or an associate (or included in a disposal group that is classified) as held for sale.

Philippine Accounting Standards (PAS) 7 (Amendments), *Statement of Cash Flows, Disclosure Initiative*

The amendments to PAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Company has provided the required information in the financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended December 31, 2017.

PAS 12 (Amendments), *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Company applied the amendments retrospectively. However, the application has no effect on the Company's statement of financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2017

Standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company will adopt these standards and interpretation when they become effective. Unless otherwise stated, the Company does not expect the future adoption of these new and amended standards, improvements to PFRSs and new interpretations to have a significant impact on its financial statements.

Effective beginning on or after January 1, 2018

PFRS 2 (Amendments), *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and

hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company is currently assessing the impact of adopting this standard.

PFRS 4 (Amendments), Insurance Contracts, Applying PFRS 9 with PFRS 4

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

PFRS 15, Revenue from Contracts with Customers

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Company is currently assessing the impact of adopting this standard.

PAS 28 (Amendments), Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014-2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

PAS 40 (Amendments), Investment Property, Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual

reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

PFRS 9 (Amendments), Prepayment Features with Negative Compensation

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income.

PFRS 16, Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

PAS 28 (Amendments), Long-term Interests in Associates and Joint Ventures

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9.

Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Deferred effectivity

PFRS 10 and PAS 28 (Amendments), Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Presentation of Financial Statements

The Company has elected to present all items of recognized income and expense in a single statement of comprehensive income.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting date; or,

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting date; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash

Cash includes cash on hand and in banks, which are carried at face value.

Financial Instruments

Date of Recognition

The Company recognizes financial instruments in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Measurement of Financial Instruments

Financial assets are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are classified either at FVPL or as other financial liabilities. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments which are measured at FVPL.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

The Company's financial instruments are in the nature of loans and receivables and other financial liabilities. As at September 30, 2018 and December 31, 2017, the Company has no

financial instruments classified as FVPL, HTM investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

The subsequent measurement of financial assets and liabilities depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables.

After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the financial reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash as at September 30, 2018 and December 31, 2017 are classified under this category.

Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading, not derivatives nor designated as at FVPL upon the inception of the liability, where the substance of the contractual arrangement on the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. These include financial liabilities arising from operations or borrowings (e.g., accounts payable, accrued expenses). These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process.

Other financial liabilities are classified as current liabilities if it is due within twelve (12) months from the end of the reporting period, otherwise they are classified as noncurrent liabilities.

Included under this category are accounts payable and other current liabilities, due to related parties and redeemable preference shares.

Fair Value Measurement

The Company measures financial instruments at fair value at each end of the reporting period.

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 the 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 or 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 economic best interest.

A fair value measurement of a non-financial 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 another market participant 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 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 markets for identical asset or liability
 - Level 2 - Valuation techniques for which the lowest level input that is significant to the fairvalue 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 reassessing 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.

An analysis of fair values of financial instruments and further details as to how they are measured are included in the financial statements..

Impairment of Financial Assets

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

Financial Assets Carried at Amortized Cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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

Derecognition of Financial Instruments

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 where:

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

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

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the statement of comprehensive income.

Redeemable Preferred Shares

Equity instruments that include a contractual obligation to deliver cash or another financial asset to another entity are classified as a financial liability. Accordingly, preferred shares that are due for redemption are presented as a liability in the statement of financial position.

Preferred share is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the statement of comprehensive income as accrued.

The Company classified its redeemable preferred shares as a liability.

Materials and Supplies

Materials and supplies are valued at the lower of cost and net realizable value (NRV). Cost is determined using the moving-average method and includes expenditures incurred in bringing the materials and supplies to their existing location and condition. NRV of materials and supplies is the current replacement cost.

Any write-down of materials and supplies to NRV is recognized as an expense in statement of comprehensive income in the year incurred.

When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realizable value.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation, depletion and any impairment in value.

The initial cost of property, plant and equipment consists of construction cost, and its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Property, plant and equipment include capitalized underground development and mine and mining properties.

Depreciation and amortization on property, plant and equipment, except for underground development and exploration and mine and mining properties, is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life.

The average estimated useful lives of property, plant and equipment are as follows:

<u>Category</u>	<u>Number of Years</u>
Buildings and plant improvements	10
Roads and bridges	10
Office and household furniture and equipment	5
Transportation equipment	3-5

Depletion of underground development and exploration costs and mine and mining properties is calculated using the units-of-production method based on estimated ore reserves.

The assets' residual values, useful lives and depreciation, amortization and depletion methods are reviewed periodically to ensure that they are consistent with the expected pattern of economic benefits from those assets.

Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use. This also includes interest on borrowed funds incurred during the construction period.

When assets are disposed of, or are permanently withdrawn from use and no future economic benefits are expected from their disposals, the cost and accumulated depreciation, amortization, depletion and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in the statement of comprehensive income.

Fully depreciated property plant and equipment are retained in the accounts until these are no longer in use.

Deferred Exploration Costs and Deferred Development Costs

Deferred exploration costs includes costs incurred on activities involving the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Deferred development costs included in underground development under "Property, Plant and Equipment" includes costs incurred after determining the commercial viability of extracting a mineral resource.

Deferred exploration and development costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Input Value-Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Tax Credit Certificates (TCCs)

TCCs represent instruments evidencing the amount of tax credits granted by the tax authorities which can be used as payment for income taxes. TCCs are classified as current if these can be utilized in the next twelve months after the reporting date. TCCs are recognized under the "Other current assets" account in the statement of financial position

Impairment of Other Current Assets, Property, Plant and Equipment, Deferred Exploration Costs, and Other Noncurrent Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. The Company used value in use to assess the recoverable amount of an asset.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior years.

A valuation allowance is provided for unrecoverable deferred exploration costs based on the Company's assessment of the future prospects of the exploration project.

Provisions

General

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

Provision for Mine Rehabilitation and Decommissioning

Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental disturbance occurs, based on the estimated future costs using information available at reporting date. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is classified as interest accretion in the statement of comprehensive income. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

The provision is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depreciated prospectively.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the statement of comprehensive income.

Capital Stock and Additional Paid-in Capital (APIC)

The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock or options are shown in equity as a deduction, net of tax, from the proceeds. Amount of contribution in excess of par value is accounted for as an APIC.

Deficit

Deficit includes accumulated losses attributable to the Company's stockholders. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Revenue Recognition

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

Interest Income

Interest income is recognized as the interest accrues using the EIR method.

Other Income

Other income is recognized when earned. Other income consists of gain on sale of the Company's property and equipment and scrap inventory.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the expense arises following the accrual basis of accounting.

Leases

Operating Leases - The Company as a Lessee

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remain with the lessors. Lease payments under an operating lease are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Pension Liability

The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of comprehensive income.

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized in the future.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax assets to be utilized in the future.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

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

Segment Reporting

An operating segment is a component of an entity that: (a) 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.

Loss Per Common Share

Basic loss per common share is computed based on the weighted average number of shares outstanding and subscribed for each respective period with retroactive adjustments for stock dividends declared, if any. When shares are dilutive, the unexercised portion of stock options is included as stock equivalents in computing diluted loss per share, if any.

Diluted loss per common share amounts are calculated by dividing the net income by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Since the Company has no potential dilutive common shares, basic and diluted loss per common share are stated at the same amount.

Foreign Currency Transactions

The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. All differences are taken to "Foreign exchange loss (gain) - net" in the statement of comprehensive income.

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 disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the End of the Financial Reporting Date

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

Schedule J

UNITED PARAGON MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLES
As of Sept 30, 2018
In Million Pesos

Account Title	Amount	AGING IN MONTHS				
		Current/1	2-3	4-6	6-12	Over 1 year
Employee Advances - Company	5.97	0	0	0	0	5.97
Loans Receivable - Employees	0.16	0	0	0	0	0.16
Claims for value added tax (VAT) TCCs	23.77	0	0	0	0	23.77
Sundry Receivables	1.73	0	0	0	0	1.73
Total Receivables	31.64	0.00	0.00	0.00	0.00	31.64
Allowance for:						
doubtful accounts	-2.47	0	0	0	0	-2.47
uncollectible VAT refund	-12.94	0	0	0	0	-12.94
Receivable - Net	16.23	0.00	0.00	0.00	0.00	16.23

TYPE OF RECEIVABLE	NATURE/DESCRIPTION	COLLECTION PERIOD
Claims for VAT TCCs	VAT claims awaiting Issuance of Tax Credit Certificates	Over a year
Sundry receivables	Various receivables from non-trade transactions	Over a year