

40938

S.E.C. Registration No.

UNITED PARAGON MINING CORPORATION

(Company's Full Name)

6TH 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, 2019

(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, 2019

2. Commission ID No. **40938**

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

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)

Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550

7. Address of issuer's principal office _____ Postal Code

(63 2) 8631-5139

8. Issuer's telephone number, including area code

N/A

9. 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 []

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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, 2018 and September 30, 2019 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, 2018 and September 30, 2019 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, 2019) as compared with the most recent annual financial statements (December 31, 2018) 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, 2019) is reflected in the interim financial statements.
6. Unusual items during the interim period (January to September 30, 2019), 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, 2019).
8. There were NO long-term contracts entered into by the Company during the interim period (January to September 30, 2019).
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, 2019 and 2018) 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, 2019) 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, 2019) 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, 2019) that have not been reflected in the financial statements for the interim period.

14. There were NO changes in the composition of the Company during the interim period (January to September 30, 2019), 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, 2018).
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, 2019 vs. September 30, 2018)

The Company has no operating income earned for the period and reported a net loss of P45.0 million and P49.5 million for the period ending September 30, 2019 and September 30, 2018, respectively. The lower net loss for the period was due to foreign exchange gain on valuation of foreign denominated liabilities.

General and administrative expenses for the period ending September 30, 2019 is P7.3 million higher as compared to P6.5 million in the same period in 2018. The higher admin costs was due to penalties paid for two Negros MPSA's assigned by Vulcan Industrial Mining Corp (VIMC) to the Company and increase in site security cost.

The finance expenses of P38.7 million reported for the period ending September 30, 2019 was higher by P4.1 million as compared to the same period in 2018 due to compounded interest calculation on Camarines Minerals Inc., past due obligation.

Restatement of foreign currency denominated liabilities for the period ending September 30, 2019 resulted into a foreign exchange gain of P1.0 million due to peso appreciation from P52.724 (12.31.17) to P52.042 (09.30.19).

Financial Condition (September 30, 2019 vs. December 31, 2018)

The Company has total assets of P1, 116.2 million and P1, 116.4 million as of September 30, 2019 and December 31, 2018, respectively. The difference was due to decreased in the cash and cash equivalent in the current asset section due to payment of operating expenses and decrease in property plant and equipment due to provision for depreciation.

Total current liabilities increased to P1, 157.0 million from P1, 112.2 million for the period ending September 30, 2019 and December 31, 2018, respectively. The increase was mainly due to interest accrual and other payables and related party transaction.

The stockholders' equity was deficit by P41.9 million as of September 30, 2019 as compared to P3.1 million as of December 31, 2018, the increase in capital deficiency was due to operation net loss incurred for the period ending September 30 2019.

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 2019".

The gold price increased significantly by sixteen percent (16%) at the end of September 30, 2019 as compared to December 31, 2018. Gold was traded in the London Metal Exchange (“LME”) with a closing price of US\$1,487.60/oz. as of September 30, 2019 as compared to US\$1,281.65/oz as of December 31, 2018. In 2019 gold price reached an all-time high of US\$1,542.60 on September 5, 2019.

Inasmuch as the Company’s mining and milling operations are still suspended, the key performance indicators of the Company as of September 30, 2019 as compared to September 30, 2018 are as follows:

Ratios	Formula	September 30 2019	September 30 2018
Current Ratio		0.0201	0.0215
	Current Assets/	P 23,222,624	P 23,344,798
	Current Liabilities	P 1,156,991,648	P 1,085,195,396
Quick Ratio		0.0002	0.0004
	Current Asset-Inventory-Prepaid/	P 197,072	P 493,268
	Current Liabilities	P 1,156,991,648	P 1,100,163,895
Solvency Ratio		0.9638	1.0113
	Total Assets/	P 1,116,193,867	P 1,113,736,882
	Total Liabilities	P 1,158,080,053	P 1,101,273,810
Debt Ratio		1.04	0.99
	Total Liabilities/	P 1,158,080,053	P 1,101,273,810
	Total Assets	P 1,116,193,867	P 1,113,736,882
Debt to equity ratio		(27.65)	88.36
	Total liabilities/	P 1,158,080,053	P 1,101,273,810
	Stockholders' equity	P (41,886,186)	P 12,463,073
Equity to debt ratio		(0.04)	0.01
	Stockholders' equity/	P (41,886,186)	P 12,463,073
	Total liabilities	P 1,158,080,053	P 1,101,273,810
Asset to equity ratio		(26.65)	89.36
	Total Assets	P 1,116,193,867	P 1,113,736,882
	Stockholders' equity/	P (41,886,186)	P 12,463,073
Interest coverage ratios		(0.16)	(0.43)
	Earnings (loss) before interest & taxes	P (6,314,481)	P (14,902,360)
	Interest Expense	P 38,692,943	P 34,557,720
Book value per share		(0.00016)	0.00005
	Stockholders' equity/	P (41,886,186)	P 12,463,073
	Total # of shares	261,314,797,080	261,314,797,080
Loss per share		0.00017	0.00019
	Net loss/	P 45,007,424	P 49,460,080
	Total # of shares	261,314,797,080	261,314,797,080

The change in key indicators as of September 30, 2019 as compared to September 30, 2018 was noted, decreased in all key performance indicators due to net loss for the period ending September 30, 2019 except for debt ratio with an increase of 5%.

The key performance indicators of the Company as of September 30, 2019 as compared to December 31, 2018 are as follows:

Ratios	Formula	September 30 2019	December 31 2018
Current Ratio	Current Assets/ Current Liabilities	0.0201 P 23,222,624 P 1,156,991,648	0.021 P 23,450,245 P 1,112,195,408
Quick Ratio	Current Asset-Inventory-Prepaid/ Current Liabilities	0.0002 P 197,072 P 1,156,991,648	0.0006 P 662,437 P 1,112,195,408
Solvency Ratio	Total Assets/ Total Liabilities	0.9638 P 1,116,193,867 P 1,158,080,053	1.0028 P 1,116,405,051 P 1,113,283,813
Debt Ratio	Total Liabilities/ Total Assets	1.04 P 1,158,080,053 P 1,116,193,867	1.00 P 1,113,283,813 P 1,116,405,051
Debt to equity ratio	Total liabilities/ Stockholders' equity	(27.65) P 1,158,080,053 P (41,886,186)	356.68 P 1,113,283,813 P 3,121,238
Equity to debt ratio	Stockholders' equity/ Total liabilities	(0.04) P (41,886,186) P 1,158,080,053	0.00 P 3,121,238 P 1,113,283,813
Asset to equity ratio	Total Assets Stockholders' equity/	(26.65) P 1,116,193,867 P (41,886,186)	357.68 P 1,116,405,051 P 3,121,238
Interest coverage ratios	Earnings (loss) before interest & taxes Interest Expense	(0.16) P (6,314,481) P 38,692,943	(0.25) P (11,813,025) P 47,267,501
Book value per share	Stockholders' equity/ Total # of shares	(0.00016) P (41,886,186) 261,314,797,080	0.00001 P 3,121,238 261,314,797,080
Loss per share	Net loss/ Total # of shares	0.00017 P 45,007,424 261,314,797,080	0.00023 P 59,080,526 261,314,797,080

The change in key indicators as of September 30, 2019 as compared to December 31, 2018 was noted, decreased in all key performance indicators due to net loss for the period ending September 30, 2019 except for debt ratio with an increase of 4%.

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, 2019 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. Should the required permits obtained 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 2019".

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.
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 2019 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. The company is set to start the implementation of its two-year approved exploration work program in the second quarter of year 2019 subject to approval of the revised exploration work program submitted to MGB Central Office dated September 23, 2019.
 - b. The Company will obtain the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either from external sources or internal sources.
 - c. The Company intends to address and mitigate the impact of net loss to equity in the financial statements by renegotiating current loan obligations.

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, 2019 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, accounts payable and other current liabilities, due to related parties and redeemable preferred shares. 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 & Accounting 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 a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash.

With respect to credit risk arising from cash, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses.

As at September 30, 2019, the Company used general approach in the assessment of cash credit quality. The ECL relating to Company's cash is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

The adoption of new impairment model under PFRS 9 did not have a significant effect on the Company's financial statements.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities as they fall due. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by the management. 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.

The following table summarizes the maturity profile of the Company's financial liabilities and financial assets as at September 30, 2019 and December 31, 2018, based on contractual undiscounted cash flows. The analysis into relevant maturity groupings is based on the remaining term at the end of the reporting period to the contractual maturity dates, including estimated interest payments and excluding the impact of netting agreements:

September 30, 2019

(In Million Pesos)

	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 year	Total
Financial Asset:					
Cash	0.20	0	0	0	0.20
Financial Liabilities:					
Accounts payable and other current liabilities	867	0	0	0	867
Due to related parties	264	0	0	0	264
Redeemable preferred shares	26	0	0	0	26
Net Financial Liabilities	(1,157)	0	0	-	(1,157)

December 31, 2018

(In Million Pesos)

	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 year	Total
Financial Asset:					
Cash	1	0	0	0	1
Financial Liabilities:					
Accounts payable and other current liabilities	831	0	0	0	831
Due to related parties	255	0	0	0	255
Redeemable preferred shares	26	0	0	0	26
Net Financial Liabilities	(1,112)	0	0	-	(1,112)

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company uses the Philippine 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 is as follows:

	September 30, 2019		December 31, 2018	
	USD	PHP	USD	PHP
Accrued interest and other current liabilities	1,921,528	100,000,160	1,921,528	101,033,931
Other current liabilities	17,399	905,479	17,399	914,839

As at September 30, 2019 and December 31, 2018, the exchange rate of ₱ to the \$ is ₱52.042 and ₱52.724, 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 loss before income tax. There is no other impact on the Company's equity other than those affecting the statement of comprehensive income.

	Change in exchange rate	
	\$ strengthens by 5%	\$ weakens by 5%
Increase (decrease) in income before income tax and equity		
September 30, 2019	(5,045,282)	5,045,282
December 31, 2018	(5,097,439)	5,097,439

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.

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

The carrying amounts of cash, accounts payable and other current liabilities, due to related parties and redeemable preferred shares are equal or approximate their fair values due to their short-term maturities and are considered due and demandable.

During the years ended September 30, 2019 and December 31, 2018 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 September 30, 2019 and year ended December 31, 2018.

Management's plans on how to address the Company's deficit in explained under Plan of Operations for 2019.

The following table summarizes what the Company considers as its total capital as of September 30, 2019 and December 31, 2018.


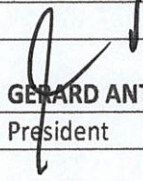
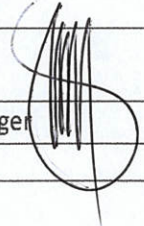
Capital stock	₱2,613,147,971
Share premium	19,449,376
	₱2,632,597,347

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.

<p>Issuer</p> <p>Signature & Title</p> <p>Date</p>	 <p>ALFREDO C. RAMOS</p> <p>Chairman of the Board</p> <hr/> <hr/>
<p>Issuer</p> <p>Signature & Title</p> <p>Date</p>	 <p>GERARD ANTON S. RAMOS</p> <p>President</p> <hr/> <hr/>
<p>Issuer</p> <p>Signature & Title</p> <p>Date</p>	 <p>GILBERT V. RABAGO</p> <p>Finance & Administrative Manager</p> <hr/> <hr/>

UNITED PARAGON MINING CORPORATION
STATEMENTS OF FINANCIAL POSITION
In Million Pesos

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
CURRENT ASSETS		
Cash and cash Equivalents	0.20	0.66
Materials and supplies - at net realizable value	17.36	17.33
Other current assets	5.67	5.46
TOTAL CURRENT ASSETS	23.22	23.45
NONCURRENT ASSETS		
Property, plant and equipment	994.51	994.64
Deferred exploration costs	83.94	83.94
Other noncurrent assets	14.51	14.37
TOTAL NONCURRENT ASSETS	1,092.97	1,092.95
TOTAL ASSETS	1,116.19	1,116.41
CURRENT LIABILITIES		
Accounts payable and other current liabilities	866.57	830.84
Due to related parties	264.32	255.26
Redeemable preferred shares	26.10	26.10
Income tax payable	-	0.00
TOTAL CURRENT LIABILITIES	1,156.99	1,112.20
NONCURRENT LIABILITIES		
Pension liability	1.09	1.09
TOTAL NONCURRENT LIABILITIES	1.09	1.09
TOTAL LIABILITIES	1,158.08	1,113.28
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	1.40	1.40
Deficit	(2,675.89)	(2,630.88)
TOTAL EQUITY	(41.89)	3.12
TOTAL LIABILITIES AND EQUITY	1,116.19	1,116.41

UNITED PARAGON MINING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Nine Months Ended September 30, 2019
In Million Pesos except computation of Income/Loss per share
(Unaudited)

	Nine Months ended Sept 30		Quarter (July to Sept)	
	2019	2018	2019	2018
GENERAL AND ADMINISTRATIVE EXPENSES	7.34	6.53	3.24	2.21
OTHER (INCOME) EXPENSES				
Finance expenses	38.69	34.56	13.73	12.24
Foreign exchange (gain) loss	(1.03)	8.37	1.33	1.41
Interest income	(0.00)	(0.00)	0.00	0.00
Other (income) expenses	-	-	-	-
	37.67	42.93	15.05	13.65
NET LOSS FOR THE PERIOD	45.01	49.46	18.29	15.86

	Nine Months ended Sept 30		Quarter (July to Sept)	
	2019	2018	2019	2018
LOSS PER COMMON SHARE COMPUTED AS FOLLOWS:				
In Philippine Pesos				
Net loss	45,007,424	49,460,080	18,290,350	15,863,541
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	0.00017	0.00019	0.00007	0.00006

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Nine Months Ended September 30, 2019
In Million Pesos
(Unaudited)

	2019	2018
SHARE CAPITAL		
Authorized		
Common – 397,325,000,000 shares @ ₱0.01 par value per share	3,973.25	3,973.25
Preferred Class “A” – 13,500,000 shares @ ₱0.50 par value per share ⁽¹⁾	6.75	6.75
Preferred Class “B” – 400,000 shares @ ₱50.00 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 @ ₱0.01 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 3rd 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 3rd quarter	19.45	19.45
ACTUARIAL GAINS ON RETIREMENT BENEFIT OBLIGATION		
Balance at beginning of year	1.40	1.12
Movement for the period	0	0
Balance at end of 3rd quarter	1.40	1.12
EQUITY		
Balance at beginning of year, as previously reported	(2,630.88)	(2,571.80)
Net loss for the period	(45.01)	(49.46)
Balance at end of 3rd quarter	(2,675.89)	(2,621.26)
	(41.89)	12.46

UNITED PARAGON MINING CORPORATION**STATEMENTS OF CASH FLOWS**

For the Nine Months Ended September 30, 2019

In Million Pesos

(Unaudited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) before income tax	(45.01)	(49.48)
Adjustments for:		
Finance expenses	38.69	34.56
Depreciation Expense	0.13	0.01
Foreign Exchange (gain) loss	(1.03)	8.52
Interest & Other Income	(0.00)	(0.00)
Operating loss before changes in working capital	(7.21)	(6.39)
Changes in:		
Receivables	(0.21)	0.25
Materials and supplies	(0.03)	(0.00)
Prepaid expenses and other current assets	-	0.04
Accrued interest and other current liabilities	(1.93)	(3.14)
Cash used in operations	(9.38)	(9.24)
Interest received	0.00	0.00
Income taxes paid (MCIT)	(0.00)	(0.00)
Net cash used in operating activities	(9.38)	(9.24)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Additions (deductio) to property, plan, and equipment	-	0.00
Deferred exploration costs - evaluation expenditures	-	-
Increase in other assets	(0.14)	(0.16)
Net Cash used in investing activities	(0.14)	(0.16)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	9.07	9.22
Loan Payable		
Net cash provided by financing activities	9.07	9.22
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	0	0
NET INCREASE (DECREASE) IN CASH	(0.46)	(0.18)
CASH		
January 1	0.66	0.67
September 30	0.20	0.49

SCHEDULE A

UNITED PARAGON MINING CORPORATION
FINANCIAL ASSETS IN EQUITY SECURITIES
September 30, 2019

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
<div style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div>			

UNITED PARAGON MINING CORPORATION
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
September 30, 2019

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written-off	Current	Not Current	Balance at end period
<div style="border: 1px solid black; padding: 10px; display: inline-block;">NOT APPLICABLE</div>							

UNITED PARAGON MINING CORPORATION
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
September 30, 2019

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							

UNITED PARAGON MINING CORPORATION
INTANGIBLE ASSETS - OTHER ASSETS
September 30, 2019

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

UNITED PARAGON MINING CORPORATION
LONG-TERM DEBT
September 30, 2019
(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

**UNITED PARAGON MINING CORPORATION
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
September 30, 2019**

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

UNITED PARAGON MINING CORPORATION
GUARANTEES OF SECURITIES OF OTHER ISSUERS
September 30, 2019

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, 2019

The Company's authorized share capital is ₱4.0 billion divided into 397.3 billion shares at ₱0.01 par value. As at September 30, 2019, total shares issued and outstanding is 261,314,797,080 held by 1,189 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 Bank Government	s	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

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
<u>PROFITABILITY RATIOS:</u>		
Return on Assets	-4.032%	-4.442%
Return on Equity	-1107.452%	-397.550%
Gross profit Margin	0	0
Net Profit Margin	0	0
<u>LIQUIDITY AND SOLVENCY RATIOS:</u>		
Current Ratio	0.0201 : 1	0.031 : 1
Quick Ratio	0.0002 : 1	0.0152 : 1
Solvency Ratio	0.9638 : 1	1.0133 : 1
<u>FINANCIAL LEVERAGE RATIOS:</u>		
Asset to Equity ratio	-26.65 : 1	89.49 : 1
Debt ratio	1.04 : 1	0.99 : 1
Debt to equity ratio	-27.65 : 1	88.49 : 1
Interest Coverage ratio	-0.16 : 1	-0.43 : 1

UNITED PARAGON MINING CORPORATION
NOTES TO INTERIM FINANCIAL STATEMENTS
September 30, 2019

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 6th 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

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2018:

- Amendments to PFRS 2, *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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after

January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Company has assessed that the adoption of these amendments did not have any impact on the September 30, 2019 and 2018 financial statements as it has no share-based payment transactions.

- 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 applied PFRS 9 using modified retrospective approach, and chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9.
- The Company discloses the accounting policies for both the current and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at September 30, 2019 and December 31, 2018.
- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognized in the opening retained earnings or other component of equity, as appropriate.
- As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*.

As at January 1, 2019, the Company has reviewed and assessed all its existing financial assets.

- *Classification and Measurement.* PFRS 9 requires debt instruments to be classified either at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification under PFRS 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI).

An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets, or both. If a debt instrument is held to collect contractual cash flows, it is classified as at amortized cost if it also meets the SPPI requirement. Debt instruments

that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI.

Under the new model, FVPL is the residual category - financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The Company's debt instruments have contractual cash flows that are solely payments of principal and interest and accordingly measured at amortized cost under PFRS 9. There is no significant impact arising from measurement of these instruments under PFRS 9. PFRS 9 requires all equity instruments to be carried at FVPL, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income.

The Company has assessed which business model apply to the financial assets held by the Company at the date of initial application of PFRS 9 and has classified its financial instruments into the appropriate PFRS 9 categories.

Summarized below is the effect of adoption of PFRS 9 in the classification of the Company's financial assets at January 1, 2019:

Financial instruments	Under Pas 39		Remeasurements/ Reclassifications	Under PFRS 9	
	Classification	Amount		Classification	Amount
Financial assets					
Cash	Loans and receivables (measured at amortized cost)	197,072		Financial assets measured at amortized cost	197,072
Financial liabilities					
Accounts payable and other	Financial liabilities measured at amortized cost	846,798,053		Financial liabilities measured at amortized cost	846,798,053
Due to related parties	Financial liabilities measured at amortized cost	264,322,739		Financial liabilities measured at amortized cost	264,322,739
Redeemable preferred shares	Financial liabilities measured at amortized cost	26,100,000		Financial liabilities measured at amortized cost	26,100,000

Impairment. The new impairment model for financial assets requires the recognition of allowance of impairment losses on financial assets based on expected credit losses, rather than only incurred credit losses as under current PAS 39. The adoption of new impairment model under PFRS 9 did not result in any adjustment to the opening balance of retained earnings.

In conclusion, the effect of adoption of PFRS 9 has no material impact on the Company's financial statements.

- *Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

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.

The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- *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 five-step model is as follows:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

While the Company elected to apply the modified retrospective approach in the adoption of PFRS 15, it did not result to a cumulative adjustment in the retained earnings as at January 1, 2018 based on the Company's evaluation.

In conclusion, the adoption had no significant impact on the substance of the principles applied by the Company to the amount and timing of revenue recognition.

- *Amendments to PAS 28, Investments in Associates and Joint Ventures, 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. Retrospective application is required.

The amendments are not applicable to the Company since it is not a venture capital organization or an investment entity, nor does the Company has associates or joint ventures that are investment entities.

- *Amendments to PAS 40, 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. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

Adoption of these amendments did not have any impact on the financial statements as the Company does not have investment property.

- *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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The Company's current practice is in line with the clarifications issued and did not have any effect on its financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2018

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective Beginning On or After January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The

amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments are expected to have no impact on the financial statements of the Company.

- 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.

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.

The Company is currently assessing the impact of adopting PFRS 16 and plans to adopt the new standard on the required effective date.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted.

These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

Since the Company does not have long-term interests in associate and joint venture to which equity method is not applied, the amendments will not have an impact on its financial statements.

- 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, *Income Taxes*, 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.

The Company plans to adopt the interpretation on the required effective date and does not expect it to have a significant impact on the financial statements.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Company but may apply to future transactions.

Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

These amendments do not apply to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The Company plans to apply these amendments on the required effective date.

Effective Beginning On or After January 1, 2020

- *Amendments to PFRS 3, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply to future business combinations of the Company.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective Beginning On or After January 1, 2021

- *PFRS 17, Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The new standard is expected to have no significant impact on the financial statements of the Company because it is not engaged in the insurance business.

Deferred Effectivity

- *Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address 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. 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 (IASB) 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.

These amendments are expected to have no impact on the financial statements of the Company.

Summary of Significant Accounting Policies

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.

In 2019, the Company's claims for value-added tax (VAT) tax credit certificates (TCCs) amounting to ₱ 10.8 million as at September 30, 2019 and, net of allowance for impairment losses amounting to ₱ 12.9 million were reclassified from current asset to noncurrent asset as the management assessed that it is not expected to be collected within 12 months. The claims for VAT TCCs in 2017 was reclassified also to conform with the current year presentation. However, no third balance sheet was presented since it has no material impact in the 2017 financial position as it increases noncurrent assets and decreases current assets only, and has no effect in the liabilities and equity.

Fair Value Measurement

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 fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by 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.

Presentation of Financial Statements

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

Financial Instruments

Initial Recognition

Financial instruments are recognized in the statement of financial position when the Company 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 (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset).

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

Classification and Subsequent Measurement Prior to January 1, 2018

Financial Assets

Financial assets are classified in the following categories: financial assets at FVPL, loans and receivables, AFS financial assets, held-to-maturity (HTM) investment, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired and whether they are quoted in an active market. The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

- *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 are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS financial asset. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. 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. The EIR amortization is included in the "Interest income" account in the statement of comprehensive income. Any losses arising from impairment are recognized in "General and administrative expenses" in the statement of comprehensive income.

Financial Liabilities

Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities, as appropriate.

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 Company's financial liabilities are in the nature of other financial liabilities. As at September 30, 2019, the Company has no financial liabilities at FVPL.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Issued financial instruments or their components, which are not classified as at FVPL are classified as other financial liabilities, where 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 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. 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.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. The EIR amortization is included in the "Interest expenses" in the statement of comprehensive income.

As at September 30, 2019, the Company's other financial liabilities include accounts payable and other current liabilities (excluding statutory payables), due to related parties and redeemable preferred shares..

Impairment of Financial Assets Prior to January 1, 2018

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after initial recognition of the asset (an incurred "loss event") and that loss has an impact on the estimated future cash flows of the financial asset or the group of financial asset that can be reliably estimated.

Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

Loans and Receivables. For loans and receivables, 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.

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are

estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss on loans and receivables 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 is reduced through use of an allowance account and the amount of loss is recognized in the statement of comprehensive income. Interest income continues to be recognized based on the reduced amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

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 by adjusting the allowance account.

Classification and Measurement Effective January 1, 2018

Classification of Financial Assets. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Company's business model for managing the financial assets. The Company classifies its financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at FVPL;
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give

rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model. The Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument.

The Company's business model refers to how it manages its financial assets in order to generate cash flows. The Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

- *Financial Assets at Amortized Cost.* A debt financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) 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.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in profit or loss.

As at September 30, 2019, the Company has financial assets at amortized cost consisting of cash.

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

As at September 30, 2019, the Company has no equity instruments at FVPL.

- *Financial Assets at FVOCI.* A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Company's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Company; and,
- the amount of the dividend can be measured reliably.

As at September 30, 2019, the Company has no financial assets at FVOCI.

Classification of Financial Liabilities. Financial liabilities are measured at amortized cost, except for the following:

- Financial liabilities measured at fair value through profit or loss;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and,
- Contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or,
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Company's financial liabilities include accounts payable and other current liabilities, due to related parties, and redeemable preferred shares.

Impairment of Financial Assets. Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

No ECL is recognized on debt instruments that are measured at amortized cost.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and,
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

- *Determination of the Stage for Impairment.* At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

- *Simplified Approach.* The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL. The Company has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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 when:

- 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; or
- the Company has transferred its rights to receive cash flows from the 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.

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. In

such case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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 Company's statement of comprehensive income.

Cash

Cash includes cash on hand and in banks, which are carried at face value and are subject to an insignificant risk of change in value.

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.

Other Current Assets

Input 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

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 include 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” include costs incurred after determining the commercial viability of extracting a mineral resource.

Deferred exploration 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 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.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Impairment of Nonfinancial 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.

Deferred Exploration Costs

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the deferred exploration costs/deferred development costs may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

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.

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

Prior to the Adoption of PFRS 15. Revenue is recognized based on the transfer of risks and rewards and to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received as receivables, excluding discounts, rebates, and other sales taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Upon Adoption of PFRS 15. Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

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

Interest Income

Income is recognized as the interest accrues (using the EIR that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

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.

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 obligation generally arises when the asset is constructed or the ground or environment is disturbed at the mine site. 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.

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; and
- 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.

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.

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.

Basic 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

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.

AGING OF ACCOUNTS RECEIVABLES

As of September 30, 2019

In Million Pesos

Account Title	Amount	AGING IN MONTHS				
		Current/1	2-3	4-6	6-12	Over 1 year
Employee Advances - Company	6.37	0.51	0	0	0	5.86
Loans Receivable - Employees	0.17	0	0	0	0	0.17
Claims for value added tax (VAT) TCCs	23.77	0	0	0	0	23.77
Sundry Receivables	1.50	0	0	0	0	1.50
Total Receivables	31.81	0.51	0.00	0.00	0.00	31.30
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	16.40	0.51	0.00	0.00	0.00	15.89

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