COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 40938

COMPANY NAME

UNITED PARAGON MINING CORPORATION

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

6th Floor Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@unitedparagon.com	(02) 8631-3113	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,169	Month of May	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Gilbert Rabago	gilbert.rabago@unitedparagon.com	(02) 8631-5139	N/A

CONTACT PERSON's ADDRESS

6th Floor, Quad Alpha Centrum Building, 125 Pioneer Street, Mandaluyong City

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

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

UNITED PARAGON
MINING CORPORATION
Head Office
6th Floor, Quad Alpha Centrum Bldg.
125 Pioneer Street, Mandaluyong City, Philippines
Tel. no. (632) 8631-5139 Fax No. (632) 8631-3113
www.unitedparagon.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of UNITED **PARAGON MINING CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached herein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature: **ALFREDO C. RAMOS**
Chairman of the Board

Signature: **GERARD ANTON S. RAMOS**
President /CEO

Signature: **ADRIAN PAULINO S. RAMOS**
Treasurer

Signed this ____ day of _____

Passport No. P7752563A issued in DFA NCR South on June 30, 2018 in his capacity
SUBSCRIBED AND SWORN to before me in ______________ on this JUN 30 2020 affiant (s) exhibiting to me their Passport/PRC ID, as follows:

NAMES	ID NO.	DATE OF ISSUE/EXPIRY	PLACE OF ISSUE
Alfredo C. Ramos	Passport EC8370209	July 20, 2021	DFA NCR East
Adrian Paulino S. Ramos	Passport EC6344702	January 8, 2021	DFA Manila
Gerard Anton S. Ramos	Passport P7752563A	June 30, 2018	DFA NCR South

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Page No. 76
Book No. 1
Series of 2020.

IRIS MARIE U. CARPIO
NOTARY PUBLIC
ROLL NO. 51028
MANDALUYONG CITY METRO MANILA

ATTY. IRIS MARIE U. CARPIO
NOTARY PUBLIC – CITY OF MANDALUYONG
APPT. NO. 0374-20 / UNTIL DECEMBER 31, 2021
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 4337135/ MANDALUYONG CITY / 01-08-2020
IBP NO. 105433 / 01-07-2020 / QC CHAPTER
MCLE COMPLIANCE NO. VI-0022115 / 04-14-2022
ROLL NO. 51028

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SyCip Gorres Velayo & Co
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A)
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
United Paragon Mining Corporation
6th Floor Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Paragon Mining Corporation (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, and statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has incurred capital deficiency of ₱44.0 million as of December 31, 2019 resulting from cumulative losses of ₱2,677.7 million and ₱2,630.9 million as of December 31, 2019 and 2018, respectively. Also, the Company's current liabilities exceeded its current assets by ₱1,144.6 million and ₱1,088.7 million as of December 31, 2019 and 2018, respectively. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

In addition to the matters described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverability of Deferred Exploration Cost

The carrying values of deferred exploration costs as at December 31, 2019 amounting to ₱92.6 million represent expenditures incurred by the Company for the Longos Mine. PFRSs requires the Company to assess the recoverability of its deferred exploration costs when facts and circumstances suggest that the carrying amount exceeds its recoverable amount. The ability of the Company to recover its deferred exploration costs would depend on the commercial viability of the reserves. The significant management judgment required in assessing whether there is an indication of impairment is a key area of focus on our audit.

The disclosures related to recoverability of deferred exploration cost are included in Notes 4 and 9 to the financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired and reviewed relevant updates on the current status of the Longos Mine under exploration and future management plans. We inspected the licenses/permits of each exploration project to determine that the period for which the Company has the right to explore in the specific area has not expired and will not expire within the period of their plan of operation. We also reviewed the Company's relevant disclosures. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of Property, Plant and Equipment

The net book value of the Company's property, plant and equipment amounted to ₱994.5 million as at December 31, 2019. The Company is currently under exploration status upon receipt of exploration permit dated August 20, 2018. Under PFRSs, the Company assesses, at each reporting period whether there is an indication that these assets may be impaired. The assessment of the recoverable amount of property, plant and equipment related to Longos Mine project requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as gold prices and discount rate. Hence, such assessment is a key audit matter in our audit.

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The disclosure related to recoverability of property, plant and equipment are included in Notes 4 and 8 to the financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used in determining the recoverability of the property, plant and equipment, which key assumptions include the future production levels and costs, gold prices and discount rate. We compared the key inputs such as future production levels and costs against project feasibility report and gold prices against externally published data. We carried out an update discussion with the specialists who were part of the feasibility study team on the basis of the estimated production levels and costs and anticipated changes. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of United Paragon Mining Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Ma. Genalin Q. Arevalo.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo
Partner
CPA Certificate No. 108517
SEC Accreditation No. 1613-AR-1 (Group A),
November 11, 2019, valid until November 10, 2022
Tax Identification No. 224-024-926
BIR Accreditation No. 08-001998-123-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125207, January 7, 2020, Makati City

June 29, 2020

30 JUN 2020

UNITED PARAGON MINING CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 5)	**₱980,770**	₱662,437
Materials and supplies (Note 6)	**17,358,337**	17,327,500
Other current assets (Note 7)	**5,765,320**	5,460,308
Total Current Assets	**24,104,427**	23,450,245
Noncurrent Assets		
Property, plant and equipment (Note 8)	**994,470,943**	994,641,400
Deferred exploration costs (Note 9)	**92,590,845**	83,944,446
Other noncurrent assets (Note 7)	**14,540,734**	14,368,960
Total Noncurrent Assets	**1,101,602,522**	1,092,954,806
TOTAL ASSETS	**₱1,125,706,949**	₱1,116,405,051
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 10)	**₱874,415,951**	₱830,839,435
Due to related parties (Note 11)	**268,155,969**	255,255,969
Redeemable preferred shares (Note 12)	**26,100,000**	26,100,000
Income tax payable	**–**	4
Total Current Liabilities	**1,168,671,920**	1,112,195,408
Noncurrent Liability		
Pension liability (Note 13)	**987,981**	1,088,405
Total Liabilities	**1,169,659,901**	1,113,283,813
Equity (Capital Deficiency)		
Capital stock - ₱0.01 par value (Note 15)		
Authorized - 397,325,000,000 shares		
Issued - 261,314,797,080 shares	**2,613,147,971**	2,613,147,971
Additional paid-in capital	**19,449,376**	19,449,376
Remeasurement gains on retirement benefits obligation (Note 13)	**1,183,549**	1,403,559
Deficit (Note 2)	**(2,677,733,848)**	(2,630,879,668)
Total Equity (Capital Deficiency)	**(43,952,952)**	3,121,238
TOTAL LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)	**₱1,125,706,949**	₱1,116,405,051

See accompanying Notes to Financial Statements

UNITED PARAGON MINING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**₱2,034,870**	₱6,695,044	₱9,961,761
OTHER EXPENSES (INCOME)			
Interest expenses (Note 17)	**48,592,211**	47,267,501	42,209,731
Foreign exchange losses (gains) - net	**(3,771,213)**	5,120,332	226,733
Interest income (Note 5)	**(1,688)**	(2,155)	(2,991)
Other income (Note 18)	–	(200)	(714,233)
	44,819,310	52,385,478	41,719,240
LOSS BEFORE INCOME TAX	**46,854,180**	59,080,522	51,681,001
PROVISION FOR CURRENT INCOME TAX (Note 19)	–	4	14,245
NET LOSS	**46,854,180**	59,080,526	51,695,246
OTHER COMPREHENSIVE LOSS (INCOME)			
Item that will not be reclassified to profit or loss:			
Remeasurement losses (gains) on retirement benefits obligation (Note 13)	**220,010**	(278,612)	(200,005)
TOTAL COMPREHENSIVE LOSS	**₱47,074,190**	₱58,801,914	₱51,495,241
Basic and Diluted Loss Per Share (Note 20)	**₱0.0002**	₱0.0002	₱0.0002

See accompanying Notes to Financial Statements.

UNITED PARAGON MINING CORPORATION

STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital stock (Note 15)	Additional paid-in capital	Remeasurement gains (losses) on retirement benefit obligation (Note 13)	Deficit	Total
Balances at January 1, 2017	**₱2,613,147,971**	**₱19,449,376**	**₱924,942**	**(₱2,520,103,896)**	**₱113,418,393**
Net loss	–	–	–	(51,695,246)	(51,695,246)
Other comprehensive income	–	–	200,005	–	200,005
Total comprehensive loss	–	–	200,005	(51,695,246)	(51,495,241)
Balances at December 31, 2017	**2,613,147,971**	**19,449,376**	**1,124,947**	**(2,571,799,142)**	**61,923,152**
Net loss	–	–	–	(59,080,526)	(59,080,526)
Other comprehensive income	–	–	278,612	–	278,612
Total comprehensive loss	–	–	278,612	(59,080,526)	(58,801,914)
Balances at December 31, 2018	**2,613,147,971**	**19,449,376**	**1,403,559**	**(2,630,879,668)**	**3,121,238**
Net loss	–	–	–	(46,854,180)	(46,854,180)
Other comprehensive loss	–	–	(220,010)	–	(220,010)
Total comprehensive loss	–	–	(220,010)	(46,854,180)	(47,074,190)
Balances at December 31, 2019	**₱2,613,147,971**	**₱19,449,376**	**₱1,183,549**	**(₱2,677,733,848)**	**(₱43,952,952)**

See accompanying Notes to Financial Statements.

UNITED PARAGON MINING CORPORATION

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱46,854,180)**	(₱59,080,522)	(₱51,681,001)
Adjustments for:			
Interest expense (Note 17)	**48,592,211**	47,267,501	42,209,731
Unrealized foreign exchange losses (gains)	**(3,771,213)**	5,120,332	226,733
Pension costs (Note 13)	**248,566**	257,102	280,697
Depreciation (Notes 8 and 16)	**170,457**	122,625	517,871
Interest income (Note 5)	**(1,688)**	(2,155)	(2,991)
Gain on disposal of property and equipment	**–**	(200)	(625,850)
Operating loss before working capital changes	**(1,615,847)**	(6,315,317)	(9,074,810)
Decrease (increase) in:			
Materials and supplies	**(30,837)**	(3,298)	31,590
Other current assets	**(305,012)**	333,502	(207,622)
Increase (decrease) in accounts payable and other current liabilities	**(40,303)**	577,468	(1,000,607)
Net cash used in operations	**(1,991,999)**	(5,407,645)	(10,251,449)
Interest paid	**(1,204,179)**	(1,270,191)	–
Retirement benefits paid (Note 13)	**(569,000)**	–	–
Interest received	**1,688**	2,155	2,991
Income taxes paid	**(4)**	(14,245)	(131)
Net cash flows used in operating activities	**(3,763,494)**	(6,689,926)	(10,248,589)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to deferred exploration costs (Note 9)	**(8,646,399)**	(2,515,322)	–
Additions to other noncurrent assets	**(171,774)**	(205,789)	(194,843)
Proceeds from disposal of property and equipment	**–**	200	625,850
Net cash flows from (used in) investing activities	**(8,818,173)**	(2,720,911)	431,007
CASH FLOWS FROM A FINANCING ACTIVITY			
Additional advances from related parties (Note 11)	**12,900,000**	9,400,000	9,976,981
NET INCREASE (DECREASE) IN CASH	**318,333**	(10,837)	159,399
CASH AT BEGINNING OF YEAR	**662,437**	673,274	513,875
CASH AT END OF YEAR (Note 5)	**₱980,770**	₱662,437	₱673,274

See accompanying Notes to Financial Statements.

UNITED PARAGON MINING CORPORATION
NOTES TO FINANCIAL STATEMENTS

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. UARGC was registered with the Philippine SEC on April 10, 1970 with a corporate term of fifty (50) years.

The Company's major activities are principally devoted to the exploration and development of its underground mining operations for the extraction of gold. The Company's principal exploration and mining operations is the Longos Mine at Paracle, Camarines Norte for which the related valid and subsisting mining properties of the Company are MPSA-V-0041 dated July 19, 1991, AMA-V-0270 dated October 29,1998, and EP-016-2016-V, formerly EXPA-000180-V, issued on August 20, 2018.

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 St., Mandaluyong City.

The financial statements of the Company as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issue by the Board of Directors (BOD) on June 29, 2020.

2. Status of Operations and Management Plans

As shown in the financial statements, the Company has incurred capital deficiency of ₱44.0 million as of December 31, 2019 resulting from cumulative losses of ₱2,677.7 million and ₱2,630.9 million as of December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Company's current liabilities exceeded its current assets by ₱1,144.6 million and ₱1,088.7 million, respectively. Net cash flows used in operating activities amounted to ₱3.8 million, ₱6.6 million and ₱10.2 million in 2019, 2018 and 2017, respectively. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, and, therefore that it maybe unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these uncertainties cannot be determined presently. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Management's actions and plans to improve and sustain the Company's operations include the following, among others:

a. The Company will examine various project financing options to fund its exploration work program;
b. The Company will continue with its exploration and drilling activities since it already received its Exploration Permit dated August 20, 2018; and,

- *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 December 31, 2019 and 2018, 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 December 31, 2019 and 2018, 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 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.

Impairment of Financial Assets Effective January 1, 2018
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 fulfil 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.

<u>Offsetting Financial Instruments</u>
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.

<u>Derecognition of Financial Instruments</u>

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:

Category	Number of Years
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.

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 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.

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

Uncertain Tax Position
The Company records uncertain tax positions on the basis of a two-step process whereby the Company determines whether it is more likely than not that the tax positions will be sustained based on technical merits of the position, and for those tax positions that meet the more likely than not criteria, the Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with related tax authority. The Company records interest and penalties on uncertain tax positions in "Income tax expense (benefit)" account in the statement of comprehensive income.

Leases – Company as a Lessee
The Company's lease contracts pertain to operating leases of machinery and equipment.

Before the adoption of PFRS 16, the Company classified each of its leases at the inception date as either a finance lease or an operating lease.

Operating Lease Commitments - Company as Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments on cancellable leases are recognized as expense in the statement of comprehensive income based on the terms of the lease.

Effective January 1, 2019, upon adoption of PFRS 16, the Company applies the low-value lease recognition exemption to its lease of machinery and equipment. The Company continues to recognize lease payments as expense 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.

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.

4. Significant Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRSs requires the Company to make judgments and estimates that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Estimating Allowance for Inventory Obsolescence
Inventories, which comprise of materials and supplies, are used in the Company's operations, are stated at the lower of cost and NRV. Allowance due to obsolescence is established when there is evidence that the equipment where the parts and supplies were originally purchased for are no longer in service. Materials which are non-moving or have become unusable are priced at their recoverable amount. Inventories carried at lower of cost and NRV, amounted to ₱17.4 million and ₱17.3 million as at December 31, 2019 and 2018, respectively (see Note 6). Materials and supplies inventories amounting to ₱11.1 million as at December 31, 2019 and 2018 had been fully provided with an allowance for impairment losses (see Note 6).

Estimating Useful Lives of Property, Plant and Equipment
The Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The Company recognized depreciation and amortization expense amounting to ₱0.2 million, ₱0.2 million and ₱0.5 million in 2019, 2018 and 2017, respectively. The carrying amounts of property, plant and equipment amounted to ₱994.5 million and ₱994.6 million as at December 31, 2019 and 2018, respectively (see Note 8). There is no change in the estimated useful lives of property and equipment as at December 31, 2019 and 2018.

Estimating Impairment of Property, Plant and Equipment
The Company assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of the recoverable amount of property, plant and equipment related to its Longos Mine project requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as gold prices and discount rate.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the net selling price.

Management performed impairment test as at December 31, 2019 and 2018. The recoverable amount of the property, plant and equipment related to the Longos Mine Project has been determined using a discounted cash flow projection covering 10-year remaining mine life of the project based on the mine feasibility study.

The calculation of the value-in-use of the mine project incorporates the following key assumptions:

- future production levels and costs which are based on the Company's feasibility study;
- commodity prices; and,
- pre-tax discount rates.

The significant assumptions in the value-in-use calculation and sensitivity to changes in assumptions are disclosed in Note 8.

The carrying value of property, plant and equipment amounted to ₱994.5 million and ₱994.6 million as at December 31, 2019 and 2018, net of allowance for impairment losses of property, plant and equipment amounting to ₱141.7 million as at those dates. No impairment losses were recognized in 2019, 2018 and 2017 (see Note 8).

Estimating Allowance for Impairment Losses on Claims for VAT TCCs and Advances to Employee
The Company provides allowance for impairment losses on claims for VAT TCCs and advances to employees when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease claims for VAT TCCs and advances to employees.

The Company's claims for VAT TCCs amounted to ₱10.8 million, net of allowance for impairment losses amounting to ₱12.9 million as at December 31, 2019 and 2018. Advances to employees amounted to ₱5.4 million, net of allowance for impairment losses amounting to ₱1.0 million as at December 31, 2019 and 2018 (see Note 7).

Assessing Recoverability of Deferred Exploration Costs
The Company assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

There are no evidence of impairment of the Company's deferred exploration cost which amounted to ₱92.6 million and ₱83.9 million as at December 31, 2019 and 2018, respectively (see Note 9).

Estimating Pension Costs
The determination of the Company's obligation and pension costs is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 13 to the financial statements and include among others, discount rates, and rates of future salary increase. In accordance with PAS 19, *Employee Benefits*, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Company's pension and other pension obligations. Net pension cost amounted to ₱0.2 million, ₱0.3 million and ₱0.3 million in 2019, 2018 and 2017, respectively. The Company's pension liability amounted to ₱1.0 million and ₱1.1 million as at December 31, 2019 and 2018, respectively (see Note 13).

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

As at December 31, 2019, the Company recognized deferred tax asset to the extent of deferred tax liability which amounted to ₱1.1 million. As at December 31, 2019 and 2018, the Company did not recognize the remaining deferred income tax on temporary differences as it is not probable that sufficient future taxable profits will be available to allow the benefit of the deferred income tax assets to be utilized (see Note 19).

5. Cash

	2019	2018
Cash on hand	**₱35,000**	₱35,000
Cash in banks	**945,770**	627,437
	₱980,770	₱662,437

Cash in banks earn interest at their respective bank deposit rates.

Total interest income amounted to ₱1,688, ₱2,155 and ₱2,991 in 2019, 2018 and 2017, respectively.

6. Materials and Supplies

	2019	2018
At NRV:		
Spare parts	**₱14,352,879**	₱14,352,879
Consumables	**2,860,438**	2,860,438
	17,213,317	17,213,317
At cost:		
Fuel and lubricants	**145,020**	114,183
	₱17,358,337	₱17,327,500

Material and supplies charged to expense amounted to ₱8,805, ₱70,672 and ₱87,879 in 2019, 2018 and 2017, respectively (see Note 16).

No provision of inventory obsolescence was recorded in 2019, 2018 and 2017. The allowance for inventory obsolescence amounting to ₱8.8 million and ₱2.3 million pertains to spare parts and consumables, respectively, as at December 31, 2019 and 2018.

7. Other Current Assets and Other Noncurrent Assets

Other Current Assets

	2019	2018
Advances to employees	**₱6,424,485**	₱6,433,366
Others	**1,809,827**	1,495,934
	8,234,312	7,929,300
Allowance for impairment losses on:		
Advances to employees	**1,029,932**	1,029,932
Others	**1,439,060**	1,439,060
	2,468,992	2,468,992
	₱5,765,320	₱5,460,308

Others includes advances to a contractor, prepaid rent and insurance, and security deposits.

Other Noncurrent Assets

	2019	2018
Claims for VAT TCCs	**₱23,772,232**	₱23,772,232
Input VAT	**3,445,336**	3,273,562
Others	**267,695**	267,695
	27,485,263	27,313,489
Allowance for impairment loss on claims for VAT TCCs	**(12,944,529)**	(12,944,529)
	₱14,540,734	₱14,368,960

8. Property, Plant and Equipment

2019

	Underground Development	**Mine and Mining Properties**	**Buildings and Plant Improvements**	**Roads and Bridges**	**Office and Household Furniture and Equipment**	**Transportation Equipment**	**Total**
Cost							
Balances at beginning and end of year	**₱1,574,754,870**	**₱405,000,000**	**₱123,519,016**	**₱18,140,398**	**₱4,595,609**	**₱2,119,727**	**₱2,128,129,620**
Accumulated depreciation, amortization and depletion:							
Balances at beginning of year	**763,575,151**	**84,461,189**	**122,954,146**	**14,093,758**	**4,581,290**	**2,119,727**	**991,785,261**
Depreciation (Note 16)	**–**	**–**	**132,472**	**36,125**	**1,860**	**–**	**170,457**
Balances at end of year	**763,575,151**	**84,461,189**	**123,086,618**	**14,129,883**	**4,583,150**	**2,119,727**	**991,955,718**
Accumulated impairment losses	**101,568,158**	**40,134,801**	**–**	**–**	**–**	**–**	**141,702,959**
Net book values	**₱709,611,561**	**₱280,404,010**	**₱432,398**	**₱4,010,515**	**₱12,459**	**₱–**	**₱994,470,943**

2018

	Underground Development	Mine and Mining Properties	Buildings and Plant Improvements	Roads and Bridges	Office and Household Furniture and Equipment	Transportation Equipment	Total
Cost							
Balances at beginning of year	₱1,574,754,870	₱405,000,000	₱123,519,016	₱18,140,398	₱4,603,059	₱2,119,727	₱2,128,137,070
Retirement	–	–	–	–	(7,450)	–	(7,450)
Balances at end of year	1,574,754,870	405,000,000	123,519,016	18,140,398	4,595,609	2,119,727	2,128,129,620
Accumulated depreciation, amortization and depletion:							
Balances at beginning of year	763,575,151	84,461,189	122,816,730	14,054,622	4,584,200	2,119,727	991,611,619
Depreciation (Note 16)	–	–	137,416	39,136	4,540	–	181,092
Retirement	–	–	–	–	(7,450)	–	(7,450)
Balances at end of year	763,575,151	84,461,189	122,954,146	14,093,758	4,581,290	2,119,727	991,785,261
Accumulated impairment losses	101,568,158	40,134,801	–	–	–	–	141,702,959
Net book values	₱709,611,561	₱280,404,010	₱564,870	₱4,046,640	₱14,319	₱–	₱994,641,400

The Company performs an individual assessment of the physical condition of its property, plant and equipment. No provision for impairment was recognized in 2019, 2018 and 2017. Accumulated impairment losses on property, plant and equipment amounted to ₱141.7 million as at December 31, 2019 and 2018.

The carrying value of temporarily idle property, plant and equipment amounted to ₱990.0 million as at December 31, 2019 and 2018. The Company has no plans of disposing these idle assets as these are reserved for future use when the mine is reopened.

Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The Company performed an impairment test in 2019 and 2018.

The recoverable amount of the property, plant and equipment has been determined based on a discounted cash flows (DCF) calculation using cash flow projections from the project feasibility study.

The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rates applied to the cash flow projections as at December 31, 2019 and 2018 are 15.8% and 12.0%, respectively. As a result of this analysis, management concluded that property, plant and equipment is not impaired.

The calculation of DCF is most sensitive to the following assumptions:

a. Future Production Levels and Costs
   Future production levels and costs include direct and indirect costs used to concentrate the mined ore reserves for the remaining life of the mine.

b. Gold Prices
   The Company considers the effect of commodity price changes. The Company considered the possible effect of the changes in the price of gold as it relates to the revenues that may be generated by the Company and the attainment of the cash flow projections. The Company used the data from the project feasibility study and was compared against externally published data.

c. Pre-tax Discount Rate
   Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the risk free market rate available in the market. Specific risk is incorporated by applying individual beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used by the Company are 15.8% and 12.0% as at December 31, 2019 and 2018, respectively.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

9. Deferred Exploration Costs

	2019	2018
Balances at beginning of year	**₱92,788,364**	₱90,214,575
Additions	**8,646,399**	2,573,789
Balances at end of year	**101,434,763**	92,788,364
Allowance for impairment losses	**(8,843,918)**	(8,843,918)
Net book value	**₱92,590,845**	₱83,944,446

Deferred exploration costs include, among others, acquisition of rights to explore, topographical and geophysical studies, exploratory drilling, trenching, sampling and activities in relation to evaluating the technical feasibility of extracting mineral resources.

The carrying value of the Company's deferred exploration costs were incurred in relation to the following:

- MPSA-V-0041 dated July 19, 1991 and AMA-V-0270 dated October 29,1998 which were returned to the MGB Regional office in view of the moratorium on the grant of Mineral Agreement pursuant to the pertinent provisions of Section 4 of the Executive Order (EO) No. 79 issued by the President of the Philippines on July 6, 2012;
- APSA-000375-V dated February 7, 2006 which has been converted into an Exploration Permit on February 4, 2013 and now is renumbered as EXPA-000180-V. On June 24, 2016, MGB issued a memorandum for the clearance to issue the exploration permit but was held in abeyance in view of the Moratorium on the processing and approval of mining applications pursuant to Department Memorandum order (DMO) No. 2016-01 dated July 8, 2016; and,
- Exploration Permit No. EP-016-2016-V, formerly EXPA-000180-V, which was issued on August 20, 2018 by MGB Regional Office No. V, Legazpi City. On June 19, 2020, the Company has written a request for filing to extend its validity until August 2021.

No additional impairment loss was recognized in 2019, 2018 and 2017. The Longos Mine still has an estimated ore reserve of 1.6 million metric tons (MT) at 11.05 gram per ton of gold (Au g/t) with an estimated mineable reserve of 1.8 million MT at 9.88 Au g/t. Based on the estimates of ore reserves calculated by qualified technical personnel and certified by a competent geologists and mine engineers hired by the Company, the carrying value of the above assets, including that of the related property, plant and equipment, is not higher than the estimated fair value less costs to sell of the mineable reserves (see Note 3).

10. Accounts Payable and Other Current Liabilities

	2019	2018
Royalty payable (Note 21)	**₱326,355,043**	₱326,355,043
Accrued interest on:		
Redeemable Class B preferred shares (Note 12)	**205,161,642**	201,161,642
Bonds payable	**97,296,559**	101,033,931
Due to related parties (Note 11)	**66,560,069**	66,560,069

(Forward)

	2019	2018
Redeemable Class A preferred shares (Note 12)	**₱64,704,968**	₱63,484,968
Royalty payable (Note 21)	**61,145,353**	18,954,966
Others	**1,925,988**	1,925,988
Dividends payable (Note 12)	**20,022,233**	20,022,233
Nontrade payables	**8,527,308**	8,538,630
Accruals:		
Third parties:		
Salaries and wages	**7,458,247**	7,530,816
Professional and consultancy fees	**4,308,780**	4,308,769
Taxes and licenses	**61,075**	61,075
Related parties:		
Rental and utilities (Note 11)	**3,197,895**	3,197,895
Others	**7,690,791**	7,703,410
	₱874,415,951	₱830,839,435

Terms and conditions of the aforementioned liabilities are as follows:

- Accrued interest on bonds pertains to unpaid dollar-denominated interest on bonds, which were converted into equity shares in 1999. In 2008, some accrued interest on bonds payable were converted to equity (see Note 15). The movement in the remaining accrued interest payable pertains to the translation adjustments of US$1.9 million and is due and demandable.

- Accrued interest on royalty payable pertains to the interest on unpaid royalty due under the Operating Agreement with CMI (see Note 21). The loan to CMI and the accrued interest is payable within one (1) year from the date of the note payable, and if the loan is not paid within the agreement, a new promissory note from the Company shall be made amounting to the original principal of the loan plus accrued interest to-date.

- Accrued salaries and wages and professional fees are noninterest-bearing and generally settled within thirty (30) days.

- Others consist mainly of statutory payables and payables to third parties which are already due and demandable. Statutory payables are expected to be paid within thirty (30) days.

- Dividends payable pertains to the cash dividends which remains outstanding as at December 31, 2019 and 2018 (see Note 12).

11. Related Party Transactions

In the normal course of business, the Company transacts with companies that are considered related parties under PAS 24, *Related Party Disclosures*. Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

All transactions with related parties are unsecured and settled in cash upon demand.

Outstanding balances of transactions with related parties are set out below:

Related Party	Year	Amount/volume	Accruals (see Note 10)	Due to Related Parties	Terms	Condition
Entities under common control						
Alakor Corporation (Alakor)						
Loans (see Note 11a)	**2019**	**₱–**	**₱–**	**₱120,000,000**	10% interest bearing	Uncollateralized
	2018	₱–	₱–	₱120,000,000	Due and demandable	
Interest (see note 10)	**2019**	–	**39,313,795**	–	Due and demandable	Uncollateralized
	2018	–	39,313,795	–		
Advances (see Note 11c)	**2019**	–	–	**75,684,098**	12% interest bearing	Uncollateralized
	2018	–	–	75,684,098	Due and demandable	
Interest (see Note 10)	**2019**	–	**27,246,274**	–	Due and demandable	Uncollateralized
	2018	–	27,246,274	–		
Due to (see Note 11d)	**2019**	–	–	**18,630,000**	Noninterest-bearing	Uncollateralized
	2018	–	–	18,630,000		
Accrued expenses (see Note 11b)	**2019**	–	**766,771**	–	Noninterest-bearing;	Uncollateralized
	2018	–	766,771	–	Due and demandable	
National Book Store, Inc. (NBS)						
Due to (see Note 11d)	**2019**	–	–	**14,400,714**	Noninterest-bearing;	Uncollateralized
	2018	–	–	14,400,714	Due and demandable	
Anglo Phil. Holding Corp. (APHC)						
Due to (see Note 11d)	**2019**	**12,900,000**	–	**38,947,744**	Noninterest-bearing;	Uncollateralized
	2018	9,400,000	–	26,047,744	Due and demandable	
Abacus Book and Card Corporation (Abacus)						
Due to (see Note 11d)	**2019**	–	–	**493,413**	Noninterest-bearing;	Uncollateralized
	2018	–	–	493,413	Due and demandable	
The Philodrill Corporation (TPC)						
Accrued expenses (see Note 11b)	**2019**	–	**1,376,801**	–	Noninterest-bearing;	Uncollateralized
	2018	–	1,376,801	–	Due and demandable	
Vulcan Industrial & Mining Corp. (VIMC)						
Accrued expenses (see Note 11b)	**2019**	–	**1,054,323**	–	Noninterest-bearing;	Uncollateralized
	2018	–	1,054,323	–	Due and demandable	
	2019		**₱69,757,964**	**₱268,155,969**		
	2018		₱69,757,964	₱255,255,969		

a. On September 20, 2011, the Company entered into loan agreement with Alakor, a company under common control, to finance the Company's cost of conducting feasibility study on the Longos Gold Project and provided for its general working capital requirements. The uncollateralized loan amounts to ₱250.0 million with 10% interest per annum due 36 months after drawdown date. In 2011, drawdown amounted to ₱120.0 million. There were no additional drawdowns in 2019 and 2018.

The loan agreement gives the following rights to Alakor:

- Option to convert, at any time after the earliest draw down date, all amounts outstanding under the loan into equity of the Company at ₱0.018 per share.
- Subscribe to no more than 2,700,000 shares of the Company at ₱0.018 per share within five (5) years from the execution of the loan documents.

b. Accrued expenses due to Alakor, TPC and VIMC pertain to rental and utilities charged by the related parties to the Company.

c. Advances from Alakor consist of loans and advances that are covered by promissory notes subject to roll-over every ninety (90) days with interest at twelve percent (12%) per annum. These are used to finance the Company's capital expenditures and working capital requirements.

d. Due to Alakor, NBS, APHC, and Abacus pertain to advances for working capital purposes. APHC made additional advances to UPMC for additional working capital amounting to ₱12.9 million and ₱9.4 million in 2019 and 2018, respectively.

On December 29, 2018, VIMC executed a Deed of Assignment (the Deed) assigning its rights in Negros Copper Projects to the Company. The Deed stipulates that the Company assumed all actual and contingent liabilities arising from or will arise from the abandonment of VIMC's exploration activities. In relation to the assignment, VIMC has condoned its receivables from the Company relating to accrued rentals and utilities amounting to ₱1.1 million presented as part of "Accounts payables and other current liabilities" (see Note 10).

Compensation of Key Management Personnel

Key management personnel compensation in the form of short-term benefits amounted to ₱1.4 million and ₱1.8 million in 2019 and 2018, respectively.

The Company's related party transactions which are 10% and above of the total assets are reviewed and approved by the Related Party Transactions Committee.

Changes in liabilities arising from financing activities

	January 1, 2019	**Additions**	**Payments**	**December 31, 2019**
Due to related parties	**₱255,255,969**	**₱12,900,000**	**₱–**	**₱268,155,969**
Redeemable preferred shares	**26,100,000**	**–**	**–**	**26,100,000**
	₱281,355,969	**₱12,900,000**	**₱–**	**₱294,255,969**

	January 1, 2018	Additions	Payments	December 31, 2018
Due to related parties	₱245,855,969	₱9,400,000	₱–	₱255,255,969
Redeemable preferred shares	26,100,000	–	–	26,100,000
	₱271,955,969	₱9,400,000	₱–	₱281,355,969

12. Redeemable Preferred Shares

	Class A		
	Shares	Par value	Amount
December 31, 2007	13,500,000	₱1.00	₱13,500,000
Effect of capital restructuring in 2008:			
Decrease in par value (see Note 15)	–	(0.50)	(6,750,000)
Conversion of preferred shares to common shares (see Note 15)	(1,300,000)	₱–	(650,000)
Balances at December 31, 2019, 2018 and 2017	**12,200,000**	**₱0.50**	**₱6,100,000**

	Class B		
	Shares	Par value	Amount
December 31, 2007	400,000	₱100.00	₱40,000,000
Effect of capital restructuring in 2008:			
Decrease in par value (see Note 15)	–	(50.00)	(20,000,000)
Balances at December 31, 2019, 2018 and 2017	**400,000**	**₱50.00**	**₱20,000,000**
Total redeemable preferred shares	**12,600,000**		**₱26,100,000**

The Company's preferred shares carry features or characteristics that provide for redemption on a specific date which constitutes a financial liability. As such, the Company's preferred shares are presented under current liabilities in the statements of financial position, in accordance with PAS 32, *Financial Instruments: Presentation.*

Class A

The holders of Class A preferred shares shall be entitled to a cumulative yearly dividend at the rate of 20%, payable annually, on the dates to be fixed by the BOD. Each Class A preferred share shall be redeemed at the option of the Company's BOD before May 5, 1992 at the price of ₱1.00 each share plus dividends accrued and unpaid at the date of redemption.

In April 1994, the Company notified the holders of Class A preferred shares of its intent to redeem the shares. Subsequently, redemption of redeemable preferred shares was moved and will be made at the discretion of the BOD to be determined at some future time.

On October 21, 1994, the BOD approved the declaration of cash dividends in the amount of ₱26.5 million or ₱0.0098 per share to all Preferred "A" stockholders of record as at October 31, 1994 either payable not later than October 1, 1995 or may be applied against any of the unpaid subscriptions for common shares issued under the first and second 1994 stock rights offerings. A substantial portion of these cash dividends equivalent to ₱20.0 million remains outstanding as at December 31, 2019 and 2018 (see Note 10).

The dividends accruing on Class A preferred shares from November 1, 1994 to December 31, 2019 and 2018 that have not been declared amounted to ₱64.7 million and ₱63.5 million, respectively. The corresponding liabilities for these dividends were recorded in the books under "Accrued interest" (see Note 10). As discussed in Note 15 to the financial statements, certain Class A preferred shares and the related accrued dividends were converted to equity in 2008.

Interest expense amounted to ₱1.2 million in 2019, 2018 and 2017 (see Note 17).

Class B

The holders of Class B preferred shares shall not be entitled to any dividend. Each Class B preferred share shall be subject to redemption before April 10, 1994 at the price of ₱100 for each share. In April 1994, the Company notified the holders of Class B preferred shares of its intent to redeem.

Subsequently, the redemption date was moved and will be made at the discretion of the BOD to be determined at some future time. The redemption amount will earn 20% interest per annum from April 10, 1994 until paid.

As at December 31, 2019, and 2018, accrued interest on Class B preferred shares amounted to ₱205.2 million and ₱201.2 million, respectively (see Note 10).

Interest expense amounted to ₱4.0 million each year in 2019, 2018 and 2017 (see Note 17).

13. Pension Liability

The Company has an unfunded defined benefits retirement plan covering substantially all of its employees. The benefit is based on certain percentage of the member's final monthly salary and length of service with the Company.

Under the existing regulatory framework, Republic Act 7641, *Retirement Pay Law* requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of retirement benefits costs and liability recognized in the Company's statements of comprehensive income and statements of financial position, respectively.

The details of pension costs are as follows:

	2019	2018	2017
Current service cost	**₱166,936**	₱192,727	₱223,061
Interest cost	**81,630**	64,375	57,636
	₱248,566	₱257,102	₱280,697

The movements in present value of the pension liability are as follows:

	2019	2018
Balances at beginning of year	**₱1,088,405**	₱1,109,915
Retirement benefit expense recognized in profit or loss:		
Current service cost	**166,936**	192,727
Interest cost	**81,630**	64,375
	248,566	257,102
Remeasurement loss (gain) in other comprehensive income:		
Experience adjustments	**(27,184)**	(206,203)
Change in demographic assumptions	**–**	65,071
Change in financial assumptions	**247,194**	(137,480)
	220,010	(278,612)
Benefits paid by the Company	**(569,000)**	–
Balances at end of year	**₱987,981**	₱1,088,405

The Company does not have any plan assets as at December 31, 2019 and 2018. The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension liability for the defined retirement plan are shown below:

	2019	2018
Discount rate	**4.90%**	7.50%
Salary increase rate	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2019 and 2018, assuming all other assumptions were held constant:

	Increase (Decrease)	2019	2018
Discount rates	+1.00%	**(₱105,747)**	(₱74,471)
	-1.00%	**121,897**	85,217
Salary increase rate	+1.00%	**₱120,540**	₱86,509
	-1.00%	**(106,599)**	(76,810)

The Company does not expect to contribute to the defined benefit pension plan in 2020.

The Company does not have a Trustee Bank and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2019	2018
More than 1 year to 5 years	**₱348,356**	₱574,743
More than 5 years to 10 years	**525,754**	359,886
More than 10 years	**3,056,809**	3,656,035
	₱3,930,919	₱4,590,664

The average duration of the defined benefit obligation as at December 31, 2019 and 2018 are 13.8 years and 10.5 years, respectively.

14. Provision for Mine Rehabilitation and Decommissioning Costs

DENR Administrative Order (DAO) No. 2007-26, which was published in the Philippine Star on August 9, 2007 and took effect 15 days thereafter, was released by the DENR, amending Section 2 of DAO 2005-7 and requires Contractors with approved Environmental Protection and Enhancement Programs (EPEP) to submit the Final Mine Rehabilitation and Decommissioning Plan (FMRDP) for review by the Mine Rehabilitation Fund (MRF) Committee and approval by the Contingent Liability and Rehabilitation Fund Steering Committee before December 31, 2007.

The Company's Environmental Compliance Certificate (ECC) expired in July 1999. In preparation of its planned reopening and rehabilitation of the Longos Mine, the Company requested for the renewal of the said ECC. The DENR required the Company to prepare an Environmental

Performance Report and Management Program (EPRMP) for its evaluation and approval prior to the renewal of the ECC. After the issuance of the new ECC, the Company will be required to prepare an EPEP, FMRDP and Social Development Management Program (SDMP). The FMRDP will be the basis for determining the amount required for the provision of mine rehabilitation and decommissioning costs. Provision for mine rehabilitation and decommissioning costs will be made once the Company's EPEP, FMRDP and SDMP are submitted and approved by the Mines Geosciences Bureau (MGB). On October 8, 2010, the Company, after satisfying the requirements and upon recommendation of the Environmental Management Bureau, was granted an ECC for the Longos Mining Project located at Sitio Longos, Paracale, Camarines Norte.

On January 7, 2011, the Company submitted a revised EPEP and FMRDP to the MGB subject for evaluation and approval which were not yet approved until the Company received a notice of cancellation of the ECC for its Longos Mine Project on December 19, 2016. Cancellation was raised on the ground that the said project was never implemented since the issuance of the ECC, citing Item 10 (d) of DENR Administrative Order No. 2003-30. The Company intends to renew the ECC for Longos Mine once the Company has declared and secured approval from MGB of its mining project feasibility for Longos Mine.

As at December 31, 2019, the Company is still under exploration stage upon receipt of the exploration permit dated August 20, 2018. Hence, there is no reasonable basis for estimating the provision for mine rehabilitation and decommissioning costs.

15. Capital Stock and Capital Restructuring

The movements in authorized common shares are as follows:

	Authorized shares		
	Shares	Par value	Amount
December 31, 2007	1,850,000,000	₱1.00	₱1,850,000,000
Capital restructuring in 2008:			
a) Decrease in authorized capital stock	(435,000,000)	–	(435,000,000)
	1,415,000,000	1.00	1,415,000,000
b) Change in par value from ₱1.00 to ₱0.50 per share	1,415,000,000	0.50	–
	2,830,000,000	0.50	1,415,000,000
c) Reduction in par value from ₱0.50 to ₱0.01, with proportionate increase in number of shares	138,670,000,000	(0.49)	–
	141,500,000,000	0.01	1,415,000,000
d) Increase in authorized capital stock	255,825,000,000	0.01	2,558,250,000
Balances at December 31, 2019 and 2018	**397,325,000,000**	**₱0.01**	**₱3,973,250,000**

Below is the Company's track record of registration of securities under the Securities Regulation Code of the SEC:

Date of approval or date of effectivity	Description	Number of shares registered	Issue or offer price	Balance	Amount
April 10, 1970	Initial Capital	500,000,000	₱0.01	500,000,000	₱5,000,000
	Increase in authorized				
January 29, 1990	capital stock:				
	Common shares	50,000,000,000	0.01	50,000,000,000	500,000,000
	Preferred Class A	2,700,000,000	0.01	2,700,000,000	27,000,000
	Preferred Class B	5,000,000	100.00	5,000,000	500,000,000
Balance as at January 29, 1990		52,705,000,000		52,705,000,000	1,027,000,000

Date of approval or date of effectivity	Description	Number of shares registered	Issue or offer price	Balance	Amount
April 8, 1994	Increase in authorized capital stock:				
	Common shares	200,000,000,000	0.01	200,000,000,000	2,000,000,000
	Preferred Class A	–	0.01	–	–
	Preferred Class B	–	100.00	–	–
		200,000,000,000		200,000,000,000	2,000,000,000
Balance as at April 8, 1994		252,705,000,000		252,705,000,000	3,027,000,000
August 28, 1997	Change in par value of common shares from ₱0.01 to ₱1.00				
	Common shares	2,500,000,000	1.00	2,500,000,000	2,500,000,000
	Preferred Class A	2,700,000,000	0.01	2,700,000,000	27,000,000
	Preferred Class B	5,000,000	1.00	5,000,000	500,000,000
Balance as at August 28, 1997		5,205,000,000		5,205,000,000	3,027,000,000
November 26, 1999	Decrease in outstanding capital stock by 50% and reclassification of 2,200,000 preferred shares to common shares and change in par value of preferred A shares from ₱0.01 to ₱1.00				
	Common shares	(650,000,000)	1.00	(650,000,000)	(650,000,000)
	Preferred Class A	(13,500,000)	1.00	(13,500,000)	(13,500,000)
	Preferred Class B	(4,600,000)	100.00	(4,600,000)	(460,000,000)
		(668,100,000)		(668,100,000)	(1,123,500,000)
Balance as at November 26, 1999		1,863,900,000		1,863,900,000	1,903,500,000
July 24, 2008	Decrease of authorized capital stock from ₱1,903,500,000 to ₱1,441,750,000				
	Common shares	(435,000,000)	1.00	(435,000,000)	(435,000,000)
	Preferred Class A	(6,750,000)	1.00	(6,750,000)	(6,750,000)
	Preferred Class B	(200,000)	100.00	(200,000)	(20,000,000)
		(441,950,000)		(441,950,000)	(461,750,000)
Balance after decrease of authorized capital stock		1,421,950,000		1,421,950,000	1,441,750,000
July 24, 2008	Decrease in par value of common shares from ₱1.00 to ₱0.01, Class A from ₱1.00 to ₱ 0.50/share and Class B from ₱100.00 to ₱50.0/share				
	Common shares	141,500,000,000	₱0.01	141,500,000,000	₱1,415,000,000
	Preferred Class A	13,500,000	0.50	13,500,000	6,750,000
	Preferred Class B	400,000	50.00	400,000	20,000,000
		141,513,900,000		141,513,900,000	1,441,750,000
July 24, 2008	Increase in capital stock				
	Common shares	255,825,000,000	0.01	255,825,000,000	2,558,250,000
Balance as at December 31, 2011		397,338,900,000	₱0.01	397,338,900,000	₱4,000,000,000

For the years ended December 31, 2019 and 2018, there were no movements in the Company's registered securities. There are 1,169 and 1,193 shareholders who hold 261.3 billion shares as at December 31, 2019 and 2018.

The movements in issued common shares are as follows:

	Issued shares		
	Shares	Par value	Amount
Balances at December 31, 2007	867,455,231	₱1.00	₱867,455,231
Capital restructuring in 2008:			
a) Change in par value from ₱1.00 to ₱0.50 per share	–	(0.50)	(433,727,615)
b) Reduction in par value from ₱0.50 to ₱0.01, with proportionate increase in number of shares	42,505,306,319	(0.49)	–
	43,372,761,550	0.01	433,727,616
c) Debt-to-equity conversion	217,942,035,530	0.01	2,179,420,355
Balances at December 31, 2019 and 2018	261,314,797,080	₱0.01	₱2,613,147,971

On July 24, 2008, the SEC approved the Company's capital restructuring plan consisting of the following:

a. Decrease the Company's issued capital stock by 50% or ₱460.5 million by reducing the par value of common and Preferred "A" shares from ₱1.00 to ₱0.50 per share and Preferred "B" shares from ₱100.00 to ₱50.00 per share, and accordingly decrease its authorized capital stock from ₱1.9 billion to ₱1.4 billion. The decrease in capital stock and in the redeemable preferred shares was applied against the Company's deficit (see Note 12).

b. Further reduction in the par value of the Company's common shares from ₱0.50 to ₱0.01 per share with the corresponding increase in number of shares.

c. Increase in the authorized capital stock from ₱1.4 billion to ₱4.0 billion divided into 397.3 billion common shares with par value of ₱0.01 each; 13.5 million Class A preferred shares with the par value of ₱0.50 each; 400.0 thousand Class B preferred shares with par value of ₱50.00 each. The Company issued ₱2.2 billion worth of common shares with a par value of ₱0.01 per share paid by way of conversion of existing liabilities of the Company to related parties (see Note 12).

In June and October 2007, the Company obtained the approval of related party creditors for the conversion of their loans, advances and accrued interests to common shares of stock of the Company as part of the capital restructuring plan, with the following terms and conditions:

- The interest on the loans and advances shall be reduced from 24% per annum to 18% per annum effective April 1, 2007;

- The cut-off date for the accruals of interest on the loans and advances shall be June 30, 2007 to facilitate the conversion process;

- If for whatever reason, the debt conversion process does not materialize as planned, accruals of interest at the reduced rate of 18% per annum shall resume starting July 1, 2007.

The following is the summary of amounts converted to equity in 2008:

Advances from related parties and the corresponding accrued interest	₱2,010,448,878
Accrued rental and utilities payable	5,123,782
Guarantee fee payable	144,104,494
Accrued interest on bonds payable	14,321,555
Nontrade payables	4,272,333
Redeemable Preferred "A" shares and dividends payable	1,149,313
	₱2,179,420,355

The Philippine Stock Exchange ("Exchange") approved on December 14, 2011, the application of the Company to list 217.8 million common shares with a par value of ₱0.01 per share, to cover its debt-to-equity conversion transactions with its creditors at a conversion price of ₱0.01 per share. The total transaction value was ₱2.2 million.

As required by the Exchange, a separate listing application for the underlying common shares of convertible preferred shares of 114.9 million new shares will be filed with the Exchange once the necessary documentary requirements are available. On February 14, 2012, the listing application for the underlying common shares of convertible preferred shares was filed with the Exchange. The related underlying common shares were subsequently approved for listing with the Exchange.

16. General and Administrative Expenses

	2019	2018	2017
Professional fees	**₱352,464**	₱322,279	₱361,305
Outside services	**303,403**	1,805,517	2,749,290
Insurance	**274,357**	352,148	343,225
Pension cost (see Note 13)	**248,566**	257,102	280,697
Depreciation (see Note 8)	**170,457**	122,626	517,871
Taxes and licenses	**144,142**	93,696	152,838
Salaries and allowances	**106,844**	2,445,954	3,513,025
Supplies	**92,158**	126,318	164,419
Utilities	**87,949**	98,455	289,963
Rent	**81,175**	87,502	161,850
Representation and entertainment	**36,396**	78,250	15,615
Transportation and travel	**24,680**	55,817	84,240
SSS, HMDF and other contributions	**15,765**	59,170	115,202
Materials and supplies (see Note 6)	**8,805**	70,672	87,879
Repairs and maintenance	**3,550**	14,231	37,685
Land compensation damage	**–**	502,500	697,500
Others	**84,159**	202,807	389,157
	₱2,034,870	₱6,695,044	₱9,961,761

Others mainly comprise of mailing and postage charges, and seminars and training fees.

17. Interest Expenses

	2019	2018	2017
Royalty payable (see Note 21)	**₱43,372,211**	₱42,047,501	₱36,989,731
Redeemable preferred Class B shares (see Note 12)	**4,000,000**	4,000,000	4,000,000
Redeemable preferred Class A shares (see Note 12)	**1,220,000**	1,220,000	1,220,000
	₱48,592,211	₱47,267,501	₱42,209,731

18. Other Income

	2019	2018	2017
Gain on sale of scrap materials and supplies	**₱–**	₱–	₱88,383
Gain on disposal of property and equipment	–	200	625,850
	₱–	₱200	₱714,233

19. Income Taxes

The Company is subject to regular corporate income tax or minimum corporate income tax (MCIT) whichever is higher. The Company has no provision for income tax since it sustained a tax loss position in 2019 while the provision for current income tax in 2018 and 2017 pertains to MCIT.

The reconciliation of income tax computed at the statutory income tax rate to the provision for income tax as shown in the statement of comprehensive income follows:

	2019	2018	2017
Income tax benefit at statutory income tax rate of 30%	**(₱14,056,254)**	(₱17,724,157)	(₱15,504,300)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**14,588,582**	14,280,857	12,667,604
Change in unrecognized deferred taxes	**(531,822)**	3,443,951	2,851,838
Interest already subjected to final tax	**(506)**	(647)	(897)
	₱–	₱4	₱14,245

As at December 31, 2019, the Company recognized deferred tax asset on NOLCO which amounted to ₱1.1 million to the extent of its deferred tax liability arising for unrealized foreign exchange gain amounted to ₱1.1 million.

The Company has the following deductible temporary differences for which no deferred tax assets were recognized as it is not probable that sufficient taxable profit will be available against which the benefit of the deferred tax assets can be utilized:

	2019	2018
Allowances for impairment losses on:		
Property, plant and equipment (see Note 8)	**₱141,702,959**	₱141,702,959
Deferred exploration costs (see Note 9)	**8,843,918**	8,843,918
Receivable from employees and others (see Note 7)	**2,468,992**	2,468,992
NOLCO	**18,980,729**	28,676,865
Allowance for inventory obsolescence (see Note 6)	**11,102,947**	11,102,947
Pension liability (see Note 13)	**987,981**	1,088,405
MCIT	**14,249**	14,380
Unrealized foreign exchange loss	**–**	5,120,332

Movements in NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Expiry Date	At January 1, 2018	Addition (Expiration)	At December 31, 2018	Addition (Expiration)	At December 31, 2019
2015	2018	₱12,554,886	(₱12,554,886)	₱–	₱–	₱–
2016	2019	13,364,163	–	13,364,163	(13,364,163)	–
2017	2020	8,953,210	–	8,953,210	–	8,953,210
2018	2021	–	6,359,492	6,359,492	–	6,359,492
2019	2022	–	–	–	7,439,240	7,439,240
		₱34,872,259	(₱6,195,394)	₱28,676,865	(₱5,924,923)	₱22,751,942

MCIT

Year Incurred	Expiry Date	At January 1, 2018	Addition (Expiration)	At December 31, 2018	Addition (Expiration)	At December 31, 2019
2015	2018	₱7,951	(₱7,951)	₱–	₱–	₱–
2016	2019	131	–	131	(131)	–
2017	2020	14,245	–	14,245	–	14,245
2018	2021	–	4	4	–	4
2019	2022	–	–	–	–	–
		₱22,327	(₱7,947)	₱14,380	(₱131)	₱14,249

20. Basic and Diluted Loss Per Common Shares

Basic and diluted loss per share is computed as follows:

	2019	2018	2017
Net loss for the year	**₱46,854,180**	₱59,080,526	₱51,695,246
Divided by weighted average number of common shares	**261,314,797,080**	261,314,797,080	261,314,797,080
Basic and diluted loss per share	**₱0.0002**	₱0.0002	₱0.0002

The resulting per share amounts are the same for both basic and diluted earnings per share in 2019, 2018 and 2017, since the Company does not have any debt or equity securities that will potentially cause a loss per share dilution.

21. Commitments and Contingencies

Option and Operating Agreement with CMI

The Company entered into Option and Operating Agreement with CMI for the exploration, evaluation, operation, development and exploitation of certain mineral properties located in Camarines Norte. The Operating Agreement provides that should CMI at any time during the term decides to sell any of the mining leases covered by the Operating Agreement, the Company will have the right of first refusal.

The Operating Agreement, which expired on June 18, 2006, was renewed on July 30, 2007, consolidating the previous Option and Operating Agreements. The renewed Operating Agreement provides for the extension of the term for 25 years or co-terminus with the relevant mineral production sharing agreement to be approved by the Government of the Philippines and for the payment of royalties at 3.5% of the value of production from the covered mineral properties which amounted to ₱35.8 million as at December 31, 2019 and 2018.

Interest expense on royalty payable, which is at 14% interest rate compounded annually and covered by promissory notes, is recognized in the statements of comprehensive income amounting to ₱43.4 million, ₱42.0 million and ₱37.0 million in 2019, 2018 and 2017, respectively (see Note 17). The total accrued interest payable included in the principal amounted to ₱290.8 million and ₱290.8 million as at December 31, 2019 and 2018, respectively. Accrued interest payable to CMI amounted to ₱61.1 million and ₱19.0 million as at December 31, 2019 and 2018, respectively (see Note 10).

As at December 31, 2019 and 2018, royalty payable to CMI amounted to ₱326.4 million (see Note 10).

Assignment of Mine Rights from VIMC

On December 29, 2018, the Company and VIMC executed a Deed of Assignment (the "Deed") whereby VIMC assigns its rights and interests in Negros Copper Projects to the Company. As included in the Deed, the Company is also expected to assume various liabilities of VIMC amounting to ₱13.3 million including actual and contingent liabilities arising from or will arise related to the Negros Copper Projects. As at December 31, 2019, the Company has not determined probable liabilities relating to these projects. As at December 31, 2019, the assignment is currently pending registration with the MGB and approval of the DENR and as such, the Company has not recognized any asset nor liability related to the assignment.

22. Financial Risk Management and Capital Management

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 December 31, 2019 and 2018, 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.

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 December 31, 2019 and 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:

2019	On demand	Within 6 Months	6 to 12 Months	Over 1 year	Total
Financial Asset:					
Cash	**₱980,770**	**₱–**	**₱–**	**₱–**	**₱980,770**
Financial Liabilities:					
Accounts payable and other current liabilities*	**874,361,584**	**–**	**–**	**–**	**874,361,584**
Due to related parties	**268,155,969**	**–**	**–**	**–**	**268,155,969**
Redeemable preferred shares	**26,100,000**	**–**	**–**	**–**	**26,100,000**
Net Financial Liabilities	**(1,167,636,783)**	**₱–**	**₱–**	**₱–**	**(1,167,636,783)**

**excluding statutory payables*

2018	On demand	Within 6 Months	6 to 12 Months	Over 1 year	Total
Financial Asset:					
Cash	₱662,437	₱–	₱–	₱–	₱662,437
Financial Liabilities:					
Accounts payable and other current liabilities*	₱830,771,026	₱–	₱–	₱–	₱830,771,026
Due to related parties	255,255,969	–	–	–	255,255,969
Redeemable preferred shares	26,100,000	–	–	–	26,100,000
Net Financial Liabilities	**(₱1,111,464,558)**	**₱–**	**₱–**	**₱–**	**(₱1,111,464,558)**

**excluding statutory payables*

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:

	2019		2018	
	US$	**₱**	US$	₱
Accrued interest on bonds payable	**1,921,528**	**97,296,559**	1,921,528	101,033,931
Other current liabilities	**17,399**	**880,998**	17,399	914,839

As at December 31, 2019 and 2018, the exchange rate of ₱ to the $ is ₱50.64 and ₱52.58, 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%
Decrease (increase) in loss before income tax and equity		
2019	**(₱4,908,878)**	**₱4,908,878**
2018	(5,097,439)	5,097,439
2017	(4,796,134)	4,796,134

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 December 31, 2019, 2018 and 2017, there were no transfers among Levels 1, 2 and 3 of fair value measurements.

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

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. No changes were made in the objectives, policies or processes during the years ended December 31, 2019, 2018 and 2017.

Note 2 discusses management plans on how to address the Company's deficit.

The following table summarizes what the Company considers as its total capital as at December 31:

	2019	2018
Capital stock	**₱2,613,147,971**	₱2,613,147,971
Additional paid-in capital	**19,449,376**	19,449,376
Deficit	**(2,677,733,848)**	(2,630,879,668)
	(₱45,136,501)	₱1,717,679

The Company is not exposed to externally imposed capital requirements.

23. Segment Reporting

The Company has only one (1) operating segment which is the mining business. There is no geographical segment information presented since its business is located in the Philippines.

24. Events After the Reporting Period

On March 11, 2019, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. On March 13, 2020, in a move to contain the COVID-19 pandemic, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an Enhanced Community Quarantine throughout the entire island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020 for most parts of Luzon. On May 16, 2020, the Office of the President further imposed a modified enhanced community quarantine until May 31, 2020. These measures have caused disruptions to business and economic activities, and its impact on business and operations continue to evolve.

The Company considers the events surrounding the pandemic as non-adjusting subsequent events, accordingly, no adjustments have been made to the financial statements as at and for the year ended December 31, 2019 for the impact of COVID-19. However, the pandemic could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this pandemic, the Company cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

25. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The Company's reported and/or paid the following types of taxes in 2019:

VAT
The Company is a VAT-registered company with no declared sale subject to output VAT.

Input VAT declared in the Company's VAT returns filed in 2019 follows:

Balance at January 1, 2019	₱3,273,561
Current year's domestic payments for:	
Domestic purchase of goods other than capital goods	11,177
Domestic purchases of services	173,121
Balance at December 31, 2019	₱3,457,859

Withholding Taxes
The below summarizes the total withholding taxes paid or accrued by the Company:

Withholding taxes on compensation and benefits	₱259,720
Expanded withholding taxes	32,916
	₱292,636

Other Taxes and Licenses for 2019
Taxes and licenses, local and national, include real property taxes, licenses and permit fees included in general and administrative expenses are as follows:

Permits and licenses	₱245,519
Real property taxes	118,246
	₱363,765

Tax assessments and cases

The Company has not received any final assessment notice from the BIR and has no pending tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside of the BIR as at December 31, 2019.

COVER SHEET

		-	4	0	9	3	8	-		

SEC Registration Number

UNITED PARAGON MINING CORPORATION

(Company's Full Name)

6th/F QUAD ALPHA CENTRUM, 125 PIONEER ST MANDALUYON CITY

(Business Address: No., StreetCity / Town / Province)

Mr. Gilbert V. Rabago	631-5139
Contact Person	Company Telephone Number

2018 ANNUAL REPORT – SEC 17-A
(With attachment – Audited Financial Statement 2019 & Sustainability Report)

1 2	3 1			
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2019**

2. SEC Identification Number 40938 3. BIR Tax ID No. **000--169-117-000**

4. **UNITED PARAGON MINING CORPORATION**
Exact name of issuer as specified in its charter

5 **Philippines** 6. [ ] (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City** **1550**
Address of principal office Postal Code

8. **(632) 8631-5139**
Issuer's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 & 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding & Amount of Debt Outstanding
Common Stock	**261,314,797,080**

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

Yes [√] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc. **Common Stock**

12. Check whether the issuer:

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

Yes [√] No [ ]

(b) Has been subject to such filing requirements for the past ninety (90) days.

Yes [√] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates (55,296,691,545 shares) of the registrant – ₱287.5 million based on the closing stock price of P0.0052 per share at the Philippine Stock Exchange, Inc. on December 31, 2019.

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ] No [ ] NA [√]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of the report into which the document is incorporated:

The Company's 2019 Audited Financial Statements are incorporated under item 7 of Part II (Operational & Financial Information).

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business and General Information

United Paragon Mining Corporation ("UPMC" or the "Company") is a Philippine corporation whose main business is the exploration, development, exploitation, recovery and sale of gold.

UPMC was the result of a merger in 1989 between United Asia Resources and Geothermal Corporation ("UAR") and Abcar Paragon Mining Corporation ("Abcar Paragon"). Under the terms of the merger, UAR became the surviving corporation and Abcar Paragon transferred all of its assets and properties (real and personal, including rights, franchises and receivables, as well as the operating rights of the Longos Mine) to UAR. UAR was renamed United Paragon Mining Corporation in 1990. UAR was formed as a corporation in 1970 while Abcar Paragon was formed in 1986.

The Company's principal mining operation is the Longos Mine at Paracale, Camarines Norte. The Company operated an open pit area in the mine from August 01, 1988 to June 01, 1994 having extracted 888,809 metric tonnes (MT) of ore, which yielded 79,120 ounces of gold. This was more than twice its originally calculated reserve. By April 1994, the Company began the commercial operations of the underground mine at the same site. It was placed under care and maintenance in December 1998 because of depletion of economic reserves above Level 800, high operating cost and low metal prices

In 1999, the management of the Company decided to continue exploration drilling in the main Longos lode area and the neighboring sub-parallel veins to search for more ore to increase reserves. However, in the last quarter of 2003, the management of the Company was convinced that sufficient drilling had been done in these areas. In November 2003, the Company decided to suspend further drilling in Longos.

Another prospective area is San Mauricio in Jose Panganiban as an exploration target for the Company. The Company has plans of continuing exploration drilling in San Mauricio once the necessary clearance from the Department of Environment and Natural Resources ("DENR") is secured.

With the current gold prices, the present ore reserves of the Company are now sufficient for a viable project at 500-600 tonnes per day capacity. The Company pursued various options to raise project financing subject to the company being awarded appropriate government permits to resume further development and rehabilitation of Longos Mine.

Meanwhile, on December 29, 2018, the company acquired the rights and interests of Vulcan Industrial & Mining Corporation (VIMC) under the following MPSAs:

Project	***Location***	***Contract***	***Area (has)***
Manlupo (Copper)	*Bgy. Damutan, Hinobaan, and Bgy. Gatuslao, Candoni, Negros Occidental*	*MPSA 092-97-VI granted to VIMC on November 20, 1997 and registered with MGB-R06 on June 9, 1998*	*477.00*
Luz (Copper)	*Bgy. Manlucahoc, Sipalay, Negros Occidental*	*MPSA 113-98-VI granted to VIMC on May 26, 1998 and registered with MGB-R06 on May 13, 1999*	*806.5719*

The assignment is currently pending registration with the Mines and Geosciences Bureau.

Production. There were no gold and silver recovered in the years 2019, 2018 and 2017. The Company's mining and milling operations are still suspended.

Products/Sales/Competition. Prior to the suspension of the mining and milling operations, the Company produced dore bullions, containing gold and silver, which were either refined by the Bangko Sentral ng Pilipinas Mint and Gold Refinery or sent by airfreight and refined by Johnson Matthey PLC. of England. The principal product, gold accounted for over 99% while the by-product, silver contributed only less than 1%. Since the suspension of the mining and milling operations, the Company has had no new product.

The gold and silver dore bullions were sold either to Bangko Sentral ng Pilipinas or Johnson Matthey PLC. of England. The sales were covered by contracts using internationally accepted pricing in the world market available from the London Metal Exchange. Since no single gold producer (mining company) can affect the international metal prices, competition among mining companies is virtually non-existent. Competition among mining companies is on acquisition of mining claims/areas. Dore bullion is readily marketable.

Sources and availability of raw materials and supplies. The ore as raw material extracted usually comes from the Company's mineral properties. However, the Company suspended its mining and milling operations in 1999 due to depletion of economic reserves at its Shaft 4, high operating costs and low metal prices.

The Company has quite a number of suppliers for its operating supplies. Energy was sourced from Camarines Norte Electric Cooperative ("CANORECO") under a long-term contract for the supply of electricity from 1988 to 2000. Likewise, the Company has four (4) megawatt power plant, which has the ability to provide sufficient power for operation during any power failure, since these equipment has been idle for a period of time further rehabilitation is required. However, in November 2000, the Company switched its power supply from CANORECO to an in-house generating set to provide its limited power requirement of 10 KVA. In early 2012 site power supply is now provided by CANORECO. However, the Company is also looking an option for other possible power provider and/or participates in an open market to source its future power requirement. Purchases of supplies, equipment and spare parts are obtained on a competitive basis from sources both local and foreign and are generally available.

Transactions with and/or dependence on related parties. The information required is disclosed on Note 11 of the Company's 2019 Audited Financial Statements.

Patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements. The information required is disclosed on Note 2 of the Company's 2019 Audited Financial Statements.

Government regulations and approvals. The Company has to strictly comply with governmental regulations and seek government approvals, particularly those of the DENR, with respect to disposal of waste and tailings, rehabilitation, environment etc. to be able to start or continue mining operations. The Company's Environmental Compliance Certificate ("ECC") expired on July 31, 1999. The Company will have to renew its ECC before it can resume mining and milling operations. In preparation for the planned reopening and rehabilitation of the Longos Mine, the Company filed a request for the renewal of the said ECC on August 31, 2006. The DENR through the Environmental Management Bureau – Region V (EMB-V) required the Company to prepare an Environmental Performance Report and Management Program ("EPRMP") for its evaluation and approval prior to the renewal of the ECC. The Company had finalized and submitted the EPRMP to EMB-V on April 7, 2010. On October 8, 2010, the Company after satisfying the requirements and upon the recommendation of the Environmental Management Bureau was granted an ECC for the Longos Mining Project. The company completed its documentation for exploration permit application filed at the Mines and Geoscience Bureau –Region V (MGB-V) on Feb 4, 2013 for further review and evaluation, issuance of these permits is on hold. In December 19, 2016, The Company received a notice of Cancellation of its Environmental Compliance Certificate (ECC-CO-1009-0028) on its original application covering 394 has and 500 MTPA milling rate. The Company will apply for a new application in due course to cover the wider area in conformity with the meridional blocking system covering an area of 972 has.

Effects of existing government regulations are mainly on their corresponding costs of compliance to the Company, which are appropriately reflected either as expense or as capital asset under generally accepted accounting principles. The effect on the Company of any probable government regulation could not be determined until specific provisions are known.

Research and Development. Exploration, drilling and development for a mining company, are the equivalent of research and development. The Company's principal activities since the suspension of the mining and milling operations until 2004 had been exploration and confirmation drilling. The total cost of exploration and drilling for the year 2004 amounted to ₱664,992.00. The company incurred total exploration cost attributable to community development program, environment and management cost of P2.6 million in 2018.

Exploration/Drilling. No exploration work was initiated during the years 2019, 2018 and 2017. The Company suspended its exploration/drilling activities in the San Mauricio mineral claim in Jose Panganiban after completing the 2nd hole in February 2004, pending approval by the DENR of the Company's application for Mineral Production Sharing Agreement ("APSA") over the area. This area is covered by application denominated as APSA V-041.

Compliance with environmental laws. On May 14, 2011, the former president Benigno S. Aquino III issued EO 26, declaring the implementation of the National Greening Program as a government priority program to specifically seek to plant 1.5 billion seedlings in 1.5 million hectares of public lands nationwide in six years, from 2011 to 2016. Areas for planting under the program include forestlands, mangrove and protected areas, inactive and abandoned mine sites and other suitable lands of the public domain.

Notwithstanding during the launch of the NGP United Paragon Mining Corporation (UPMC) has no mining operation and eventually was under on a care and maintenance mode, nevertheless the company had envisioned to provide and have prepared tree-planting program especially on surface areas where mining activities had conducted. The total extend planted areas for the year 2019 pegged at .4128 hectares and with 1,045 tree seedlings planted.

By 2011 and up to 2019 the company had planted 31,887 trees on an approximately 42.83 hectares of old mining land.

The company has constructed a Nursery to propagate various kind of tree seedling just to provide full support on the company's monthly tree planting activity but also in the production of quality seedlings. Tree planting activity was documented and was reported annually in compliance with the regional Mines and Geosciences Bureau ruling.

Moreover, the company likewise provided assistance on livelihood, health and safety, Education and Recreation, Environmental and Sanitation programs to the hosts Barangays as part of the company's Community Development program. The company has allotted a minimum fund to execute necessary support to the communities wherein request and solicitation are commonly considered.

Furthermore, the most pressing concern facing the company since the NGP launching is the issue on illegal small-scale miner's existence in the property. The problem has created instability and uncertainties on the area. However the company was urged to take steps and necessary protection on all areas where tree-planting activity was conducted. Environmental and ecological protection is the main goal of the company ever since the mine operation stops and closes last 1999.

The National Greening Program is not only expected to instill greater social confidence in the Mining Industry, but will also result in clear, stable and predictable policies on environmental and ecological aspects on mining.

Employees. The total manpower of the Company as of December 31, 2019 consists of seven (9) regular employees.

Type of employee	Exploration/Technical	Finance/Administration
Executive Officers	-	3
Managers/Technical Personnel	1	1
Rank and File		4
Total	**1**	**8**

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.

The Paracale based employees were members of National Allied Mines and Workers Union ("NAMAWU") for rank and file and United Paragon Mining Corporation Supervisors' Union ("UPSU") for supervisors. The collective bargaining agreement between the Company and NAMAWU expired on December 31, 1999 while that between the Company and UPSU expired on April 30, 2003. Mandaluyong City based employees and administrative personnel at the mine site are not subject to collective bargaining agreement. The Company's employees have not been on strike in the past three (3) years and are not threatening to go on strike. The Company does not have any incentive arrangement with its employees and no plans to establish one in the future.

Major Risk/s. The management of the Company regularly scans the events and trends concerning the mining industry in order to identify and assess risks affecting the Company. At the same time, the management of the Company assesses the internal risks and weaknesses in its operations. The major risks involved in the Company's operations are as follows:

a. **Changes in the market price for gold.** The market price for gold can fluctuate widely. These fluctuations are caused by numerous factors beyond the Company's control such as speculative positions taken by investors or traders in gold; changes in the demand for gold for industrial uses, for use in jewelry and investment; changes in the supply of gold from production, disinvestment, scrap and hedging; financial market expectations regarding the rate of inflation; the strength of the US dollar (the currency in which the gold price trades internationally) changes in interest rates; actual or expected gold sales by central banks; gold sales by gold producers in forward transactions; global or regional political or economic events.

   A sharp decline in the gold price would adversely affect the viability of the Longos Rehabilitation Project and the Company's ability to raise the required amount to finance the said project. However, inasmuch as gold price fluctuations are caused by numerous factors beyond the Company's control and gold hedging is not applicable to the Company at this stage, there is no way the Company can manage this risk at this time. In the future, when the Company reopens the mine, gold price hedging strategies will be considered.

b. **Skills shortages.** Skills shortages are re-emerging as industry growth recovers and mine production ramps up to meet revived demand. With an inadequate supply of skilled workers and professionals for the mining sector, the challenge of recruitment, retention, development and deployment has re-emerged as a significant strategic threat to the industry. This may further delay future project development and production.

c. **Development risks.** The Company's plan to rehabilitate and reopen the Longos Mine is based on the results of a pre-feasibility study conducted by the Company. The study used estimates of expected or anticipated project economic returns which are based on assumptions such as future gold and silver prices, anticipated tonnage, grades of ore to be mined and processed, anticipated recovery rates of gold and anticipated capital expenditure and cash operating costs, among other factors.

   Actual cash operating costs, production and economic returns may differ significantly from those anticipated by Company's studies and estimates due to a number of uncertainties inherent in the development and construction of an extension to an existing mine or any new mine. Prior to reopening the mine, the Company may hire additional consultants to double check the Company's pre-feasibility study and rehabilitation plan.

d. **Ore reserves estimate risk.** The ore reserves presented in this annual report are the best estimates of Company's technical personnel and confirmed/certified by competent persons-geologist and mining engineer. The Company undertakes annual revisions of its ore reserve estimates based upon actual exploration and drilling results, new information and fluctuations in economic parameters. The actual mineral deposition in quantity (tonnage) and quality (grade) may vary greatly from the Company's estimate when actual mining/extraction is conducted. Some physical obstacles in operation such as water inflow underground, fracturing of rock upon mining and erratic nature of the mineral content of the vein can contribute to the variance between the estimated and actual ore reserves.

e. **The risk of flooding the underground workings.** The ore reserves of Longos Mine comprising of several parallel narrow gold veins are located in an ultramafic and granodiorite country rocks. Heavy water ingress into the underground workings caused by fissures of the veins under the ocean floor is inevitable but can be controlled by a well-planned and designed dewatering plan inside the mine. The Company had been successful in controlling water ingress in the past by installing heavy-duty pumps and by pushing the shoreline with a cofferdam. The same dewatering strategy will be used when the Company reopens the mine.

f. **Liquidity and access to capital.** The Company needs an estimated amount of US$20 million for capital expenditures to implement its two (2) years exploration work program. The company pursued various options to raise project funding to fully implement the approved exploration work program, approved exploration permit was received in August 24, 2018. Although, the Philippine government has been aggressively promoting and supporting the revitalization of the mining industry and investors are bullish on the gold price. Succesfull implementation of the approved exploration work program will upgrade the current ore reserve.

Item 2. Properties

The Company owns various office furniture, fixtures and transportation equipment in its Head office located at Mandaluyong City. The Company also owns various drilling, mining and milling equipment and support facilities in its Longos mine site. There is no mortgage, lien or encumbrance over the aforementioned properties.

The Company has no intention at present to lease or acquire any additional significant real property or machinery and equipment in the next twelve (12) months unless the appropriate government permit have been awarded to the company and the required funding for exploration and further development of the mine becomes available, in which case, additional significant real property or machinery and equipment will be acquired. Machinery and equipment are usually acquired month to month as needed usually through direct purchase or through letters of credit, if imported, under suppliers' or bank's credit terms.

The Company through an Operating Agreement executed on February 10, 1987 and Option and Operating Agreement dated November 17, 1987 with Camarines Minerals, Inc. ("CMI") has the exclusive rights to operate the mineral properties in the name of CMI that are covered by mining lease contracts, including the right to occupy the other real properties of CMI. The operating agreement expired on June 18, 2006. On July 30, 2007, the Company and CMI signed an operating agreement renewing and consolidating the previous option and operating agreements. This operating agreement provides for the extension of the term for twenty-five years or co-terminus with the relevant mineral production sharing agreement that may be issued by the Philippine Government and a royalty rate of 3.5% based on gross revenues, net of marketing and refining charges.

The principal properties subject of an operating agreement with CMI consists of 1,204.6160 hectares with confirmed mineral resources and prospective exploration areas. The approved mining lease contracts with the Philippine Government cover 394 hectares, 64 hectares expired in 2006 and 330 hectares expired in 2010. However, prior to expiry of these mining lease contracts, the Company submitted applications for conversion to mineral production sharing agreement/s. The mining claims covered by the operating agreement with CMI are all located in the Paracale - Jose Panganiban District.

The mining lease contracts assigned to the Company by CMI are as follows:

- Mining Lease Contract ("MLC") No. MRD 267, granted on June 18, 1981 covering a group of nine (9) mining claims with a total area of 64.1609 hectares, expired on June 17, 2006. This is the central portion of Longos.
- MLC No. MRD 401, granted on March 19, 1985, covering twelve (12) mining claims with an area of 92.8699 hectares, expired on March 18, 2010. This is the southern portion, known as Malaguit group of claims, which includes Haliguing Bato area.
- MLC No. MRD 445, granted on July 01, 1985, covering a group of twenty-nine (29) mining claims with a total area of 194.2786 hectares, expired on June 30, 2010. This is the portion, which includes the UPMC village, the Tailings Pond No. 1, Baluarte and San Antonio structures and Barangay Palanas.
- MLC No. MRD 446 granted on July 01, 1985, covering a group of six (6) mining claims with a total area of 43.5000 hectares, expired June 30, 2010. This is the Tugos area.

The Company and CMI filed a joint application for production sharing agreement ("APSA") for the above MLCs on February 7, 2006 (denominated as APSA V-375). However, with the passage of the Executive Order 79 (EO 79) dated July 6, 2012 "INSTITUTIONALIZING AND IMPLEMENTING REFORMS IN THE PHILIPPINE MINING SECTOR PROVIDING POLICIES AND GUIDELINES TO ENSURE ENVIRONMENTAL PROTECTION AND RESPONSIBLE MINING IN THE UTILIZATION OF MINERAL RESOURCES", the processing of the renewal of the APSA application is on hold until a legislation rationalizing existing revenue sharing schemes mechanism shall have taken effect. In line with the company management mandate to upgrade its ore reserve the said APSA 375 application was converted to an exploration permit application in February 4, 2013. On October 4, 2013 the company received approval on the conversion of application from APSA-00375-V to EXPA-00180-V. In August 24, 2018 the company received the approved exploration permit with a larger area from 394 hectares to 580 hectares.

UPMC on its own has located several mineral areas located in Paracale and Labo, Camarines Norte consisting of 531.000 hectares for which APSAs were filed.

Following are the APSAs filed by the Company:

- APSA V-041 covers four (4) lots of 101 mining claims. Lots 1, 2 and 3 are owned by CMI (known as San Mauricio claim group) and Lot 4 (Torana Group, 126.0000 hectares) is owned by UPMC with a total area of 753.4439 hectares.

- APSA V-254 covers six (6) mining claims owned by UPMC and located within Labo and Paracale, Camarines Norte consisting of Lots 1 and 2 with a total area of 405.0227 hectares, denied by MGB V in an order dated June 30, 2011 pursuant to the provisions of Department Memorandum Order (DMO) NO. 2010-04. A motion for reconsideration on the denial of the application has been filed by the Company which is currently being evaluated by MGB V office.

- APSA V-270 covers twenty-four (24) mining claims owned by CMI also known as the Jeff-Sindicado claim group with a total area of 182.3624 hectares.

- APSA V-375 covers fifty-six (56) mining claims owned by CMI also known as the Longos claim group with a total area of 393.8607 hectares, this has been converted into an Exploration Permit Application by UPMC and CMI on February 4, 2013 upon submission of pertinent documents and payment of the required conversion fee and is now renumbered as EXPA-000180-V. On October 4, 2013 the company received approval on the conversion of application from APSA-00375-V to EXPA-00180-V. In August 24, 2018 the company received the approved exploration permit with a larger area from 394 hectares to 580 hectares.

Mineral Resources and Ore Reserves. There was no change in the resource estimates during the year 2019 as compared to year 2018. The Indicated Mineral Resources Inventory as of January 01, 2020 is 3,160,737 MT at 10.89 grams of gold per tonnes (Au g/t) containing 1,106,420 ounces of gold. Summary of the ore resources as of January 01, 2020 is presented below:

Identified Mineral Resources	Tonnes	Grade, Au g/t	Ounces, Gold
Above Level 800			
Measured	257,808	11.25	93,248
Indicated	124,955	14.32	57,529
Inferred	-	-	-
Sub Total	382,763	12.25	150,777
Below Level 800			
Measured	590,714	12.68	240,817
Indicated	1,270,611	9.11	372,153
Inferred	338,800	13.09	142,585
Sub Total	2,200,125	10.68	755,555
Adjacent Vein Systems			
Measured	-	-	-
Indicated	577,849	10.77	200,088
Inferred	-	-	-
Sub Total	577,849	10.77	200,088
Identified Mineral Resources as of 01-01-2020	3,160,737	10.89	1,106,420
Identified Mineral Resources as of 01-01-2019	3,160,737	10.89	1,106,420
Difference	-	-	-

Summary of the ore reserves as of January 01, 2019 is presented below:

Underground Minable Ore Reserves	Tonnes	Grade, Au g/t	Ounces, Gold
Above Level 800			
Proven	202,071	10.61	68,930
Probable	85,928	8.28	22,875
Sub Total	287,999	9.91	91,805
Below Level 800			
Proven	-	-	-
Probable	1,302,52	11.30	473,211
Sub Total	1,302,52	11.30	473,211
Total			
Proven	202,071	10.61	68,930
Probable	1,388,45	11.30	496,086
Total Ore Reserves	1,590,52	11.05	565,016
Less: Reserves Used For Pillars	6,963	6.63	1,484
Total Ore Reserves -January 01, 2020	1,583,56	11.07	563,532
Total Ore Reserves - January 01, 2019	1,583,56	11.07	563,532
Difference	-	-	-

Note: The ore reserves presented in this table are included in the ore resources presented in the above table.

The estimation, assessment, and evaluation of Mineral Resources and Ore Reserves were undertaken by qualified technical personnel. However, the Company hired Competent Persons to evaluate and certify the mineral resources and ore reserves, in compliance with the Philippine Mineral Reporting Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (PMRC) adopted by the Philippine Stock Exchange, Inc. in October 2007.

The information in this report that relates to Mineral Resources was based on information compiled and certified by Mr. Balgamel B. Domingo, who is a member of the Geological Society of the Philippines (GSP). Mr. Domingo is not employed by any company. He is a consultant for various mining and geologic projects. On the other hand, the information on Ore Reserves was compiled and certified by Mr. Lucio R. Castillo, a member of the Philippine Society of Mining Engineers. Mr. Castillo is the Chairman/CEO of Goldridge Mining Corporation. Both Messrs. Domingo and Castillo are included in the lists of competent persons promulgated by their respective accredited professional organizations.

Messrs. Domingo and Castillo have sufficient experiences, which are relevant to the style of mineralization and type of deposit under consideration and to the activity, which they had undertaken to qualify as Competent Persons as defined in the 2007 Edition of PMRC. Messrs. Domingo and Castillo consented to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Item 3. Legal Proceedings

There has not been any bankruptcy, receivership or similar proceedings neither instituted by or against the Company nor has there been any material reclassification, merger, consolidation or purchase or sale of significant amount of assets not in the ordinary course of business. There is no material pending legal proceedings involving the Company, apart from Civil Case No. 18-469 entitled *Ofelia R. Delos Santos, et. al. vs. United Paragon Mining Corporation* for unlawful detainer, pending before the Regional Trial Court, Branch 41, Daet, Camarines Norte, involving a portion of Lot 971, PLS-1047-D, owned by Camarines Minerals, Inc. The parties therein have failed to reach an amicable settlement during judicial dispute resolution on appeal. Thus, the case is now awaiting reassignment to other sala for decision on appeal.

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken during the annual stockholders meeting on July 30, 2019, no other matter was submitted to a vote of security holders during the period covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market Information. The Company's shares of common stock are traded in the Philippine Stock Exchange, Inc. ("PSE"). The quarterly high and low stock prices (in Philippine Pesos) for the years 2017, 2018, 2019 and the first quarter of the current fiscal year 2019 are as follows:

Market Price	2020		2019		2018		2017	
			High	Low	High	Low	High	Low
First Quarter	.0041	.0041	.0100	.0056	.0075	.0065	.01	.0083
Second Quarter			.0076	.0060	.0070	.0059	.011	.0081
Third Quarter			.0084	.0061	.0120	.0057	.0088	.0076
Fourth Quarter			.0066	.0052	.0077	.0055	0.01	.006

The Company's shares of common stock were traded with a closing price of ₱0.0052 per share on December 31, 2019 and ₱0.0041 March 31, 2020.

Holders. The Company has 1,193 shareholders as of December 31, 2019. The outstanding shares as of December 31, 2019 are 261,314,797,080 shares of common stock; 12,200,000 shares of Class "A" preferred stock and 400,000 shares of Class "B" preferred stock.

The top 20 common stockholders as of December 31, 2019 are as follows:

No.	Name	No. of shares held	Percent of Total
1	PCD NOMINEE CORPORATION	252,785,642,629	96.7361
2	LANCASTER HOLDINGS LIMITED	5,235,537,900	2.0035
3	CAMARINES MINERALS, INC.	1,252,097,050	0.4792
4	ENRILE II, WILLIAM RAGOS	250,000,000	0.0957
5	ALAKOR SECURITIES CORPORATION	199,653,850	0.0764
6	LORENZO JR., LUIS P.	109,250,000	0.0418
7	YAN, LUCIO W.	100,000,000	0.0383
8	SY TIONG SHIOU &/OR JUANITA S. TAN	93,500,000	0.0358
9	VALMORA INVESTMENT AND MANAGEMENT	80,000,000	0.0306
10	CASTILLO, EDUARDO B.	54,375,000	0.0208
11	CASTANEDA, ISA F.	50,000,000	0.0191
12	KERRY SECURITIES (PHILS.), INC. RPS01	49,250,000	0.0188
13	LIM III, JOSE A.	22,500,000	0.0086
14	CORRO, ANTONIO SEBASTIAN, T.	20,000,000	0.0077
15	KEH, BENITO	18,000,000	0.0069
16	PONIO, BEN AZEL S.	17,500,000	0.0067
17	CHU, BERNARD CHIU, JOHNSON CHIU &/OR VICKY	15,000,000	0.0057
18	LEE, DANIEL U.	12,687,500	0.0049
19	HYDEE MANAGEMENT & RESOURCES CORP.	12,600,600	0.0048
20	SAN JOSE, ROBERTO V.	12,600,000	0.0048

Shown in the below table is the equity ownership on a per class basis as of December 31, 2019.

Security Class	Outstanding Shares	Percent of Total
1. **Common Shares**		
Filipino	255,590,480,280	97.8094
Alien:		
Other	5,701,860,550	2.1820
British	1,250,000	0.0005
American	13,000,000	0.0050
Chinese	8,206,250	0.0031
Total	261,314,797,080	100 .0000
2. **Preferred A**		
Filipino	9,365,000	76.76
Alien-other	2,835,000	23.24
Total	**12,200,000**	**100**
3. **Preferred B**		
Filipino	120,000	30.00
Alien-other	280,000	70.00
Total	**400,000**	**100**

Dividends. No dividends were declared in the first quarter of 2020 and in the years 2019 and 2018. The Company's ability to declare and pay dividends on common equity is restricted by the availability of sufficient retained earnings and funds.

Stock Ownership Plan. Currently, UPMC Board of Directors approved and authorizes the adoption of a Stock Option Plan for the Directors and Management to cover an aggregate of 20 Billion UPMC Common Shares at various prices per share as follows:

Number of Shares	Strike Price per share
5 Billion	P0.020
10 Billion	0.0250
5 Billion	0.0275

The company hired a consultant to formulate and design a stock option plan to insure its proper implementation.

During the annual meeting of the stockholders of United Paragon Mining Corporation ("the corporation") on September 28, 2013, the stockholders approved and/or ratified the adoption and implementation of the Stock Option Plan for the directors and management of the Corporation, under such terms and conditions as determined by the Board, subject to the compliance with the applicable laws and rules and regulation of the Securities and Exchange Commission and Philippine Stock Exchange. As of date of this report no stock options were subscribed and/or availed.

Recent Sale of Unregistered Securities. No securities were sold by the Company within the past three (3) years, which were not registered under the Code. There were no new issues (including securities issued in exchange for property, services, or other securities and new securities resulting from the modification of outstanding securities) or sale of reacquired securities during the same period, except for 217,942,035,530 common shares issued resulting from the conversion of debts to equity approved by the SEC on July 24, 2008. Please refer to Note 15 of the 2019 Audited Financial Statements.

Item 6. Management's Discussion and Analysis and Plan of Operation.

Management's Discussion and Analysis

Results of Operations.

2019 compared to 2018

The company has posted net loss of ₱46.9 million in 2019 compared to ₱59.1 million in 2018. The lower net loss was due to unrealized foreign exchange gain recognized in 2019 and a loss in 2018, some administrative cost incurred was capitalized part of exploration cost.

Finance Expenses of ₱48.6 million in 2019 was slightly higher by ₱1.3 million as compared to ₱47.3 million in 2018 due to compounding interest calculation on unpaid obligation to Camarines Minerals Inc. (CMI).

Finance income earned for the year 2019 arising from interest income on bank deposit.

Other income earned for the year 2018 of comes from the disposal of scrap materials and NIL in 2019.

2018 compared to 2017

The company has posted net loss of ₱59.1 million in 2018 compared to ₱51.7 million in 2017. The increase in net loss of ₱7.4 million or 14% are represented by increase in financing cost of ₱5.1 million and foreign exchange loss of ₱4.9 million offset by decrease in general and administrative of ₱3.3 million arising from outside services/consultants and employee benefits and other income of ₱0.7 million.

Finance Expenses of ₱47.3 million in 2018 was slightly higher by ₱5.1 million as compared to ₱42.2 million in 2017 due to compounding interest calculation on unpaid obligation to Camarines Minerals Inc. (CMI).

Finance income earned for the year 2018 arising from interest income on bank deposit.

Other income earned for the year 2018 of comes from the disposal of scrap materials.

2017 compared to 2016

The company has posted net loss of ₱51.7 million in 2017 compared to ₱57.8 million in 2016. The decrease in net loss of ₱6.1 million or 11% are represented by decrease in general and administrative of ₱5.0 million arising from outside services/consultants and employee benefits and ₱5.0 million on foreign exchange loss offset by an increase in finance charges of ₱4.3 million.

Finance Expenses of ₱42.2 million in 2017 was slightly higher by ₱4.3 million as compared to ₱37.9 million in 2016 due to compounding interest calculation on unpaid obligation to Camarines Minerals Inc. (CMI).

Finance income earned for the year 2017 arising from interest income on bank deposit.
Other income earned for the year 2017 of comes from the disposal of scrap materials.

The key performance indicators of the company.

Ratios	Formula	December 31 2019		December 31 2018	
Current Ratio			**0.0206**		**0.0211**
	Current Assets/	₱	24,104,427	₱	23,450,245
	Current Liabilities	₱	1,169,671,920	₱	1,112,195,408
Quick Ratio			**0.0008**		**0.0006**
	Current Asset-Inventory-Prepaid/	₱	980,770	₱	662,437
	Current Liabilities	₱	1,169,671,920	₱	1,112,195,408
Solvency Ratio			**0.9624**		**1.0028**
	Total Assets/	₱	1,125,706,949	₱	1,116,405,051
	Total Liabilities	₱	1,169,659,901	₱	1,113,283,813
Debt Ratio			**1.04**		**1.00**
	Total Liabilities/	₱	1,169,659,901	₱	1,113,283,813
	Total Assets	₱	1,125,706,949	₱	1,116,405,051
Debt to equity			**(26.61)**		**356.68**
ratio	Total liabilities/	₱	1,169,659,901	₱	1,113,283,813
	Stockholders' equity	₱	(43,952,952)	₱	3,121,238
Equity to			**(0.038)**		**0.003**
debt ratio	Stockholders' equity/	₱	(43,952,952)	₱	3,121,238
	Total liabilities	₱	1,169,659,901	₱	1,113,283,813
Asset to			**(25.61)**		**357.68**
equity ratio	Total Assets	₱	1,125,706,949	₱	1,116,405,051
	Stockholders' equity/	₱	(43,952,952)	₱	3,121,238

Interest coverage ratios		**0.04**	**(0.25)**
	Earnings (loss) before interest & taxes	₱ 1,738,031	₱ (11,813,025)
	Interest Expense	₱ 48,592,211	₱ 47,267,501
Book value per share		**(0.00017)**	**0.00001**
	Stockholders' equity/	₱ (43,952,952)	₱ 3,121,238
	Total # of shares	261,314,797,080	261,314,797,080
Loss per share		**0.0002**	**0.0002**
	Net loss/	₱ 46,854,180	₱ 59,080,526
	Total # of shares	261,314,797,080	261,314,797,080

Current Ratio continue to decreased from 2017 to 2019 due to increased in current liabilities brought about by accrual of interest from unpaid royalty fees to Camarines Minerals Inc. (CMI) and the advances made from shareholders to fund operating costs.

Solvency Ratio continue to decreased from 2017 to 2019 due to increased in current liabilities brought about by accrual of interest from unpaid royalty fees to Camarines Minerals Inc. (CMI) and the advances made from shareholders to fund operating costs.

Debt-to-Equity Ratio continue to increased from 2017 to 2019 due to increased in current liabilities brought about by accrual of interest from unpaid royalty fees to Camarines Minerals Inc. (CMI) and the advances made from shareholders to fund operating costs.

Equity-to-Debt Ratio continue to decreased from 2017 to 2019 due to increased in current liabilities brought about by accrual of interest from unpaid royalty fees to Camarines Minerals Inc. (CMI) and the advances made from shareholders to fund operating costs and decrease in Stockholders Equity due to net loss incurred by the Company in 2019.

Asset to equity Ratio continue to decreased from 2017 to 2019 due to decrease in Stockholders Equity brought about by a net loss incurred by the Company in 2019.

Book Value per Share (BVPS) continue to decreased in 2017 to 2019 due to the decrease in Stockholders Equity resulting from the net loss incurred by the Company from 2017 to 2019.

Earnings Per Share (EPS) decreased from 2017 to 2019 due net losses incurred by the Company in 2017 to 2019.

Financial Position.

As shown in the financial statements, the Company has incurred capital deficiency of of ₱44.5 million and nil resulting from cumulative losses of ₱2,677.7 million and ₱2,630.9 million as at December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, the Company's current liabilities exceeded its current assets by ₱1,144.6 million and ₱1,088.7 million, respectively. Net cash flows used in operating activities amounted to ₱3.8 million, ₱6.6 million and ₱10.2 million in 2019, 2018 and 2017, respectively. These conditions, among others, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern, and, therefore that it maybe unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these uncertainties cannot be determined presently. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Cash requirement for years 2019, 2018 and 2017 were principally financed by loans, advances from related parties, collection on TCC's cash conversion and from disposal of scrap materials.

The Company's total current liabilities of ₱1,169.7 million as of December 31, 2019, of which, ₱268.2 million (23%) was due to related parties for loans and advances, interests, and dividends and other liabilities, and the balance (77%) is due to suppliers and other creditors as disclosed in Note 10 of 2019 audited Financial statements.

The loans and advances from related parties are covered by promissory notes subject to roll over every ninety (90) days with interests accrued in the books. ₱2.2 billion worth of liabilities due to related companies were converted to equity in July 2008 as part of the capital restructuring approved by the SEC on July 24, 2008. For the details of the amounts of loans and advances and other liabilities converted to equity, please refer to Notes 11 and 15 of the 2019 Audited Financial Statements.

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 other creditors. However, the Company had reduced significantly the balance of its outstanding accounts with suppliers, contractors and other creditors through offsetting arrangements or installment payment schemes. 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 2020".

Management's plans to address the liquidity and going concern issues are discussed under "Plan of Operations for the Year 2020".

The gold price increased by 19% during the year 2019 as compared to the same period in 2018. Gold was traded in the London Metal Exchange ("LME") with a closing price of USD per Oz of US$1,523.00 at the end of 2019 as compared to US$1,281.65 in 2018 and US$1,296.50 in 2017. The gold price reached an all-time high of US$1,542.60 on September 5, 2019. The outlook for gold remains bullish, as it continues to provide a hedge against weakness in fiat currencies. On June 24, 2020, gold price closed at US$1,775.70 per ounce at the LME (Am Fix).

The bullish sentiments on gold prices have increased investors' interest in gold mining companies and exploration projects thus improving the Company's chances of raising the finances required for the rehabilitation and further development of the Longos mine. Likewise, higher gold prices improve the viability/future profitability of the Longos mine.

Other than the foregoing, there are NO known

- trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way,
- events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation,
- 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,
- material commitments for capital expenditures, except for the implementation of the approved exploration work program for the period two years starting from August 24, 2018.
- 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,
- significant elements of income or loss that did not arise from the Company's continuing operations and
- A seasonal aspect that has or had a material effect on the Company's condition or results of operations.

There have been no material changes from December 31, 2019 to December 31, 2018 in one or more line items of the financial statements *except* for the following:

a) Increase in Accrued interest & other current liabilities by ₱57.5 million mainly due to the accrual of interest charges for the year 2019 including interest/dividends on Class A preferred shares.

b) Increase in Advances from related parties by ₱13 million.

c) Changes in other line items shown in the Company's Statement of Comprehensive Income 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 under Management's Discussion and Analysis, Results of Operations year 2019 compared to 2018.

Inasmuch as the Company's mining and milling operations are still suspended, there are no significant key performance indicators other than the financial ratios presented under Supplementary Schedule - Schedule I.

Plan of operations for the year 2020. 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 that will expire on August 20, 2020. In June 2020 the Company submitted a one-year request of extension to MGB Region 5 on the two-year exploration period due to force majeure (2019 COVID pandemic). This will give the company time to finish the 2020 planned exploration work program and to complete the documentation for DMPF application.
b. The Company will work on to get the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either by external sources or internal sources.

The Company expects significant purchases of machinery & equipment and change in the number of its employees during the year, once the required government permit have been awarded to the company and the financing for the exploration activity of its Longos Mine becomes available during the year.

Item 7. Financial Statements

The 2019 Audited Financial Statements of the Company are incorporated herein by reference. The schedules listed in the accompanying index to supplementary schedules are filed as part of this SEC Form 17-A.

Item 8. Information on Independent Accountant and other Related Matters

Information on Independent Accountant. The accounting firm of SyCip Gorres Velayo & Co. CPAs ("SGV') with address at the 6760 Ayala Avenue 1226 Makati City, was appointed as external auditor of the Company at the annual stockholders' meeting in 2014 with Ms. Eleanor Layug as partner-in-charge, in 2017 audit year Ms. Eleanor Layug was replaced by Mr. Jose Raoul J. Balisalisa as the new audit partner-in-charge, and in 2018 Ma. Genalin Q. Arevalo is the partner in-charge, in line with the Company's commitment to good corporate governance and in compliance with SEC Memo Circular No. 8 Series of 2003.

External Audit Fees and Services. The fees of the external auditor in the past three (3) years are as follows:

Year	Audit & Related Fees	Tax Fees	Other Fees
2019	₱395,000	0	0
2018	₱325,000	0	0
2017	₱296,000	0	0

For the past three (3) years, the Company had not engaged the services of SGV except for the audit and or review of the annual financial statements in connection with statutory and regulatory filings and certification of the proposed accounts to be converted to equity. The amounts under the caption "Audit and Related Fees" & "Other Fees" for the years 2019, 2018 and 2017 pertain to these services. The Company's tax related matters are being handled by the tax services department of SGV.
The Audit Committee reviews and recommends to the Board and stockholders the appointment of the external auditor and the fixing of the audit fees for the Company. The Board and stockholders approve the Audit Committee's recommendation.

The Audit Committee has an existing policy, which prohibits the Company from engaging the external auditor to provide services that may adversely impact their independence, including those expressly prohibited by SEC regulations.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure. The Company never had any disagreement with SGV, its current independent accountant on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

No independent accountant engaged by the Company has resigned or declined to stand for re-election, or was dismissed.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

The names, ages, citizenship, positions and periods of service of directors, executive officers and persons nominated to become as such are as follows:

Alfredo C. Ramos is the Chairman of the Board, of the Company. For the past five (5) years, he has served as director and/or executive officer, and maintained business interests in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media, transportation, financial services, infrastructure, oil and gas exploration, mining, property development, shopping center, department store, gaming and retail, among others.

Gerard Anton S. Ramos is the President & Chief Executive Officer of the Company. For the past five (5) years, he has served as a Director and/or Executive Officer in companies involved in the music, broadcasting, stock brokerage, mining, investment holding, property development, sale and distribution of books, magazines and other printed media, and shopping centers, among others.

Presentacion S. Ramos is the Director of the Company. For the past five (5) years, she has served as director and/or executive officer of, and maintained business interests in companies involved in the printing, publication, sale and distribution of books, magazines and other printed media, department store, stock brokerage, oil & gas exploration, and mining, among others.

Adrian Paulino S. Ramos is the Vice-President and the Treasurer of the Company. For the past five (5) years, he has worked as an Instructor at a business school, Operations Manager for a major book retailer and Business Analyst for Mckinsey & Company. He is currently working in various management capacities and served as Director and/or Executive Officer, in companies involved in mining, investment holdings, securities, sale and distribution of books, magazines and other printed media, property development, transportation, oil and gas exploration, among others.

Eduardo B. Castillo is a Director of the Company. For the past five (5) years, he has served as a director and/or executive officer and maintained business interests in companies involved in agribusiness, travel and tourism, real estate, food processing, medical products, marketing, telecommunication, mining, among others.

Christopher M. Gotanco is a Director of the Company. For the past five (5) years, he has served as Director, Chairman and/or Chief Executive Officer in companies involved in natural resources (oil and gas), investment banking, holdings, mass transportation, property development, and mining, among others.

Maureen Alexandra S. Ramos-Padilla is a Director of the Company. For the past 5 years, she has served as a director and/or executive officer, and maintains business interests in companies engaged in department store, media and music distribution, securities brokerage property development, oil and gas exploration and development (2013-present), among others.

John Peter C. Hager is an Independent Director of the Company. For the past five (5) years, he has been working in various management capacities and serves as Managing Director in companies involved in import/export commodities trading particularly pulp, paper, packaging, security paper and security printing products, rubber, coconut oil and other coconut-related products, among others. His business activities also include managing local interests of foreign principals and serving as commercial advisor to several international companies and local agents.

Renato C. Valencia, *77, Filipino*, was elected as independent director of the Company last July 30, 2019. For the past (5) years, he has served as director and/or executive officer in companies engaged in banking, investment holdings, education and technology, realty and insurance. He is a former administrator of the Social Security System.

Iris Marie U. Carpio-Duque is the Company's Compliance Officer, Alternate Corporate Information Officer and Corporate Secretary. For the past five (5) years, she has served as officer and/or corporate secretary or assistant corporate secretary in companies involved in mining, investment holding, securities brokering and real estate. She is a member of the Integrated Bar of the Philippines.

Atty. Deborah S. Acosta-Cajustin, *Filipino* is the Assistant Corporate Secretary of the Company. For the past 5 years, she has been in active corporate and taxation law practice for more than five (5) years and serves as an officer of companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media, investment holding, and securities brokering.

Gilbert V. Rabago, is the Company's Finance, Purchasing & Administrative Officer and Alternate Corporate Information Officer. For the past five (5) years, he has served in different managing capacities in companies involved in mining both in the Philippines and abroad.

Mr. John Peter C. Hager and Renato Valencia are the current independent directors.

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until each respective successors have been elected and qualified.

Officers are appointed or elected annually by the Board of Directors during its organizational meeting following the Annual Meeting of Stockholders, each to hold office until the corresponding meeting of the Board of Directors in the next year or until a successor shall have been elected, appointed or shall have qualified.

Reporting companies in which each Director holds directorship:

Alfredo C. Ramos	Anglo Philippine Holdings Corporation The Philodrill Corporation Shang Properties, Inc. Vulcan Industrial & Mining Corporation Atlas Consolidated Mining & Devt. Corp.
Adrian Paulino S. Ramos	Anglo Philippine Holdings Corporation The Philodrill Corporation Vulcan Industrial & Mining Corporation Atlas Consolidated Mining & Devt. Corp. Alakor Securities Corporation*
Gerard Anton S. Ramos	Anglo Philippine Holdings Corporation The Philodrill Corporation Vulcan Industrial & Mining Corporation Atlas Consolidated Mining & Devt. Corp. Alakor Securities Corporation
Presentacion S. Ramos	Anglo Philippine Holdings Corporation The Philodrill Corporation Vulcan Industrial & Mining Corporation Alakor Securities Corporation
Maureen Alexandra S. Ramos-Padilla	Anglo Philippine Holdings Corporation The Philodrill Corporation Vulcan Industrial & Mining Corporation Alakor Securities Corporation

Christopher M. Gotanco	Anglo Philippine Holdings Corporation The Philodrill Corporation Vulcan Industrial & Mining Corporation Boulevard Holdings, Inc.
Renato C. Valencia	Anglo Philippine Holdings Corporation (ID) Vulcan Industrial & Mining Corp. (ID) i- People, Inc. (ID)
John Peter C. Hager	Alakor Securities Corp.

Resignation or Declination to Stand for Re-election of a Director. Since the Company's last annual meeting of stockholders held on December 05, 2018 one independent director resigned.

Significant Employees. Other than the above named directors and executive officers, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company. The business of the Company is not dependent on certain key personnel and there are no arrangements to assure that certain personnel will remain with the registrant and not compete upon termination.

Family Relationships. The following are the family relationships among officers and directors: Ms. Maureen Alexandra S. Ramos-Padilla, Mr. Gerard Anton S. Ramos and Mr. Adrian Paulino S. Ramos are the children of Mr. Alfredo C. Ramos, Chairman of the Board & President and Ms. Presentacion S. Ramos, Director

Involvement in Certain Legal Proceedings. The Company is not aware of any adverse events or legal proceedings of the nature required to be disclosed under Part IV, paragraph (A), (4) of SRC Rule 12, Annex C with respect to directors and executive officers during the past five (5) years that are material to the evaluation of the ability or integrity of the directors or executive officers.

Item 10. Executive Compensation

The aggregate compensation paid or incurred for the Company's Chief Executive Officer and most highly compensated executive officers and employees named below as a group for the two (2) most recently completed years (2019 and 2018) and the ensuing fiscal year (2020) are as follows:

Name	Position	Year	Salary	Bonus	Other Annual Compensation
Alfredo C. Ramos Gerard Anton Ramos	Chairman/President/CEO Vice-President				
Adrian Paulino Ramos	Treasurer				
Gilbert Rabago	Finance and Admin Manager				
Iris-Marie Carpio-Duque	Legal and Compliance Officer/Corporate Secretary				
Total (Top 5 Executives)		2018	₱0.6 million	0	0
		2019	₱0.6 million	0	0

	2020 (Est.)	₱0.6 million	0	0
Total (All Executives & Directors)	2018	₱0.6 million	0	0
	2019	₱0.6 million	0	0
	2020 (Est)	₱0.6 million	0	0

For the most recently completed fiscal year and the ensuing fiscal year, directors received and will receive a per diem of ₱2,000.00 per board meeting to defray their expenses in attending board meetings. There are no other arrangements for compensation of directors, as such, during the last fiscal year and for the ensuing fiscal year.

The Company maintains standard employment and consultancy contracts with the above officers, all of which provide for their respective compensation and benefits. Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive more than ₱2.5 million as a result of their resignation, retirement or any other termination of employment, or from a change in control of the Company, or a change in the executive officers' responsibilities following a change in control of the Company.

The Company has not granted any bonus and other compensation to directors and executive officers since 1994 except for the mandatory 13th month pay, which is already included in the amounts shown in the above table. There are no warrants or options outstanding in favor of directors and officers of the Company other than the item discussed under stock option plan above.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners. As of December 31, 2019 the Company knows of no one who beneficially owns in excess of 5% of the Company's common and preferred stocks except as set forth in the table below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of beneficial owner and relationship with record owner	Citizenship	No. of shares held	Percent of Class
Common	National Book Store Inc. (1,6,7) 3rd Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)	National Book Store Inc.	Filipino	84,325,108,842	32.27
Common	Anglo Phil. Holdings Corp. (2,6,7) 6th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)	Anglo Phil. Holdings Corp.	Filipino	67,119,143,395	25.69
Common	Alakor Corporation (3,6,7) 9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)	Alakor Corporation	Filipino	53,884,038,981	20.62
Common	PCD Nominee Corporation (4) G/F, MSE Bldg., 6767 Ayala Avenue, Makati City (No relationship with issuer)	Various Please see Note 4	Filipino/ Foreign	47,457, 351,411	18.16

Preferred "A"	Pargold Mining Corp. [6,7] c/o 9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)	Pargold Mining Corp.	Filipino	4,050,000	33.20
Preferred "A"	Lancaster Holdings Limited [5,6,7] 9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)	Lancaster Holdings Limited	Foreign	2,835,000	23.24
Preferred "A"	Aurora B. Caringal 7759 St. Paul St., San Antonio Village, Makati City (Stockholder)	Aurora B. Caringal	Filipino	2,700,000	22.13
Preferred "A"	Edmundo M. Tolentino No. 7 Commonwealth Village, Commonwealth Ave., Quezon City (Director until 1993/Stockholder)	Edmundo M. Tolentino	Filipino	2,000,000	16.39
Preferred "B"	Lancaster Holdings Limited (5,6,7) 9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)	Lancaster Holdings Limited	Foreign	280,000	70.00
Preferred "B"	Alakor Corporation [3,6,7] 9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)	Alakor Corporation	Filipino	89,500	22.38

Notes:

(1) National Book Store, Inc. is a local corporation engaged in retailing business.

(2) Anglo Philippine Holdings Corp. is an investment holding firm focused on infrastructure and related property development activities.

(3) Alakor Corporation is a holding company with investments in real estate and stock market.

(4) PCD Nominee Corporation is a wholly owned subsidiary of Philippine Central Depository, Inc. (PCD) and is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are either PCD's participants (Brokers) themselves or the clients of these PCD participants in whose names these shares are recorded in their respective books. No individual or entity owns more than 5% of outstanding common shares in UPMC. Net of 130, 225, 499,212 shares in the name of Alakor Securities Corporation (ASC) and 94, 440, 484, 634 shares in the name of BDO Securities Corporation. Of the 224, 695, 482, 846 shares in the name of ASC and BDO Securities, (a) National Book Store, Inc. owns 84,325,108,842 shares,(b) Anglo Philippine Holdings Corp. owns 67,119,143,395 shares and (c) Alakor Corporation owns 53,884,038,981 shares.

(5) Lancaster Holdings Ltd. is a company incorporated in the Bahamas.

(6) Anglo Philippine Holdings Corp., National Book Store Inc., Lancaster Holdings Limited., Alakor Corporation and Pargold Mining Corporation are record and beneficial owners owning more than 5% of the Company's common and or preferred shares. Based on previous practice, these companies issue proxies nominating, constituting and appointing Mr. Alfredo C. Ramos, Chairman & President as proxy to vote for the number of shares they beneficially owned as of Record Date.

(7) Mr. Alfredo C. Ramos has some direct or indirect interests/shareholdings with these companies.

Security Ownership of Management. Following are the securities beneficially owned by directors and executive officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and nature of Record ®/Beneficial (B) Ownership		Citizenship	Percent of Class
		Direct	Indirect		
Common	Alfredo C. Ramos	500,050	318, 476,767	Filipino	0.12
Common	Christopher Gotanco	500,000	90,312,500	Filipino	0.03
Common	Eduardo B. Castillo	54,375,000	-	Filipino	0.02
Common	Adrian Paulino S.	500,000	-	Filipino	0.00

	Ramos				
Common	Gerard Anton S. Ramos	100,000	-	Filipino	0.00
Common	Presentation S. Ramos	-	73,050,000	Filipino	0.02
Common	Francisco A. Navarro	1,000,000		Filipino	0.00
Common	John Peter C. Hager	-	87,000,000	Filipino	0.03
Common	Renato C. Valencia	-	1	Filipino	0.00
Common	Iris-Marie U. Carpio-Duque	-	-	Filipino	0.00
Common	Gilbert V. Rabago	-	-	Filipino	0.00

As of December 31, 2019, the aggregate number of shares owned by the Company's directors and executive officers is 689, 814, 318 shares or approximately 0.24% of the Company's outstanding common stock. Except for shares appearing on record in the names of the directors and officers above, the Company is not aware of any shares, which said persons, may have the right to acquire beneficial ownership.

Voting Trust Holders of 5% or More. To the extent known to the Company, there are no voting trust holders of 5% or more of the Company's stocks.

Changes in Control. No change in control of the Company has occurred since the beginning of its last fiscal year. The Company has no knowledge of any existing arrangements that may result in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company, on a regular basis secures loans and advances from its related parties (i.e. companies with shareholders common with the Company) to fund its capital expenditure and working capital requirements. The loans and advances are covered by promissory notes subject to roll over every ninety (90) days with interests at 24% per annum. Interest rates are determined on arm's length basis and are based on terms similar to those offered to other related and non-related parties by the creditor-related companies. These loans and advances, inclusive of accrued interests, guaranty fees and other liabilities to related companies in the amount of ₱2.2 billion were converted to common shares of stock of the Company in July 2008 as part of the capital restructuring program approved by the SEC on July 24, 2008. On September 20, 2011, the Company entered into a loan agreement with Alakor Corporation, a company under common control, to finance the Company's cost of conducting feasibility study on the Longos Gold Project and provides for its general working capital requirements. The loan amounts to ₱250.0 million with 10% interest per annum due 36 months after draw down date.

As of December 31, 2011, initial drawdown amounted to ₱120.0 million. The loan agreement gives the following rights to Alakor Corporation: (i) Option to convert, at any time after the earliest draw down date, all amounts outstanding under the loan into equity of the Company at the price of ₱0.018 per share. (ii) Subscribe to no more than 2,700,000 shares of the Company at ₱0.018 per share within five years from the execution of the loan documents. As of December 31, 2019, no additional funds have been drawn.

The identities of the related parties, the nature of the relationships, amounts and details of the transactions are disclosed on Note 11 of the Company's 2019 Audited Financial Statements.

There are no on-going contractual or other commitments as a result of the loans and advances obtained from related companies other than the payment of the loans and advances, interests, conversion of the same to equity and other rights as mentioned above.

During the last two (2) years, there were no other transactions involving the Company in which any of its directors or executive officers, any nominee for election as director, or security holder owning 10% or more of the Company's total outstanding shares and members of their immediate family had a material interest.

There were no transactions with parties that fall outside the definition of "related parties" under SFAS/IAS No. 11.

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

Transaction with Promoters. There are no transactions with promoters within the past five (5) years.

Part IV – CORPORATE GOVERNANCE

Item 13. CORPORATE GOVERNANCE

As a publicly-listed Philippine corporation, the Company conforms to the corporate governance rules, requirements, and regulations of the SEC, PSE and all pertinent government regulatory bodies.

The Company filed a copy of its 2018 Integrated Annual Corporate Governance Report (I-ACGR) to the Philippine SEC on May 29, 2019 and is posted in the Company website. The I-ACGR for 2019 will be filed with the SEC on or before July 30, 2020.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

a. **Exhibits** - See accompanying Index to Exhibits (pages 30 and 31)

b. **Reports on SEC Form 17-C** - Reports on SEC Form 17-C filed during the year of 2019 and for the first quarter of 2020 are as follows:

Date	Particulars
February 26, 2019	Resignation of Mr. Laurito E. Serranno
March 22, 2019	Annual Verification & Certification from the Mines and Geosciences Bureau
May 27, 2019	Election of Mr. Renato C. Valencia
May 29, 2018	Postponement & Notice of Annual Stockholders Meeting
June 04, 2019	Certification of Independent Director
July 30, 2019	Result of Annual Stockholders' & Organizational Board Meeting
October 10, 2019	Corporate Governance Compliance Attendance of CG Seminar

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on ____~~June~~ 2020

GERARD ANTON S. RAMOS
President / Chief Executive Officer

ADRIAN PAULINO S. RAMOS
Vice-President / Treasurer

GILBERT V. RABAGO
Principal Financial & Accounting Officer

IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this JUN 30 2020 day of June 2020 affiant (s) is exhibiting to me their competent evidence of identity, as follows:

Names	ID No.	Date of Issue/Expiry	Place of Issue
Gerard Anton S. Ramos	PASSPORT – P7752563A	29 June 2028	DFA NCR South
Adrian Paulino S. Ramos	PASSPORT – EC6344702	07 Jan 2021	DFA Manila
Gilbert V. Rabago	PRC No. 0105874	24 March 2023	PRC Manila
Iris-Marie U. Carpio-Duque	PASSPORT- P4323180A	10 September 2022	DFA NCR East

Doc no. 018
Page no. 11
Book no. 1
Series of 2020

DEBORAH S. ACOSTA NOTARY ROLL NO. 54547 PUBLIC MANDALUYONG CITY, PHILIPPINES

ATTY. DEBORAH S. ACOSTA
Notary Public-City of Mandaluyong
Appt. No. 0437-20/Until December 31, 2021
Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City
PTR No. 4339517/01-09-2020/Mandaluyong City
IBP No. 108732/01-09-2020/Makati Chapter
MCLE Compliance No. VI-0026018/05-21-2019
Roll No. 54547

UNITED PARAGON MINING CORPORATION
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A
DECEMBER 31, 2019

FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

SCHEDULE I
UNITED PARAGON MINING CORPORATION
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

	2019	2018
Profitability Ratios:		
Return on assets	**-4.16%**	-5.29%
Return on equity	**-106.60%**	-1,892.86%
Gross profit margin	**–**	–
Net profit margin	–	–
Liquidity and Solvency Ratios:		
Current ratio	**0.0206:1**	0.0211:1
Quick ratio	**0.0008:1**	0.0006:1
Solvency ratio	**-0.0400:1**	1.0530:1
Financial Leverage Ratios:		
Asset to equity ratio	**25.61:1**	357.68:1
Debt ratio	**1.04:1**	1.00:1
Debt to equity ratio	**26.61:1**	356.68:1
Interest coverage ratio	**0.04:1**	-0.25:1

SCHEDULE II
UNITED PARAGON MINING CORPORATION
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

United Paragon Mining Corporation (The Company; Reporting Company)

Note: *The Company does not have any subsidiary or associate as at December 31, 2019.*

SCHEDULE III
UNITED PARAGON MINING CORPORATION
SCHEDULE OF ALL EFFECTIVE STANDARDS
AND INTERPRETATIONS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2019

List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2019

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			
PFRS 2	Share-based Payment			
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			
PFRS 3	Business Combinations			
PFRS 4	Insurance Contracts			
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			
PFRS 6	Exploration for and Evaluation of Mineral Resources			
PFRS 7	Financial Instruments: Disclosures			
PFRS 8	Operating Segments			
PFRS 9	Financial Instruments			
PFRS 10	Consolidated Financial Statements			
PFRS 11	Joint Arrangements			
PFRS 12	Disclosure of Interests in Other Entities			
PFRS 13	Fair Value Measurement			
PFRS 14	Regulatory Deferral Accounts			
PFRS 15	Revenue from Contracts with Customers			
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 2	Inventories			
PAS 7	Statement of Cash Flows			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors			
PAS 10	Events after the Reporting Period			
PAS 12	Income Taxes			
PAS 16	Property, Plant and Equipment			
PAS 17	Leases			
PAS 19	Employee Benefits			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			
PAS 21	The Effects of Changes in Foreign Exchange Rates			
PAS 23	Borrowing Costs			
PAS 24	Related Party Disclosures			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			
PAS 27	Separate Financial Statements			
PAS 28	Investments in Associates and Joint Ventures			
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			
PAS 29	Financial Reporting in Hyperinflationary Economies			
PAS 32	Financial Instruments: Presentation			
PAS 33	Earnings per Share			
PAS 34	Interim Financial Reporting			
PAS 36	Impairment of Assets			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			
PAS 38	Intangible Assets			
PAS 39	Financial Instruments: Recognition and			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Measurement			
PAS 40	Investment Property			
	Amendments to PAS 40, Transfers of Investment Property			
PAS 41	Agriculture			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			
Philippine Interpretation IFRIC-12	Service Concession Arrangements			
Philippine	PAS 19—The Limit on a Defined Benefit			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
Interpretation IFRIC-14	Asset, Minimum Funding Requirements and their Interaction			
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			
Philippine Interpretation IFRIC-21	Levies			
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			
Philippine Interpretation SIC-7	Introduction of the Euro			
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			
Philippine Interpretation SIC-15	Operating Leases—Incentives			
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			

Note: Standards and interpretations tagged as "Not Applicable" are those standards which were adopted and have no significant covered transaction as of and for the year ended December 31, 2018.

SCHEDULE IV
UNITED PARAGON MINING CORPORATION
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO. 11
As of December 31, 2019

Unappropriated Retained Earnings, beginning		(₱ 2,630,879,668)
Adjustments:		–
Unappropriated Retained Earnings, as adjusted, beginning		(₱ 2,630,879,668)
Add: Net loss actually earned/realized during the period	(46,854,180)	
Net income during the period closed to Retained Earnings		
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash)	–	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	–	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net loss actually earned during the period		(46,854,180)
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	–	(59,350,717)
Unappropriated Retained Earnings, as adjusted, ending†		₱ –

†*Amount is zero since the reconciliation results to a deficit*

SCHEDULE A

UNITED PARAGON MINING CORPORATION
FINANCIAL ASSETS IN EQUITY SECURITIES
DECEMBER 31, 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
	NOT .APPLICABLE		

SCHEDULE B

UNITED PARAGON MINING CORPORATION
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 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

SCHEDULE C

UNITED PARAGON MINING CORPORATION
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 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

SCHEDULE D

UNITED PARAGON MINING CORPORATION
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2019

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance

NOT APPLICABLE

SCHEDULE E

UNITED PARAGON MINING CORPORATION
LONG-TERM DEBT
DECEMBER 31, 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
	NOT APPLICABLE		

SCHEDULE F

UNITED PARAGON MINING CORPORATION
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019

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

SCHEDULE G

UNITED PARAGON MINING CORPORATION
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 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

NOT APPLICABLE

SCHEDULE H

UNITED PARAGON MINING CORPORATION
CAPITAL STOCK
DECEMBER 31, 2019

The Company's authorized share capital is ₱4.0 billion divided into 397.3 billion shares at ₱0.01 par value. As at December 31, 2019, total shares issued and outstanding is 261,314,797,080 held by 1,193 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Directors and Officers	Principal/ Substantial Stockholders	No of shares held by Government	Banks	Others
Common Stock	397,325,000,000	261,314,797,080	–	689,814,318	205,328,291,218	–	–	55,296,691,544

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	UNITED PARAGON MINING CORPORATION
Location of Headquarters	Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City
Location of Operations	Longos, Paracale, Camarines Norte
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report covers the sustainability performance of United Paragon Mining Corporation (UPM) principal mining operation in Longos Mine at Paracale, Camarines Norte.
Business Model, including Primary Activities, Brands, Products, and Services	Prior to the suspension of the mining and milling operations, the Company produced dore bullions, containing gold and silver, which were either refined by the Bangko Sentral ng Pilipinas Mint and Gold Refinery or sent by airfreight and refined by Johnson Matthey PLC. of England. The principal product, gold accounted for over 99% while the by-product, silver contributed only less than 1%. Since the suspension of the mining and milling operations, the Company has had no new product.
Reporting Period	January to December 2019
Highest Ranking Person responsible for this report	Gerard Anton S. Ramos - President

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
The company has had no operations since the late 1990s due to the pendency of the renewal of its mining permit. This report will focus on its care and maintenance during this period of non-operation

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	0	PhP
Direct economic value distributed:		
a. Operating costs	2,034,870	PhP
b. Employee wages and benefits	1,200,000	PhP
c. Payments to suppliers, other operating costs	52,126,800	Php
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government	656,401	PhP
f. Investments to community (e.g. donations, CSR)	138,820	PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Since the mine site has no operation, no income, company expenses are for care and maintenance of the mine site and salaries of the skeletal workforce. For this, the company heavily relies on the advances from affiliates.	*Stockholders* *Communities*	*Management is committed to obtaining the necessary mining permit needed to operate.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Given that the company's income depends on mining and production of gold, the company has had no income for many years due to non-operation.	*Employees* *Stockholders*	*The company relies on advances from affiliates and continues to exert all efforts to obtain the mining permit to operate.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
In 2018, the company obtained an Exploration Permit and has been working on possible exploration programs. However, it is expected that the COVID 19 crisis would significantly delay their implementation.	*Employees* *Stockholders* *Government*	*The company will continue to look for solutions to enable it to weather any future economic downturn.*

Climate-related risks and opportunities[2]

Governance	Strategy	Risk Management	Metrics and Targets
Given the nature of its business as mining, UPM is inherently exposed to climate-related and environmental risks.	*Since the company has had no operations for almost 20 years, the actual and potential impacts of climate-related risks and opportunities, in the organizations, business strategy, and financial planning are considered immaterial. However the company complies with the relevant mining laws as to corporate social responsibility, such as tree planting activities.*	*The company has no material climate-related risks but during its operational period the company complied with the maintenance of environmental trust fund as required by the DENR.*	*The company currently has no operation. Nevertheless, it maintains a nursery for propagating tree/plant seedlings at mine site.*

Procurement Practices - I

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	Not material	0%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Since the company has no operation, it has neither direct utilization of raw materials nor does it procure much supplies.	*The effect on stakeholders is not material.*	*Management applies conventional business measures in monitoring and controlling procurement of supplies.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Since the company has no operation, it has neither direct utilization of raw materials nor does it procure much supplies.	*The effect on stakeholders is not material.*	*Close monitoring and control of procurement of practices.*

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Reduction of procurement costs	*Employees* *Stockholders*	*Close monitoring and control of procurement of practices.*

Anti-corruption

Training on Anti-corruption Policies and Procedures - this is not applicable because the company has no head office employees and minesite is under care taker maintenance.

Disclosure	**Quantity**	**Units**
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	N/A	%
Percentage of directors and management that have received anti-corruption training	11	91%
Percentage of employees that have received anti-corruption training	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The company has no employees due to no operation.	*Employees* *Government*	*The company has a code of business conduct & ethics that the employees are expected to comply with.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The company has no employees due to no operation.	*Employees* *Government*	*The company has a code of business conduct & ethics that the employees are expected to comply with.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The company has no employees due to no operation.	*Employees* *Government*	*The company has a code of business conduct & ethics that the employees are expected to comply with.*

Incidents of Corruption

Disclosure	**Quantity**	**Units**
Number of incidents in which directors were removed or disciplined for corruption	0	#

Number of incidents in which employees were dismissed or disciplined for corruption	0	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The company will commence disciplinary actions on erring employees. It will not tolerate corrupt acts.	*Employees* *Stockholders* *Government*	*The company has a code of business conduct & ethics that the employees are expected to comply with.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
The company has no employees due to non-operation, hence the risk is insignificant.	*Employees* *Stockholders* *Government*	*The company has a code of business conduct & ethics that the employees are expected to comply with.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
The company has no employees due to non-operation, hence no identifiable opportunities.	*Employees* *Stockholders* *Government*	*The company has a code of business conduct & ethics that the employees are expected to comply with.*

ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (gasoline)	6	L
Energy consumption (LPG)	0	GJ
Energy consumption (diesel)	2,608	L
Energy consumption (electricity)	346,687.20	kWh

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	0	GJ
Energy reduction (LPG)	0	GJ
Energy reduction (diesel)	0	GJ
Energy reduction (electricity)	0	kWh
Energy reduction (gasoline)	0	GJ

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Energy was sourced from Camarines Norte Electric Cooperative ("CANORECO") under a long-term contract for the supply of electricity from 1988 to 2000. Likewise, the Company has four (4) megawatt power plant, which has the ability to provide sufficient power for operation during any power failure. Since these equipment have been idle for a period of time, further rehabilitation is required.	*Canoreco* *Employees* *Government*	*In November 2000, the Company switched its power supply from CANORECO to an in-house generating set to provide its limited power requirement of 10 KVA. Beginning early 2012, site power supply is now provided by CANORECO. However, the Company is also looking for alternative option for other possible power provider and/or participates in an open market to source its future power requirement.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Since there is no operation, the risk is minimal for energy consumption.	*CANORECO* *Employees*	*Management will continuously find ways to minimize energy usage.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Finding ways to save on energy costs will result to reduced company's expenses.	*CANORECO* *Employees*	*Management will continuously find ways to minimize energy usage.*

Water consumption within the organization

Disclosure	**Quantity**	**Units**
Water withdrawal		Cubic meters
Water consumption	8,514	Cubic meters
Water recycled and reused		Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
The Company utilizes rainwater from its tailings pond.	*Community*	*Pump is used to distribute water from the tailings pond. Water flows thru pipes to mine-camp by means of gravity since the(pond is on higher elevation. The pond*

		is lucked and plunged by chlorine every month and tested for CL and Ph analysis.
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Water availability, quality and accessibility depend on the amount of rainfall within the year. There is also the risk that minesite employees may not cooperate with water-saving measures.	*Community*	*Management continuously finds ways to minimize water consumption.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Potential to reduce water impact through alternative water sources.	*Employees* *Community*	*Management continuously finds ways to minimize water consumption.*

Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume	N/A	
• renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	N/A	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
UPM is a mining company that has no operation, and therefore, does not use any raw materials.	*Not applicable*	*Not applicable*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	*Not applicable*	*Not applicable*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	*Not applicable*	*Not applicable*

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	0	
Habitats protected or restored	0	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	0	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Not applicable	*Not applicable*	*Not applicable*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	*Not applicable*	*Not applicable*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not applicable	*Not applicable*	*Not applicable*

Environmental impact management

Air Emissions

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	0	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	0	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	0	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
UPM has no operation hence there is no impact on air emission.	*Not Applicable*	*Not Applicable*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**

[3] International Union for Conservation of Nature

Not Applicable	*Not Applicable*	*Not Applicable*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	*Not Applicable*	*Not Applicable*

Air pollutants

Disclosure	Quantity	Units
NO_x		kg
SO_x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
UPM has no operation hence there is no impact on air emission.	*Not Applicable*	*Not Applicable*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	*Not Applicable*	*Not Applicable*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	*Not Applicable*	*Not Applicable*

Solid and Hazardous Wastes

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated	0	kg
Reusable	0	kg
Recyclable	0	kg
Composted	0	kg
Incinerated	0	kg
Residuals/Landfilled	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
UPM has no operation hence there is no impact on solid waste.	*Not Applicable*	*W Not Applicable*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Not Applicable	*Not Applicable*	*Not Applicable*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	*Not Applicable*	*Not Applicable*

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	0	kg
Total weight of hazardous waste transported	0	kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
UPM has no operation hence there is no impact on hazardous waste.	*Not Applicable*	*Not Applicable?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	*Not Applicable*	*Not Applicable*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	*Not Applicable*	*Not Applicable*

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	0	Cubic meters
Percent of wastewater recycled	0	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
UPM has no operation, hence there is no impact relating to effluents.	*Not Applicable*	*Not Applicable*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Not Applicable	*Not Applicable*	*Not Applicable*

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Not Applicable	*Not Applicable*	*Not Applicable*

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	N/A	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	N/A	#
No. of cases resolved through dispute resolution mechanism	N/A	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The Company has not violated any environmental laws and regulations that directly impact the environment.	*Community* *Employees* *Government*	*UPM strives to ensure that the environmental impact of its business operations is mitigated and/or minimized and strictly abides by the regulatory standards and policies.*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Possible violation of any environmental laws and regulations	*Community* *Employees* *Government*	*UPM is implementing responsible and proper procedures and practices to make sure that it does not violate such laws and regulations.*
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Given that there is a global consciousness on environmental preservation, the company will continue to plant more trees and find more ways to protect the environment through its CSR efforts.	*Community* *Employees* *Government*	*UPM will create and find more ways to protect the environment through its CSR efforts.*

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees[4]		
a. Number of female employees	1	#
b. Number of male employees	8	#
Attrition rate[5]	0	rate
Ratio of lowest paid employee against minimum wage	0	ratio

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y		
PhilHealth	Y		
Pag-ibig	Y		
Parental leaves	Y		
Vacation leaves	Y	100%	100%
Sick leaves	Y	100%	100%
Medical benefits (aside from PhilHealth))		N/A	N/A
Housing assistance (aside from Pag-ibig)		N/A	N/A
Retirement fund (aside from SSS)	N		1
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	Y		
Flexible-working Hours	Y		
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Employee benefits directly impact employee performance and morale.	*The company abides by the directives of the SSS, Philhealth and Pag-ibig with regard to mandatory monthly company contributions as well as collects and remits each employee share.*
What are the Risk/s Identified?	**Management Approach**

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

The company has no operations but complies with mandatory benefits required by law. Hence, there is no significant risk.	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
The company has no operations but complies with mandatory benefits required by law. Hence, there is no identifiable opportunities.	*Not applicable*

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees		hours
b. Male employees	36	hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees	36	hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
UPM has no operation, hence there is no significant impact.	*Not applicable*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	n/a	%
Number of consultations conducted with employees concerning employee-related policies	n/a	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
UPM has no operation, hence there is no significant impact.	*Not applicable*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	12	%
% of male workers in the workforce	88	%
Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
UPM has no operation, and under care and maintenance mode only. Hence there is no significant impact.	*Criteria for employment and promotion focus mainly on the employee's ability to do his/her assigned work.*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	13440	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work related ill-health	0	#
No. of safety drills	3	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
UPM has no operation, and under care and maintenance mode only. Hence there is no significant impact.	*The company complies with mining and regulatory rules and regulations regarding occupational health and safety including the appointment of a Safety Officer at site.*
What are the Risk/s Identified?	**Management Approach**
UPM has no operation, and under care and maintenance mode only. Hence there is no significant impact.	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**

UPM has no operation, and under care and maintenance mode only. Hence there is no identifiable opportunity.	*Not applicable*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	NA	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	N	
Child labor	N	
Human Rights	N	

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
UPM has no operation, and is under care and maintenance mode only. Hence, there is no significant impact.	*Although there is no specific written company policy, management adheres to the relevant child labor and human rights laws.*
What are the Risk/s Identified?	**Management Approach**
UPM has no operation, and is under care and maintenance mode only. Hence, there is no significant impact.	*Although there is no specific written company policy, management adheres to the relevant child labor and human rights laws.*
What are the Opportunity/ies Identified?	**Management Approach**
Being compliant with labor laws will make company attractive to potential employees. It will also foster loyalty within the organization.	*Although there is no specific written company policy, management will always adhere to the relevant child labor and human rights laws.*

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
Given that the company is a mining company that does not have operation, and under care and maintenance mode, it is only primarily purchasing office supplies which does not necessitate an accreditation.

Do you consider the following sustainability topics when accrediting suppliers? N/A

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		

Human rights		
Bribery and corruption		

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Not applicable	*Not applicable*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	**Location**	**Vulnerable groups (if applicable)***	**Does the particular operation have impacts on indigenous people (Y/N)?**	**Collective or individual rights that have been identified that or particular concern for the community**	**Mitigating measures (if negative) or enhancement measures (if positive)**
While the company has no operations, it obtained an exploration permit in August 2018. In compliance with relevant mining laws, the company had conducted consultations and courtesy calls with the concerned barangays that are covered by the permit, regarding the approval of its exploration permit. The company will conduct consultations again, as required, when exploration activities actually commence.	Paracale	N/A	N	N/A	N/A

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

Certificates	**Quantity**	**Units**
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Customer Management

Customer Satisfaction

Disclosure	**Score**	**Did a third party conduct the customer satisfaction study (Y/N)?**
Not applicable		*Not applicable*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Not applicable	*Not applicable*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Health and Safety

Disclosure	**Quantity**	**Units**
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable	*Not applicable*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable	*Not applicable*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable	*Not applicable*

What are the Risk/s Identified?	Management Approach
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	*0*	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Not applicable	*Not applicable*
What are the Risk/s Identified?	**Management Approach**
Not applicable	*Not applicable*
What are the Opportunity/ies Identified?	**Management Approach**
Not applicable	*Not applicable*

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Since the company has no operations, it has not produced gold and silver for a long time.	In the event that the company is granted a mining permit in order to extract and sell gold and silver, the company would be able to hire miners from the local communities and give livelihood to the people.	Until the company begins mining operations, it cannot make any significant contributions to help alleviate poverty in the country.	The company will continue to find ways to help the poor and the marginalized in the covered barangay communities even during this period of non-operation.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*