COVER SHEET

		-	4	0	9	3	8	-		

SEC Registration Number

UNITED PARAGON MINING

CORPORATION

(Company's Full Name)

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

DEFINITIVE INFORMATION STATEMENT 2019

SEC FORM 20-IS

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

UNITED PARAGON
MINING CORPORATION
Head Office
6th Floor, Quad Alpha Centrum Bldg.
125 Pioneer Street, Mandaluyong City, Philippines
Tel. no. (632) 631-5139 Fax No. (632) 631-3113
www.unitedparagon.com

NOTICE ANNUAL MEETING OF STOCKHOLDER

TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of UNITED PARAGON MINING CORPORATION (the "Company") will be held at the Rajah Function Room, The Legend Villas, 60 Pioneer St., Mandaluyong City on Tuesday, July 30, 2019 at 2:30 pm.

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on December 05, 2018
4. Annual Report and Audited Financial Statements for the year ended December 31, 2018
5. Approval of Acts/ Resolutions of the Board and Management from December 05, 2018 to July 30, 2019
6. Election of Directors for the current year
7. Appointment of Sycip Gorres Velayo & Co. as External Auditor
8. Consideration of such other business as may properly come before the meeting
9. Adjournment

The Board has fixed the close of business on June 14, 2019 as the record date for the determination of the stockholders entitled to notice of and vote at the meeting. The stock and transfer books of the Company will not be closed.

Stockholders who cannot attend the said Annual Meeting in person but wish to be presented thereat are requested to submit their proxy instruments to the undersigned at the principal office of the Company at the 5TH Floor, Quad Alpha Centrum Building, 125 Pioneer Street, Mandaluyong City no later than 5:00 p.m. of July 19, 2019. Validation of proxies shall be held on July 25, 2019 at the Company's principal office. The giving of such proxy will not effect your right to vote in person should you decide to attend the Annual Stockholder's Meeting.

Immediately upon the adjournment of the Annual Meeting, the Directors elected will proceed with their Organizational Meeting

IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary

Date: June 01, 2019

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
Information Statement Pursuant to Section 20 of the Securities Regulation Code

COMMISSION
JUN 28 2019
REGULATION DEPT.
TIME 1:10

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [V] **Definitive Information Statement**

2. Name of Registrant as specified in its charter: **UNITED PARAGON MINING CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

4. SEC Identification Number: **40938**

5. BIR Tax Identification Code: **000-169-117**

6. Address of principal office, Postal Code: **6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, 1550**

7. Registrant's telephone number, including area code: **(63 2) 631-5139**

8. Date, time and place of the meeting of security holders: **July 30, 2019, 2:30 PM**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **On or before July 09, 2019.**

10. Securities registered pursuant to Sections 8 & 12 of the SRC:

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

11. Are any or all of registrant's securities listed on a Stock Exchange?
    [V] Yes [ ] No

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Philippine Stock Exchange, Inc. - Common Stock

GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

The Annual Meeting of Stockholders of United Paragon Mining Corporation ("UPMC" or the "Company") will be held on Tuesday, July 30, 2019, 2:30p.m.at the Rajah Function Room, The Legend Villas, 60 Pioneer Street, Mandaluyong City, Philippines.

The complete mailing address of the Company is 6th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City, Philippines 1550.

This Information Statement together with the Notice and Agenda of the Meeting will be sent or given to security holders on or before July 09, 2019.

Item 2. Dissenters' Right of Appraisal

A stockholder has the right to dissent or demand payment of the fair value of his share: (1) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or of authorizing preference over the outstanding shares or of extending or shortening the term of corporate existence; (2) in case of any sale, lease, mortgage or disposition of all or substantially all the corporate property or assets; (3) in case of any merger or consolidation; and (4) in case of investment of corporate funds in another corporation or business or for any purpose other than the primary purpose.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken. Upon payment, he must surrender his certificates of stock. No payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment.

There are no matters to be acted upon at the meeting involving instances set forth in the Corporation Code of the Philippines for which a stockholder may exercise the right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director or officer, nominee for election as director, or associate of such director, officer or nominee, of the Company has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office. Likewise, no director has informed the Company in writing of his opposition to any matter to be acted upon at the Meeting.

CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

The Company has three (3) classes of shares; Common Shares, which are voting shares, entitled to one (1) vote per share, and Preferred Class "A" and Preferred Class "B", which are non-voting shares.

Only stockholders of record as at the close of business on June 14, 2019 (the "Record Date") are entitled to notice of and to vote at the Meeting. As of the Record Date, the outstanding capital stock of the Company is 261,327,397,080 shares, consisting of 261,314,797,080 Common Shares, 12,200,000 Preferred Class "A" shares and 400,000 Preferred Class "B" shares.

All stockholders entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock transfer books of the Company as of the Record Date. In the election of the Directors, each common stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the whole number of votes cast by a stockholder shall not exceed the number of said shares multiplied by the whole number of directors to be elected.

Security Ownership of Certain Record and Beneficial Owners

As of June 14, 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	47,449,851,411	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	33.2
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
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. The said shares are mortgage to BDO.

-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 130,442,765,879 shares in the name of Alakor Securities Corporation (ASC) and 94,440,484,634 shares in the name of BDO Securities Corporation. Of the 224,883,250,513 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 National Book Store Inc., Anglo Philippine Holdings Corp., 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 as of June 14, 2019:

Title of Class	Name of Beneficial Owner	Amount and nature of Record /Beneficial Ownership		Citizenship	Percent of Class
		Direct	Indirect		
Common	Alfredo C. Ramos	500,050	318,476,767	Filipino	0.12
Common	Christopher M. Gotanco	500,000	90,312,500	Filipino	0.03
Common	John Peter C. Hager	-	87,000,000	Filipino	0.03
Common	Eduardo B. Castillo	54,375,000	-	Filipino	0.02
Common	Gerard Anton S. Ramos	100,000	-	Filipino	0.00
Common	Adrian Paulino S. Ramos	499,999	-	Filipino	0.00
Common	Presentacion S. Ramos	-	73,050,000	Filipino	0.02
Common	Maureen Alexandra S. Ramos-Padilla	-	65,000,000	Filipino	0.02
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 June 14, 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.

Change 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 5. Directors and Executive Officers

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

NAME	AGE	CITIZENSHIP	POSITION	PERIOD OF SERVICE	COMMITTEE MEMBERSHIP/POSITON
Alfredo C. Ramos	75	Filipino	Chairman President & CEO	1990-present 1992-present	-
Presentacion S. Ramos	77	Filipino	Director	2014-present	Corporate Governance-Member
Gerard Anton S. Ramos	44	Filipino	Director Vice-President	2010-present 2012-present	-
Adrian Paulino S. Ramos	41	Filipino	Director Treasurer	2006-present 2006-present	Audit-Member Compensation- Member
Eduardo B. Castillo	72	Filipino	Director	1990-present	Audit-Member
Christopher M. Gotanco	69	Filipino	Director	2012-present	Audit-Member Compensation-Member
Alexandra S. Ramos-Padilla	46	Filipino	Director	December 04, 2017 - present	Corporate Governance-Member
John Peter C. Hager	49	Filipino	Independent Director	2012-present	Corporate Governance-Chairman Audit-Member Compensation- Chairman

Renato C. Valencia	77	Filipino	Independent Director	May 2019-present	Audit- Chairman Corporate Governance – Member Compensation - Member
Iris Marie U. Carpio-Duque	41	Filipino	Corp. Secretary Compliance Officer & CIO	2013-present 2012-present	Corporate Governance – Non-voting Member
Deborah S. Acosta-Cajustin	39	Filipino	Assistant Corp. Secretary	October. 2017 - present	-
Gilbert V. Rabago	42	Filipino	Finance, Purchasing & Administrative Manager and CIO-Alternate	2012-present	Audit – Nonvoting Member

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 successor shall have been elected and qualified. As of this date, the following directors are nominated to the Board of Directors in the Company's forthcoming election:

- Alfredo C. Ramos
- Presentacion S. Ramos
- Gerard Anton S. Ramos
- Adrian Paulino S. Ramos
- Eduardo B. Castillo
- Alexandra S. Ramos-Padilla
- Christopher M. Gotanco
- John Peter C. Hager
- Renato C. Valencia

Mssrs. Renato C. Valencia and John Peter C. Hager are the current independent directors. They are neither officers nor substantial shareholders of the Company nor a director, officer or substantial shareholder of its related parties.

The following current executive officers are nominated for reelection to the positions set forth opposite their respective names:

- Alfredo C. Ramos - Chairman of the Board and President
- Gerard Anton S. Ramos - Vice-President
- Adrian Paulino S. Ramos - Treasurer
- Iris Marie U. Carpio-Duque - Corporate Secretary, Compliance Officer, CIO
- Deborah S. Acosta-Cajustin - Assistant Corporate Secretary
- Gilbert V. Rabago - Corporate Information Officer-Alternate

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.

In compliance with SRC Rule 23, directors, officers and principal stockholders are required to report their initial holdings of the Company's securities and any subsequent transactions thereof.

Independent Directors. In compliance with SRC Rule 38, which provides for the guidelines on the nomination and election of independent directors, a Corporate Governance Committee has been created which also functions as the Nomination Committee. The following directors are the current members:

- John Peter C. Hager (Chairperson)
- Christopher M. Gotanco
- Presentacion S. Ramos
- Renato C. Valencia

The Corporate Governance Committee was tasked to accept and to pre-screen nominees for election as independent directors conformably with the criteria prescribed in SRC Rule 38 and the Company's Manual on Corporate Governance, and to prepare and to make available to the SEC and the stockholders before the Annual Meeting of Stockholders a Final List of Candidates as required in said SRC Rule 38. Below is the final list of nominees for independent directors as pre-screened by the Corporate Governance Committee:

- Renato C. Valencia
- John Peter C. Hager

Mr. Adrian Paulino S. Ramos nominated Messrs. Renato C. Valencia and John Peter C. Hager for election as independent directors in the forthcoming annual stockholders' meeting. Mr. Ramos is not related to either or both Messrs. Valencia and Hager. With due regard to the qualifications and disqualifications set forth in the Company's Manual on Corporate Governance, the Securities Regulation Code and its Implementing Rules and the criteria prescribed in SRC Rule 38, the Corporate Governance Committee has determined that Messrs. Valencia and Hager are qualified to sit in the Board of the Company as independent directors.

Business Experience of Executive Officers and Director-Nominees

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.

Presentacion S. Ramos is a Director of the Company. For the past five (5) years, she has served as a 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 and 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.

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.

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.

Alexandra S. Ramos-Padilla is a Director of the Company. She serves as 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. He is the incumbent President of the Spanish Chamber of Commerce in the Philippines.

Renato C. Valencia is an Independent Director of the Company. *Filipino, 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, 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.

Deborah S. Acosta-Cajustin is the Assistant Corporate Secretary of the Company. 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. She is a certified public account and a member of the Integrated Bar of the Philippines.

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. He is a certified public accountant.

Directors with other Directorship(s) held in Reporting and/or Publicly Listed Companies (PLC)

	Corporate Name of the Group/Company	Type of Directorship (Executive, Non-Executive, Independent) Indicate if director is also the Chairman
Alfredo C. Ramos	Vulcan Industrial & Mining Corporation	ED (Chairman)
	Anglo Philippine Holdings Corporation	ED (Chairman)
	Atlas Consolidated Mining &Devt. Corp.	ED (Chairman)
	The Philodrill Corporation	ED (Chairman)
	Shang Properties, Inc.	ED
	Alakor Securities Corporation	ED (Chairman)
Christopher M. Gotanco	Anglo Philippine Holdings Corporation	ED
	Penta Capital Investment Corporation	ED
	The Philodrill Corporation	ED
	Vulcan Industrial& Mining Corporation	ED
Adrian Paulino S. Ramos	Atlas Consolidated Mining &Dev't. Corp.	ED
	Vulcan Industrial & Mining Corporation	ED
	Anglo Philippine Holdings Corporation	NED
	Alakor Securities Corporation	ED
Gerard Anton S. Ramos	The Philodrill Corporation	NED
	Anglo Philippine Holdings Corporation	NED
	Atlas Consolidated Mining &Dev't. Corp.	NED
	Alakor Securities Corporation	ED
Presentacion S. Ramos	Anglo Philippine Holdings Corporation	NED
	The Philodrill Corporation	NED
	Vulcan Industrial & Mining Corporation	NED
	Alakor Securities Corporation	ED

Renato C. Valencia	Anglo Philippine Holdings Corporation	ID
	EEI Corporation	ID
	Vulcan Industrial & Mining Corporation	ID
	I-People Inc.	ID
Maureen Alexandra S. Ramos-Padilla	Anglo Philippine Holdings Corporation	NED
	The Philodrill Corporation	NED
	Alakor Securities Corporation	NED
Eduardo B. Castillo	-	
John Peter C. Hager	-	

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: Messrs. Gerard Anton S. Ramos, President and CEO, and Adrian Paulino S. Ramos, Vice-President and Treasurer, respectively, are the sons of Mr. Alfredo C. Ramos, Chairman of the Board & President and Mrs. Presentacion S. Ramos, Director, Mrs. Alexandra S. Ramos-Padilla is their daughter.

Involvement in Certain Legal Proceedings. For the past five (5) years and up to the date of this Information Statement, the Company is not aware that anyone of the incumbent directors and executive officers and persons nominated to become a director or executive officer have been the subject of bankruptcy petitions or pending criminal proceedings in court or have been by judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities.

Involvement of Directors with Government Agencies or its Instrumentalities

Mr. Alfredo C. Ramos (Chairman/President) has been reelected as a member of the governing Board of the National Book & Development Board (NBDB). (See attached Certification)

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 and are guaranteed by another related party with a guaranty fee of 4% 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 parties. These loans and advances, inclusive of accrued interests, guaranty fees and other liabilities to related parties 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, 2015, the 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.

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 2018 Audited Financial Statements.

There is no on-going contractual or other commitments as a result of the loans and advances obtained from related parties other than the payment of the loans and advances, interests and guaranty fees and/or conversion of the same to equity as mentioned above.

During the last two (2) years, there were no other transaction 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. 24.

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.

Resignation or Declination to Stand for Re-election of a Director

Since the Company's last annual meeting of stockholders held on December 5, 2018, only Mr. Laurito E. Serrano, Independent Director, has resigned from the Board of Directors last February 2019.

<u>Item 6.</u> Compensation of Directors and Executive Officers

The aggregate compensation paid or incurred for the Company's Chief Executive Officer and four (4) most highly compensated executive officers and employees named below as a group for the two (2) most recently completed years (2018 and 2017) and the ensuing fiscal year (2019) are as follows:

Name	Position	Year	Salary	Bonus	OtherAnnual Compensation
Alfredo C. Ramos	Chairman				
Gerard Anton S. Ramos	President/CEO				
Adrian Paulino S. Ramos	Vice-President/ Treasurer				
Gilbert V. Rabago	Finance and Admin Manager				
Sammuel Q. Tacalan	Mine Planning/Technical Officer & Mine Site-OIC				
Iris Marie U. Carpio-Duque	Legal and Compliance Officer/Corporate Secretary				
Total (Top 5 Executives)		2017	₱2.5 million	0	0
		2018	₱1.8 million	0	0
		2019 (Est.)	₱1.8 million	0	0
Total (All Executives & Directors)		2017	₱2.5 million	0	0
		2018	₱1.8 million	0	0
		2019 (Est)	₱1.8 million	0	0

For the most recently completed fiscal year and the ensuing fiscal year, directors will receive a per diem of not more than ₱5,000.00 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.

Warrants or Options. 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, 2012, 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.

Item 7. Independent Public Accountants

The accounting firm of SyCipGorresVelayo& Co. CPAs ("SGV') with address at the 6760 Ayala Avenue 1226 Makati City, has been appointed as external auditor of the Company yearly since 2010, in line with the Company's commitment to good corporate governance and in compliance with SRC Rule 68(3)(b)(iv).

For 2019, SGV with Ms. Ma. Genalin Q. Arevalo as partner-in-charge is again recommended to stockholders for appointment as independent external auditor of the Company and was the signing partner-in-charge for the audit year 2018. The representatives of SGV are expected to be present at the Meeting and they will be given an opportunity to make a statement if they desire to do so. They are also expected to respond to questions, if needed.

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

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

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
2018	₱325,000	0	0
2017	₱296,000	0	0
2016	₱354,000	0	0

For the past three (3) years, the Company had not engaged the services of SGV (2016-2018) 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 Company's Audit Committee is headed by Mr. Renato C. Valencia, as Chairman and the members are Mssrs. John Peter Hager, Eduardo Castillo, Christopher Gotanco and Adrian Paulino Ramos. 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.

Item 8. Compensation Plans

Not applicable.

Item 9. Authorization or Issuance of Securities Other than for the Exchange

Not Applicable.

Item 10. Modification or Exchange of Securities

Not Applicable.

Item 11. Financial and Other Information

See the Company's 2018 Audited Financial Statements following this Information Statement.

Item 12. Mergers, Consolidation, Acquisitions and Similar Matters

Not Applicable.

Item 13. Acquisition or Disposition of Property
Not Applicable.

Item 14. Restatement of Accounts

NO restatement of any account has been made from the time the Company's financial statements were last audited (31 December 2018) up to the date of this Information Statement. Except for the reclassification of the Company's claims for value-added-tax (VAT) tax credit certificates (TCC's) amounting to P10.8 million, net of allowances for impairment losses amounting to P12.9 million, were previously classified as current asset in 2017 financial statements. In 2018, the Company determined that it is not expected to be recovered within 12 months from the balance sheet date and as such, the Company reclassified the VAT TCC's from current asset to non-current asset and restated the 2017 financial statements to reflect the reclassification adjustment. The restatement resulted in a decrease in the asset by P10.8 million and an increase in noncurrent asset by the same amount as of December 31, 2017 and January 1, 2017. There is no impact on the total liabilities, equity, retained earnings and cash flows previously presented. Hence no third balance sheet was presented.

NO material reclassification, merger, consolidation or purchase/sale of a significant amount of assets, not in the ordinary course of business, has been undertaken by the Company during the last three (3) years.

NO action will be taken at the meeting with respect to the restatement of any asset, capital or surplus account of the Company.

OTHER MATTERS

Item 15. Action with Respect to Reports

The following reports/minutes shall be submitted to the stockholders for approval/ratification:

1. Minutes of the Annual Stockholders' Meeting held on December 05, 2018

   In the stockholders' meeting on December 05, 2018, there were 228,887,743,446 or 87.5908% of the outstanding capital stock that were personally present or were represented by their duly authorized proxies, the stockholders approved the 2017 Annual Report and 2016 Audited Financial Statements. Furthermore, the stockholders approved the Minutes of the previous stockholders' meeting, ratified the corporate acts of Management and the Board of Directors, the year just closed, elected the new members of its Board of Directors for the coming year, and appointed the Company's external auditors. This constitutes the ratification of the accuracy and faithfulness of the Minutes to the events that transpired in the 2017 Annual Stockholders' Meeting, and does not constitute a second approval of the matters taken up thereat, which have already been approved.

2. Annual Report for the year ended December 31, 2018 (a copy containing the information required by SRC Rule 20A is enclosed)

   Approval of the Annual Report constitutes a ratification of the Company's performance during the previous fiscal year as contained therein.

3. Acts and Resolutions of the Board of Directors and Management from the date following the last Annual Stockholders' Meeting (December 05, 2018) to the present (July 29, 2019) including but not limited to the following:

   - Approval of the minutes of previous meetings and Annual Stockholders' Meeting 2018
   - Approval of the 2018 Audited Financial Statements
   - Nomination of SycipGorresVelayo& Co. as external auditor for the year 2019.
   - Resignation of Mr. Laurito Serrano as Independent Director and Chairman of Audit Committee.
   - Closing of PNB Account.
   - Approval of Financial Instrument Short Names (FISNs) as required by the National Numbering Agency
   - Election of Mr. Renato C. Valencia as Independent Director and Chairman of Audit Committee.
   - Approval of Assignment of Mining Contracts (MPSA 092-97-VI and MPSA 113-98-VI) of Vulcan Industrial & Mining Corporation in favor of the Company
   - Notice and postponement of Annual Stockholders' Meeting.

Item 16. Matters Not Required to be Submitted

Proofs of transmittal to stockholders of the required Notice of the Meeting and of the presence of a quorum at the Meeting form part of the Agenda for the Meeting and will not be submitted for approval by the stockholders.

Item 17. Amendment of Articles of Incorporation

Not Applicable

Item 18. Other Proposed Action

NO action on any matter, other than those stated in the Agenda for the Meeting, is proposed to be taken, except matters of incidence that may properly come at the Meeting.

Item 19. Voting Procedures

In the election of the Directors, each common stockholder shall have the right to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; provided, that the whole number of votes cast by a stockholder shall not exceed the number of said shares multiplied by the whole number of directors to be elected.

All other matters requiring approval by the stockholders as contained in the agenda would need the affirmative vote of stockholders holding a majority of outstanding common stock present and/or represented and entitled to vote at the meeting.

Voting and counting shall be by *viva voce*, except in the election of directors where voting may be by ballot if requested by a common stockholder pursuant to Section 23 of the Revised Corporation Code of the Philippines. Votes cast during the annual meeting shall be counted by the Corporate Secretary or Assistant Corporate Secretary.

Incorporated herein are the following:

1. General Nature and Scope of Business of United Paragon Mining Corporation
2. Market for Registrant's Common Equity and Related Stockholder Matters
3. Management's Discussion and Analysis of Financial Condition and Results of Operations for 2018, 2017 and 2016 and Interim Report for the 1st quarter ending March 31, 2019
4. Plan of Operations for 2019
5. Audited Financial Statements for 2018 and Management's Responsibility for Financial Statements
6. Interim Financial Statements for the 1st quarter ending March 31, 2019 are included in this report.

MANAGEMENT REPORT ACCOMPANYING INFORMATION STATEMENT
PURSUANT TO PARAGRAPH 4, SRC RULE 20
BUSINESS AND GENERAL INFORMATION

Business

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 AbcarParagon 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.

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 HaliguingBato 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. On August 24, 2018, the company received approval of its exploration permit (EP-016-2016-V dated August 20, 2018 covering an area of 580.27 hectares).

Furthermore, the DENR Secretary, Regina Paz L. Lopez issued Memorandum Circular No. 2016-01 on July 8, 2016, requiring an audit of all operating mines and a moratorium on the acceptance, processing and/or approval of mining applications and/or mining projects for all metallic and non-metallic minerals. She was replaced by Roy Cimatu as the new DENR secretary after her nomination was rejected by the Commission on Appointment (CA). The Company received its Exploration Permit denominated as EP-016-2016-V on August 24, 2018, and is currently complying with the conditions required by the MGB post-approval.

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. The Company received a letter from MGB Central Office dated September 9, 2015 returning all APSA applications of the Company to MGB Regional Office No. V for further evaluation.

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-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. On August 24, 2018, the company received approval of its exploration permit (EP-016-2016-V dated August 20, 2018 covering an area of 580.27 hectares).

Exploration/Drilling

No exploration work was initiated during the years 2017, 2016 and 2015. In late 2018, the company will start the implementation of its two-year approved exploration work program upon completion of the post approval requirements covered by EP-016-2016-V with an area of 580.27 hectares in Paracale, Camarines Norte. Exploration/drilling activities in the San Mauricio mineral claim in Jose Panganiban, Camarines Norte 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.

Mineral Resources and Ore Reserves

There was no change in the resource estimates during the year 2018 as compared to year 2016. The Indicated Mineral Resources Inventory as of January 01, 2017 is 3,160,737MT at 10.89 grams of g7ld per tonne (Au g/t) containing 1,106,420 ounces of gold.

Summary of the Ore Resources as of January 01, 2019 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 01-01-2019	3,160,737	10.89	1,106,420
Identified Mineral Resources as of 01-01-2018	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	1,302,524	11.30	473,211
Sub Total	1,302,524	11.30	473,211
Total			
Proven	202,071	10.61	68,930
Probable	1,388,452	11.30	496,086
Total Ore Reserves	1,590,523	11.05	565,016
Less: Reserves Used For Pillars	6,963	6.63	1,484
Total Ore Reserves -January 01, 2019	1,583,560	11.07	563,532
Total Ore Reserves - January 01, 2018	1,583,560	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 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 experience, which is relevant to the ore genesis of Longos vein mineralization and its deposition, to qualify as Competent Persons as defined in the 2007 Edition of PMRC. Messrs. Domingo and Castillo had given their consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

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 Municipal Trial Court for Paracale, Camarines Norte involving a portion of Lot 971, PLS-1047-D, owned by Camarines Minerals, Inc. The parties therein have filed their respective memoranda for resolution of the court.

Submission of Matters to a Vote of Security Holders

Except for the matters taken during the annual stockholders meeting on November 08, 2016, no other matter was submitted to a vote of security holders during the period covered by this report.

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 and the 1st quarter of year 2019 are as follows:

Market Price	2019		2018		2017	
	High	Low	High		High	Low
First Quarter	.01	.01	.0075	.0065	.01	.0083
Second Quarter	-	-	.0070	.0059	.011	.0081
Third Quarter	-	-	.0120	.0057	.0088	.0076
Fourth Quarter	-	-	.0077	.0055	0.01	.006

The Company's shares of common stock were traded with a closing price of ₱0.0055 per share on December 31, 2018 and ₱0.0065 on June 14, 2019.

Shareholders. The Company has 1,193 shareholders as of December 31, 2018 and 1,190 as of June 14, 2019. The outstanding shares as of December 31, 2018 and June 10, 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 June 14, 2019 are as follows:

No.	Name	No. of Shares held	Percentage of Total
1	PCD NOMINEE CORPORATION	252,785,392,629	96.7360
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 CORP.	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	15,000,000	0.0057
	CHIU, JOHNSON CHIU &/OR VICKY	15,000,000	0.0057
18	LEE, DANIEL U.	12,687,500	0.0049
19	HYDEE MANAGEMENT & RESOURCE CORP.	12,600,600	0.0048
20	SAN JOSE, ROBERTO V.	12,600,000	0.0048

The equity ownership on a per-class as of June 14, 2019 is as follows:

Security Class	Outstanding Shares	Percent of Total
1. **Common Shares**		
Filipino	255,536,730,280	97.7888
Alien:		
Other	5,755,610,550	2.2026
British	1,250,000	0.0005
American	13,000,000	0.0050
Chinese	8,206,250	0.0031
Total	**261,314,797,080**	**100**
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 year 2018 and in previous years (2017 and 2016). The Company's ability to declare and pay dividends on common equity is restricted by the availability of sufficient retained earnings and funds.

Description of the Company's Shares. UPMC has three (3) classes of shares; Common Shares, which are voting shares, entitled to one (1) vote per share, and Preferred Class "A" and Preferred Class "B" which are non-voting shares. The outstanding shares as of October 22, 2018 are 261,314,797,080 shares of Common Stock and are listed at the PSE; 12,200,000 shares of Preferred "A" stock and 400,000 shares of Preferred "B" stock.

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 1 5 of the 2016 Audited Financial Statements.

MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

Results of Operations.

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.

2016 compared to 2015

The company has posted net loss of ₱57.8 million in 2016 compared to ₱52.5 million in 2015. The increase in net loss of ₱5.3 million or 10% are represented by an increase in general and administrative of ₱0.7 million arising from outside services for consultants and employee benefits and finance expenses ₱4.1 million on creditors and related party advances and decrease in other income and foreign exchange gain by ₱0.5 million on disposal of scrap materials and revaluation of foreign denominated payables due to peso depreciation.

Finance Expenses of ₱38.0 million in 2016 was slightly higher by ₱4.2 million as compared to ₱33.8 million in 2015 due to compounding interest calculation on unpaid obligation to Camarines Minerals Inc. (CMI).

Finance income earned for the year 2016 arising from interest income on bank deposit.

Other income earned for the year 2016 of comes from the disposal of scrap materials.

Financial Position

As shown in the financial statements, the Company incurred cumulative losses of ₱2,630.9 million and ₱ 2,571.8 million as at December 31, 2018 and 2017, respectively. As at December 31, 2018 and 2017, the Company's current liabilities exceeded its current assets by ₱1,077.9 million and ₱1,016.5 million, respectively. Net cash flows used in operating activities amounted to ₱6.6 million, ₱10.2 million and ₱13.7 million in 2018, 2017 and 2016, 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 achieve a profitable level of operations, enhance recoverability of its assets such as, but not limited to, the deferred exploration costs and property, plant and equipment, and its ability to pay its debts as they mature. 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 2018, 2017 and 2016 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 ₱1,112.2 million as of December 31, 2018, of which, ₱255.3 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 2018 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 2018 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 2019".

Management's plans to address the liquidity and going concern issues are discussed under "Plan of Operations for the Year 2019".

The gold price slightly decline by 1% during the year 2018 as compared to the same period in 2017 and a 10% % increase as compared to 2016. Gold was traded in the London Metal Exchange ("LME") with a closing price of USD per Oz of US$1,281.65.50 at the end of 2018 as compared to US$1,296.50 in 2017 and US$1,159.10 in 2016. The gold price reached an all-time high of US$1,370 on July 6, 2017. The outlook for gold remains bullish, as it continues to provide a hedge against weakness in fiat currencies. On March 31, 2019, gold price closed at US$1,291.15 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, 2018 to December 31, 2017 in one or more line items of the financial statements *except* for the following:

1. Increase in Accrued interest & other current liabilities by ₱51 million or 7% principally due to the accrual of interest charges for the year 2018 including interest/dividends on Class A preferred shares.

2. Increase in Advances from related parties by ₱9.4 million or 4%.

3. 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 2018 compared to 2017.

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 K. Other than the foregoing, there are No known:

(a) trends, demands, commitments or uncertainties that will have a material impact on the Company's liquidity except if funding becomes available within the year for the reopening and rehabilitation of the Longos mine, which will have a material impact on liquidity
(b) events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;
(c) 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;
(d) material commitments for capital expenditures;
(e) 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;
(f) significant elements of income or loss that did not arise from the Company's continuing operations and;
(g) seasonal aspects or cyclical aspects that has or had a material effect on the Company's financial condition or results of operations.

Results of Operations (March 31, 2019 vs. March 31, 2018)

The Company reported no operating income earned for the period and incurred a net loss of P14.7 million and P17.1 million for the period ending March 31, 2019 and March 31, 2018, respectively. The lower net loss for the period was due to foreign exchange loss on valuation of foreign denominated liabilities.

General and administrative expenses for the period ending March 31, 2019 is P1.95 million higher as compared to P1.6 million in the same period in 2018. The increase mainly due to occupational fees paid for MPSA Negros.

The finance expenses of P12.44 million reported for the period ending March 31, 2019 was higher by P1.3 million as compared to the same period in 2018 due to compounded interest calculation on Camarines Minerals Inc., past due obligation.

Restatement of foreign currency denominated liabilities for the period ending March 31, 2019 resulted into a foreign exchange loss of P0.39 million due to peso depreciation from P52.724 (12.31.17) to P52.782 (3.31.19).

Financial Condition (March 31, 2019 vs. December 31, 2018)

The Company has total assets of P1,116.1 million and P1,116.4 million as of March 31, 2019 and December 31, 2018, respectively. The difference was due to increased in the cash and cash equivalent in the current asset section due to increase in related party cash advances offset by cash disbursement for operating expenses and provision for depreciation.

Total current liabilities increased to P1,126.8 million from P1,112.2 million for the period ending March 31, 2019 and December 31, 2018, respectively. The increase was mainly due to interest accrual and other payables and related party transaction.

The stockholders' equity was deficit by P11.7 million as of March 31, 2019 as compared to and December 31, 2018 due to operation net loss for the quarter ending March 2019.

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

Due to the suspension of mining and milling operations and limited sources of funds, the Company failed to meet payments within the stated terms to majority of its suppliers, contractors and creditors. However, the Company has been continuously paying the accounts that relates to its current working capital requirement, and the old accounts due to its suppliers, contractors and creditors remain unchanged. The internal and external sources of funds and the courses of action that the Company plans to undertake to address the liquidity problem are discussed under "Plan of operations for the year 2019".

The gold price increase slightly by two percent (1%) at the end of March 31, 2019 as compared to December 31, 2018. Gold was traded in the London Metal Exchange ("LME") with a closing price of US$1,291.15/oz. as of March 31, 2019 as compared to US$1,281.65/oz as of December 31, 2018. In 2019 gold price reached an all-time high of US$1,345.75 on February 20, 2019.

Inasmuch as the Company's mining and milling operations are still suspended, the key performance indicators of the Company as of March 31, 2019 as compared to December 31, 2018 are as follows:

Ratios	Formula		March 31 2019		December 31 2018
Current Ratio			0.0206		0.021
	Current Assets/	₱	23,199,578	₱	23,450,245
	Current Liabilities	₱	1,126,751,617	₱	1,112,195,408
Quick Ratio			0.0001		0.0006
	Current Asset-Inventory-Prepaid/	₱	117,938	₱	662,437
	Current Liabilities	₱	1,126,751,617	₱	1,112,195,408
Solvency Ratio			0.9897		1.0028
	Total Assets/	₱	1,116,180,796	₱	1,116,405,051
	Total Liabilities	₱	1,127,840,022	₱	1,113,283,813

Debt Ratio		1.01	1.00
	Total Liabilities/	₱ 1,127,840,022	₱ 1,113,283,813
	Total Assets	₱ 1,116,180,796	₱ 1,116,405,051
Debt to equity ratio		(96.73)	356.68
	Total liabilities/	₱ 1,127,840,022	₱ 1,113,283,813
	Stockholders' equity	₱ (11,659,226)	₱ 3,121,238
Equity to debt ratio		(0.01)	0.00
	Stockholders' equity/	₱ (11,659,226)	₱ 3,121,238
	Total liabilities	₱ 1,127,840,022	₱ 1,113,283,813
Asset to equity ratio		(95.73)	357.68
	Total Assets	₱ 1,116,180,796	₱ 1,116,405,051
	Stockholders' equity/	₱ (11,659,226)	₱ 3,121,238
Interest coverage ratios		(0.19)	(0.25)
	Earnings (loss) before interest & taxes	₱ (2,341,646)	₱ (11,813,025)
	Interest Expense	₱ 12,438,818	₱ 47,267,501
Book value per share		(0.00004)	0.00001
	Stockholders' equity/	₱ (11,659,226)	₱ 3,121,238
	Total # of shares	261,314,797,080	261,314,797,080
Loss per share		0.00006	0.00023
	Net loss/	₱ 14,780,464	₱ 59,080,526
	Total # of shares	261,314,797,080	261,314,797,080

The change in key indicators as of March 31, 2019 as compared to December 31, 2018 was noted, decreased in all key performance indicators due to net loss for the period ending March 31, 2019 except for debt ratio and loss per share due to decreased in total assets and in net loss.

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

Ratios	Formula	March 31 2019	March 31 2018
Current		0.0206	0.0330

Ratio					
	Current Assets/	₱	23,199,578	₱	35,322,311
	Current Liabilities	₱	1,126,751,617	₱	1,068,971,017
Quick Ratio			0.0001		0.0012
	Current Asset-Inventory-Prepaid/	₱	117,938	₱	1,249,680
	Current Liabilities	₱	1,126,751,617	₱	1,068,971,017
Solvency Ratio			0.9897		1.0419
	Total Assets/	₱	1,116,180,796	₱	1,114,882,327
	Total Liabilities	₱	1,127,840,022	₱	1,070,080,932
Debt Ratio			1.01		0.96
	Total Liabilities/	₱	1,127,840,022	₱	1,070,080,932
	Total Assets	₱	1,116,180,796	₱	1,114,882,327
Debt to equity			(96.73)		23.88
ratio	Total liabilities/	₱	1,127,840,022	₱	1,070,080,932
	Stockholders' equity	₱	(11,659,226)	₱	44,801,395
Equity to			(0.01)		0.04
debt ratio	Stockholders' equity/	₱	(11,659,226)	₱	44,801,395
	Total liabilities	₱	1,127,840,022	₱	1,070,080,932
Asset to equity			(95.73)		24.88
ratio	Total Assets	₱	1,116,180,796	₱	1,114,882,327
	Stockholders' equity/	₱	(11,659,226)	₱	44,801,395
Interest			(0.19)		(0.54)
coverage ratios	Earnings (loss) before interest & taxes	₱	(2,341,646)	₱	(6,015,999)
	Interest Expense	₱	12,438,818	₱	11,105,758
Book value			(0.00004)		0.00017
per share	Stockholders' equity/	₱	(11,659,226)	₱	44,801,395
	Total # of shares		261,314,797,080		261,314,797,080
Loss per share			0.00006		0.00007
	Net loss/	₱	14,780,464	₱	17,121,757
	Total # of shares		261,314,797,080		261,314,797,080

The change in key indicators as of March 31, 2019 as compared to March 31, 2018 was noted, decreased in all key performance indicators due to net loss for the period ending March 31, 2019 except for debt ratio and loss per share due to increase in total assets and in net loss.

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

Discussion and Analysis of Material Events and Uncertainties

Except as discussed in this report, management is not aware of any material event or uncertainty that affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional/global financial and political crises. The Company's financial statements for the interim period ended March 31, 2019 reflect foreign exchange loss on the Company's dollar denominated accounts.

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

    The Company entered into a ₱250.0 million Convertible Loan Agreement with Alakor Corporation, which was approved on September 20, 2011. The proceeds of the facility shall be used to finance the cost of conducting a feasibility study on the Longos Gold Project and for general working capital requirements of the Company. In the meantime, the Company will pursue various options to raise project funding for its exploration work program and for further rehabilitation of the Longos mine, once the Company obtained the necessary government permits. Should the required permits obtained and the financing materialize during the year; this will have a material impact on liquidity. Also, please refer to item "C" under "Plan of Operations for the year 2019".

2. There are NO events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

4. There are NO material commitments for capital expenditures.

5. There are NO known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.

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

Plan of Operations

A. The plan of operations for the year 2018 covers the following activities:

a. The Company is in the process of complying pre-condition requirement after approval of its Exploration Permit Application on August 24, 2018. The company is set to start the implementation of its two-year approved exploration work program in the second quarter of year 2019.
b. The Company will work on to get the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either by external sources or internal sources.

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

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

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

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

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

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

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

C. Any significant changes in the number of employees.

Manpower as of March 31, 2019 consists of seven (7) regular personnel. The Company expects no significant change in the number of employees for the ensuing year unless the necessary permits have been awarded to the company and the needed funding requirements for exploration and further rehabilitation and development of the Longos Mine becomes available, in which case, a significant number of employees will be hired.

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

The Company's financial instruments consist mainly of cash, accounts payable and other current liabilities, due to related parties and redeemable preferred shares. The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

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

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

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

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash.

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

As at March 31, 2019, the Company used general approach in the assessment of cash credit quality. The ECL relating to Company's cash is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

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

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities as they fall due. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by the management. To effectively manage liquidity risk, the Company has arranged for funding from related parties and continues to dispose of scrap, obsolete and excess assets to raise additional funds.

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

March 31, 2019
(In Million Pesos)

	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 year	Total
Financial Asset:					
Cash	0.12	0	0	0	0
Financial Liabilities:					
Accounts payable and other current liabilities	842	0	0	0	842
Due to related parties	258	0	0	0	258
Redeemable preferred shares	26	0	0	0	26
Net Financial Liabilities	(1,127)	0	0	-	(1,127)

excluding statutory payables

December 31, 2018
(In Million Pesos)

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

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:

	March 31, 2019		December 31, 2018	
	USD	PHP	USD	PHP
Accrued interest and other current liabilities	1,921,528	101,422,091	1,921,528	101,033,931
Other current liabilities	17,399	918,354	17,399	914,839

As at March 31, 2019 and December 31, 2018, the exchange rate of ₱ to the $ is ₱52.782 and ₱52.724, respectively.

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

	Change in exchange rate	
	$ strengthens by 5%	$ weakens by 5%
Increase (decrease) in income before income tax and equity		
March 31,2019	(5,071,104)	5,071,104
December 31, 2018	(5,097,439)	5,097,439

Fair Values of Financial Instruments

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

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

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

During the years ended March 31, 2019 and December 31, 2018 there were no transfers among Levels 1, 2 and 3 of fair value measurements.

Capital Management

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

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

Capital Management

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

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

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

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

Capital stock	₱2,613,147,971
Share premium	19,449,376
	₱2,652,046,723

Corporate Governance

The Company uses the evaluation system established by the SEC in its Memorandum Circular No. 5, series of 2013, including the Corporate Governance Self-Rating Form (CG-SRF) and ASEAN Scorecard to measure or determine the level of compliance of the Board of Directors and top-level management with the Company's Corporate Governance Manual in the meantime that a formal evaluation system has not been implemented.

The Company undertakes a self-evaluation process every year and any deviation from the Company's Corporate Governance Manual is reported to the Management and the Board of Directors together with the proposed measures to achieve compliance.

In 2013, the Company substantially adopted all the provisions of the Manual on Corporate Governance as prescribed by SEC Memorandum Circular No. 2, series of 2002 except for the following deviations and reasons thereof:

	Provision of the Manual	**Explanation**
2.2.2.1	Nomination Committee –The Board shall create a Nomination Committee to be composed of at least three (3) voting directors (one of whom must be independent) and one (1) non-voting member in the person of the Human Resources Director/Manager or similar officer.	The position of Human Resources Director/Manager is vacant due to limited number of employees. The Company will fill the position when it resumes normal operations. However, Mr. Gilbert V. Rabago (Finance & Admin. Manager) sits in as a non-voting member.
2.2.5	Internal Auditor - The Company shall have in place an independent internal audit function, which shall be performed by an Internal Auditor or a group of internal auditors, which shall report to the Audit Committee.	Due to limited transactions/ operations and lean workforce, the internal audit functions are presently being handled/conducted by the Finance & Admin. Manager. The Company will hire Internal Auditor/s in the future when it resumes normal operations.

The above deviations however would not materially affect the present operations of the Company.

The Board of Directors believes that the present practices for good corporate governance are sufficient inasmuch as operations are limited to care and maintenance. However, the Company shall adopt such improvement measures on its corporate governance as the exigencies of its business require from time to time and when the Company is certain that the Longos Mine will be reopened for rehabilitation and further development.

List of Directors/Committee Membership
As of December 2018

			Committee Membership		
Directors	**Executive/ Non -Executive/ Independent**	**Attended Corporate Governance Seminar**	**Corporate Governance**	**Audit**	**Compensation**
Alfredo C. Ramos	Executive Director	√			
Adrian Paulino S. Ramos	Executive Director	√		√	√
Gerard Anton S. Ramos	Executive Director	√			
Eduardo B. Castillo	Non-Executive Director	√		√	
*Laurito E. Serrano	Non-Executive Independent Director	√	√	√	√
Christopher M. Gotanco	Non-Executive Director	√	√	√	
John Peter C. Hager	Non-Executive Independent Director	√	√	√	√
Presentacion S. Ramos	Non-Executive Director	√	√		
Alexandra S. Ramos-Padilla	Non-Executive Director	√			√

**Resigned February 2019*

SEC Form 17-A

A COPY OF THE COMPANY'S ANNUAL REPORT ON SEC FORM 17-A WILL BE PROVIDED WITHOUT CHARGE TO EACH PERSON UPON WRITTEN REQUEST OF ANY SUCH PERSON ADDRESSED TO:

THE OFFICE OF THE CORPORATE SECRETARY
6th Floor, Quad Alpha Centrum Building
125 Pioneer Street, Mandaluyong City, 1550

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on June 19, 2019.

UNITED PARAGON MINING CORPORATION
BY:

IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary
Mandaluyong City, Philippines

PROXY

Solicited in Behalf of United Paragon Mining Corporation

The undersigned hereby appoints the Chairman, **MR. ALFREDO C. RAMOS** or the Chairman of the Meeting, with full power of substitution and delegation, as proxy to vote all the shares of the undersigned at the 2018 Annual Stockholders' Meeting of United Paragon Mining Corporation to be held on **July 30**, 2019 2:30 p.m. at the Rajah Function Room, The Legend Villas, Mandaluyong City.

The proxy shall vote subject to the instructions indicated below and the proxy is authorized to vote in his discretion on other business as may properly come at the Meeting and any postponements or adjournment thereof. Where no specific authority is clearly indicated below, the proxy shall vote and shall be deemed authorized to vote **FOR THE APPROVAL** of all the corporate matters listed below, and **FOR ALL** the nominated directors named below.

Corporate Matters:

	FOR	AGAINST	ABSTAIN
Approval of the previous minutes of Annual Stockholders' Meeting			
Approval of the 2018 Annual Report and Audited Financial Statements			
Approval of Acts/Resolutions of the Board of Directors & Management (from December 05, 2018 to July 30, 2019): ▪ Approval of the minutes of previous meetings and Annual Stockholders' Meeting 2018 ▪ Approval of the 2018 Audited Financial Statements ▪ Nomination of SycipGorresVelayo& Co. as external auditor for the year 2019. ▪ Resignation of Mr. Laurito Serrano as Independent Director and Chairman of Audit Committee. ▪ Closing of PNB Account. ▪ Approval of Financial Instrument Short Names (FISNs) as required by the National Numbering Agency ▪ Election of Mr. Renato C. Valencia as Independent Director and Chairman of Audit Committee. ▪ Approval of Assignment of Mining Contracts (MPSA 092-97-VI and MPSA 113-98-VI) of Vulcan Industrial & Mining Corporation in favor of the Company ▪ Notice and postponement of Annual Stockholders' Meeting.			
Appointment of SGV & Co. as Independent External Auditor			

Election of Directors:

FOR ALL THE FOLLOWING: ☐

WITHHOLD AUTHORITYFOR THE FOLLOWING: ☐

(To withhold authority to vote for any individual nominee, write down ~~the name(s) of the nominees (s) on the space provided below~~)

Alfredo C. Ramos	
Presentacion S. Ramos	
Adrian Paulino S. Ramos	
Gerard Anton S. Ramos	
Eduardo B. Castillo	
Christopher M. Gotanco	
Maureen Alexandra S. Ramos-Padilla	
John Peter C. Hager*	
Renato C. Valencia*	

**Independent Director*

Signature Over Printed Name

Date

For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming appointment of the proxy and the authority of the person signing the proxy.

(Reverse for Instructions)

SOLICITATON INFORMATION

Item 1.**Solicitor.** The enclosed proxy is solicited in behalf of the UNITED PARAGON MINING CORPORATION (the "Company") for use in voting at the 2019 Annual Meeting of Stockholders to be held on the date and time and place stated above and in the Notice accompanying this Information Statement and at any postponements or adjournments thereof.

Item 2. **Instructions.** The Proxy Form must be properly signed, dated and returned by the stockholder on or before July 19, 2019, 5:00 p.m. Validation of proxies will be held at the Company's principal office on July 25, 2019 at 3:00pm. For corporate shareholders, the proxy form must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy.

Validated proxies will be voted at the Meeting in accordance with the authority and/or instructions of the stockholder expressed therein. Proxies which are not properly signed and dated, or which are received late, or which do not have an accompanying secretary's certificate (for corporate shareholders) shall not be voted at the Meeting.

Subject to a stockholder's right to revoke his own proxy as stated in the paragraph below, a proxy given by a stockholder shall be voted by the Chairman of the Board, Mr. Alfredo C. Ramos or the Chairman of the Meeting, with full power of substitution and delegation, in accordance with the authorization specifically granted by the stockholder.

If no specific authority and/or instruction is made in the Proxy Form, the shares to the stockholder will be voted FOR ALL the nominee directors named in the Proxy Form and FOR THE APPROVAL of the matters stated in the Proxy Form and all other matters for which stockholders' approval may be sought in the meeting and at any postponements or adjournments thereof.

Item 3. **Revocability of Proxy**. A stockholder giving a proxy has the power to revoke it at any time before the right granted under and by virtue of such proxy is exercised, either: (a) by submitting a sworn statement revoking such proxy on or before July 25, 2019, 3:00 p.m.; or, (b) by appearing at the Meeting in person and expressing his intention to vote in person.

Item 4. **Persons Making the Solicitation**. The enclosed proxy is solicited in behalf of the Company for use in voting at the 2019 Annual Meeting of Stockholders to be held on the date, time and place stated above and in the Information Statement, and at any postponements or adjournments thereof.

As of the date the Information Statement and this Proxy Form are sent to stockholders of record, NO director has informed the company in writing that he opposes any action intended to be taken by the Company at the Meeting.

There are NO other participants in the solicitation of proxies through this Information Statement, other than the Company.

Solicitation of proxies will be made mainly through the mail. Incidental solicitation in person or through telephone reminding stockholders to attend the Meeting may be made by the directors, officers and employees of the Company, for which no arrangement are or will be made and no compensation will be paid for such incidental solicitation.

The Company will bear the cost of preparing, collating and delivering to stockholders the Information Statement, the Proxy Form and the accompanying materials. The Company estimates proxy solicitation expenditures to amount to about P75,000.00

Item 5. **Interest of Certain Persons in Matters to be Acted Upon**. At any time since the beginning of the last fiscal year, NO director, executive officer, nominee for election as director, or associate of such director, executive officer or nominee for election as director has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office, except that Mr. Alfredo C. Ramos and Mrs. Presentacion S. Ramos are directors and stockholders of National Book Store, Inc., a substantial stockholder, and Mr. Gerard Anton S. Ramos, Adrian Paulino S. Ramos & Alexandra S. Ramos-Padilla are their children.

UNITED PARAGON MINING CORPORATION
INDEX TO THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A
DECEMBER 31, 2018

FINANCIAL STATEMENTS

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Auditors

Consolidated Statements of Financial Position as at December 31, 2018 and 2017

Statements of Comprehensive Income for the Years Ended
December 31, 2018, 2017 and 2016

Statements of Changes in Equity for the Years Ended
December 31, 2018, 2017 and 2016

Statements of Cash Flows for the Years Ended
December 31, 2018, 2017 and 2016

Notes to Financial Statements

SUPPLEMENTARY SCHEDULES

Report of Independent Auditor's on Supplementary Schedules

SCHEDULE I Financial Ratios

SCHEDULE II Map of the Relationships of the Companies within the Group

SCHEDULE III Schedule of Effective Standards and Interpretations under the PFRS

SCHEDULE IV Reconciliation of Retained Earnings Available for Dividend Declaration

SCHEDULE A. Financial Assets in Equity Securities

SCHEDULE B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than Related Parties)

SCHEDULE C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

SCHEDULE D. Intangible Assets - Other Assets

SCHEDULE E. Long-Term Debt

SCHEDULE F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

SCHEDULE G. Guarantees of Securities of Other Issuers

SCHEDULE H. Capital Stock

UNITED PARAGON MINING CORPORATION
STATEMENTS OF FINANCIAL POSITION
In Million Pesos

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
CURRENT ASSETS		
Cash and cash Equivalents	0.12	0.66
Materials and supplies - at net realizable value	17.34	17.33
Other current assets	5.74	5.46
TOTAL CURRENT ASSETS	**23.20**	**23.45**
NONCURRENT ASSETS		
Property, plant and equipment	994.60	994.64
Deferred exploration costs	83.94	83.94
Other noncurrent assets	14.44	14.37
TOTAL NONCURRENT ASSETS	**1,092.98**	**1,092.95**
TOTAL ASSETS	**1,116.18**	**1,116.41**
CURRENT LIABILITIES		
Accounts payable and other current liabilities	842.43	830.84
Due to related parties	258.22	255.26
Redeemable preferred shares	26.10	26.10
Income tax payable	0.00	0.00
TOTAL CURRENT LIABILITIES	**1,126.75**	**1,112.20**
NONCURRENT LIABILITIES		
Pension liability	1.09	1.09
TOTAL NONCURRENT LIABILITIES	**1.09**	**1.09**
TOTAL LIABILITIES	**1,127.84**	**1,113.28**
EQUITY		
Capital stock - P.01 par value		
Authorized - 397,325,000,000 shres		
Issued - 261,314,797,080 shares	2,613.15	2,613.15
Additional paid-in capital	19.45	19.45
Actuarial gains on retirement benefits obligation	1.40	1.40
Deficit	(2,645.66)	(2,630.88)
TOTAL EQUITY	**(11.66)**	**3.12**
TOTAL LIABILITIES AND EQUITY	**1,116.18**	**1,116.41**

UNITED PARAGON MINING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2019

In Million Pesos

(Unaudited)

	Three Months ended March 31		Quarter – Jan - March	
	2019	**2018**	**2019**	**2018**
GENERAL AND ADMINISTRATIVE EXPENSES	1.95	1.60	1.95	1.60
OTHER (INCOME) EXPENSES				
Finance expenses	12.44	11.11	12.44	11.11
Foreign exchange (gain) loss	0.39	4.42	0.39	4.42
Interest income	(0.00)	(0.00)	(0.00)	(0.00)
Other (income) expenses	-	(0.00)	-	(0.00)
	12.83	15.52	12.83	15.52
NET LOSS FOR THE PERIOD	14.78	17.12	14.78	17.12

LOSS PER COMMON SHARE COMPUTED AS FOLLOWS:	Three Months ended March 31		Quarter – Jan - March	
In Philippine Pesos	**2019**	**2018**	**2019**	**2018**
Net loss	14,780,464	17,121,757	14,780,464	17,121,757
Weighted average no. of shares	261,314,797,080	261,314,797,080	261,314,797,080	261,314,797,080
LOSS PER COMMON SHARE				
Basic and diluted	0.00006	0.00007	0.00006	0.00007

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2019
In Million Pesos
(Unaudited)

	2019	2018
SHARE CAPITAL		
Authorized		
Common – 397,325,000,000 shares @ ₱0.01 par value per share	3,973.25	3,973.25
Preferred Class "A" – 13,500,000 shares @ ₱0.50 par value per share [1]	6.75	6.75
Preferred Class "B" – 400,000 shares @ ₱50.00 par value per share [1]	20.00	20.00
Total Authorized Capital Stock	**4,000.00**	**4,000.00**
Issued and outstanding		
Common shares-261,314,797,080 shares @ ₱0.01 par value per share		
Balance at beginning of year	**2,613.15**	**2,613.15**
Issuance for the period	**0**	**0**
Balance at end of 1st quarter	**2,613.15**	**2,613.15**
SHARE PREMIUM		
Balance at beginning of year	19.45	19.45
Movement for the period	0	0
Balance at end of 1st quarter	**19.45**	**19.45**
ACTUARIAL GAINS ON RETIREMENT BENEFIT OBLIGATION		
Balance at beginning of year	1.40	1.12
Movement for the period	0	0
Balance at end of 1st quarter	**1.40**	**1.12**
EQUITY		
Balance at beginning of year, as previously reported	(2,630.88)	(2,571.80)
Net loss for the period	(14.78)	(17.12)
Balance at end of 1st quarter	**(2,645.66)**	**(2,588.92)**
	(11.66)	**44.80**

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2019
In Million Pesos
(Unaudited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) before income tax	(14.78)	(17.12)
Adjustments for:		
Finance expenses	12.44	11.11
Depreciation Expense	0.04	0.04
Foreign Exchange (gain) loss	0.39	4.42
Interest & Other Income	(0.00)	(0.00)
Operating loss before changes in working capital	(1.91)	(1.55)
Changes in:		
Receivables	(0.28)	0.01
Materials and supplies	(0.01)	(0.02)
Prepaid expenses and other current assets	-	(0.13)
Accrued interest and other current liabilities	(0.39)	(0.35)
Cash used in operations	(2.59)	(2.05)
Interest received	0.00	0.00
Income taxes paid (MCIT)	-	-
Net cash used in operating activities	(2.59)	(2.05)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Additions (deductio) to property, plan, and equipment	0.00	0.00
Deferred exploration costs - evaluation expenditures	-	-
Increase in other assets	(0.07)	(0.08)
Net Cash used in investing activities	(0.07)	(0.08)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	2.12	2.70
Loan Payable		
Net cash provided by financing activities	2.12	2.70
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	**0**	**0**
NET INCREASE (DECREASE) IN CASH	**(0.54)**	**0.58**
CASH		
January 1	0.66	0.67
March 31	**0.12**	**1.25**

UNITED PARAGON MINING CORPORATION
FINANCIAL ASSETS IN EQUITY SECURITIES
March 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)
March 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
March 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
March 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
March 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)
March 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
March 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
March 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 March31, 2018, total shares issued and outstanding is 261,314,797,080 held by 1,191 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Directors and Officers	Principal/ Substantial Stockholders	No of shares held by Government	Banks	Others
Common Stock	397,338,900,000	261,314,797,080	-					i5,296,69
				689,814,317	206,018,105,535	-		1,544-

SCHEDULE 1

UNITED PARAGON MINING CORPORATION

FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED

March 31, 2019

	March 31, 2019	March 31, 2018
PROFITABILITY RATIOS:		
Return on Assets	-2.648%	-4.640%
Return on Equity	0.000%	-83.480%
Gross profit Margin	0	0
Net Profit Margin	0	0
LIQUIDITY AND SOLVENCY RATIOS:		
Current Ratio	0.0206 : 1	0.0330 : 1
Quick Ratio	0.0001 : 1	0.0012 : 1
Solvency Ratio	0.9897 : 1	1.0419 : 1
FINANCIAL LEVERAGE RATIOS:		
Asset to Equity ratio	-95.73 : 1	24.88 : 1
Debt ratio	1.01 : 1	0.96 : 1
Debt to equity ratio	-96.73 : 1	23.88 : 1
Interest Coverage ratio	-0.19 : 1	-0.54 : 1

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JOHN PETER HAGER**, Filipino, of legal age and resident of No. 16 Ormoc Street, Alabang Hills Village, Muntinlupa City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for an independent director of United Paragon Mining Corporation and have been its independent director since September 28, 2012.

2. I am affiliated with the following companies or organizations:

Company/Organization	Position / Relationship	Period of Service
Raco Trading (Asia) Development Corporation	Vice-President	September 2015 to present
Spanish Chamber of Commerce in the Philippines	President	2019 to present
Spanish Chamber of Commerce in the Philippines	Director	2005 to 2019
Alakor Securities Corp.	Independent Director	2014 to present
Raco Commodities Phils., Inc.	Managing Director	2008 to present
Raco Trading Phils., Inc.	Managing Director	2003 to present
Raco Trading Phils., Inc.	Vice President	1993-2003
Distribution Technologies, Inc.	Account Representative	1992-1993

3. I possess all the qualification and none of the disqualifications to serve as an Independent Director of United Paragon Mining Corporation, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulation.

4. I am <u>**not**</u> related to the following director/officer/substantial shareholder of United Paragon Mining Corporation and its subsidiaries and affiliates, in any relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of Director/Officer/Substantial	Company	Nature of Relationship
	Not Applicable	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agencies or its instrumentalities as of this filing.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.

8. I shall inform the Corporate Secretary of United Paragon Mining Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

JUN 25 2019

DONE this ____day of June 2019 at Mandaluyong City.

JOHN PETER C. HAGER
Affiant

JUN 25 2019

SUBSCRIBED AND SWORN to before me this ________ day of June 2018 at Mandaluyong City affiant personally appeared before me and exhibited to me his Driver's License No. N03-86-033820 expiring on September 14, 2023.

Doc. No. 445
Page No. 96
Book No. IV
Series of 2019.

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. 0374-18 / UNTIL DECEMBER 31, 2019
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3838035/ MANDALUYONG CITY / 01-08-1
IBP NO. 061291 / 01-07-19 / QC CHAPTER
MCLE COMPLIANCE NO. IV-0022115 / 04-14-202
ROLL NO. 51028 (2005)

CERTIFICATE OF QUALIFICATIONS INDEPENDENT DIRECTORS

I, **RENATO C. VALENCIA,** Filipino of legal age and resident of 331 Ma. Cristina Road Ayala Alabang Village, Muntinlupa City, after having been sworn to in accordance with law do hereby declare that:

1. I am an independent director of **UNITED PARAGON MINING CORPORATION** and was elected last May 27, 2019.

2. I am affiliated with the following companies or organizations:

	Company / Organization	Position/ Relationship	Period of Service/Status
1	Anglo Phil. Holdings Corporation	D	Dec. 2006 to date
2	EEI Corporation	I, D	Sept. 8, 2015 to date
3	I-People Inc.	Chairman/ D	Sept. 2, 2005 to date/ 2003 to Sept. 2, 2005
4	Malayan Insurance Co. Inc.	D	March 19, 2007 to date
5	Vulcan Industrial & Mining Corporation	D	November 2009 to date

**ID – Independent Director RD – Regular Director*

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of United Paragon Mining Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am **<u>not</u>** related to any of the director/officer/substantial shareholder of United Paragon Mining Corporation and its subsidiaries and affiliates, in any relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
	Not Applicable	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not connected with any government agencies or its instrumentalities as of this filing.

7. I shall faithfully and diligently comply with the duties and responsibilities as an independent director under Securities Regulation Code and its Implementing Rules and Regulations, Code of corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of United Paragon Mining Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this JUN 0 3 2019 day of ________ at MANDALUYONG CITY

RENATO C. VALENCIA
Affiant

SUBCRIBED AND SWORN to before me this JUN 0 3 2019 at Mandaluyong City, affiant exhibiting to me his Passport No. P6487147A issued on March 20, 2018 with expiry date on March 19, 2028 at DFA NCR South.

Doc. No. 315
Page No. 64
Book No. IV
Series of 2019.

ATTY. IRIS MARIE U. CARPIO
NOTARY PUBLIC – CITY OF MANDALUYONG
APPT. NO. 0374-18 / UNTIL DECEMBER 31, 2019
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3838035/ MANDALUYONG CITY / 01-08-19
IBP NO. 061291 / 01-07-19 / QC CHAPTER
MCLE COMPLIANCE NO. IV-0022115 / 04-14-2022
ROLL NO. 51028 (2005)

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

COMPANY / ORGANIZATION AFFILIATIONS

	Company / Organization	Position/Relationship	Period of Service/Status
1	Anglo Phil Inc.	D	2006 to date
2	EEI Corporation	I, D	2015 to date
3	I-People Inc.	Chairman D	Sept. 2, 2005 to date/ 2003 to Sept. 2, 2005
4	Malayan Insurance Co. Inc.	D	March 19, 2007 to date
5	Vulcan Industrial & Mining Corporation	D	November 2009 to date

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

SECRETARY'S CERTIFICATE

I, **IRIS MARIE U. CARPIO-DUQUE,** of legal age, Filipino, married, with office address at the 5th Floor Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, as the incumbent Corporate Secretary of **United Paragon Mining Corporation** (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at the 6th Floor Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, hereby certify that none of the directors and officers of the Corporation is employed or in any way related to the government or any of its agencies or instrumentalities, except for Mr. Alfredo C. Ramos, Chairman of the Board, who sits as a member of the National Book Development Board (NBDB).

IN WITNESS WHEREOF, I have hereunto set my hand this JUN 28 2019 in MANDALUYONG CITY

IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME in the place and on the date first above-written, affiant whose identity I have confirmed through her Unified Multi-Purpose ID No. CRN-0111-2628925-4, bearing her photograph and *signature.*

ATTY. JAMES R. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBP No. 051567 Sept. 28, 2018
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 3811514/1-3-2019
Tel. No. 631-40-90

Doc. No. 426
Page No. 87
Book No. 71
Series of 2019.

NBDB Republic of the Philippines
National Book Development Board

OED-L-2018-910

12 November 2018

Ms. IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary
United Paragon Mining Corporation;
Vulcan Industrial & Mining Corporation

Dear Ms. Duque:

This has reference to your request for Certification in favor of Mr. Alfredo C. Ramos as a requirement for submission to the Securities and Exchange Commission.

The National Book Development Board (NBDB) neither conducts nor engaged in any business or activities in the field of mining. Hence, we are of the opinion that the function of Mr. Ramos as Chairman and President of the mining corporations mentioned in your letter does not run in conflict with his role as a member of the NBDB Governing Board representing the booksellers in the book industry pursuant to the Book Publishing Industry Development Act (R.A. 8047).

For your information.

Very truly yours,

JERRY G. TIZON
Executive Director III

a: Unit 2401 Prestige Tower, F.Ortigas Jr. Road, Ortigas Center, Pasig City, Philippines 1605 t: +632-687-1804 f: +632-929-3887
http://booksphilippines.gov.ph/

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	(632) 636-5133	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,193	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) 631-5139	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.*

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has incurred cumulative losses, and has negative working capital and negative operating cash flows. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicates 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.

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, 2018 amounting to ₱83.9 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 ₱994.6 million as at December 31, 2018. 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.

APR 2 9 2019

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 consultants 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, 2018. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 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.

SGV
Building a better working world

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 24 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-A (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 224-024-926
BIR Accreditation No. 08-001998-123-2017,
February 9, 2017, valid until February 8, 2020
PTR No. 7332522, January 3, 2019, Makati City

April 1, 2019

APR 2 9 2019

UNITED PARAGON MINING CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 5)	**₱662,437**	₱673,274
Materials and supplies (Note 6)	**17,327,500**	17,324,202
Other current assets (Note 7)	**5,460,308**	5,793,810
Total Current Assets	**23,450,245**	23,791,286
Noncurrent Assets		
Property, plant and equipment (Note 8)	**994,641,400**	994,822,492
Deferred exploration costs (Note 9)	**83,944,446**	81,370,657
Other noncurrent assets (Note 7)	**14,368,960**	14,163,171
Total Noncurrent Assets	**1,092,954,806**	1,090,356,320
TOTAL ASSETS	**₱1,116,405,051**	₱1,114,147,606
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 10)	**₱830,839,435**	₱779,144,325
Due to related parties (Note 11)	**255,255,969**	245,855,969
Redeemable preferred shares (Note 12)	**26,100,000**	26,100,000
Income tax payable (Note 19)	**4**	14,245
Total Current Liabilities	**1,112,195,408**	1,051,114,539
Noncurrent Liability		
Pension liability (Note 13)	**1,088,405**	1,109,915
Total Liabilities	**1,113,283,813**	1,052,224,454
Equity		
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)	**1,403,559**	1,124,947
Deficit (Note 2)	**(2,630,879,668)**	(2,571,799,142)
Total Equity	**3,121,238**	61,923,152
TOTAL LIABILITIES AND EQUITY	**₱1,116,405,051**	₱1,114,147,606

See accompanying Notes to Financial Statements

UNITED PARAGON MINING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**₱6,695,044**	₱9,961,761	₱14,761,531
OTHER EXPENSES (INCOME)			
Interest expenses (Note 17)	**47,267,501**	42,209,731	37,914,671
Foreign exchange loss - net	**5,120,332**	226,733	5,132,340
Interest income (Note 5)	**(2,155)**	(2,991)	(7,670)
Other income (Note 18)	**(200)**	(714,233)	(6,571)
	52,385,478	41,719,240	43,032,770
LOSS BEFORE INCOME TAX	**59,080,522**	51,681,001	57,794,301
PROVISION FOR CURRENT INCOME TAX (Note 19)	**4**	14,245	131
NET LOSS	**59,080,526**	51,695,246	57,794,432
OTHER COMPREHENSIVE LOSS (INCOME)			
Item that will not be reclassified to profit or loss:			
Remeasurement loss (gain) on retirement benefits obligation (Note 13)	**(278,612)**	(200,005)	107,781
TOTAL COMPREHENSIVE LOSS	**₱58,801,914**	₱51,495,241	₱57,902,213
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
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Capital stock (Note 15)	Additional paid-in capital	Remeasurement gains (loss) on retirement benefit obligation (Note 13)	Deficit	Total
Balances at January 1, 2016	**₱2,613,147,971**	**₱19,449,376**	**₱1,032,723**	**(₱2,462,309,464)**	**₱171,320,606**
Net loss	–	–	–	(57,794,432)	(57,794,432)
Other comprehensive loss	–	–	(107,781)	–	(107,781)
Total comprehensive loss	–	–	(107,781)	(57,794,432)	(57,902,213)
Balances at December 31, 2016	**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**

See accompanying Notes to Financial Statements.

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱59,080,522)**	(₱51,681,001)	(₱57,794,301)
Adjustments for:			
Interest expense (Note 17)	**47,267,501**	42,209,731	37,914,671
Unrealized foreign exchange losses	**5,120,332**	226,733	5,132,340
Net change in pension liability (Note 13)	**257,102**	280,697	156,047
Depreciation (Notes 8 and Note 16)	**181,092**	517,871	1,115,111
Interest income (Note 5)	**(2,155)**	(2,991)	(7,670)
Gain on disposal of property and equipment (Note 18)	**(200)**	(625,850)	–
Operating loss before working capital changes	**(6,256,850)**	(9,074,810)	(13,483,802)
Decrease (increase) in:			
Materials and supplies	**(3,298)**	31,590	203,545
Other current assets	**333,502**	(207,622)	14,091
Decrease in accounts payable and other current liabilities	**577,468**	(1,000,607)	(383,766)
Net cash used in operations	**(5,349,178)**	(10,251,449)	(13,649,932)
Interest paid	**(1,270,191)**	–	–
Income taxes paid	**(14,245)**	(131)	(7,951)
Interest received	**2,155**	2,991	7,670
Net cash flows used in operating activities	**(6,631,459)**	(10,248,589)	(13,650,213)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to deferred exploration costs (Note 9)	**(2,573,789)**	–	(4,480,000)
Additions to other noncurrent assets	**(205,789)**	(194,843)	(255,553)
Proceeds from disposal of property and equipment (Note 18)	**200**	625,850	–
Net cash flows from (used in) investing activities	**(2,779,378)**	431,007	(4,735,553)
CASH FLOWS FROM A FINANCING ACTIVITY			
Additional advances from related parties (Note 11)	**9,400,000**	9,976,981	8,180,000
NET INCREASE (DECREASE) IN CASH	**(10,837)**	159,399	(10,205,766)
CASH AT BEGINNING OF YEAR	**673,274**	513,875	10,719,641
CASH AT END OF YEAR (Note 5)	**₱662,437**	₱673,274	₱513,875

See accompanying 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.

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. Its exploration and mining operations are located in Longos, Paracale, Camarines Norte.

The financial statements of the Company as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, were authorized for issue by the Board of Directors (BOD) on April 1, 2019.

2. Status of Operations and Management Plans

As shown in the financial statements, the Company incurred cumulative losses of ₱2,630.9 million and ₱2,571.8 million as at December 31, 2018 and 2017, respectively. As at December 31, 2018 and 2017, the Company's current liabilities exceeded its current assets by ₱1,077.9 million and ₱1,016.5 million, respectively. Net cash flows used in operating activities amounted to ₱6.6 million, ₱10.2 million and ₱13.7 million in 2018, 2017 and 2016, 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.

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,
c. The Company continues to dispose scrap, obsolete and excess assets to raise additional funds and to meet its current operating costs under exploration status.

Further, the Company's major shareholder, Alakor Corporation, is financially capable and committed to provide full support in the operations of the Company to implement the approved exploration work program, environmental work program, and community development program.

Prior to April 1, 1994, start of commercial operations of the underground mine, significant costs and expenses incurred by both APMC and UARGC, and subsequently by the Company, were deferred in the accounts with the expectation that they would benefit future periods and were recorded as deferred exploration costs amounting to ₱83.4 million.

The underground Shaft 4 mining operations was discontinued in December 1998 to avoid further operating losses and to preserve the remaining reserves for future extraction from the Main Shaft at a profitable level. Following the suspension of its underground mining operations, the Company retrenched its employees and paid separation pay totaling ₱24.6 computed in accordance with the provisions of the Labor Code of the Philippines.

The Company continued to explore and drill certain mining properties on a limited scale to find additional ore reserves to sustain an expanded operation in the future. However, in February 2004, the Company temporarily suspended its drilling operations pending receipt of mineral production sharing agreement for the San Mauricio group of mining claims. Also, in 2004, the BOD and stockholders of the Company approved the proposed capital restructuring which was approved by SEC in July 2008. As discussed in Note 15 to the financial statements, the capital restructuring reduced the Company's deficit and capital deficiency by ₱460.5 million and resulted in the termination of accrual of interest on advances from related parties that were converted to equity.

On July 30, 2007, the Company's Option and Operating Agreements with Camarines Minerals, Inc. (CMI) were extended for 25 years or co-terminus with the relevant mineral production sharing agreement that may be approved by the Government of the Philippines (see Note 21).

In December 2009, the Mines and Geoscience Bureau (MGB) Central Office returned all documents pertaining to said Mineral Production Sharing Agreement (MPSA) Application to MGB R-V for completion of the deficiency documents. The Company had completed and submitted the remaining deficiencies for the above MPSA to MGB R-V and were subsequently endorsed to MGB Central Office in June 2010. The Company received a letter from MGB Central Office dated September 9, 2015 returning the said application to MGB Regional Office for further evaluation.

On February 4, 2013, the Company's APSA-000375-V has been converted into an Exploration Permit and now is renumbered as EXPA-000180-V. The MGB, in its memorandum dated June 24, 2016, has issued a 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.

Furthermore, newly-appointed Department of Environment and Natural Resources (DENR) Secretary issued Memorandum Order No. 2016-01 on July 8, 2016, requiring an audit of all operating mines and a moratorium on the acceptance, processing and/or approval of mining applications and/or mining projects for all metallic and non-metallic minerals.

On August 20, 2018, exploration permit No. EP-016-2016-V has been issued by the MGB Regional Office No. V, Legazpi City in favor of the Company which will expire in August 19, 2020.

3. Basis of Preparation, Statement of Compliance, Changes in Accounting Policy and Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies

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

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

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

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

  - The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9.

- The Company discloses the accounting policies for both the current and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.

- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognized in the opening retained earnings or other component of equity, as appropriate.

- As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*.

As at January 1, 2018, the Company has reviewed and assessed all its existing financial assets.

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

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

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

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

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

Summarized below is the effect of adoption of PFRS 9 in the classification of the Company's financial assets at January 1, 2018:

	Under PAS 39		Remeasurements/	Under PFRS 9	
Financial Instruments	Classification	Amount	Reclassifications	Classification	Amount
Financial Assets					
Cash	Loans and receivables (measured at amortized cost)	₱673,274	₱–	Financial assets measured at amortized cost	₱673,274
Financial Liabilities					
Accounts payable and other current liabilities	Financial liabilities measured at amortized cost	778,718,446	–	Financial liabilities measured at amortized cost	778,718,446
Due to related parties	Financial liabilities measured at amortized cost	245,855,968	–	Financial liabilities measured at amortized cost	245,855,968
Redeemable preferred shares	Financial liabilities measured at amortized cost	26,100,000	–	Financial liabilities measured at amortized cost	26,100,000

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

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

  1. Identify the contract(s) with a customer
  2. Identify the performance obligations in the contract

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

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

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

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

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

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

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

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

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

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

New Standards and Interpretation Issued and Effective after December 31, 2018
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective Beginning On or After January 1, 2019

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

- PFRS 16, *Leases*

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

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

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

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

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

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle

  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

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

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

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

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

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

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

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

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

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

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

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

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

Effective Beginning On or After January 1, 2020

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

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

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

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

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

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

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

Effective Beginning On or After January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred Effectivity

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

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

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

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

Summary of Significant Accounting Policies

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting date; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical asset or liability
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

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

Financial Instruments

Initial Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset).

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

Classification and Subsequent Measurement Prior to January 1, 2018

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

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS financial asset. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the "Interest income" account in the statement of comprehensive income. Any losses arising from impairment are recognized in "General and administrative expenses" in the statement of comprehensive income.

As at December 31, 2017, the Company's loans and receivables include cash.

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company's financial liabilities are in the nature of other financial liabilities. As at December 31, 2017, the Company has no financial liabilities at FVPL.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Issued financial instruments or their components, which are not classified as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

  As at December 31, 2017, the Company's other financial liabilities include accounts payable and other current liabilities (excluding statutory payables), due to related parties and redeemable preferred shares (see Notes 10, 11 and 12).

Impairment of Financial Assets Prior to January 1, 2018
The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after initial recognition of the asset (an incurred "loss event") and that loss has an impact on the estimated future cash flows of the financial asset or the group of financial asset that can be reliably estimated.

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

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

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is recognized in the statement of comprehensive income. Interest income continues to be recognized based on the reduced amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income by adjusting the allowance account.

Classification and Measurement Effective January 1, 2018

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

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

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

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

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

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

- *Financial Assets at Amortized Cost.* A debt financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

  As at December 31, 2018, the Company has financial assets at amortized cost consisting of cash (see Note 5).

- *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, 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, 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. 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.

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

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

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

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

Provisions

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

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

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

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

Pension Liability
The net pension liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any

economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

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

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

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

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

<u>Income Taxes</u>

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized in the future.

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

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

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

Leases

Operating Leases - The Company as a Lessee

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

Segment Reporting

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

Basic Loss Per Common Share

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

Diluted Loss Per Common Share

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

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

Foreign Currency Transactions

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

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

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

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 or 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 or NRV, amounted to ₱17.3 million as at December 31, 2018 and 2017 (see Note 6). Materials and supplies inventories amounting to ₱11.1 million as at December 31, 2018 and 2017 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 ₱0.1 million ₱0.5 million and ₱1.1 million in 2018, 2017 and 2016, respectively. The carrying amounts of property, plant and equipment amounted to ₱994.6 million and ₱994.8 million as at December 31, 2018 and 2017, respectively (see Note 8). There is no other change in the estimated useful lives of property and equipment as at December 31, 2018 and 2017.

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, 2018 and 2017. 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 ₱994.6 million and ₱994.8 million as at December 31, 2018 and 2017, net of allowance for impairment losses of property, plant and equipment amounting to ₱141.7 million as of those dates. No impairment losses were recognized in 2018, 2017 and 2016 (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 and advances to employees amounted to ₱16.3 million and ₱16.6 million as at December 31, 2018 and 2017, respectively, net of allowance for impairment losses amounting to ₱15.4 million each as at December 31, 2018 and 2017 (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.

The carrying value of deferred exploration costs amounted to ₱83.9 million and ₱81.4 million as at December 31, 2018 and 2017, respectively. No allowance for impairment losses on deferred development and deferred exploration costs was recognized by the Company in 2018, 2017 and 2016 since based on the Company's assessment, their estimated net recoverable amount exceeded their costs (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, expected rates of return on plan assets 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 ₱0.3 million, ₱0.3 million and ₱0.2 million in 2018, 2017 and 2016, respectively. The Company's pension liability amounted to ₱1.1 million as at December 31, 2018 and 2017 (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. The Company did not recognized deferred income tax assets on deductible temporary differences, carry forward benefit of unused net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT) (see Note 19).

5. Cash

	2018	2017
Cash on hand	**₱35,000**	₱35,000
Cash in banks	**627,437**	638,274
	₱662,437	₱673,274

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

Total interest income amounted to ₱2,155, ₱2,991 and ₱7,670 in 2018, 2017 and 2016, respectively.

6. Materials and Supplies

	2018	2017
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	**114,183**	110,885
	₱17,327,500	₱17,324,202

Material and supplies charged to expense amounted to ₱70,672, ₱87,879 and ₱92,578 in 2018, 2017 and 2016, respectively (see Note 16).

No provision of inventory obsolescence was recorded in 2018, 2017 and 2016. The allowance for inventory obsolescence amounting to ₱8.8 million and ₱2.3 million pertains to spare parts and consumables, respectively, as of December 31, 2018 and 2017.

Gain on sale of scrap materials and supplies amounted to nil, ₱88,383 and ₱6,571 in 2018, 2017 and 2016, respectively (see Note 18).

7. Other Current Assets and Other Noncurrent Assets

Other Current Assets

	2018	2017
Advances to employees	**₱6,433,366**	₱6,678,366
Others	**1,495,934**	1,584,436
	7,929,300	8,262,802
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
	₱5,460,308	₱5,793,810

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

Other Noncurrent Assets

	2018	2017
Claims for VAT TCCs	**₱23,772,232**	₱23,772,232
Input VAT	**3,273,561**	3,067,772
Others	**267,696**	267,696
	27,313,489	27,107,700
Allowance for impairment loss on claims for VAT TCCs	**(12,944,529)**	(12,944,529)
	₱14,368,960	₱14,163,171

Claims for VAT TCCs of ₱23.8 million have been formally submitted to the Bureau of Internal Revenue (BIR) and the Department of Finance (DOF) and subsequently filed with the Court of Tax Appeals (CTA) to preclude prescription. On September 9, 1998, the CTA granted the Company's petition for refund of its excess and unutilized input VAT amounting to ₱10.9 million net of disallowance of ₱12.9 million.

As of December 31, 2017, the Company's claims for value-added tax (VAT) tax credit certificates (TCCs) amounting to ₱10.8 million, net of allowance for impairment losses amounting to ₱12.9 million, were previously classified as a current asset in the 2017 financial statements. In 2018, the Company determined that it is not expected to be recovered within 12 months from balance sheet date and as such, the Company reclassified the VAT TCCS from current asset to noncurrent asset and restated the 2017 financial statements to reflect the reclassification adjustment. The restatement resulted in a decrease in current assets by ₱10.8 million and an increase in noncurrent assets by the same amount as of December 31, 2017 and January 1, 2017. There is no impact on the total liabilities, equity, retained earnings and cash flows previously presented. Hence, no third balance sheet was presented.

8. Property, Plant and Equipment

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

2017

	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	₱3,309,727	₱2,129,327,070
Disposal	–	–	–	–	–	(1,190,000)	(1,190,000)
Balances at end 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
Accumulated depreciation, amortization and depletion:							
Balances at beginning of year	763,575,151	84,461,189	122,647,117	14,018,497	4,362,266	3,219,528	992,283,748
Depreciation (Note 16)	–	–	169,613	36,125	221,934	90,199	517,871
Disposal	–	–	–	–	–	(1,190,000)	(1,190,000)
Balances at end of year	763,575,151	84,461,189	122,816,730	14,054,622	4,584,200	2,119,727	991,611,619
Accumulated impairment losses	101,568,158	40,134,801	–	–	–	–	141,702,959
Net book values	₱709,611,561	₱280,404,010	₱702,286	₱4,085,776	₱18,859	₱–	₱994,822,492

The Company performs an individual assessment of the physical condition of its property, plant and equipment. No provision for impairment was recognized in 2018, 2017 and 2016. Accumulated impairment losses on property, plant and equipment amounted to ₱141.7 million as at December 31, 2018 and 2017 (see Note 9).

The carrying value of temporarily idle property, plant and equipment amounted to ₱990.0 million as at December 31, 2018 and 2017. The Company has no plans of disposing these idle assets as these are reserved for future use when the mine is reopened.

Depreciation expense on property, plant and equipment used in the exploration activities amounting to ₱0.06 million in 2018 and nil in 2017 and 2016, is capitalized as part of deferred explorations costs, which relates to Longos Mining Project of the Company.

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

The Company performed an impairment test in 2018 and 2017.

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 rate applied to the cash flow projections as at December 31, 2018 is 11.95%. 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
b. gold prices
c. pre-tax discount rate

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 11.95% and 7.6% as at December 31, 2018 and 2017, 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

	2018	2017
Balances at January 1	**₱90,214,575**	₱90,214,575
Additions	**2,573,789**	–
Balances at December 31	**92,788,364**	90,214,575
Allowance for impairment losses	**(8,843,918)**	(8,843,918)
Net book value at December 31	**₱83,944,446**	₱81,370,657

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 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 which was issued on August 20, 2018 by MGB Regional Office No. V, Legazpi City.

No additional impairment loss was recognized in 2018, 2017 and 2016. 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.

10. Accounts Payable and Other Current Liabilities

	2018	2017
Royalty payable (Note 21)	**₱326,355,043**	₱287,837,995
Accrued interest on:		
Redeemable Class B preferred shares (Note 12)	**201,161,642**	197,161,642
Bonds payable	**101,033,931**	95,941,882
Due to related parties (Note 11)	**66,560,069**	66,560,069
Redeemable Class A preferred shares (Note 12)	**63,484,968**	62,264,968
Royalty payable (Note 21)	**18,954,966**	16,694,704
Others	**1,925,988**	1,925,988
	453,121,564	440,549,253
Dividends payable (Note 12)	**20,022,233**	20,022,233
Nontrade payables	**8,538,630**	8,538,630
Accruals:		
Third parties:		
Salaries and wages	**7,530,816**	7,401,569
Professional and consultancy fees	**4,308,769**	4,359,375
Taxes and licenses	**61,075**	61,075
Related parties:		
Rental and utilities (Note 11)	**3,197,895**	3,197,895
Others	**7,703,410**	7,176,300
	₱830,839,435	₱779,144,325

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. This includes the payable to Mining and Petroleum Services Corp. (MIPSCOR) which is 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, 2018 and 2017 (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)	**2018**	**₱–**	**₱–**	**₱120,000,000**	10% interest bearing	Uncollateralized
	2017	₱–	₱–	₱120,000,000		
	2018	**–**	**39,313,795**	**–**	Due and demandable	Uncollateralized
	2017	–	39,313,795	–		
	2018	**–**	**–**	**75,684,098**	12% interest bearing Due and Demandable	Uncollateralized
	2017	–	–	75,684,098		
	2018	**–**	**27,246,274**	**–**	Due and demandable	Uncollateralized
	2017	–	27,246,274	–		
	2018	**–**	**–**	**18,630,000**	Noninterest-bearing	Uncollateralized
	2017	–	–	18,630,000		
	2018	**–**	**766,771**	**–**	Noninterest-bearing; Due and Demandable	Uncollateralized
	2017	–	766,771	–		
National Book Store, Inc. (NBS)	**2018**	**–**	**–**	**14,400,714**	Noninterest-bearing; Due and Demandable	Uncollateralized
	2017	–	–	14,400,714		
Anglo Phil. Holding Corp. (APHC)	**2018**	**9,400,000**	**–**	**26,047,744**	Noninterest-bearing; Due and Demandable	Uncollateralized
	2017	10,300,000	–	16,647,744		
Abacus Book and Card Corporation (Abacus)	**2018**	**–**	**–**	**493,413**	Noninterest-bearing; Due and Demandable	Uncollateralized
	2017	–	–	493,413		
The Philodrill Corporation (TPC)	**2018**	**–**	**1,376,801**	**–**	Noninterest-bearing; Due and demandable	Uncollateralized
	2017	–	1,376,801	323,019		
Vulcan Industrial & Mining Corp. (VIMC)	**2018**	**–**	**1,054,323**	**–**	Noninterest-bearing; Due and demandable	Uncollateralized
	2017	–	1,054,323	–		
	2018		**₱69,757,964**	**₱255,255,969**		
	2017		₱69,757,964	₱245,855,969		

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 draw down date. In 2011, drawdown amounted to ₱120.0 million. There were no additional drawdowns in 2018 and 2017.

The loan agreement gives the following rights to Alakor:

a. 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.
b. 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.

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

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.

Due to NBS, APHC, TPC and Abacus pertain to advances for working capital purposes. APHC made additional advances to UPMC for additional working capital amounting to ₱9.4 million and ₱10.3 million in 2018 and 2017, 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 ₱1.8 million and ₱2.5 million in 2018 and 2017, respectively.

Changes in liabilities arising from financing activities

	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**

	January 1, 2017	Additions	Payments	December 31, 2017
Due to related parties	₱235,878,988	₱10,300,000	(₱323,019)	₱245,855,969
Redeemable preferred shares	26,100,000	–	–	26,100,000
	₱261,978,988	₱10,300,000	(₱323,019)	₱271,955,969

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, 2018, 2017 and 2016	**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, 2018, 2017 and 2016	**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 of 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, 2018 and 2017 (see Note 10).

The dividends accruing on Class A preferred shares from November 1, 1994 to December 31, 2018 and 2017 that have not been declared amounted to ₱63.5 million and ₱62.3 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 each year in 2018, 2017 and 2016 (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 of December 31, 2018 and 2017, accrued interest on Class B preferred shares amounted to ₱201.2 million and ₱197.2 million, respectively (see Note 10).

Interest expense amounted to ₱4.0 million each year in 2018, 2017 and 2016 (see Note 17).

13. Pension Liability

The Company has an unfunded defined benefits retirement plan covering substantially all of its employees. Benefits are dependent on the years of service and the respective employee's compensation.

Under the existing regulatory framework, Republic Act 7641 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:

	2018	2017	2016
Current service cost	**₱192,727**	₱223,061	₱119,308
Interest cost	**64,375**	57,636	36,739
	₱257,102	₱280,697	₱156,047

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

	2018	2017
Balances at beginning of year	**₱1,109,915**	₱1,029,223
Retirement benefit expense recognized in profit or loss:		
Current service cost	**192,727**	223,061
Interest cost	**64,375**	57,636
	257,102	280,697
Remeasurement loss (gain) in other comprehensive income:		
Experience adjustments	**(206,203)**	(175,580)
Change in demographic assumptions	**65,071**	–
Change in financial assumptions	**(137,480)**	(24,425)
	(278,612)	(200,005)
Balances at end of year	**₱1,088,405**	₱1,109,915

The Company does not have any plan assets as at December 31, 2018 and 2017.

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:

Annual rates	2018	2017
Discount rate	**7.50%**	5.80%
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, 2018 and 2017, assuming all other assumptions were held constant:

	Increase (Decrease)	2018	2017
Discount rates	+1.00%	**(₱74,471)**	(₱110,785)
	-1.00%	**85,217**	130,734
Salary increase rate	+1.00%	**₱86,509**	₱130,466
	-1.00%	**(76,810)**	(112,549)

The Company does not expect to contribute to the defined benefit pension plan in 2018.

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, 2018 and 2017:

	2018	2017
More than 1 year to 5 years	**₱574,743**	₱580,287
More than 5 years to 10 years	**359,886**	347,433
More than 10 years	**3,656,035**	6,014,941
	₱4,590,664	₱6,942,661

The average duration of the defined benefit obligation as of December 31, 2018 and 2017 are 10.5 years and 14.9 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, 2018, 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, 2018 and 2017	**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
January 29, 1990	Increase in authorized 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 of January 29, 1990		52,705,000,000		52,705,000,000	1,027,000,000
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 of 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 of 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 of 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

(Forward)

Date of approval or date of effectivity	Description	Number of shares registered	Issue or offer price	Balance	Amount
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 of December 31, 2011		397,338,900,000	₱0.01	397,338,900,000	₱4,000,000,000

For the years ended December 31, 2018 and 2017, there were no movements in the Company's registered securities. There are 1,193 and 1,200 shareholders who hold 261.3 billion shares as at December 31, 2018 and 2017.

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, 2018 and 2017	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
Guarantee fee payable	144,104,494
Accrued interest on bonds payable	14,321,555
Accrued rental and utilities payable	5,123,782
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

	2018	2017	2016
Salaries and allowances	**₱2,445,954**	₱3,513,025	₱4,040,315
Outside services	**1,805,517**	2,749,290	4,955,113
Land compensation damage	**502,500**	697,500	750,000
Insurance	**352,148**	343,225	137,674
Professional fees	**322,279**	361,305	340,861
Pension cost (see Note 13)	**257,102**	280,697	156,047
Office supplies	**126,318**	164,419	173,304
Depreciation expense (see Note 8)	**122,626**	517,871	1,115,111

(Forward)

	2018	2017	2016
Utilities	**₱98,455**	₱289,963	₱362,368
Taxes and licenses	**93,696**	152,838	1,627,529
Rent	**87,502**	161,850	138,505
Representation and entertainment	**78,250**	15,615	297,226
SSS, HMDF and other contributions	**59,170**	115,202	136,447
Transportation and travel	**55,817**	84,240	101,431
Repairs and maintenance	**14,231**	37,685	44,688
Fuel and oil (see Note 6)	**70,672**	87,879	92,578
Others	**202,807**	389,157	292,334
	₱6,695,044	₱9,961,761	₱14,761,531

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

17. Interest Expenses

	2018	2017	2016
Royalty payable (see Note 21)	**₱42,047,501**	₱36,989,731	₱32,683,712
Redeemable preferred Class B shares (see Note 12)	**4,000,000**	4,000,000	4,010,959
Redeemable preferred Class A shares (see Note 12)	**1,220,000**	1,220,000	1,220,000
	₱47,267,501	₱42,209,731	₱37,914,671

18. Other Income

	2018	2017	2016
Gain on sale of scrap materials and supplies (Note 6)	**₱–**	₱88,383	₱6,571
Gain on disposal of property and equipment (Note 8)	**200**	625,850	–
	₱200	₱714,233	₱6,571

19. Income Taxes

a. The Company is subject to regular corporate income tax or minimum corporate income tax (MCIT) whichever is higher. The provision for current income tax in 2018, 2017 and 2016 pertains to MCIT.

b. 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:

	2018	2017	2016
Income tax benefit at statutory income tax rate of 30%	**(₱17,724,157)**	(₱15,504,300)	(₱17,338,290)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**14,280,857**	12,667,604	10,260,281
Change in unrecognized deferred taxes	**3,443,951**	2,851,838	7,080,441
Interest already subjected to final tax	**(647)**	(897)	(2,301)
	₱4	₱14,245	₱131

c. The Company has deductible temporary differences, unused NOLCO and excess MCIT 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. These are as follows:

	December 31		
	2018	2017	2016
Allowances for impairment losses on:			
Property, plant and equipment (see Note 8)	**₱141,702,959**	₱141,702,959	₱141,702,959
Deferred exploration costs (see Note 9)	**8,843,918**	8,843,918	8,843,918
Receivable from employees and others (see Note 6)	**2,468,992**	2,468,992	2,468,992
Allowance for inventory obsolescence (see Note 6)	**11,102,947**	11,102,947	11,104,940
NOLCO	**28,676,865**	34,872,259	40,390,815
Unrealized foreign exchange loss	**5,120,332**	226,733	5,132,340
Pension liability (see Note 13)	**1,088,405**	1,109,915	1,029,233
MCIT	**14,380**	22,327	15,622

Movements in NOLCO and MCIT are as follows:

NOLCO

Year Incurred	Expiry Date	At January 1, 2017	Addition (Expiration)	At December 31, 2017	Addition (Expiration)	At December 31, 2018
2014	2017	₱14,471,766	(₱14,471,766)	₱–	₱–	₱–
2015	2018	12,554,886	–	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
		₱40,390,815	(₱5,518,556)	₱34,872,259	(₱6,181,589)	₱28,676,865

MCIT

Year Incurred	Expiry Date	At January 1, 2017	Addition (Expiration)	At December 31, 2017	Addition (Expiration)	At December 31, 2018
2014	2017	₱7,540	(₱7,540)	₱–	₱–	₱–
2015	2018	7,951	–	7,951	(7,951)	–
2016	2019	131	–	131	–	131
2017	2020	–	14,245	14,245	–	14,245
2018	2021	–	–	–	4	4
		₱15,622	₱6,705	₱22,327	(₱7,947)	₱14,380

Tax Reform for Acceleration and Inclusion (TRAIN) Act
Republic Act (RA) No.10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that generally affect businesses on a prospective basis, the management assessed that the same did not have any significant impact on the financial statement balances as of the reporting date.

20. Basic and Diluted Loss Per Common Shares

Basic and diluted loss per share is computed as follows:

	2018	2017	2016
Net loss for the year	**₱59,080,526**	₱51,695,246	₱57,794,432
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 2018, 2017 and 2016, 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, 2018 and 2017.

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 ₱42.0 million, ₱37.0 million and ₱32.7 million in 2018, 2017 and 2016, respectively (see Note 17). The total accrued interest payable included in the principal amounted to ₱290.8 million and

₱252.0 million as at December 31, 2018 and 2017, respectively. Accrued interest payable to CMI amounted to ₱19.0 million and ₱16.7 million as at December 31, 2018 and 2017, respectively (see Note 10).

As at December 31, 2018 and 2017, royalty payable to CMI amounted to ₱326.4 million and ₱287.8 million, respectively (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 of December 31, 2018, the Company has not determined probable liabilities relating to these projects. As of December 31, 2018, 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, 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.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities as they fall due. Management is responsible for liquidity, funding as well as settlement management. In addition, liquidity and funding risks, related processes and policies are overseen by the management. To effectively manage liquidity risk, the Company has arranged for funding from related parties and continues to dispose of scrap, obsolete and excess assets to raise additional funds.

The following table summarizes the maturity profile of the Company's financial liabilities and financial assets as at December 31, 2018 and 2017, 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:

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	**(₱1,112,789,432)**	**₱–**	**₱–**	**₱–**	**(₱1,112,789,432)**

**excluding statutory payables*

2017	On demand	Within 6 Months	6 to 12 Months	Over 1 year	Total
Financial Asset:					
Cash	₱673,274	₱–	₱–	₱–	₱673,274
Financial Liabilities:					
Accounts payable and other current liabilities*	778,718,446	–	–	–	778,718,446
Due to related parties	245,855,968	–	–	–	245,855,968
Redeemable preferred shares	26,100,000	–	–	–	26,100,000
Net Financial Liabilities	(₱1,050,001,140)	₱–	₱–	₱–	(₱1,050,001,140)

**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:

	2018		2017	
	US$	₱	US$	₱
Accrued interest on bonds payable	**1,921,528**	**101,033,931**	1,921,528	95,941,882
Other current liabilities	**17,399**	**914,839**	17,399	886,556

As at December 31, 2018 and 2017, the exchange rate of ₱ to the $ is ₱52.58 and ₱49.92, 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		
2018	**(₱5,097,439)**	**₱5,097,439**
2017	(4,796,134)	4,796,134
2016	(4,785,565)	4,785,565

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, 2018, 2017 and 2016, 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, 2018, 2017 and 2016.

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 of December 31, 2018 and 2017:

	2018	2017
Capital stock	**₱2,613,147,971**	₱2,613,147,971
Additional paid-in capital	**19,449,376**	19,449,376
Deficit	**(2,630,879,668)**	(2,571,799,182)
	₱1,717,679	₱60,798,165

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. 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 parent company 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 2018:

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 2018 follows:

Balance at January 1, 2018	₱3,067,772
Current year's domestic payments for:	
Domestic purchase of goods other than capital goods	239
Domestic purchases of services	210,321
Balance at December 31, 2018	₱3,278,332

Withholding Taxes

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

Withholding taxes on compensation and benefits	₱354,716
Expanded withholding taxes	31,564
	₱386,280

Other Taxes and Licenses for 2018

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	₱72,162
Real property taxes	64,695
	₱136,857

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, 2018.

40938

S.E.C. Registration No.

UNITED PARAGON MINING CORPORATION

(Company's Full Name)

6TH Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City

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

(632) 631-5139

(Company's Telephone Numbers)

March 31, 2019

(Quarter Ending – Month & Day)

SEC FORM 17-Q

(Form Type)

N/A

Amendment Designation (If applicable)

Period Ended Date

N/A

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended: March 31, 2019

2. Commission ID No. **40938**

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

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

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

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

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

   (63 2) 636-5139
8. Issuer's telephone number, including area code

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	**261,314,797,080 shares**

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

    Yes [√] No [ ]

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

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

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

1. The unaudited Financial Statements of the Company (Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows) for the interim period ended December 31, 2018 and March 31, 2019 are included in this report.

2. The basic and diluted loss per share is presented on the face of the attached Statements of Comprehensive Income as well as the basis of computation thereof.

3. The Company's interim financial statements for the period ended December 31, 2018 and March 31, 2019 have been prepared in accordance with accounting principles generally accepted in the Philippines and Philippine Financial Reporting Standards.

4. The Company follows/adopts the same accounting policies and methods of computation in its interim financial statements (January to March 31, 2019) as compared with the most recent annual financial statements (December 31, 2018) and no policies or methods have been changed.

5. All adjustments, which are in the opinion of management, are necessary to a fair statement of the results for the interim period (January to March 31, 2019) is reflected in the interim financial statements.

6. Unusual items during the interim period (January to March 31, 2019), the nature, amount, size or incidents of which have affected the assets, liabilities, equity, net income or cash flows of the Company are shown/described under Management's Discussion and Analysis of Financial Condition and Results of Operations.

7. There were NO changes in the estimates of amounts reported in prior financial years (December 31, 2018 and 2017), which had a material effect in the current interim period (January to March 31, 2019).

8. There were NO long-term contracts entered into by the Company during the interim period (January to March 31, 2019).

9. There were NO capitalization of liabilities, new borrowings and any modification of existing financing arrangements during the interim periods under review (January to March 31, 2019 and 2018) other than discussed under Management's Discussion and Analysis of Financial Condition and Results of Operations and Discussion and Analysis of Material Events and Uncertainties.

10. There were NO issuances, repurchases, and repayments of debt and equity securities for this interim period (January to March 31, 2019) and for the same period last year.

11. There were NO dividends paid (aggregate or per share) separate for ordinary shares and other shares for this interim period (January to March 31, 2019) and for the same period last year.

12. The Company has NO business segment, which would require disclosure of segment revenue and segment result for business segments or geographical segments.

13. Up to the time of filing of this report, there were NO material events subsequent to the end of the interim period (January to March 31, 2019) that have not been reflected in the financial statements for the interim period.

14. There were NO changes in the composition of the Company during the interim period (January to March 31, 2019), including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

15. There were NO material changes in contingent liabilities or contingent assets since the last annual balance sheet date (December 31, 2018).

16. There were NO additional material contingencies and any other events or transactions that are material to the understanding of the current interim period that are not disclosed in this report.

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

Results of Operations (March 31, 2019 vs. March 31, 2018)

The Company reported no operating income earned for the period and incurred a net loss of P14.7 million and P17.1 million for the period ending March 31, 2019 and March 31, 2018, respectively. The lower net loss for the period was due to foreign exchange loss on valuation of foreign denominated liabilities.

General and administrative expenses for the period ending March 31, 2019 is P1.95 million higher as compared to P1.6 million in the same period in 2018. The increase mainly due to occupational fees paid for MPSA Negros.

The finance expenses of P12.44 million reported for the period ending March 31, 2019 was higher by P1.3 million as compared to the same period in 2018 due to compounded interest calculation on Camarines Minerals Inc., past due obligation.

Restatement of foreign currency denominated liabilities for the period ending March 31, 2019 resulted into a foreign exchange loss of P0.39 million due to peso depreciation from P52.724 (12.31.17) to P52.782 (3.31.19).

Financial Condition (March 31, 2019 vs. December 31, 2018)

The Company has total assets of P1,116.1 million and P1,116.4 million as of March 31, 2019 and December 31, 2018, respectively. The difference was due to increased in the cash and cash equivalent in the current asset section due to increase in related party cash advances offset by cash disbursement for operating expenses and provision for depreciation.

Total current liabilities increased to P1,126.8 million from P1,112.2 million for the period ending March 31, 2019 and December 31, 2018, respectively. The increase was mainly due to interest accrual and other payables and related party transaction.

The stockholders' equity was deficit by P11.7 million as of March 31, 2019 as compared to and December 31, 2018 due to operation net loss for the quarter ending March 2019.

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

Due to the suspension of mining and milling operations and limited sources of funds, the Company failed to meet payments within the stated terms to majority of its suppliers, contractors and creditors. However, the Company has been continuously paying the accounts that relates to its current working capital requirement, and the old accounts due to its suppliers, contractors and creditors remain unchanged. The internal and external sources of funds and the courses of action that the Company plans to undertake to address the liquidity problem are discussed under "Plan of operations for the year 2019".

The gold price increase slightly by two percent (1%) at the end of March 31, 2019 as compared to December 31, 2018. Gold was traded in the London Metal Exchange ("LME") with a closing price of US$1,291.15/oz. as of March 31, 2019 as compared to US$1,281.65/oz as of December 31, 2018. In 2019 gold price reached an all-time high of US$1,345.75 on February 20, 2019.

Inasmuch as the Company's mining and milling operations are still suspended, the key performance indicators of the Company as of March 31, 2019 as compared to December 31, 2018 are as follows:

Ratios	Formula	March 31 2019	December 31 2018
Current Ratio		**0.0206**	**0.021**
	Current Assets/	₱ 23,199,578	₱ 23,450,245
	Current Liabilities	₱ 1,126,751,617	₱ 1,112,195,408
Quick Ratio		**0.0001**	**0.0006**
	Current Asset-Inventory-Prepaid/	₱ 117,938	₱ 662,437

	Current Liabilities	₱ 1,126,751,617	₱ 1,112,195,408
Solvency Ratio		**0.9897**	**1.0028**
	Total Assets/	₱ 1,116,180,796	₱ 1,116,405,051
	Total Liabilities	₱ 1,127,840,022	₱ 1,113,283,813
Debt Ratio		**1.01**	**1.00**
	Total Liabilities/	₱ 1,127,840,022	₱ 1,113,283,813
	Total Assets	₱ 1,116,180,796	₱ 1,116,405,051
Debt to equity		**(96.73)**	**356.68**
ratio	Total liabilities/	₱ 1,127,840,022	₱ 1,113,283,813
	Stockholders' equity	₱ (11,659,226)	₱ 3,121,238
Equity to		**(0.01)**	**0.00**
debt ratio	Stockholders' equity/	₱ (11,659,226)	₱ 3,121,238
	Total liabilities	₱ 1,127,840,022	₱ 1,113,283,813
Asset to equity		**(95.73)**	**357.68**
ratio	Total Assets	₱ 1,116,180,796	₱ 1,116,405,051
	Stockholders' equity/	₱ (11,659,226)	₱ 3,121,238
Interest coverage		**(0.19)**	**(0.25)**
ratios	Earnings (loss) before interest & taxes	₱ (2,341,646)	₱ (11,813,025)
	Interest Expense	₱ 12,438,818	₱ 47,267,501
Book value		**(0.00004)**	**0.00001**
per share	Stockholders' equity/	₱ (11,659,226)	₱ 3,121,238
	Total # of shares	261,314,797,080	261,314,797,080
Loss per		**0.00006**	**0.00023**
share	Net loss/	₱ 14,780,464	₱ 59,080,526
	Total # of shares	261,314,797,080	261,314,797,080

The change in key indicators as of March 31, 2019 as compared to December 31, 2018 was noted, decreased in all key performance indicators due to net loss for the period ending March 31, 2019 except for debt ratio and loss per share due to decreased in total assets and in net loss.

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

Ratios	Formula		March 31 2019		March 31 2018
Current Ratio			**0.0206**		**0.0330**
	Current Assets/	₽	23,199,578	₽	35,322,311
	Current Liabilities	₽	1,126,751,617	₽	1,068,971,017
Quick Ratio			**0.0001**		**0.0012**
	Current Asset-Inventory-Prepaid/	₽	117,938	₽	1,249,680
	Current Liabilities	₽	1,126,751,617	₽	1,068,971,017
Solvency Ratio			**0.9897**		**1.0419**
	Total Assets/	₽	1,116,180,796	₽	1,114,882,327
	Total Liabilities	₽	1,127,840,022	₽	1,070,080,932
Debt Ratio			**1.01**		**0.96**
	Total Liabilities/	₽	1,127,840,022	₽	1,070,080,932
	Total Assets	₽	1,116,180,796	₽	1,114,882,327
Debt to equity ratio			**(96.73)**		**23.88**
	Total liabilities/	₽	1,127,840,022	₽	1,070,080,932
	Stockholders' equity	₽	(11,659,226)	₽	44,801,395
Equity to debt ratio			**(0.01)**		**0.04**
	Stockholders' equity/	₽	(11,659,226)	₽	44,801,395
	Total liabilities	₽	1,127,840,022	₽	1,070,080,932
Asset to equity ratio			**(95.73)**		**24.88**
	Total Assets	₽	1,116,180,796	₽	1,114,882,327

	Stockholders' equity/	₱ (11,659,226)	₱ 44,801,395
Interest coverage ratios		**(0.19)**	**(0.54)**
	Earnings (loss) before interest & taxes	₱ (2,341,646)	₱ (6,015,999)
	Interest Expense	₱ 12,438,818	₱ 11,105,758
Book value per share		**(0.00004)**	**0.00017**
	Stockholders' equity/	₱ (11,659,226)	₱ 44,801,395
	Total # of shares	261,314,797,080	261,314,797,080
Loss per share		**0.00006**	**0.00007**
	Net loss/	₱ 14,780,464	₱ 17,121,757
	Total # of shares	261,314,797,080	261,314,797,080

The change in key indicators as of March 31, 2019 as compared to March 31, 2018 was noted, decreased in all key performance indicators due to net loss for the period ending March 31, 2019 except for debt ratio and loss per share due to increase in total assets and in net loss.

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

Discussion and Analysis of Material Events and Uncertainties

Except as discussed in this report, management is not aware of any material event or uncertainty that affected the current interim period and/or would have a material impact on future operations of the Company. The Company will continue to be affected by the Philippine business environment as may be influenced by any local/regional/global financial and political crises. The Company's financial statements for the interim period ended March 31, 2019 reflect foreign exchange loss on the Company's dollar denominated accounts.

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

   The Company entered into a ₱250.0 million Convertible Loan Agreement with Alakor Corporation, which was approved on September 20, 2011. The proceeds of the facility shall be used to finance the cost of conducting a feasibility study on the Longos Gold Project and for general working capital requirements of the Company. In the meantime, the Company will pursue various options to raise project funding for its exploration work program and for further rehabilitation of the Longos mine, once the Company obtained the necessary government permits. Should the required permits obtained and the financing materialize during the year;

this will have a material impact on liquidity. Also, please refer to item "C" under "Plan of Operations for the year 2019".

2. There are NO events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

3. There are NO material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

4. There are NO material commitments for capital expenditures.

5. There are NO known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

6. There are NO significant elements of income or loss that did not arise from the Company's continuing operations.

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

Plan of Operations

A. The plan of operations for the year 2019 covers the following activities:
   a. The Company is in the process of complying with pre-condition requirements after approval of its Exploration Permit Application on August 24, 2018. The company is set to start the implementation of its two-year approved exploration work program in the second quarter of year 2019.
   b. The Company will work on to get the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either by external sources or internal sources.

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

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

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

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

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

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

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

C. Any significant changes in the number of employees.

Manpower as of March 31, 2019 consists of seven (7) regular personnel. The Company expects no significant change in the number of employees for the ensuing year unless the necessary permits have been awarded to the company and the needed funding requirements for exploration and further rehabilitation and development of the Longos Mine becomes available, in which case, a significant number of employees will be hired.

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

The Company's financial instruments consist mainly of cash, accounts payable and other current liabilities, due to related parties and redeemable preferred shares. The main purpose of the Company's dealings in financial instruments is to fund its operations and capital expenditures.

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

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

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

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's cash.

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

As at March 31, 2019, the Company used general approach in the assessment of cash credit quality. The ECL relating to Company's cash is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient funds to meet its liabilities as they fall due. Management is responsible for liquidity, funding as well as settlement management, 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 March 31, 2019 and December 31, 2018, based on contractual undiscounted cash flows. The analysis into relevant maturity groupings is based on the remaining term at the end of the reporting period to the contractual maturity dates, including estimated interest payments and excluding the impact of netting agreements:

March 31, 2019

(In Million Pesos)

	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 year	Total
Financial Asset:					
Cash	0.12	0	0	0	0
Financial Liabilities:					
Accounts payable and other current liabilities	842	0	0	0	842
Due to related parties	258	0	0	0	258
Redeemable preferred shares	26	0	0	0	26
Net Financial Liabilities	**(1,127)**	**0**	**0**	**-**	**(1,127)**

**excluding statutory payables*

December 31, 2018
(In Million Pesos)

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

**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:

	March 31, 2019		December 31, 2018	
	USD	**PHP**	USD	PHP
Accrued interest and other current liabilities	**1,921,528**	**101,422,091**	1,921,528	101,033,931
Other current liabilities	**17,399**	**918,354**	17,399	914,839

As at March 31, 2019 and December 31, 2018, the exchange rate of ₱ to the $ is ₱52.782 and ₱ 52.724, respectively.

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

	Change in exchange rate	
	$ strengthens by 5%	$ weakens by 5%
Increase (decrease) in income before income tax and equity		
March 31,2019	**(5,071,104.54)**	**5,071,104.54**
December 31, 2018	(5,097,439.00)	5,097,439.00

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

Capital Management

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

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

Capital Management

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

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

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

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

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

Issuer	**ALFREDO C. RAMOS**
Signature & Title	Chairman of the Board
Date	
Issuer	**GERARD ANTON S. RAMOS**
Signature & Title	President
Date	
Issuer	**GILBERT V. RABAGO**
Signature & Title	Finance & Administrative Manager
Date	

UNITED PARAGON MINING CORPORATION
STATEMENTS OF FINANCIAL POSITION
In Million Pesos

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
CURRENT ASSETS		
Cash and cash Equivalents	0.12	0.66
Materials and supplies - at net realizable value	17.34	17.33
Other current assets	5.74	5.46
TOTAL CURRENT ASSETS	**23.20**	**23.45**
NONCURRENT ASSETS		
Property, plant and equipment	994.60	994.64
Deferred exploration costs	83.94	83.94
Other noncurrent assets	14.44	14.37
TOTAL NONCURRENT ASSETS	**1,092.98**	**1,092.95**
TOTAL ASSETS	**1,116.18**	**1,116.41**
CURRENT LIABILITIES		
Accounts payable and other current liabilities	842.43	830.84
Due to related parties	258.22	255.26
Redeemable preferred shares	26.10	26.10
Income tax payable	0.00	0.00
TOTAL CURRENT LIABILITIES	**1,126.75**	**1,112.20**
NONCURRENT LIABILITIES		
Pension liability	1.09	1.09
TOTAL NONCURRENT LIABILITIES	**1.09**	**1.09**
TOTAL LIABILITIES	**1,127.84**	**1,113.28**
EQUITY		
Capital stock - P.01 par value		
Authorized - 397,325,000,000 shres		
Issued - 261,314,797,080 shares	2,613.15	2,613.15
Additional paid-in capital	19.45	19.45
Actuarial gains on retirement benefits obligation	1.40	1.40
Deficit	(2,645.66)	(2,630.88)
TOTAL EQUITY	**(11.66)**	**3.12**
TOTAL LIABILITIES AND EQUITY	**1,116.18**	**1,116.41**

UNITED PARAGON MINING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2019

In Million Pesos

(Unaudited)

	Three Months ended March 31		Quarter – Jan - March	
	2019	**2018**	**2019**	**2018**
GENERAL AND ADMINISTRATIVE EXPENSES	1.95	1.60	1.95	1.60
OTHER (INCOME) EXPENSES				
Finance expenses	12.44	11.11	12.44	11.11
Foreign exchange (gain) loss	0.39	4.42	0.39	4.42
Interest income	(0.00)	(0.00)	(0.00)	(0.00)
Other (income) expenses	-	(0.00)	-	(0.00)
	12.83	15.52	12.83	15.52
NET LOSS FOR THE PERIOD	14.78	17.12	14.78	17.12

LOSS PER COMMON SHARE COMPUTED AS FOLLOWS: In Philippine Pesos	Three Months ended March 31		Quarter – Jan - March	
	2019	**2018**	**2019**	**2018**
Net loss	14,780,464	17,121,757	14,780,464	17,121,757
Weighted average no. of shares	261,314,797,080	261,314,797,080	261,314,797,080	261,314,797,080
LOSS PER COMMON SHARE				
Basic and diluted	0.00006	0.00007	0.00006	0.00007

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Three Months Ended March 31, 2019
In Million Pesos
(Unaudited)

	2019	2018
SHARE CAPITAL		
Authorized		
Common – 397,325,000,000 shares @ ₱0.01 par value per share	3,973.25	3,973.25
Preferred Class "A" – 13,500,000 shares @ ₱0.50 par value per share (1)	6.75	6.75
Preferred Class "B" – 400,000 shares @ ₱50.00 par value per share (1)	20.00	20.00
Total Authorized Capital Stock	**4,000.00**	**4,000.00**
Issued and outstanding		
Common shares-261,314,797,080 shares @ ₱0.01 par value per share		
Balance at beginning of year	**2,613.15**	**2,613.15**
Issuance for the period	**0**	**0**
Balance at end of 1st quarter	**2,613.15**	**2,613.15**
SHARE PREMIUM		
Balance at beginning of year	19.45	19.45
Movement for the period	0	0
Balance at end of 1st quarter	**19.45**	**19.45**
ACTUARIAL GAINS ON RETIREMENT BENEFIT OBLIGATION		
Balance at beginning of year	1.40	1.12
Movement for the period	0	0
Balance at end of 1st quarter	**1.40**	**1.12**
EQUITY		
Balance at beginning of year, as previously reported	(2,630.88)	(2,571.80)
Net loss for the period	(14.78)	(17.12)
Balance at end of 1st quarter	**(2,645.66)**	**(2,588.92)**
	(11.66)	**44.80**

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2019
In Million Pesos
(Unaudited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) before income tax	(14.78)	(17.12)
Adjustments for:		
Finance expenses	12.44	11.11
Depreciation Expense	0.04	0.04
Foreign Exchange (gain) loss	0.39	4.42
Interest & Other Income	(0.00)	(0.00)
Operating loss before changes in working capital	(1.91)	(1.55)
Changes in:		
Receivables	(0.28)	0.01
Materials and supplies	(0.01)	(0.02)
Prepaid expenses and other current assets	-	(0.13)
Accrued interest and other current liabilities	(0.39)	(0.35)
Cash used in operations	(2.59)	(2.05)
Interest received	0.00	0.00
Income taxes paid (MCIT)	-	-
Net cash used in operating activities	(2.59)	(2.05)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Additions (deduction) to property, plan, and equipment	0.00	0.00
Deferred exploration costs - evaluation expenditures	-	-
Increase in other assets	(0.07)	(0.08)
Net Cash used in investing activities	(0.07)	(0.08)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	2.12	2.70
Loan Payable		
Net cash provided by financing activities	2.12	2.70
EFFECTS OF EXCHANGE RATE CHANGES IN CASH	**0**	**0**
NET INCREASE (DECREASE) IN CASH	**(0.54)**	**0.58**
CASH		
January 1	0.66	0.67
March 31	**0.12**	**1.25**

SCHEDULE A

UNITED PARAGON MINING CORPORATION
FINANCIAL ASSETS IN EQUITY SECURITIES
March 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

UNITED PARAGON MINING CORPORATION

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

March 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

UNITED PARAGON MINING CORPORATION

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

March 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
March 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

UNITED PARAGON MINING CORPORATION

LONG-TERM DEBT
March 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

UNITED PARAGON MINING CORPORATION
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
March 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
March 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

<u>SCHEDULE H</u>

UNITED PARAGON MINING CORPORATION

CAPITAL STOCK

March 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 March31, 2018, total shares issued and outstanding is 261,314,797,080 held by 1,191 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Directors and Officers	Principal/ Substantial Stockholders	No of shares held by Government	Banks	Others
Common Stock	397,338,900,000	261,314,797,080	–	689,814,317	206,018,105,535	–		55,296,69 1,544–

<u>SCHEDULE 1</u>

UNITED PARAGON MINING CORPORATION

FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED

March 31, 2019

	March 31,2019	**March 31, 2018**
<u>PROFITABILITY RATIOS:</u>		
Return on Assets	-2.648%	-4.640%
Return on Equity	0.000%	-83.480%
Gross profit Margin	0	0
Net Profit Margin	0	0
<u>LIQUIDITY AND SOLVENCY RATIOS:</u>		
Current Ratio	0.0206 : 1	0.0330 : 1
Quick Ratio	0.0001 : 1	0.0012 : 1
Solvency Ratio	0.9897 : 1	1.0419 : 1
<u>FINANCIAL LEVERAGE RATIOS:</u>		
Asset to Equity ratio	-95.73 : 1	24.88 : 1
Debt ratio	1.01 : 1	0.96 : 1
Debt to equity ratio	-96.73 : 1	23.88 : 1
Interest Coverage ratio	-0.19 : 1	-0.54 : 1

1. **Corporate Information**

Corporate Information

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

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

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

The Company's registered office address is 6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City. Its exploration and mining operations are located in Longos, Paracale, Camarines Norte.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies

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

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Company has assessed that the adoption of these amendments did not have any impact on the March 31, 2019 and 2018 financial statements as it has no share-based payment transactions.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

  - The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9.
  - The Company discloses the accounting policies for both the current and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at March 31, 2019 and December 31, 2018.

  - The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognized in the opening retained earnings or other component of equity, as appropriate.

  - As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*.

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

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

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

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

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

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

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

	Under Pas 39		Remeasurements/ Reclassifications	Under PFRS 9	
Financial instruments	Classification	Amount		Classification	Amount
Financial assets					
Cash	Loans and receivables (measured at amortized cost)	117,938		Financial assets measured at amortized cost	117,938
Financial liabilities					
Accounts payable and other current liabilities	Financial liabilities measured at amortized cost	790,307,885		Financial liabilities measured at amortized cost	790,307,885
Due to related parties	Financial liabilities measured at amortized cost	258,222,739		Financial liabilities measured at amortized cost	258,222,739
Redeemable preferred shares	Financial liabilities measured at amortized cost	26,100,000		Financial liabilities measured at amortized cost	26,100,000

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

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

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

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

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

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

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If

there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.
The Company's current practice is in line with the clarifications issued and did not have any effect on its financial statements.

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

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

Effective Beginning On or After January 1, 2019

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

- PFRS 16, *Leases*

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

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

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

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

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

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

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

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

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

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

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

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

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

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

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

  Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*

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

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle

    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

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

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

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

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

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

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

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

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

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

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

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

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

Effective Beginning On or After January 1, 2020

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

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

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

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

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

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

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

Effective Beginning On or After January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

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

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

Deferred Effectivity

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

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

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

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

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

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

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting date; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when:

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

The Company classifies all other liabilities as noncurrent.

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

In 2019, the Company's claims for value-added tax (VAT) tax credit certificates (TCCs) amounting to ₱10.8 million as at March 31, 2019 and, net of allowance for impairment losses amounting to ₱12.9 million were reclassified from current asset to noncurrent asset as the management assessed that it is not expected to be collected within 12 months. The claims for VAT TCCs in 2017 was reclassified also to conform with the current year presentation. However, no third balance sheet was presented since it has no material impact in the 2017 financial position as it increases noncurrent assets and decreases current assets only, and has no effect in the liabilities and equity.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical asset or liability
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair
  value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair
  value measurement is unobservable

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

Presentation of Financial Statements

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

Financial Instruments

Initial Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset).

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

Classification and Subsequent Measurement Prior to January 1, 2018

Financial Assets

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

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS financial asset. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the "Interest income" account in the statement of comprehensive income. Any losses arising from impairment are recognized in "General and administrative expenses" in the statement of comprehensive income.

Financial Liabilities

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company's financial liabilities are in the nature of other financial liabilities. As at March 31, 2019, the Company has no financial liabilities at FVPL.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Issued financial instruments or their components, which are not classified as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

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

As at March 31, 2019, the Company's other financial liabilities include accounts payable and other current liabilities (excluding statutory payables), due to related parties and redeemable preferred shares..

Impairment of Financial Assets Prior to January 1, 2018
The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after initial recognition of the asset (an incurred "loss event") and that loss has an impact on the estimated future cash flows of the financial asset or the group of financial asset that can be reliably estimated.
Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

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

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is recognized in the statement of comprehensive income. Interest income continues to be recognized based on the reduced amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income by adjusting the allowance account.

Classification and Measurement Effective January 1, 2018

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

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

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

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

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

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

- *Financial Assets at Amortized Cost.* A debt financial asset is measured at amortized cost if
  (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

  As at March 31, 2019, the Company has financial assets at amortized cost consisting of cash.

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

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

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

As at March 31, 2019, the Company has no equity instruments at FVPL.

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

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

  Dividends are recognized in profit or loss only when:

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

  As at December 31, 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. 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.

Offsetting Financial Instruments

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

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Company's statement of comprehensive income.

Cash

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

Materials and Supplies

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

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

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

Other Current Assets

Input VAT

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

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

Tax Credit Certificates (TCCs)

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

Property, Plant and Equipment

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

The initial cost of property, plant and equipment consists of construction cost, and its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition for its intended use.

Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

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

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

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

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.

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

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

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

<u>Cost and Expense Recognition</u>
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.

<u>Provisions</u>

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

Provision for Mine Rehabilitation and Decommissioning
Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the financial period when the related environmental

disturbance occurs, based on the estimated future costs using information available at reporting date. The obligation generally arises when the asset is constructed or the ground or environment is disturbed at the mine site. The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is classified as interest accretion in the statement of comprehensive income. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

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

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

Pension Liability

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

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

Defined benefit costs comprise the following:

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

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

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

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

Income Taxes

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized in the future.

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

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

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

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

Segment Reporting

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

Basic Loss Per Common Share

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

Diluted Loss Per Common Share

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

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

Foreign Currency Transactions

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

Contingencies

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

Events After the End of the Financial Reporting Date

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

Schedule J

UNITED PARAGON MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLES
As of March 31, 2019
In Million Pesos

		AGING IN MONTHS				
Account Title	**Amount**	**Current/1**	**2-3**	**4-6**	**6-12**	**Over 1 year**
Employee Advances - Company	6.25	0.29	0	0	0	6.54
Loans Receivable - Employees	0.17	0	0	0	0	0.17
Claims for value added tax (VAT) TCCs	23.77	0	0	0	0	23.77
Sundry Receivables	1.50	0	0	0	0	1.50
Total Receivables	31.69	0.29	0.00	0.00	0.00	31.98
Allowance for:						
doubtful accounts	-2.47	0	0	0	0	-2.47
uncollectible VAT refund	-12.94	0	0	0	0	-12.94
Receivable - Net	16.28	0.29	0.00	0.00	0.00	16.57

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