

**COVER SHEET**

SEC Registration Number

SEC Registration Number

UNITED PARAGON MINING

CORPORATION

(Company's Full Name)

QUAD ALPHA CENTRUM,

125 PIONEER ST MANDALUYON CITY

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

Mr. Gilbert V. Rabago

Contact Person

8631-5139

Company Telephone Number

**DEFINITIVE INFORMATION STATEMENT 2020**

**SEC FORM 20-IS**

1 2

Month

3 1

Day

Fiscal Year

FORM TYPE

Month

Day

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Secondary License Type, If Applicable

Dept Requiring this Doc

Dept Requiring this Doc

Amended Articles Number / Section

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Total No. of Stockholders

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document ID

Document ID

Cashier

Cashier



STAMPS

Remarks: Please use BLACK ink for scanning purposes

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

**GENERAL INFORMATION**

**Securities Regulation Code**

1. Check the appropriate box:  
 Preliminary Information Statement  
 **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) 8631-5139**
8. Date, time and place of the meeting of security holders: **September 30, 2020, 2:00 PM, via remote communication**
9. Approximate date on which the Information Statement will be published through alternative mode of distribution through the Corporation's website and PSE Edge: **September 9, 2020.**
10. Securities registered pursuant to Sections 8 & 12 of the SRC:

| Title of Each Class | Number of Shares Outstanding |
|---------------------|------------------------------|
| <b>Common Stock</b> | <b>261,314,797,080</b>       |

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

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

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



**UNITED PARAGON**  
MINING CORPORATION  
Head Office  
8<sup>th</sup> Floor, Quad Alpha Centrum Bldg.  
125 Pioneer Street, Mandaluyong City, Philippines  
Tel. no. (632) 631-5139 Fax No. (632) 631-3113  
[www.unitedparagon.com](http://www.unitedparagon.com)

### NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

#### TO OUR STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Stockholders of UNITED PARAGON MINING CORPORATION (the "Company") will be held on Wednesday, September 30, 2020, at 2:00 in the afternoon **via remote communication**, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on July 30, 2019
4. Annual Report and Audited Financial Statements for the year ended December 31, 2019
5. Approval of Acts/ Resolutions of the Board and Management from July 30, 2019 to September 30, 2020.
6. Election of Directors for the current year
7. Appointment of Sycip Gorres Velayo & Co. as External Auditor
8. Other Matters
  - a. Repricing of Stock Option Plan
  - b. Consideration of such other business that may properly come before the meeting.
9. Adjournment

In light of the current conditions and in support of the measures to prevent the spread of COVID-19, there will be no physical meeting. Stockholders may only attend and participate in the meeting by remote communication. Stockholders who intend to attend by remote communication are required to accomplish the Registration Form and submit it together with the required documents [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) on or before September 23, 2020. The link through which the Meeting may be accessed shall be sent to the email address of the registered stockholder. Stockholders may vote electronically in absentia, subject to validation procedures. The procedures for participating in the meeting through remote communication and for casting of votes in absentia are set forth in the Guidelines on Participation by Remote Communication and discussed in the Information Statement (SEC Form 20-IS).

If you are unable to join the virtual meeting but wish to vote on items in the agenda, you may appoint the Chairman as your proxy with specific voting instructions which will be duly counted. Duly accomplished Proxies shall be submitted by email to the Office of the Corporate Secretary at [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) for inspection, validation, and recording on or before September 23, 2020. The Proxy Validation Committee will inspect, examine, and validate the sufficiency of the proxy forms received. We enclose a sample Registration/Proxy form for your convenience.

By registering to participate in the virtual meeting, a stockholder or a proxy or representative of the stockholder agrees for the Company and its service providers to process their sensitive personal information necessary to verify their identity and authority. A stockholder who fails to comply with the registration requirement will not be able to participate in the virtual stockholders' meeting.

Stockholders (or their proxies) whose registration are validated can: (a) view the webcast of the meeting, (b) vote on the agenda items using online ballot that will be sent to them; and (c) send their questions, comments or motions on the agenda items during the Meeting by email to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) with subject "ASM Question/Comment". Stockholders who will participate in the Meeting are encouraged to send their questions, comments and motions before the meeting. Relevant questions on the agenda items will be read by the Moderator and will be answered by concerned officers during the meeting.

The Definitive Information Statement (20-IS), Management Report, Audited Financial Statements, Quarterly Report as of June 30, 2020 and other documents related to the ASM, including the Guidelines on Participation by Remote Communication may be accessed through any of the following operations:

- 1) Go to the United Paragon Mining Corporation website via this link: <http://www.unitedparagon.com/>
- 2) Go to the PSE EDGE portal via <https://edge.pse.com.ph/>
- 3) Request for a copy by sending an email to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com)

For ASM-related queries, you may send an email to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) or [unitedparagonmining@gmail.com](mailto:unitedparagonmining@gmail.com); or contact the Office of the Corporate Secretary at +632 8631 5139. For account updating or concerns regarding your shareholdings, please contact our Transfer Agent, Professional Stock & Transfer, Inc. at Tel. Nos. +63-2-86874053 or via email directly at [info@professionalstocktransfer.com](mailto:info@professionalstocktransfer.com).



IRIS MARIE U. CARPIO-DUQUE  
Corporate Secretary

**UNITED PARAGON MINING CORPORATION**  
**ANNUAL STOCKHOLDERS' MEETING**  
**REGISTRATION / PROXY FORM**  
**(VOTING IN ABSENTIA)**

I. Required Information (Please tick the appropriate box)

Type of Participant:

- Individual  
 Broker  
 Corporate  
 Joint  
 Others (please indicate) \_\_\_\_\_

Individual/Corporate Name : \_\_\_\_\_

Email Address : \_\_\_\_\_

Contact No. : \_\_\_\_\_

Postal Address : \_\_\_\_\_

Name of Authorized Representative : \_\_\_\_\_

(If Corporate / Joint)

Number of Shares Owned : \_\_\_\_\_

I will attend the remote Stockholders' Meeting on September 30, 2020

- Yes  No

**Note:** The instructions and link to attend the stockholders' meeting will be sent to you in the e-mail address that you have indicated herein upon valid registration.

II. Required Documents

1. Scanned or digital copy of the Registration Form
2. A recent photo of the stockholder/ Authorized Representative, with the face fully visible.
3. Scanned or digital copy of the front and back portions of the Stockholder's/ Authorized Representatives' valid government issued identification card, preferably with residential address.

Additional Documents:

For Joint Accounts – scanned or digital copy of the Authorization Letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account.



For Broker Accounts – scanned or digital copy of Broker’s Certification on the Stockholders, number of shareholdings.

For Corporate Accounts – scanned or digital copy of signed Secretary’s Certificate attesting the authority of the representative to vote for, and on behalf of the Corporation.

**REMINDERS:**

Registration Period starts on September 09, 2020 at 8:00 am until September 23, 2020 at 5:00pm. Beyond this date and time, stockholders may no longer avail of this option to vote in absentia.

Submit scanned or digital copy of this form & other required documents to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com)

**III. Manner of Voting**

- Voting in Absentia (Please accomplish the ballot below.)
- Appointing the Chairman as Proxy

**IV. Ballot**

|     | RESOLUTION   | FOR             | AGAINST | ABSTAIN |
|-----|--|-----------------|---------|---------|
| I   | Approval of Minutes of Stockholders’ Meetings – July 30, 2019                                      |                 |         |         |
| II  | Annual Report and Audited Financial Statements for the year ended December 31, 2019                |                 |         |         |
| III | Approval of Acts/ Resolutions of the Board and Management from July 30, 2019 to September 30, 2020 |                 |         |         |
| IV  | Election of Directors  | Number of Votes |         |         |
|     | 1. Alfredo C. Ramos  |                 |         |         |
|     | 2. Presentacion S. Ramos   |                 |         |         |
|     | 3. Maureen Alexandra Ramos-Padilla   |                 |         |         |
|     | 4. Gerard Anton S. Ramos   |                 |         |         |
|     | 5. Adrian Paulino S. Ramos   |                 |         |         |
|     | 6. Christopher M. Gotanco  |                 |         |         |
|     | 7. Eduardo B. Castillo   |                 |         |         |
|     | 8. John Peter C. Hager (Independent Director)  |                 |         |         |
|     | 9. Renato C. Valencia (Independent Director)   |                 |         |         |
| V   | Appointment of Sycip Gorres Velayo & Co. as External Auditor                                       |                 |         |         |
| VI  | Other Matters  |                 |         |         |
|     | a. Repricing of Stock Option Plan  |                 |         |         |
|     | b. Consideration of such other business that may properly come before the meeting                  |                 |         |         |

**NOTICE:**

Considering the recent events and the government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as applicable.

Notarization requirement shall also be dispensed with this time.

However, the company reserves the right to request additional information, and original signed and notarized copies of these documents at a later date as it deems necessary.

**V. Data Privacy Disclosure**

I hereby give my consent for the Company and its authorized third parties to collect, store, disclose, transfer, and process my personal data for the purpose of the live streaming of the 2020 Annual Stockholders' Meeting in accordance with the Company's Data Privacy guidelines and law.

Further to this, I give my consent to the recording of the meeting, to be made publicly available thereafter on the Company website, as required by the guidelines promulgated by the Securities and Exchange Commission.

**VI. Certification of Registrant**

By signing this Form, I hereby certify the following, that:

I am a stockholder of the Company as of Record Date September 03, 2020.

The number of votes covered by this Ballot shall be in accordance with the total number of **UPM** shares registered in my name as of record date.

I have read, understand and shall abide by the Rules, Regulations and Guidelines issued by the Company to govern the conduct of the Meeting. In the event I act contrary thereto, the Company has sole discretion to impose its discipline mechanism;

I understand that the quality of my remote Meeting experience depends on my internet provider's services and connectivity. I hold the Company free and harmless of any liability from any interruption, latency or disconnection from the live streaming resulting thereto;

In case of an account with joint owners, or an account in and/or capacity, I have secured the consent of all other owners in the submission of this Ballot.

In case of a corporate shareholder, I am the authorized representative of the corporation and I am duly authorized to submit this Proxy.

If my shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary, I hereby authorize the Company or any of its duly authorized representative to request and secure the necessary certification from PDTC or my broker on the number of shares which are registered in my name as of record date and issue the said Proxy in accordance with this Form.

I further hereby certify that my **UPM** shares are lodged with the following brokers:

Name of Broker: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Contact Details: \_\_\_\_\_

That any and all information contained in this Registration Form, or provided in connection herewith, is true and complete and the Company may rely on the accuracy of any such information.

\_\_\_\_\_  
**Name and Signature of Stockholder/Authorized Signatory**

\_\_\_\_\_  
**Date**

**ASSISTANCE:**

It may be necessary to download an application to access the live stream of the meeting. For technical concerns, please send your queries to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) with the subject "Technical Assistance". For any clarifications, Stockholders may contact the Office of the Corporate Secretary at [unitedparagonmining@gmail.com](mailto:unitedparagonmining@gmail.com) or (02) 8631-5139 Registered Stockholders may also send their questions and/or comments during the ASM at [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com).

Clarity of video and audio transmission will depend on the communication and network environment. A Wi-Fi environment is recommended for comfortable viewing on smartphones or tablets. Communication charges to view such webcast or live streaming are at the viewer's expense.



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

In light of the current conditions and in support of the measures to prevent the spread of COVID -19, there will be no physical meeting for the Annual Meeting of Stockholders of United Paragon Mining Corporation (“UPMC” or the “Company”) will be held on Wednesday, September 30, 2020, 2:00 p.m. by remote communication. The meeting will be presided at the principal office at Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, 1550.

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

The approximate date when the Information Statement together with the Notice and Agenda of the Meeting will be published through alternative mode of distribution through the Corporation’s website and PSE Edge will be on September 9, 2020.

### **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 September 03, 2020 (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.

A stockholder 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 and transfer book of the Company for as many persons as there are directors to be elected.

Each 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 number of votes cast by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

Stockholders may participate in the virtual meeting by remote communication by themselves or by proxy. All stockholders who will not participate in the meeting via remote communication may vote through the Chairman of the Meeting (as Proxy) and/or submit duly accomplished proxies by email to the office of the Corporate Secretary at [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) for inspection, validation, and recording at least seven (7) days before the opening of the annual stockholders' meeting, or on/before September 23, 2020. The Proxy Validation Committee will inspect, examine, and validate the sufficiency of the proxy forms received. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at one time. No broker or dealer shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer, to a person other than the customer, without the express written authorization of such customer. Any stockholder may revoke or cancel his proxy and attend the annual stockholders' meeting via remote communication provided he has complied with the registration procedures and requirements.

#### Security Ownership of Certain Record and Beneficial Owners

As of September 03, 2020, 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. <sup>(1,6,7)</sup><br>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. <sup>(2,6,7)</sup><br>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 <sup>(3,6,7)</sup><br>9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder)         | Alakor Corporation  | Filipino    | 53,884,038,981     | 20.62            |

|               |   |                                  |                      |                |       |
|---------------|---|----------------------------------|----------------------|----------------|-------|
| Common        | PCD Nominee Corporation <sup>(4)</sup><br>G/F, MSE Bldg., 6767 Ayala Avenue, Makati City (No relationship with issuer)          | Various<br><br>Please see Note 4 | Filipino/<br>Foreign | 46,828,024,644 | 17.92 |
| Preferred "A" | Pargold Mining Corp. <sup>(6,7)</sup><br>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 <sup>(5,6,7)</sup><br>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<br>7759 St. Paul St., San Antonio Village, Makati City (Stockholder)   | Aurora B. Caringal               | Filipino             | 2,700,000      | 22.13 |
| Preferred "A" | Edmundo M. Tolentino<br>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 <sup>(5,6,7)</sup><br>9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Stockholder) | Lancaster Holdings Limited       | Foreign              | 280,000        | 70    |
| Preferred "B" | Alakor Corporation <sup>(3,6,7)</sup><br>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. As of August 31, 2020, net of 129, 916,022, 445 shares are in the name of Alakor Securities Corporation (ASC) and 94, 469, 984, 634 shares are in the name of BDO Securities Corporation. Of the 224,386,007,079 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 as proxy to vote for the number of shares they beneficially own 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 September 03, 2020:

| Title of Class | Name of Beneficial Owner           | Amount and nature of Record /Beneficial Ownership |            | Citizenship | Percent of Class |
|----------------|------------------------------------|---|------------|-------------|------------------|
|                |                                    | Direct  | Indirect   |             |                  |
| Common         | Alfredo C. Ramos                   | 318,976,767                                       | -          | Filipino    | 0.12             |
| Common         | Christopher M. Gotanco             | 500,000   | 90,312,500 | 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            | 500,000   | -          | 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         | John Peter C. Hager                | -   | 87,000,000 | Filipino    | 0.03             |
| Common         | Renato C. Valencia                 | 1   | -          | Filipino    | 0.00             |
| Common         | Iris Marie U. Carpio-Duque         | -   | -          | Filipino    | 0.00             |
| Common         | Gilbert V. Rabago                  | -   | -          | Filipino    | 0.00             |

As of September 03, 2020, 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/POSITION  |
|----------------------------|-----|-------------|--|-----------------------------------|--|
| Alfredo C. Ramos           | 75  | Filipino    | Chairman<br>President & CEO  | 1990-present<br>1992-present      | -  |
| Presentacion S. Ramos      | 77  | Filipino    | Director   | 2014-present                      | Corporate Governance-<br>Member  |
| Gerard Anton S. Ramos      | 44  | Filipino    | Director<br>Vice-President   | 2010-present<br>2012-present      | -  |
| Adrian Paulino S. Ramos    | 41  | Filipino    | Director<br>Treasurer  | 2006-present<br>2006-present      | Audit-Member<br>Compensation- Member   |
| Eduardo B. Castillo        | 72  | Filipino    | Director   | 1990-present                      | Audit-Member   |
| Christopher M. Gotanco     | 69  | Filipino    | Director   | 2012-present                      | Audit-Member<br>Compensation-Member  |
| Alexandra S. Ramos-Padilla | 46  | Filipino    | Director   | December 04,<br>2017 -<br>present | Corporate Governance-<br>Member  |
| John Peter C. Hager        | 49  | Filipino    | Independent Director   | 2012-present                      | Corporate Governance-<br>Chairman<br>Audit-Member<br>Compensation- Chairman  |
| Renato C. Valencia         | 77  | Filipino    | Independent Director   | May 2019-<br>present              | Audit- Chairman<br>Corporate Governance –<br>Member<br>Compensation - Member |
| Iris Marie U. Carpio-Duque | 41  | Filipino    | Corp. Secretary<br>Compliance Officer &<br>CIO                           | 2013-present<br>2012-present      | Corporate Governance –<br>Non-voting Member                                  |
| Deborah S. Acosta-Cajustin | 39  | Filipino    | Assistant Corp.<br>Secretary   | October.<br>2017 -<br>present     | -  |
| Gilbert V. Rabago          | 42  | Filipino    | Finance, Purchasing &<br>Administrative<br>Manager and CIO-<br>Alternate | 2012-present                      | Audit – Nonvoting<br>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
- Gerard Anton S. Ramos - President & CEO
- Adrian Paulino S. Ramos - Vice-President & Treasurer
- Iris Marie U. Carpio- - 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.

**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.

**Adrian Paulino S. Ramos** is the Vice-President and the Treasurer of the Company. He serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), investment holdings (2005-present), securities (2005-present), property development and infrastructure (2006-present), mining (2006-present) and bulk water supply (2006-present), 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.

**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.

**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. 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 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 and exploration, investment holdings and real estate development. 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  |
|                                    | EEl 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, Adrian Paulino S. Ramos, Vice-President and Treasurer, and Ms. Alexandra S. Ramos-Padilla, Director, are the children of spouses, Mr. Alfredo C. Ramos, Chairman of the Board & President and Ms. Presentacion S. Ramos, Director.

**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, EXCEPT That (a) Mr. Alfredo C. Ramos, Ms. Presentacion S. Ramos, Ms. Maureen Alexandra S. Ramos-Padilla, Mr. Gerard Anton S. Ramos, Mr. Christopher M. Gotanco, and Mr. Reynaldo E. Nazarea, as directors, and Atty. Adrian S. Arias, as Corporate Secretary, all of The Philodrill Corporation, have been sued for alleged violation of Secs. 28 and 144 of the Corporation Code (Illegal removal of director), and (b) Mr. Reynaldo E. Nazarea and Atty. Adrian S. Arias have been sued for alleged violation of Art. 172 of the Revised Penal Code (Falsification of a Public Document). The Office of the City Prosecutor of Mandaluyong has dismissed these cases for lack of merit in separate resolutions and are now the subject of a Petition for Review filed by complainant Francisco A. Navarro with the Department of Justice; (c) Mr. Reynaldo E. Nazarea has filed separate cases of perjury and attempted estafa against Mr. Francisco A. Navarro, which are similarly the subject of a Petition for Review with the Department of Justice.

#### **Involvement of Directors with Government Agencies or its Instrumentalities**

Mrs. Maureen Alexandra S. Ramos-Padilla (Director) has been elected 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 2019 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 July 30, 2019, none of the directors elected therein by the stockholders has resigned or declined to stand for re-election to the Board of Directors.

#### **Item 6. 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 (2019 and 2018) and the ensuing fiscal year (2020) are as follows:

| Name                               | Position   | Year        | Salary       | Bonus | Other Annual 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                        |             |              |       |                           |
| Iris Marie U. Carpio-Duque         | Legal and Compliance Officer/Corporate Secretary |             |              |       |                           |
| Total (Top 5 Executives)           |  | 2018        | ₱0.6 million | 0     | 0                         |
|                                    |  | 2019        | ₱0.6million  | 0     | 0                         |
|                                    |  | 2020 (Est.) | ₱0.6 million | 0     | 0                         |
| Total (All Executives & Directors) |  | 2018        | ₱0.6 million | 0     | 0                         |
|                                    |  | 2019        | ₱0.6 million | 0     | 0                         |
|                                    |  | 2020 (Est)  | ₱0.6 million | 0     | 0                         |

For the most recently completed fiscal year and the ensuing fiscal year, directors 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 13<sup>th</sup> 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 authorized 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.

Because of the prevailing market conditions and current market price, there is a need to reprice the stock option plan in order to be a fair and proper incentive program for directors and management. Hence, the delegation to the board of directors of the authority to reprice at below par value will be submitted to the stockholders for approval at this year’s meeting. Such determination of new price/s by the board after obtaining third party consultation and/or consideration of market prices in previous years, will be disclosed in due course to the SEC and PSE.

**Item 7. Independent Public Accountants**

The accounting firm of SyCip Gorres Velayo & 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 |
|------|----------------------|----------|------------|
| 2019 | ₱395,000             | 0        | 0          |
| 2018 | ₱325,000             | 0        | 0          |
| 2017 | ₱296,000             | 0        | 0          |

For the past three (3) years, the Company had not engaged the services of SGV (2017-2019) 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 Msrs. John Peter Hager, Eduardo Castillo and Christopher Gotanco. 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 2019 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 2019) up to the date of this Information Statement.

**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 July 30, 2019

In the stockholders' meeting on July 30, 2019, there were 223,934,502,045 or 85.6952% of the outstanding capital stock that were personally present or were represented by their duly authorized proxies, the stockholders approved the 2018 Annual Report and 2018 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 2019 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, 2019 (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 (July 30, 2019) to the present (September 30, 2020) including but not limited to the following:
  - Approval of the minutes of previous meetings and Annual Stockholders' Meeting 2019
  - Approval of the 2019 Audited Financial Statements
  - Nomination of Sycip Gorres Velayo & Co. as external auditor for the year 2020.
  - Authorizing signatory in relation to EP-016-2016-V
  - Approval of the Policy on Material Related Party Transaction
  - Updating of the BDO account of the corporation
  - Postponement of Annual Meeting
  - Notice of Meeting
  - Approval of the Guidelines on Participation by Remote Communication

#### **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**

To be submitted to the stockholders for approval is the matter of repricing the strike price of the stock option plan for directors and management previously approved by the stockholders in 2012. Considering prevailing market conditions and the market price being below par value for many years to date, there is a need to reprice the stock option plan in order to be a fair and proper incentive program. Approval shall be sought at the Meeting for the delegation of authority to the board of directors to reprice the same in an amount above or below par value as may be properly determined by the board after consultation with a third party consultant and/or consideration of market price/s in previous years and other relevant factors. The new price/s as later determined by the board will be disclosed in due course to the SEC and PSE.

#### **Item 19. Voting Procedures**

In the election of directors, the nine (9) nominees with the greatest number of votes will be elected directors.

If the number of nominees for election as directors does not exceed the number of directors to be elected, the Secretary of the Meeting shall be instructed to cast all votes represented at the Meeting equally in favor of all such nominees. However, if the number of nominees for election as directors exceeds the number of directors to be elected, voting shall be done by ballot, cumulative voting will be followed, and counting of votes shall be done by two (2) election inspectors appointed by the stockholders present or represented by proxy at the Meeting.

In accordance with SRC Sec. 38 and SRC Rule 38, only nominees whose names appear in the Final List of Candidates for Independent Directors shall be eligible for election as Independent Directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared and no further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

Messrs. Renato Valencia and John Peter Hager are nominated for election as independent directors of the Company for the ensuing fiscal year.

Upon successful registration at the Annual Stockholders' Meeting, each stockholder will be provided a ballot to enable him to vote on each item or proposal in the Agenda. All votes will be counted and tabulated by the Election Committee composed of representatives from the Office of the Corporate Secretary.

Registration for the annual stockholders' meeting and tabulation of votes shall be conducted in the following manner:

- (1) Registration is to commence by the filing of a scanned or digital copy of the completed Registration Form together with other required documents to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) beginning September 9, 2020 at 8:00 am until September 23, 2020 at 5:00 pm.
- (2) The stockholder has the option to either vote in absentia, in which case the stockholder will have to complete the ballot included in the Registration Form; or to appoint the Chairman of the Meeting as Proxy.
- (3) Subject to validation by the Company, the stockholder will receive an email confirming their valid registration which shall also contain the link to the live webcast of the Meeting.
- (4) The Proxy Validation Committee will tabulate all votes received through Proxy or in absentia, and an independent third party will validate the results.
- (5) Stockholders who notified the Company of their intent to attend the meeting remotely can either vote in advance or during the meeting through the link provided to their email addresses. Votes are subject to the validation of an independent third party.

#### **Item 20. Participation of Stockholders by Remote Communication**

In support of the efforts to contain the outbreak of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers, and employees, the Corporation will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication.

The livestream of the meeting shall be viewable through a link that will be given to stockholders who have registered successfully. In order for the Corporation to properly conduct validation procedures, stockholders who have not sent their proxies or registered and wish to participate via remote communication must notify the Corporation by emailing [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) on or before September 23, 2020, and must provide the following information by said date: (1) Name; (2) Email Address; (3) Contact Number; (4) Postal Address; and (5) scanned copy of any valid government issued identification card ("ID") with photo of the stockholder.

Please refer to Annex A for the detailed guidelines for participation via remote communication and the procedures for registration and casting votes in absentia.

**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 2019, 2018 and 2017 and Interim Report for the 2<sup>nd</sup> quarter ending June 30, 2020
4. Plan of Operations for 2020
5. Audited Financial Statements for 2019 and Management's Responsibility for Financial Statements
6. Interim Financial Statements for the 2<sup>nd</sup> quarter ending June 30, 2020 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:

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

*\*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 drilling was initiated during the years 2019, 2018 and 2017. In June 2020, the company



started the 3 holes confirmatory drilling of about 200-250 meters and will be completed by end September 2020 a month after the expiration of the two-year exploration permit under EP-016-2016-V in Paracale, Camarines Norte. In June 2020, the company filed a request for one-year extension of its exploration permit brought about by pandemic COVID 19. Exploration/drilling activities in the San Mauricio mineral claim in Jose Panganiban, Camarines Norte after completing the 2<sup>nd</sup> 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 2019 as compared to year 2018. The Indicated Mineral Resources Inventory as of January 01, 2020 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, 2020 is presented below:

| Identified Mineral Resources   | Tonnes        | Grade, Au g/t        | Ounces, Gold        |
|--|---------------|----------------------|---------------------|
| <b>Above Level 800</b>   |               |                      |                     |
| Measured   | 257,808       | 11.25                | 93,248              |
| Indicated  | 124,955       | 14.32                | 57,529              |
| Inferred   | -             | -                    | -                   |
| Sub Total  | 382,763       | 12.25                | 150,777             |
| <b>Below Level 800</b>   |               |                      |                     |
| 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             |
| <b>Adjacent Vein Systems</b>   |               |                      |                     |
| Measured   | -             | -                    | -                   |
| Indicated  | 577,849       | 10.77                | 200,088             |
| Inferred   | -             | -                    | -                   |
| Sub Total  | 577,849       | 10.77                | 200,088             |
| Identified Mineral Resources as of 01-01-2020                          | 3,160,737     | 10.89                | 1,106,420           |
| Identified Mineral Resources as of 01-01-2019                          | 3,160,737     | 10.89                | 1,106,420           |
| Difference   | -             | -                    | -                   |
| Summary of the Ore Reserves as of January 01, 2020 is presented below: |               |                      |                     |
| <b>Underground Minable Ore Reserves</b>                                | <b>Tonnes</b> | <b>Grade, Au g/t</b> | <b>Ounces, Gold</b> |
| <b>Above Level 800</b>   |               |                      |                     |
| Proven   | 202,071       | 10.61                | 68,930              |
| Probable   | 85,928        | 8.28                 | 22,875              |
| Sub Total  | 287,999       | 9.91                 | 91,805              |
| <b>Below Level 800</b>   |               |                      |                     |
| Proven   | -             | -                    | -                   |
| Probable   | 1,302,524     | 11.30                | 473,211             |
| Sub Total  | 1,302,524     | 11.30                | 473,211             |
| <b>Total</b>   |               |                      |                     |
| 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, 2020                                  | 1,583,560     | 11.07                | 563,532             |
| Total Ore Reserves - January 01, 2019                                  | 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 Regional Trial Court for Paracale, Camarines Norte involving a portion of Lot 971, PLS-1047-D, owned by Camarines Minerals, Inc. The parties therein have completed mediation and are awaiting further orders from the court.

### Submission of Matters to a Vote of Security Holders

Except for the matters taken during the annual stockholders meeting on July 29, 2019, 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 2018, 2019 and the 2<sup>nd</sup> quarter of year 2020 are as follows:

| Market Price   | 2020  |       | 2019  |       | 2018  |       | 2017  |       |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|
|                | High  | Low   | High  | Low   | High  | Low   | High  | Low   |
| First Quarter  | .0041 | .0041 | .0100 | .0056 | .0075 | .0065 | .01   | .0083 |
| Second Quarter | .0045 | .0032 | .0076 | .0060 | .0070 | .0059 | .011  | .0081 |
| Third Quarter  |       |       | .0084 | .0061 | .0120 | .0057 | .0088 | .0076 |
| Fourth Quarter |       |       | .0066 | .0052 | .0077 | .0055 | 0.01  | .006  |

The Company's shares of common stock were traded with a closing price of ₱0.0052 per share on December 31, 2019 and ₱0.0049 on September 03, 2020.

**Shareholders.** The Company has 1,189 shareholders as of December 31, 2019 and 1,186 on September 03, 2020. The outstanding shares as of December 31, 2019 and September 03, 2020, 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 September 03, 2020 are as follows:

| No. | Name                                    | No. of Shares held | Percentage of Total |
|-----|---|--------------------|---------------------|
| 1   | PCD NOMINEE CORPORATION                 | 252,471,678,362    | 96.6159             |
| 2   | LANCASTER HOLDINGS LIMITED              | 5,235,537,900      | 2.0035              |
| 3   | CAMARINES MINERALS, INC.                | 1,252,097,050      | 0.4792              |
| 4   | RAMOS, ALFREDO C.                       | 318,976,817        | 0.1221              |
| 5   | ENRILE II, WILLIAM RAGOS                | 250,000,000        | 0.0957              |
| 6   | ALAKOR SECURITIES CORPORATION           | 199,653,850        | 0.0764              |
| 7   | LORENZO JR., LUIS P.                    | 109,250,000        | 0.0418              |
| 8   | YAN, LUCIO W.                           | 100,000,000        | 0.0383              |
| 9   | SY TIONG SHIOU &/OR JUANITA S. TAN      | 93,500,000         | 0.0358              |
| 10  | VALMORA INVESTMENT AND MANAGEMENT CORP. | 80,000,000         | 0.0306              |
| 11  | CASTILLO, EDUARDO B.                    | 54,375,000         | 0.0208              |
| 12  | CASTANEDA, ISA F.                       | 50,000,000         | 0.0191              |
| 13  | KERRY SECURITIES (PHILS.), INC. RPS01   | 49,250,000         | 0.0188              |
| 14  | LIM III, JOSE A.                        | 22,500,000         | 0.0086              |
| 15  | CORRO, ANTONIO SEBASTIAN T.             | 20,000,000         | 0.0077              |
| 16  | KEH, BENITO                             | 18,000,000         | 0.0069              |
| 17  | PONIO, BEN AZEL S.                      | 17,500,000         | 0.0067              |
|     | CHU, BERNARD                            | 15,000,000         | 0.0057              |
| 18  | CHIU, JOHNSON CHIU &/OR VICKY           | 15,000,000         | 0.0057              |
| 19  | LEE, DANIEL U.                          | 12,687,500         | 0.0049              |
| 20  | HYDEE MANAGEMENT & RESOURCE CORP.       | 12,600,600         | 0.0048              |
|     |   |                    |                     |

The equity ownership on a per-class as of September 03, 2020 is as follows:

| Security Class          | Outstanding Shares     | Percent of Total |
|-------------------------|------------------------|------------------|
| <b>1. Common Shares</b> |                        |                  |
| Filipino                | 255,489,975,130        | 97.7710          |
| Alien:                  |                        |                  |
| Other                   | 5,802,365,700          | 2.2205           |
| British                 | 1,250,000              | 0.0005           |
| American                | 13,000,000             | 0.0050           |
| Chinese                 | 8,206,250              | 0.0031           |
| <b>Total</b>            | <b>261,314,797,080</b> | <b>100</b>       |
| <b>2. Preferred A</b>   |                        |                  |
| Filipino                | 9,365,000              | 76.76            |
| Alien-other             | 2,835,000              | 23.24            |
| <b>Total</b>            | <b>12,200,000</b>      | <b>100</b>       |
| <b>3. Preferred B</b>   |                        |                  |
| Filipino                | 120,000                | 30.00            |
| Alien-other             | 280,000                | 70.00            |
| <b>Total</b>            | <b>400,000</b>         | <b>100</b>       |

**Dividends.** No dividends were declared in year 2019 and in previous years (2018 and 2017). 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 15 of the 2016 Audited Financial Statements.

## MANAGEMENT DISCUSSION AND ANALYSIS AND PLAN OF OPERATIONS

a) Full fiscal year

1) Financial Condition, Changes in Financial Condition and Results of Operations

Financial highlights for the years 2019, 2018 and 2017 are presented below:

|                             | <b>2019</b>      | <b>2018</b>      | <b>2017</b>      |
|-----------------------------|------------------|------------------|------------------|
|                             | <b>(Audited)</b> | <b>(Audited)</b> | <b>(Audited)</b> |
| Revenues                    | -                | -                | -                |
| Net Income (Loss)           | (46,854,180)     | (59,080,526)     | (51,695,246)     |
| Total Assets                | 1,125,706,949    | 1,116,405,051    | 1,114,147,606    |
| Total Liabilities           | 1,169,659,901    | 1,113,283,813    | 1,052,224,454    |
| Net Worth                   | (43,952,952)     | 3,121,238        | 61,923,152       |
| Issued & Subscribed Capital | 261,314,797,080  | 261,314,797,080  | 261,314,797,080  |

## **Results of Operations (Full Year)**

### **2019 compared to 2018**

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

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

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

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

### **2018 compared to 2017**

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

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

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

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

### **2017 compared to 2016**

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

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

Finance income earned for the year 2017 arising from interest income on bank deposit.

Other income earned for the year 2017 of comes from the disposal of scrap materials.

## **Financial Condition (Full year)**

### **2019 compared to 2018**

As shown in the financial statements, the Company has incurred a capital deficiency of P43.5 million

and nil resulting from cumulative losses of P2,677.7 million and P2,630.9 as at December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, the company's current liabilities exceeded its current assets by P1,144.6 million and P1,088.7 million, respectively. Net cash flow used in operating activities amounted to P3.8 million and P6.6 million, 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 may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these uncertainties cannot be determined presently. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Cash requirement for years 2019 and 2018 were principally financed by loans, advances from related parties and from disposal of scrap materials.

The total assets amounted to P1,125.7 million and P1,116.4 million as of December 31, 2019 and 2018, respectively. Increase in total assets was due to reclassification of exploration expenses to Deferred Exploration Cost under property, plant and equipment in 2019.

Company's total liabilities amounted to P1,169.7 million and P1,113.3 million as at December 31, 2019 and 2018, respectively. Increased in liabilities was brought about by related party advances and accrual of interest on loans and advances.

#### **2018 compared to 2017**

The company incurred cumulative losses of P2,630.9 million and P2,571.8 million as at December 31, 2018 and 2017, respectively. As at December 31, 2018 and 2017, the Company's current liabilities exceeded its current asset by P1,079.9 million and P1,016.5 million, respectively. Net cash flow used in operating activities amounted to P6.6 million and P10.2 million, 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 may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these uncertainties cannot be determined presently. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Cash requirement for years 2018 and 2017 were principally financed by loans, advances from related parties and from disposal of scrap materials.

The total assets amounted to P1,116.4 million and P1,114.1 million as of December 31, 2018 and 2017, respectively. Increase in total assets was due to reclassification of exploration expenses to Deferred Exploration Cost under property, plant and equipment in 2018.

Company's total liabilities amounted to P1,113.3 million and P1,052.2 million as at December 31, 2018 and 2017, respectively. Increased in liabilities was brought about by related party advances and accrual of interest on loans and advances.

#### **2017 compared to 2016**

The company incurred a cumulative losses of P2,571.8 million and P2,520.1 million as at December 31, 2017 and 2016, respectively. As at December 31, 2017 and 2016, the Company's current liabilities exceeded its current asset by P1,016.5 million and P965.4 million, respectively. Net cash flow used in operating activities amounted to P10.2 million and P13.7 million, 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 may be unable to realize its assets and discharge its liabilities in the normal course of business. The ultimate outcome of these uncertainties cannot be determined presently. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Cash requirement for years 2017 and 2016 were principally financed by loans, advances from related parties, conversion to cash of accounts receivable on Tax Credit Certificates (TCC's) and from disposal of scrap materials.

The total assets for the year 2017 and 2016 amounted to P1,114.1 million and P1,114.1 million as of December 31, 2017 and 2016, respectively. Unchanged in total assets was due to increased (decreased) in cash and cash equivalent used in operation.

Company's total liabilities amounted to P1,052.2 million and P1,000.7 million as at December 31, 2017 and 2016, respectively. Increased in liabilities was brought about by related party advances and accrual of interest on loans and advances.

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

Due to the suspension of mining and milling operations and limited sources of funds, the Company failed to meet payments within the stated terms to majority of its suppliers, contractors and other creditors. However, the Company had reduced significantly the balance of its outstanding accounts with suppliers, contractors and other creditors through offsetting arrangements or installment payment schemes. The internal and external sources of funds and the courses of action that the Company plans to undertake to address the liquidity problem are discussed under "Plan of Operations for the Year 2020".

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

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

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

Other than the foregoing, there are NO known

- trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way,



- events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation,
- material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period,
- material commitments for capital expenditures, except for the implementation of the approved exploration work program for the period two years starting from August 24, 2018.
- trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations,
- significant elements of income or loss that did not arise from the Company's continuing operations and
- A seasonal aspect that has or had a material effect on the Company's condition or results of operations.

There have been no material changes from December 31, 2016 to December 31, 2019 in one or more line items of the financial statements *except* for the following:

1. Increase in Accrued interest & other current liabilities by ₱43.5 million in 2019 compared to 2018; P51.6 million in 2018 as compared to 2017 and P41.4 million in 2017 as compared to the period in 2016 mainly due to the accrual of interest charges on CMI loans and interest/dividends on Class A preferred shares.
2. Increase in Advances from related parties by ₱13.0 million in 2019 compared to 2018; P9.4 million in 2018 compared to 2017; and P10.0 million in 2017 compared to same period in 2016 due to company cash requirement principally financed by loans and advances from related party.
3. Increase in cumulated losses of P46.8 million in 2019 compared to 2018; P59.7 million in 2018 compared to 2017; and P51.7 million in 2017 compared to same period in 2017 due to net losses results of operation.
4. 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 from 2017 to 2019.

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.

The top key performance indicators of the Company and its majority-owned subsidiary are as follows:

| <b>Ratios</b>        | <b>Formula</b>  | <b>December 31<br/>2019</b>        | <b>December 31<br/>2018</b>        | <b>December 31<br/>2017</b>        |
|----------------------|---|------------------------------------|------------------------------------|------------------------------------|
| Current Ratio        |   | <b>0.021</b>                       | <b>0.0211</b>                      | <b>0.033</b>                       |
|                      | Current Assets/<br>Current Liabilities                          | ₱ 24,104,427<br>₱ 1,168,671,920    | ₱ 23,450,245<br>₱ 1,112,195,408    | ₱ 34,618,989<br>₱ 1,051,114,539    |
| Quick Ratio          |   | <b>0.0008</b>                      | <b>0.0006</b>                      | <b>0.0006</b>                      |
|                      | Current Asset-<br>Inventory-<br>Prepaid/<br>Current Liabilities | ₱ 980,770<br>₱ 1,168,671,920       | ₱ 662,437<br>₱ 1,112,195,408       | ₱ 673,274<br>₱ 1,051,114,539       |
| Solvency Ratio       |   | <b>0.9624</b>                      | <b>1.0028</b>                      | <b>1.0588</b>                      |
|                      | Total Assets/<br>Total Liabilities                              | ₱ 1,125,706,949<br>₱ 1,169,659,901 | ₱ 1,116,405,051<br>₱ 1,113,283,813 | ₱ 1,114,147,606<br>₱ 1,052,224,454 |
| Debt Ratio           |   | <b>1.04</b>                        | <b>1.00</b>                        | <b>0.94</b>                        |
|                      | Total Liabilities/<br>Total Assets                              | ₱ 1,169,659,901<br>₱ 1,125,706,949 | ₱ 1,113,283,813<br>₱ 1,116,405,051 | ₱ 1,052,224,454<br>₱ 1,114,147,606 |
| Debt to equity ratio | Total liabilities/<br>Total Assets                              | <b>(26.61)</b><br>₱ 1,169,659,901  | <b>356.68</b><br>₱ 1,113,283,813   | <b>16.99</b><br>₱ 1,052,224,454    |

|                          |  |                  |                 |                 |
|--------------------------|--|------------------|-----------------|-----------------|
|                          | Stockholders' equity                       | ₱ (43,952,952)   | ₱ 3,121,238     | ₱ 61,923,152    |
| Equity to debt ratio     |  | <b>(0.04)</b>    | <b>0.00</b>     | <b>0.06</b>     |
|                          | Stockholders' equity/<br>Total liabilities | ₱ (43,952,952)   | ₱ 3,121,238     | ₱ 61,923,152    |
|                          |  | ₱ 1,169,659,901  | ₱ 1,113,283,813 | ₱ 1,052,224,454 |
| Asset to equity ratio    |  | <b>(25.61)</b>   | <b>357.68</b>   | <b>17.99</b>    |
|                          | Total Assets<br>Stockholders' equity/      | ₱ 1,125,706,949  | ₱ 1,116,405,051 | ₱ 1,114,147,606 |
|                          |  | ₱ (43,952,952)   | ₱ 3,121,238     | ₱ 61,923,152    |
| Interest coverage ratios |  | <b>0.04</b>      | <b>(0.25)</b>   | <b>(0.22)</b>   |
|                          | Earnings (loss) before interest & taxes    | ₱ 1,738,031      | ₱ (11,813,025)  | ₱ (9,485,515)   |
|                          | Interest Expense                           | ₱ 48,592,211     | ₱ 47,267,501    | ₱ 42,209,731    |
| Book value per share     |  | <b>(0.00017)</b> | <b>0.00001</b>  | <b>0.00024</b>  |
|                          | Stockholders' equity/<br>Total # of shares | ₱ (43,952,952)   | ₱ 3,121,238     | ₱ 61,923,152    |
|                          |  | 261,314,797,080  | 261,314,797,080 | 261,314,797,080 |
| Loss per share           |  | <b>0.00018</b>   | <b>0.00023</b>  | <b>0.00020</b>  |
|                          | Net loss/<br>Total # of shares             | ₱ 46,854,180     | ₱ 59,080,526    | ₱ 51,695,246    |
|                          |  | 261,314,797,080  | 261,314,797,080 | 261,314,797,080 |

The change in key indicators as of December 31, 2019, and as compared to the same period in 2018 and 2017 was noted in decreasing order in all areas due to year-on-year reported net loss on operation.

### Interim Results of Operation

#### **Results of Operations (June 30, 2020 vs. June 30, 2019)**

The Company has no operating income earned for the period end June 2020 and 2019 and sustained a net loss of P32.46 million and P26.72 million, respectively. The higher net loss was due to accrued interest expense on outstanding loans.

General and administrative expenses of P4.13 million and P4.10 million were incurred for the period ending June 30, 2020 and June 30, 2019, respectively.

The finance expenses of P26.60 million for the period ending June 30, 2020 was slightly higher as compared to the same period in 2019 due to compounded interest calculation on Camarines Minerals Inc., past due obligation.

Restatement of foreign currency denominated liabilities for the period ending June 30, 2020 resulted into a foreign exchange loss of P1.73 million due to peso depreciation from P50.744 (12.31.19) to P49.851 (06.30.20).

#### **Financial Condition (June 30, 2020 vs. December 31, 2019)**

The Company has total assets of P1,124.75 million and P1,125.71 million as of June 30, 2020 and December 31, 2019, respectively.

Total current liabilities of P1,200.18 million and P1, 168.7 million for the period ending June 30, 2020 and December 31, 2019, exceeded its current assets by P1,176.79 million and P1,144.60 million, respectively. The increase was mainly due to interest accrual and other payables and related party transaction.

The Company has incurred a capital deficiency of P76.41 million and P43.9 million resulting from cumulate losses of P2,710.19 million and P2,677.7 for the period June 30, 2020 and December 31, 2019, respectively.

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 2020".

The gold price increased significantly by sixteen percent (16%) at the end of June 30, 2020 as compared to December 31, 2019. Gold was traded in the London Metal Exchange ("LME") with a closing price of US\$1,770.70/oz. as of June 30, 2020 as compared to US\$1,523.00/oz as of December 31, 2019. In 2020 gold price reached an all-time high of US\$1,775.70 on June 24, 2020.

Inasmuch as the Company's mining and milling operations are still suspended, the key performance indicators of the Company as of June 30, 2020 as compared to June 30, 2019 are as follows:

| Ratios                   | Formula   | June 30<br>2020                    | June 30<br>2019                    |
|--------------------------|---|------------------------------------|------------------------------------|
| Current Ratio            |   | <b>0.0195</b>                      | <b>0.0208</b>                      |
|                          | Current Assets<br>Current Liabilities                       | P 2,002,100<br>P 1,200,179,112     | P 2,001,702<br>P 1,139,156,098     |
| Quick Ratio              |   | <b>0.0003</b>                      | <b>0.0006</b>                      |
|                          | Current Asset-Inventory-Prepaid/<br>Current Liabilities     | P 409,827<br>P 1,200,179,112       | P 723,914<br>P 1,139,156,098       |
| Solvency Ratio           |   | <b>0.9364</b>                      | <b>0.9793</b>                      |
|                          | Total Assets/<br>Total Liabilities                          | P 1,124,753,595<br>P 1,201,167,093 | P 1,116,648,667<br>P 1,140,244,503 |
| Debt Ratio               |   | <b>1.07</b>                        | <b>1.02</b>                        |
|                          | Total Liabilities/<br>Total Assets                          | P 1,201,167,093<br>P 1,124,753,595 | P 1,140,244,503<br>P 1,116,648,667 |
| Debt to equity ratio     |   | <b>(15.72)</b>                     | <b>(48.32)</b>                     |
|                          | Total liabilities/<br>Stockholders' equity                  | P 1,201,167,093<br>P (76,413,498)  | P 1,140,244,503<br>P (23,595,836)  |
| Equity to debt ratio     |   | <b>(0.06)</b>                      | <b>(0.02)</b>                      |
|                          | Stockholders' equity/<br>Total liabilities                  | P (76,413,498)<br>P 1,201,167,093  | P (23,595,836)<br>P 1,140,244,503  |
| Asset to equity ratio    |   | <b>(14.72)</b>                     | <b>(47.32)</b>                     |
|                          | Total Assets<br>Stockholders' equity/                       | P 1,124,753,595<br>P (76,413,498)  | P 1,116,648,667<br>P (23,595,836)  |
| Interest coverage ratios |   | <b>(0.22)</b>                      | <b>(0.07)</b>                      |
|                          | Earnings (loss) before interest & taxes<br>Interest Expense | P (5,856,301)<br>P 26,604,245      | P (1,752,061)<br>P 24,965,013      |
| Book value per share     |   | <b>(0.00029)</b>                   | <b>(0.00009)</b>                   |
|                          | Stockholders' equity/<br>Total # of shares                  | P (76,413,498)<br>261,314,797,080  | P (23,595,836)<br>261,314,797,080  |
| Loss per share           |   | <b>0.00012</b>                     | <b>0.00010</b>                     |
|                          | Net loss/<br>Total # of shares                              | P 32,460,546<br>261,314,797,080    | P 26,717,074<br>261,314,797,080    |

The change in key indicators as of June 30, 2020 as compared to June 30, 2019 are as follows; a decreased in all key performance indicators were noted due to net loss for the period ending June 30, 2020.

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

| Ratios                   | Formula                                 | June 30<br>2020  | December 31<br>2019 |
|--------------------------|---|------------------|---------------------|
| Current Ratio            |   | <b>0.0195</b>    | <b>0.021</b>        |
|                          | Current Assets/                         | P 23,392,400     | P 24,104,427        |
|                          | Current Liabilities                     | P 1,200,179,112  | P 1,168,671,920     |
| Quick Ratio              |   | <b>0.0003</b>    | <b>0.0008</b>       |
|                          | Current Asset-Inventory-Prepaid/        | P 409,827        | P 980,770           |
|                          | Current Liabilities                     | P 1,200,179,112  | P 1,168,671,920     |
| Solvency Ratio           |   | <b>0.9364</b>    | <b>0.9624</b>       |
|                          | Total Assets/                           | P 1,124,753,595  | P 1,125,706,949     |
|                          | Total Liabilities                       | P 1,201,167,093  | P 1,169,659,901     |
| Debt Ratio               |   | <b>1.07</b>      | <b>1.04</b>         |
|                          | Total Liabilities/                      | P 1,201,167,093  | P 1,169,659,901     |
|                          | Total Assets                            | P 1,124,753,595  | P 1,125,706,949     |
| Debt to equity ratio     |   | <b>(15.72)</b>   | <b>(26.61)</b>      |
|                          | Total liabilities/                      | P 1,201,167,093  | P 1,169,659,901     |
|                          | Stockholders' equity                    | P (76,413,498)   | P (43,952,952)      |
| Equity to debt ratio     |   | <b>(0.06)</b>    | <b>(0.04)</b>       |
|                          | Stockholders' equity/                   | P (76,413,498)   | P (43,952,952)      |
|                          | Total liabilities                       | P 1,201,167,093  | P 1,169,659,901     |
| Asset to equity ratio    |   | <b>(14.72)</b>   | <b>(25.61)</b>      |
|                          | Total Assets                            | P 1,124,753,595  | P 1,125,706,949     |
|                          | Stockholders' equity/                   | P (76,413,498)   | P (43,952,952)      |
| Interest coverage ratios |   | <b>(0.22)</b>    | <b>0.04</b>         |
|                          | Earnings (loss) before interest & taxes | P (5,856,301)    | P 1,738,031         |
|                          | Interest Expense                        | P 26,604,245     | P 48,592,211        |
| Book value per share     |   | <b>(0.00029)</b> | <b>(0.00017)</b>    |
|                          | Stockholders' equity/                   | P (76,413,498)   | P (43,952,952)      |
|                          | Total # of shares                       | 261,314,797,080  | 261,314,797,080     |
| Loss per share           |   | <b>0.00012</b>   | <b>0.00018</b>      |
|                          | Net loss/                               | P 32,460,546     | P 46,854,180        |
|                          | Total # of shares                       | 261,314,797,080  | 261,314,797,080     |

The change in key indicators as of June 30, 2020 as compared to December 31, 2019 are as follows; a decreased in all key performance indicators were noted due to net loss for the period ending June 30, 2020.

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 June 30, 2020 reflect foreign exchange loss on the Company's dollar denominated accounts.

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

The Company entered into a P250.0 million Convertible Loan Agreement with Alakor Corporation, which was approved on September 20, 2011. The proceeds of the facility shall be used to finance the cost of conducting a feasibility study on the Longos Gold Project and for general working capital requirements of the Company. In the meantime, the Company will pursue various options to raise project funding for its exploration work program and for further rehabilitation of the Longos mine, once the Company obtained the necessary government permits. Should the required permits obtained and the financing materialize during the year; this will have a material impact on liquidity. Also, please refer to item "C" under "Plan of Operations for the year 2020".

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 2020 covers the following activities:
  - a. The Company is in the process of complying pre-condition requirement after approval of its Exploration Permit Application on August 24, 2018. The company is set to start the implementation of its two-year approved exploration work program in the second quarter of year 2019 subject to approval of the revised exploration work program submitted to MGB Central Office dated September 23, 2019. In 2020 Q1 MGB CO endorsed to MGB V the approval of the revised exploration work program. On June 22, 2020, the Company submitted a request letter to MGB V for an extension of one year to implement the



revised exploration work program that will expire on August 20, 2020 due to force majeure (pandemic COVID 19).

- b. The Company will obtain the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either from external sources or internal sources.
- c. The Company intends to address and mitigate the impact of net loss to equity in the financial statements by renegotiating current loan obligations.

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

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

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

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

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

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

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

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

Manpower as of June 30, 2020 consists of nine (9) 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 June 30, 2020, 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 June 30, 2020 and December 31, 2019, 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:

**June 30, 2020**  
(In Million Pesos)

|  | Due and<br>Demandable | Within 6<br>Months | 6 to 12<br>Months | Over<br>1 year | Total             |
|--|-----------------------|--------------------|-------------------|----------------|-------------------|
| <b>Financial Asset:</b>                        |                       |                    |                   |                |                   |
| Cash   | 0.41                  | 0                  | 0                 | 0              | 0.41              |
| <b>Financial Liabilities:</b>                  |                       |                    |                   |                |                   |
| Accounts payable and other current liabilities | 899.65                | 0                  | 0                 | 0              | 899.65            |
| Due to related parties                         | 274.43                | 0                  | 0                 | 0              | 274.43            |
| Redeemable preferred shares                    | 26.10                 | 0                  | 0                 | 0              | 26.10             |
| <b>Net Financial Liabilities</b>               | <b>(1,199.77)</b>     | <b>0</b>           | <b>0</b>          | <b>-</b>       | <b>(1,199.77)</b> |

**December 31, 2019**  
(In Million Pesos)

|  | Due and<br>Demandable | Within 6<br>Months | 6 to 12<br>Months | Over<br>1 year | Total             |
|--|-----------------------|--------------------|-------------------|----------------|-------------------|
| <b>Financial Asset:</b>                        |                       |                    |                   |                |                   |
| Cash   | 0.98                  | 0                  | 0                 | 0              | 0.98              |
| <b>Financial Liabilities:</b>                  |                       |                    |                   |                |                   |
| Accounts payable and other current liabilities | 874.36                | 0                  | 0                 | 0              | 874.36            |
| Due to related parties                         | 268.16                | 0                  | 0                 | 0              | 268.16            |
| Redeemable preferred shares                    | 26.10                 | 0                  | 0                 | 0              | 26.10             |
| <b>Net Financial Liabilities</b>               | <b>(1,167.64)</b>     | <b>0</b>           | <b>0</b>          | <b>-</b>       | <b>(1,167.64)</b> |

**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:

|  | June 30, 2020 |            | December 31, 2019 |            |
|--|---------------|------------|-------------------|------------|
|  | USD           | PHP        | USD               | PHP        |
| Accrued interest and other current liabilities | 1,921,528     | 95,790,092 | 1,921,528         | 97,296,559 |
| Other current liabilities                      | 17,399        | 867,358    | 17,399            | 880,998    |

As at June 30, 2020 and December 31, 2019, the exchange rate of ₱ to the \$ is ₱49.851 and ₱50.744, 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 |                         |                  |
| <b>June 30, 2020</b>                                       | <b>(4,789,505)</b>      | <b>4,789,505</b> |
| December 31, 2019  | (4,908,878)             | 4,908,878        |

#### 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 June 30, 2020 and December 31, 2019 there were no transfers among Levels 1, 2 and 3 of fair value measurements.

#### Capital Management

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

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. No changes were made in the objectives, policies or processes during the period ended June 30, 2020 and year ended December 31, 2019.

Management's plans on how to address the Company's deficit in explained under Plan of Operations for 2020.

The following table summarizes what the Company considers as its total capital as of June 30, 2020 and December 31, 2019.

|               |                       |
|---------------|-----------------------|
| Capital stock | ₱2,613,147,971        |
| Share premium | 19,449,376            |
|               | <u>₱2,652,046,723</u> |

## 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:

|                | <b>Provision of the Manual</b>  | <b>Explanation</b>   |
|----------------|---|--|
| <u>2.2.2.1</u> | 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. |
| <u>2.2.5</u>   | 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 2019

| Directors                  | Executive/<br>Non-Executive/<br>Independent | Attended<br>Corporate<br>Governance<br>Seminar | Committee Membership    |       |              |
|----------------------------|---|--|-------------------------|-------|--------------|
|                            |   |  | Corporate<br>Governance | Audit | Compensation |
| Alfredo C. Ramos           | Executive<br>Director                       | √  |                         |       |              |
| Adrian Paulino S. Ramos    | Executive<br>Director                       | √  |                         |       | √            |
| Gerard Anton S. Ramos      | Executive<br>Director                       | √  |                         |       | √            |
| Eduardo B. Castillo        | Non-Executive<br>Director                   | √  |                         | √     |              |
| Renato C. Valencia         | Non-Executive<br>Independent<br>Director    | √  | √                       | √     | √            |
| Christopher M. Gotanco     | Non-Executive<br>Director                   | √  | √                       | √     |              |
| John Peter C. Hager        | Non-Executive<br>Independent<br>Director    | √  | √                       | √     | √            |
| Presentacion S. Ramos      | Non-Executive<br>Director                   | √  | √                       |       |              |
| Alexandra S. Ramos-Padilla | Non-Executive<br>Director                   | √  |                         |       |              |

**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**  
6<sup>th</sup> 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 September 07, 2020.

**UNITED PARAGON MINING CORPORATION**

By:



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

**UNITED PARAGON MINING CORPORATION  
2020 ANNUAL STOCKHOLDERS' MEETING  
GUIDELINES ON PARTICIPATION BY REMOTE COMMUNICATION**

**I. Coverage**

Stockholders of **UNITED PARAGON MINING CORPORATION** (the "Company") who are unable to physically attend the Company's Annual Stockholders' Meeting on September 30, 2020 and who have: (a) appointed the Chairman of the meeting as Proxy, or (b) upon valid registration chose to electronically vote in absentia after advising the Company of their intention to attend the Meeting remotely.

**II. Registration**

1. **Who may Register** – Stockholders of Record as of September 3, 2020.
2. **When to Register**- Registration period for Stockholders who intend to appoint the Chairman as Proxy, or to electronically vote in absentia shall start on September 9, 2020 at 8:00 am until September 23, 2020 at 5:00 pm, Philippine time ("Registration Period"). Beyond this date, Stockholders may no longer avail of the option to electronically vote in absentia.
3. **How to Register** - The Shareholder must send a scanned or digital copy of their Registration Form, herein attached, together with the following documents to the email address [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) within the Registration Period, for validation.

**Individual Stockholders–**

- a. A recent photo of the Stockholder, with the face fully visible.
- b. Scanned or digital copy of the front and back portions of the Stockholder's valid government-issued identification card, preferably with residential address.
- c. Contact details

**Stockholders with Joint Accounts –**

- a. Scanned or digital copy of authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account.
- b. A recent photo of the authorized Stockholder, with the face fully visible.
- c. Scanned or digital copy of the front and back portions of the authorized Stockholder's valid government-issued identification card, preferably with residential address.
- d. Contact details of the authorized Stockholder.



**Broker Accounts –**

- a. Scanned or digital copy of broker’s certification on the Stockholder’s number of shareholdings.
- b. A recent photo of the Stockholder, with the face fully visible.
- c. Scanned or digital copy of the front and back portions of the Stockholder’s valid government-issued identification card, preferably with residential address.
- d. Contact details.

**Corporate Stockholders –**

- a. Scanned or digital copy of signed secretary’s certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation.
- b. A recent photo of the stockholder’s representative, with the face fully visible.
- c. Scanned or digital copy of the front and back portions of the valid government issued identification card of the Stockholder’s representative, preferably with residential address.
- d. Contact details of the Stockholder’s representative. Stockholders with incomplete requirements will not be able to register online and vote electronically in absentia, but may still vote by sending a proxy (appoint the Chairman of the Company as proxy) to the Annual Stockholders’ Meeting.

**4. Validation of Registration.**

The validation of the Stockholder’s Registration Form shall be completed by the Company within three (3) business days from receipt thereof.

The Company will send an email confirming successful validation of the Stockholder’s registration. Please note that submission of incomplete or inconsistent information may result in an unsuccessful registration.

The Registration Form can be accessed and downloaded at our website <http://www.unitedparagon.com/>

Note: In light of the recent events and government pronouncements and guidelines surrounding the COVID-19 pandemic, the Company shall allow electronic signature for the required documents, as applicable. Notarization requirement shall also be dispensed with at this time. However, the Company reserves the right to request additional information, and original signed and notarized copies of these documents at a later date, as it deems necessary.

**III. Right to Vote**

**1. The Stockholder Appointing the Chairman as Proxy:**

Stockholders may give the Chairman, as Presiding Officer, the authority to vote in all matters for approval, by appointing the Chairman as Proxy in the Stockholders’ Registration Form.

## **2. The Stockholder Votes in Absentia:**

- a. For items other than the Election of Directors, the registered Stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered Stockholder's shares.
- b. For the Election of Directors, the registered Stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the Stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected.

The votes cast in absentia will have equal effect as votes cast by proxy.

## **5. Stockholder Participating through Remote Communication:**

Stockholders participating through remote communication may either vote prior to or during the Annual Stockholders' Meeting provided they have validly registered within the Registration Period.

Upon successful registration, Registered Stockholders will receive an electronic mail containing the link they can access to cast their votes. For verification, the Registered Stockholder will have to fill in their data and certify their information on the link provided. The Stockholder may edit their votes but once the Registered Stockholder clicks the Submit button, votes are irreversible.

## **IV. Tabulation & Validation of Votes in Absentia or by Proxy**

The Proxy Validation Committee will tabulate all votes received through Proxy or in absentia, and an independent third party will validate the results. Stockholders who register and vote are hereby deemed to have given their consent to the collection, use storing, disclosure, transfer sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting in absentia for the Annual Stockholders' Meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a stockholder of the Corporation.

## **V. Determination of Quorum**

Only those Stockholders who have notified the Company of their intention to participate in the Annual Stockholders' Meeting by remote communication, and who have successfully registered during the Registration Period, together with the Stockholders who voted by proxy or in absentia will be included in the determination of quorum.

## **Access to the Live Meeting**

The Company will send the registered Stockholders the link to the live webcast of the Annual Stockholder's Meeting through the email confirming their successful registration or at least no later than two (2) business days prior to the date of the Meeting. Registered Stockholders may be required to download an application or register an account to access the live webcast of the meeting. For any technical assistance, Stockholders may send their questions or concerns prior to the date of the meeting via email to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) with the subject "Technical Assistance" where our IT personnel can assist them.

## **VII. Stockholders' Questions/Comments During the Meeting**

Stockholders may send their questions and/or comments during the meeting by email to [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) with subject "ASM Question/Comment". Stockholders who will participate in the Meeting are encouraged to send their questions, comments and motions before the meeting. Relevant questions on the agenda items will be read by the Moderator and will be answered by concerned officers during the meeting.

## **VIII. Recording of the Annual Meeting**

Upon adjournment, the Company shall post the link to the recorded webcast of the Annual Stockholder's Meeting on the Company's website, for two (2) weeks. Within this period, Stockholders may raise with the Company any issues, clarifications and concerns on the Annual Stockholder's Meeting conducted.

## **IX. Other Matters**

For any clarifications or other concerns, Stockholders may contact the Office of the Corporate Secretary at [asm2020upm@unitedparagon.com](mailto:asm2020upm@unitedparagon.com) or through telephone nos. +632 8631-5139

## 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 have been its independent director since July 2019.
2. I am affiliated with the following companies or organizations:

| Company / Organization                   | Position/<br>Relationship | Period of<br>Service/Status                     |
|--|---------------------------|---|
| 1 Anglo Phil. Holdings Corporation       | ID                        | Dec. 2006 to date                               |
| 2 EEI Corporation                        | ID                        | Sept. 8, 2015 to date                           |
| 3 GT Capital Holding, Inc.               | ID                        | May 10, 2017 to date                            |
| 4 I-People Inc.                          | Chairman/<br>ID           | Sept. 2, 2005 to date/<br>2003 to Sept. 2, 2005 |
| 5 Malayan Insurance Co. Inc.             | RD                        | March 19, 2007 to<br>date                       |
| 6 Vulcan Industrial & Mining Corporation | ID                        | November 2009 to<br>date                        |
| 7 United Paragon Mining Corporation      | ID                        | July 2019 to date                               |
| 8 Omnipay Inc.                           | Vice Chairman<br>Director | January 2014 to date<br>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 **not** 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<br>Director/Officer/Substantial<br>Shareholder | Company        | Nature of<br>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.

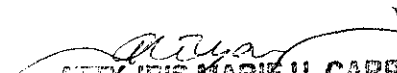
Done this SEP 04 2020 day of September 2020 at Mandaluyong City

  
**RENATO C. VALENCIA**  
 Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ at Mandaluyong City, affiant exhibiting to me his Passport No. P6487147A issued on March 20, 2018 with expiry date on March 19, 2028.

Doc. No. 038  
 Page No. 9  
 Book No. 11  
 Series of 2020



  
**ATTY. IRIS MARIE U. CARPIO**  
 NOTARY PUBLIC – CITY OF MANDALUYONG  
 APPT. NO. 0374-01 / UNTIL DECEMBER 31, 2021  
 QUAD ALFA CENTRUM, 125 PIONEER STREET  
 MANDALUYONG CITY 1550  
 PRT. NO. 4-02-157 MANDALUYONG CITY / 01-08-2020  
 PRT. NO. 17-02-008 / 01-07-2020 / QC CHAPTER  
 MDRS. SA. 17-02-008 / VI-0022115 / 04-14-2022  
 ROLL NO. 51028 (2005)

**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:

| <b>Company/Organization</b>                    | <b>Position / Relationship</b> | <b>Period of Service</b>  |
|--|--------------------------------|---------------------------|
| Squires Bingham Sports, Inc.                   | Independent Director           | 2019- present             |
| 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              |
| Philippine New Zealand Business Council        | Board Member                   | 2014 to present           |
| 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 **not** 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.

| <b>Name of Director/Officer/Substantial Shareholder</b> | <b>Company</b> | <b>Nature of Relationship</b> |
|---|----------------|-------------------------------|
|   |                |                               |
| 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.

SEP 04 2020

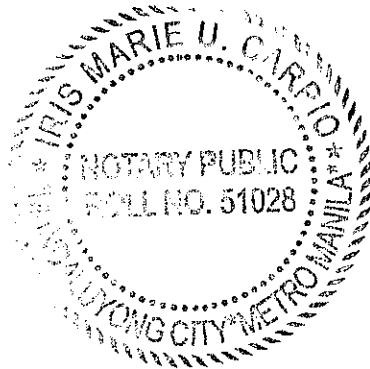
DONE this \_\_\_\_ day of September 2020 at Mandaluyong City.

*[Signature]*  
**JOHN PETER C. HAGER**  
 Affiant

SEP 04 2020

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_ day of September 2020 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. 042  
 Page No. 10  
 Book No. II  
 Series of 2020.



*[Signature]*  
**ATTY. IRIS MARIE U. CARIPIO**  
 NOTARY PUBLIC - CITY OF MANDALUYONG  
 APPT. NO. 0374-20 / UNTIL DECEMBER 31, 2021  
 QUAD ALPHA CENTRUM, 128 PIONEER STREET  
 MANDALUYONG CITY 1550  
 PTR NO. 43571357 / MANDALUYONG CITY / 01-08-2020  
 IBP NO. 165433 / 01-07-2020 / QC CHAPTER  
 MCLE COMPLIANCE NO. VI-0022115 / 04-14-2022  
 ROLL NO. 51028 (2005)





Republic of the Philippines  
National Book Development Board

OED-L-2020-366

01 September 2020

**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 **Ms. MAUREEN ALEXANDRA S. RAMOS-PADILLA** 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 Ms. Padilla as Director of the mining corporations mentioned in your letter does not run in conflict with her 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,

**RYAN A. ESTEBAN**  
OIC, Deputy Executive Director



Republic of the Philippines  
National Book Development Board

## CERTIFICATION

This is to certify that **Ms. MAUREEN ALEXANDRA S. RAMOS-PADILLA** has been appointed as Member, representing the private sector, of the Governing Board of the National Book Development Board (NBDB) since February 6, 2020.

By virtue of such appointment, she assumes the powers and functions of a member of the Governing Board set forth in Section 8 of Republic Act No. 8047 or The Book Publishing Industry Development Act.

This certification is hereby issued for whatever legal purpose it may serve her best.

Done this 1<sup>st</sup> day of September 2020.

**RYAN A. ESTEBAN**  
OIC, Deputy Executive Director

COVER SHEET

SEC Registration Number

SEC Registration Number

UNITED PARAGON MINING

CORPORATION

(Company's Full Name)

(Company's Full Name)

(Company's Full Name)

6th / F QUAD ALPHA CENTRUM,

125 PIONEER ST MANDALUYON CITY

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

Mr. Gilbert V. Rabago  
Contact Person

631-5139  
Company Telephone Number

2018 ANNUAL REPORT – SEC 17-A

(With attachment – Audited Financial Statement 2019 & Sustainability Report)

1 2 3 1  
Month Day  
Fiscal Year

FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

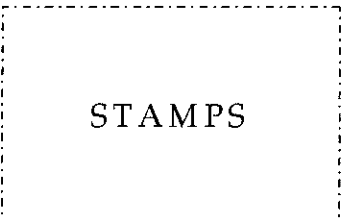
To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier



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

1. For the fiscal year ended **December 31, 2019**
2. SEC Identification Number 40938      3. BIR Tax ID No. **000--169-117-000**
4. **UNITED PARAGON MINING CORPORATION**  
Exact name of issuer as specified in its charter
5. **Philippines**      6.  (SEC Use Only)  
Province, Country or other jurisdiction of      Industry Classification Code:  
incorporation or organization
7. **Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City**      **1550**  
Address of principal office      Postal Code
8. **(632) 8631-5139**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 & 12 of the SRC, or Sec. 4 and 8 of the RSA

| Title of Each Class        | Number of Shares of Common Stock<br>Outstanding & Amount of Debt Outstanding |
|----------------------------|--|
| <b><u>Common Stock</u></b> | <b><u>261,314,797,080</u></b>  |

11. Are any or all of these securities listed on a Stock Exchange.
- Yes [  ]      No [  ]
- If yes, state the name of such stock exchange and the classes of securities listed therein:

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

12. Check whether the issuer:
- (a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 hereunder or Section 11 of the RSA and RSA Rule 11(a)-1 hereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
- Yes [  ]      No [  ]

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

Yes []

No []

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

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

Yes []

No []

NA []

#### **DOCUMENTS INCORPORATED BY REFERENCE**

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

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

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## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business and General Information

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

**Government regulations and approvals.** The Company has to strictly comply with governmental regulations and seek government approvals, particularly those of the DENR, with respect to disposal of waste and tailings, rehabilitation, environment etc. to be able to start or continue mining operations. The Company's Environmental Compliance Certificate ("ECC") expired on July 31, 1999. The Company will have to renew its ECC before it can resume mining and milling operations. In preparation for the planned reopening and rehabilitation of the Longos Mine, the Company filed a request for the renewal of the said ECC on August 31, 2006. The DENR through the Environmental Management Bureau – Region V (EMB-V) required the Company to prepare an Environmental Performance Report and Management Program ("EPRMP") for its evaluation and approval prior to the renewal of the ECC. The Company had finalized and submitted the EPRMP to EMB-V on April 7, 2010. On October 8, 2010, the Company after satisfying the requirements and upon the recommendation of the Environmental Management Bureau was granted an ECC for the Longos Mining Project. The company completed its

documentation for exploration permit application filed at the Mines and Geoscience Bureau –Region V (MGB-V) on Feb 4, 2013 for further review and evaluation, issuance of these permits is on hold. In December 19, 2016, The Company received a notice of Cancellation of its Environmental Compliance Certificate (ECC-CO-1009-0028) on its original application covering 394 has and 500 MTPA milling rate. The Company will apply for a new application in due course to cover the wider area in conformity with the meridional blocking system covering an area of 972 has.

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

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

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

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

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

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

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

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

Furthermore, the most pressing concern facing the company since the NGP launching is the issue on illegal small-scale miner's existence in the property. The problem has created instability and uncertainties on the area. However the company was urged to take steps and necessary protection

on all areas where tree-planting activity was conducted. Environmental and ecological protection is the main goal of the company ever since the mine operation stops and closes last 1999.

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

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

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

The Company expects no significant change in the number of employees for the ensuing year unless the necessary permits have been awarded to the company and the needed funding requirements for exploration and further rehabilitation and development of the Longos Mine becomes available, in which case, a significant number of employees will be hired.

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

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

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

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

- b. **Skills shortages.** Skills shortages are re-emerging as industry growth recovers and mine production ramps up to meet revived demand. With an inadequate supply of skilled workers and professionals for the mining sector, the challenge of recruitment, retention, development and deployment has re-emerged as a significant strategic threat to the industry. This may further delay future project development and production.
- c. **Development risks.** The Company's plan to rehabilitate and reopen the Longos Mine is based on the results of a pre-feasibility study conducted by the Company. The study used estimates of expected or anticipated project economic returns which are based on assumptions such as future gold and silver prices, anticipated tonnage, grades of ore to be mined and processed, anticipated recovery rates of gold and anticipated capital expenditure and cash operating costs, among other factors.

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

- d. **Ore reserves estimate risk.** The ore reserves presented in this annual report are the best estimates of Company's technical personnel and confirmed/certified by competent persons-geologist and mining engineer. The Company undertakes annual revisions of its ore reserve estimates based upon actual exploration and drilling results, new information and fluctuations in economic parameters. The actual mineral deposition in quantity (tonnage) and quality (grade) may vary greatly from the Company's estimate when actual mining/extraction is conducted. Some physical obstacles in operation such as water inflow underground, fracturing of rock upon mining and erratic nature of the mineral content of the vein can contribute to the variance between the estimated and actual ore reserves.
- e. **The risk of flooding the underground workings.** The ore reserves of Longos Mine comprising of several parallel narrow gold veins are located in an ultramafic and granodiorite country rocks. Heavy water ingress into the underground workings caused by fissures of the veins under the ocean floor is inevitable but can be controlled by a well-planned and designed dewatering plan inside the mine. The Company had been successful in controlling water ingress in the past by installing heavy-duty pumps and by pushing the shoreline with a cofferdam. The same dewatering strategy will be used when the Company reopens the mine.
- f. **Liquidity and access to capital.** The Company needs an estimated amount of US\$20 million for capital expenditures to implement its two (2) years exploration work program. The company pursued various options to raise project funding to fully implement the approved exploration work program, approved exploration permit was received in August 24, 2018. Although, the Philippine government has been aggressively promoting and supporting the revitalization of the mining industry and investors are bullish on the gold price. Successful implementation of the approved exploration work program will upgrade the current ore reserve.

## **Item 2. Properties**

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

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

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

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

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

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

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

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

Following are the APSAs filed by the Company:

- APSA V-041 covers four (4) lots of 101 mining claims. Lots 1, 2 and 3 are owned by CMI (known as San Mauricio claim group) and Lot 4 (Torana Group, 126.0000 hectares) is owned by UPMC with a total area of 753.4439 hectares.
- APSA V-254 covers six (6) mining claims owned by UPMC and located within Labo and Paracale, Camarines Norte consisting of Lots 1 and 2 with a total area of 405.0227 hectares, denied by MGB V in an order dated June 30, 2011 pursuant to the provisions of Department Memorandum Order (DMO) NO. 2010-04. A motion for reconsideration on the denial of the application has been filed by the Company which is currently being evaluated by MGB V office.
- APSA V-270 covers twenty-four (24) mining claims owned by CMI also known as the Jeff-Sindicado claim group with a total area of 182.3624 hectares.
- APSA V-375 covers fifty-six (56) mining claims owned by CMI also known as the Longos claim group with a total area of 393.8607 hectares, this has been converted into an Exploration Permit Application by UPMC and CMI on February 4, 2013 upon submission of pertinent documents and payment of the required conversion fee and is now renumbered as EXPA-000180-V. On October 4, 2013 the company received approval on the conversion of application from APSA-00375-V to EXPA-00180-V. In August 24, 2018 the company received the approved exploration permit with a larger area from 394 hectares to 580 hectares.

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

| Identified Mineral Resources                  | Tonnes    | Grade, Au g/t | Ounces, Gold |
|---|-----------|---------------|--------------|
| <b>Above Level 800</b>                        |           |               |              |
| Measured                                      | 257,808   | 11.25         | 93,248       |
| Indicated                                     | 124,955   | 14.32         | 57,529       |
| Inferred                                      | -         | -             | -            |
| Sub Total                                     | 382,763   | 12.25         | 150,777      |
| <b>Below Level 800</b>                        |           |               |              |
| 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      |
| <b>Adjacent Vein Systems</b>                  |           |               |              |
| Measured                                      | -         | -             | -            |
| Indicated                                     | 577,849   | 10.77         | 200,088      |
| Inferred                                      | -         | -             | -            |
| Sub Total                                     | 577,849   | 10.77         | 200,088      |
| Identified Mineral Resources as of 01-01-2020 | 3,160,737 | 10.89         | 1,106,420    |
| Identified Mineral Resources as of 01-01-2019 | 3,160,737 | 10.89         | 1,106,420    |
| Difference                                    | -         | -             | -            |

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

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

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

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

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

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

### **Item 3. Legal Proceedings**

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



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

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

### PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

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

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

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

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

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

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

| Security Class          | Outstanding Shares     | Percent of Total |
|-------------------------|------------------------|------------------|
| <b>1. Common Shares</b> |                        |                  |
| Filipino                | 255,590,480,280        | 97.8094          |
| Alien:                  |                        |                  |
| Other                   | 5,701,860,550          | 2.1820           |
| British                 | 1,250,000              | 0.0005           |
| American                | 13,000,000             | 0.0050           |
| Chinese                 | 8,206,250              | 0.0031           |
| <b>Total</b>            | <b>261,314,797,080</b> | <b>100.0000</b>  |
| <b>2. Preferred A</b>   |                        |                  |
| Filipino                | 9,365,000              | 76.76            |
| Alien-other             | 2,835,000              | 23.24            |
| <b>Total</b>            | <b>12,200,000</b>      | <b>100</b>       |
| <b>3. Preferred B</b>   |                        |                  |
| Filipino                | 120,000                | 30.00            |
| Alien-other             | 280,000                | 70.00            |
| <b>Total</b>            | <b>400,000</b>         | <b>100</b>       |

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

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

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

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

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

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

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

### **Management's Discussion and Analysis**

#### **Results of Operations.**

##### **2019 compared to 2018**

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

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

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

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

##### **2018 compared to 2017**

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

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

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

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

##### **2017 compared to 2016**

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

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

Finance income earned for the year 2017 arising from interest income on bank deposit.

Other income earned for the year 2017 of comes from the disposal of scrap materials.

The key performance indicators of the company.

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

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

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

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

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

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

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

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

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

## Financial Position.

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

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

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

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

Due to the suspension of mining and milling operations and limited sources of funds, the Company failed to meet payments within the stated terms to majority of its suppliers, contractors and other creditors. However, the Company had reduced significantly the balance of its outstanding accounts with suppliers, contractors and other creditors through offsetting arrangements or installment payment schemes. The internal and external sources of funds and the courses of action that the Company plans to undertake to address the liquidity problem are discussed under "Plan of Operations for the Year 2020".

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

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

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

Other than the foregoing, there are NO known

- trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way,
- events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation,
- material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period,
- material commitments for capital expenditures, except for the implementation of the approved exploration work program for the period two years starting from August 24, 2018.
- trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations,
- significant elements of income or loss that did not arise from the Company's continuing operations and
- A seasonal aspect that has or had a material effect on the Company's condition or results of operations.

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

- a) Increase in Accrued interest & other current liabilities by ₱57.5 million mainly due to the accrual of interest charges for the year 2019 including interest/dividends on Class A preferred shares.
- b) Increase in Advances from related parties by ₱13 million.
- c) Changes in other line items shown in the Company's Statement of Comprehensive Income are due to the usual period-to-period fluctuation in amounts natural in every business operation. There are no material unusual items other than as discussed under Management's Discussion and Analysis, Results of Operations year 2019 compared to 2018.

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

**Plan of operations for the year 2020.** The plan of operations for the year 2019 covers the following activities:

- a. The Company is in the process of complying pre-condition requirement after approval of its Exploration Permit Application on August 24, 2018 that will expire on August 20, 2020. In June 2020 the Company submitted a one-year request of extension to MGB Region 5 on the two-year exploration period due to force majeure (2019 COVID pandemic). This will give the company time to finish the 2020 planned exploration work program and to complete the documentation for DMPF application.
- b. The Company will work on to get the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either by external sources or internal sources.



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

#### **Item 7. Financial Statements**

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

#### **Item 8. Information on Independent Accountant and other Related Matters**

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

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

| <b>Year</b> | <b>Audit &amp; Related Fees</b> | <b>Tax Fees</b> | <b>Other Fees</b> |
|-------------|---------------------------------|-----------------|-------------------|
| 2019        | ₱395,000                        | 0               | 0                 |
| 2018        | ₱325,000                        | 0               | 0                 |
| 2017        | ₱296,000                        | 0               | 0                 |

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

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

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

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

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reporting companies in which each Director holds directorship:

|                  |  |
|------------------|--|
| Alfredo C. Ramos | Anglo Philippine Holdings Corporation<br>The Philodrill Corporation<br>Shang Properties, Inc.<br>Vulcan Industrial & Mining Corporation<br>Atlas Consolidated Mining & Devt. Corp. |
|------------------|--|

|                         |  |
|-------------------------|--|
| Adrian Paulino S. Ramos | Anglo Philippine Holdings Corporation<br>The Philodrill Corporation<br>Vulcan Industrial & Mining Corporation<br>Atlas Consolidated Mining & Devt. Corp.<br>Alakor Securities Corporation* |
|-------------------------|--|

|                       |   |
|-----------------------|---|
| Gerard Anton S. Ramos | Anglo Philippine Holdings Corporation<br>The Philodrill Corporation<br>Vulcan Industrial & Mining Corporation<br>Atlas Consolidated Mining & Devt. Corp.<br>Alakor Securities Corporation |
|-----------------------|---|

|                       |  |
|-----------------------|--|
| Presentacion S. Ramos | Anglo Philippine Holdings Corporation<br>The Philodrill Corporation<br>Vulcan Industrial & Mining Corporation<br>Alakor Securities Corporation |
|-----------------------|--|

|                                    |  |
|------------------------------------|--|
| Maureen Alexandra S. Ramos-Padilla | Anglo Philippine Holdings Corporation<br>The Philodrill Corporation<br>Vulcan Industrial & Mining Corporation<br>Alakor Securities Corporation |
|------------------------------------|--|

Christopher M. Gotanco  
 Anglo Philippine Holdings Corporation  
 The Philodrill Corporation  
 Vulcan Industrial & Mining Corporation  
 Boulevard Holdings, Inc.

Renato C. Valencia  
 Anglo Philippine Holdings Corporation (ID)  
 Vulcan Industrial & Mining Corp. (ID)  
 i- People, Inc. (ID)

John Peter C. Hager  
 Alakor Securities Corp.

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

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

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

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

#### Item 10. Executive Compensation

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

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

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

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

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

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

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

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

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

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

Notes:

- (1) National Book Store, Inc. is a local corporation engaged in retailing business.
- (2) Anglo Philippine Holdings Corp. is an investment holding firm focused on infrastructure and related property development activities.
- (3) Alakor Corporation is a holding company with investments in real estate and stock market.
- (4) PCD Nominee Corporation is a wholly owned subsidiary of Philippine Central Depository, Inc. (PCD) and is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owners of such shares are either PCD's participants (Brokers) themselves or the clients of these PCD participants in whose names these shares are recorded in their respective books. No individual or entity owns more than 5% of outstanding common shares in UPMC. Net of 130, 225, 499,212 shares in the name of Alakor Securities Corporation (ASC) and 94, 440, 484, 634 shares in the name of BDO Securities Corporation. Of the 224, 695, 482, 846 shares in the name of ASC and BDO Securities, (a) National Book Store, Inc. owns 84,325,108,842 shares, (b) Anglo Philippine Holdings Corp. owns 67,119,143,395 shares and (c) Alakor Corporation owns 53,884,038,981 shares.
- (5) Lancaster Holdings Ltd. is a company incorporated in the Bahamas.
- (6) Anglo Philippine Holdings Corp., National Book Store Inc., Lancaster Holdings Limited., Alakor Corporation and Pargold Mining Corporation are record and beneficial owners owning more than 5% of the Company's common and or preferred shares. Based on previous practice, these companies issue proxies nominating, constituting and appointing Mr. Alfredo C. Ramos, Chairman & President as proxy to vote for the number of shares they beneficially owned as of Record Date.
- (7) Mr. Alfredo C. Ramos has some direct or indirect interests/shareholdings with these companies.

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

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

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2019 SEC 17-A (Annual Report with Audited Financial Statements 2019)

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

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

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

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

#### **Item 12. Certain Relationships and Related Transactions**

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

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

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

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



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

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

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

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

#### **Part IV – CORPORATE GOVERNANCE**

##### **Item 13. CORPORATE GOVERNANCE**

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

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

#### **PART V - EXHIBITS AND SCHEDULES**

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

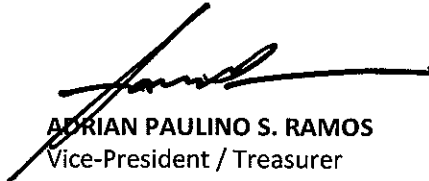
- a. **Exhibits** - See accompanying Index to Exhibits (pages 30 and 31)
- b. **Reports on SEC Form 17-C** - Reports on SEC Form 17-C filed during the year of 2019 and for the first quarter of 2020 are as follows:


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

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on 30 June 2020

  
**GERARD ANTON S. RAMOS**  
 President / Chief Executive Officer

  
**ADRIAN PAULINO S. RAMOS**  
 Vice-President / Treasurer

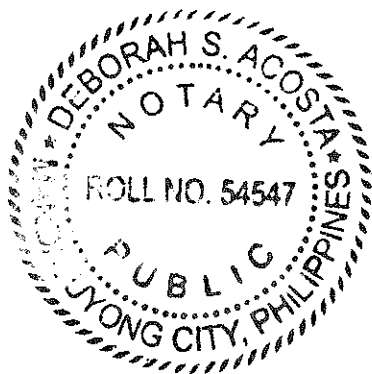
  
**GILBERT V. RABAGO**  
 Principal Financial & Accounting Officer


  
**IRIS MARIE U. CARPIO-DUQUE**  
 Corporate Secretary

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

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

Doc no. DR  
 Page no. 11  
 Book no. 5  
 Series of 2020



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

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

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

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

|  |
|--|
| <p><u>United Paragon Mining Corporation</u><br/>(The Company; Reporting Company)</p> |
|--|

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

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

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

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

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

| <b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b><br><b>Effective as of December 31, 2019</b> |  | <b>Adopted</b> | <b>Not Adopted</b> | <b>Not Applicable</b> |
|---|--|----------------|--------------------|-----------------------|
|   | Measurement  |                |                    |                       |
| PAS 40  | Investment Property                                    |                |                    |                       |
|   | Amendments to PAS 40, Transfers of Investment Property |                |                    |                       |
| PAS 41  | Agriculture  |                |                    |                       |

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



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

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

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

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

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

†Amount is zero since the reconciliation results to a deficit

**SCHEDULE A**

**UNITED PARAGON MINING CORPORATION  
FINANCIAL ASSETS IN EQUITY SECURITIES  
DECEMBER 31, 2019**

| Name of issuing entity and<br>association of each issue | Number of shares or principal<br>amounts of bonds and notes | Amount shown in the balances sheet<br>(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)**  
**DECEMBER 31, 2019**

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

UNITED PARAGON MINING CORPORATION  
AMOUNTS RECEIVABLE FROM RELATED PARTIES  
WHICH ARE ELIMINATED DURING THE  
CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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



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

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



**UNITED PARAGON MINING CORPORATION  
LONG-TERM DEBT  
DECEMBER 31, 2019  
(Amounts in Thousands)**

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

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

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

**UNITED PARAGON MINING CORPORATION  
GUARANTEES OF SECURITIES OF OTHER ISSUERS  
DECEMBER 31, 2019**

| Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owed by person for which statement is filed | Nature of guarantee |
|---|---|---|--|---------------------|
|---|---|---|--|---------------------|

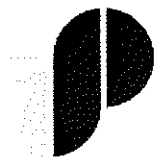
NOT APPLICABLE

**UNITED PARAGON MINING CORPORATION  
CAPITAL STOCK  
DECEMBER 31, 2019**

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

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





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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
 FOR FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

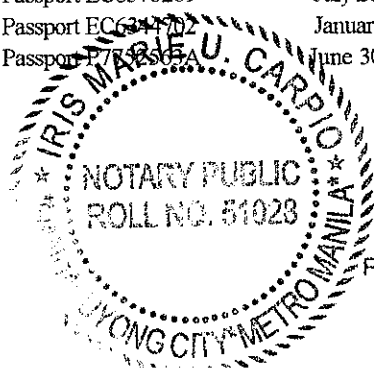
Signature:   
**ADRIAN PAULINO S. RAMOS**  
 Treasurer


Signed this \_\_\_\_ day of \_\_\_\_

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

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

Doe No. 371  
 Page No. 76  
 Book No. 1  
 Series of 2020.



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

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### Opinion

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

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

#### Basis for Opinion

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

#### Material Uncertainty Related to Going Concern

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



## **Key Audit Matters**

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

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

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

### *Recoverability of Deferred Exploration Cost*

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

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

### *Audit Response*

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

### *Recoverability of Property, Plant and Equipment*

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





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

#### *Audit Response*

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

#### **Other Information**

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

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

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

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

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

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

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



### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

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

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

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

SYCIP GORRES VELAYO & CO.

*Ma. Genalin Q. Arevalo*

Ma. Genalin Q. Arevalo

Partner

CPA Certificate No. 108517

SEC Accreditation No. 1613-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

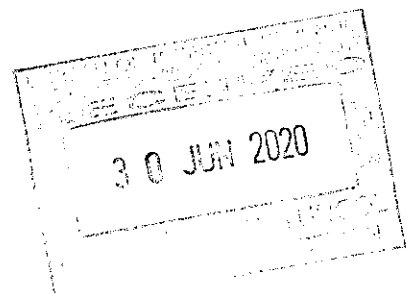
Tax Identification No. 224-024-926

BIR Accreditation No. 08-001998-123-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8125207, January 7, 2020, Makati City

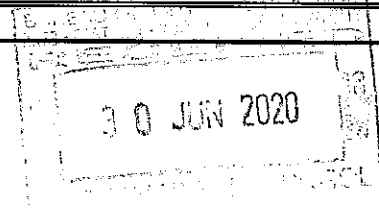
June 29, 2020



**UNITED PARAGON MINING CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

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

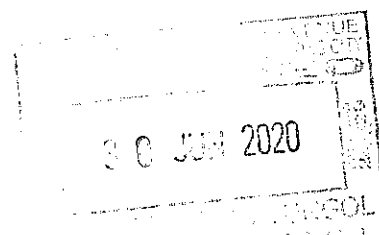
See accompanying Notes to Financial Statements



**UNITED PARAGON MINING CORPORATION**  
**STATEMENTS OF COMPREHENSIVE INCOME**

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

See accompanying Notes to Financial Statements.



**UNITED PARAGON MINING CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY)**  
**FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017**

|                                      | Capital stock<br>(Note 15) | Additional<br>paid-in capital | Remeasurement<br>gains (losses)<br>on retirement<br>benefit<br>obligation<br>(Note 13) | Deficit                 | Total                |
|--------------------------------------|----------------------------|-------------------------------|--|-------------------------|----------------------|
| <b>Balances at January 1, 2017</b>   | <b>₱2,613,147,971</b>      | <b>₱19,449,376</b>            | <b>₱924,942</b>  | <b>(₱2,520,103,896)</b> | <b>₱113,418,393</b>  |
| 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)         |
| <b>Balances at December 31, 2017</b> | <b>2,613,147,971</b>       | <b>19,449,376</b>             | <b>1,124,947</b>   | <b>(2,571,799,142)</b>  | <b>61,923,152</b>    |
| 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)         |
| <b>Balances at December 31, 2018</b> | <b>2,613,147,971</b>       | <b>19,449,376</b>             | <b>1,403,559</b>   | <b>(2,630,879,668)</b>  | <b>3,121,238</b>     |
| Net loss                             | -                          | -                             | -  | (46,854,180)            | (46,854,180)         |
| Other comprehensive loss             | -                          | -                             | (220,010)  | -                       | (220,010)            |
| Total comprehensive loss             | -                          | -                             | (220,010)  | (46,854,180)            | (47,074,190)         |
| <b>Balances at December 31, 2019</b> | <b>₱2,613,147,971</b>      | <b>₱19,449,376</b>            | <b>₱1,183,549</b>  | <b>(₱2,677,733,848)</b> | <b>(₱43,952,952)</b> |

*See accompanying Notes to Financial Statements.*



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

|   | Years Ended December 31 |                 |                 |
|---|-------------------------|-----------------|-----------------|
|   | 2019                    | 2018            | 2017            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |                         |                 |                 |
| Loss before income tax  | (P46,854,180)           | (P59,080,522)   | (P51,681,001)   |
| Adjustments for:  |                         |                 |                 |
| Interest expense (Note 17)  | 48,592,211              | 47,267,501      | 42,209,731      |
| Unrealized foreign exchange losses (gains)                            | (3,771,213)             | 5,120,332       | 226,733         |
| Pension costs (Note 13)   | 248,566                 | 257,102         | 280,697         |
| Depreciation (Notes 8 and 16)   | 170,457                 | 122,625         | 517,871         |
| Interest income (Note 5)  | (1,688)                 | (2,155)         | (2,991)         |
| Gain on disposal of property and equipment                            | –                       | (200)           | (625,850)       |
| Operating loss before working capital changes                         | (1,615,847)             | (6,315,317)     | (9,074,810)     |
| Decrease (increase) in:   |                         |                 |                 |
| Materials and supplies  | (30,837)                | (3,298)         | 31,590          |
| Other current assets  | (305,012)               | 333,502         | (207,622)       |
| Increase (decrease) in accounts payable and other current liabilities | (40,303)                | 577,468         | (1,000,607)     |
| Net cash used in operations   | (1,991,999)             | (5,407,645)     | (10,251,449)    |
| Interest paid   | (1,204,179)             | (1,270,191)     | –               |
| Retirement benefits paid (Note 13)                                    | (569,000)               | –               | –               |
| Interest received   | 1,688                   | 2,155           | 2,991           |
| Income taxes paid   | (4)                     | (14,245)        | (131)           |
| Net cash flows used in operating activities                           | (3,763,494)             | (6,689,926)     | (10,248,589)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                         |                 |                 |
| Additions to deferred exploration costs (Note 9)                      | (8,646,399)             | (2,515,322)     | –               |
| Additions to other noncurrent assets                                  | (171,774)               | (205,789)       | (194,843)       |
| Proceeds from disposal of property and equipment                      | –                       | 200             | 625,850         |
| Net cash flows from (used in) investing activities                    | (8,818,173)             | (2,720,911)     | 431,007         |
| <b>CASH FLOWS FROM A FINANCING ACTIVITY</b>                           |                         |                 |                 |
| Additional advances from related parties (Note 11)                    | 12,900,000              | 9,400,000       | 9,976,981       |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                | <b>318,333</b>          | <b>(10,837)</b> | <b>159,399</b>  |
| <b>CASH AT BEGINNING OF YEAR</b>                                      | <b>662,437</b>          | <b>673,274</b>  | <b>513,875</b>  |
| <b>CASH AT END OF YEAR (Note 5)</b>                                   | <b>P980,770</b>         | <b>P662,437</b> | <b>P673,274</b> |

See accompanying Notes to Financial Statements.



# UNITED PARAGON MINING CORPORATION

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## NOTES TO FINANCIAL STATEMENTS

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### 1. Corporate Information

#### Corporate Information

United Paragon Mining Corporation (the Company) was the name given to United Asia Resources and Geothermal Corporation (UARGC), surviving corporation, when the Securities and Exchange Commission (SEC) approved the merger of UARGC and Abcar-Paragon Mining Corporation (APMC) on January 29, 1990. The more significant provisions of the merger, which for accounting purposes were effective July 31, 1989, included the acquisition of assets and assumption of APMC's obligations by UARGC through issuance of shares of stock. UARGC was registered with the Philippine SEC on April 10, 1970 with a corporate term of fifty (50) years.

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

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

The Company's registered office address is 6th Floor Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

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

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### 2. Status of Operations and Management Plans

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

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

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





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

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

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

As at December 31, 2019 and 2018, the Company has no equity instruments at FVPL.

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

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

Dividends are recognized in profit or loss only when:

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

As at December 31, 2019 and 2018, the Company has no financial assets at FVOCI.



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

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

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

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

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

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

*Impairment of Financial Assets Prior to January 1, 2018*

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

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

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

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data



to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any difference between loss estimates and actual loss experience.

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

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

*Impairment of Financial Assets Effective January 1, 2018*

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

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

ECLs are measured in a way that reflects the following:

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

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

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



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

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

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

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

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

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

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

#### Offsetting Financial Instruments

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

#### Derecognition of Financial Instruments

##### *Financial Assets*

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

- the rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or



- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Company's statement of comprehensive income.

#### Cash

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

#### Materials and Supplies

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

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

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

#### Other Current Assets

##### *Input VAT*

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

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



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

*Tax Credit Certificates (TCCs)*

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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



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

#### Deferred Exploration Costs and Deferred Development Costs

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

Deferred development costs included in “Underground Development” under “Property, Plant and Equipment” include costs incurred after determining the commercial viability of extracting a mineral resource.

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

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

#### Impairment of Nonfinancial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company used value in use to assess the recoverable amount of an asset.

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

#### *Deferred Exploration Costs*

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



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

#### Redeemable Preferred Shares

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

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

The Company classified its redeemable preferred shares as a liability.

#### Capital Stock and Additional Paid-in Capital (APIC)

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

#### Deficit

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

#### Revenue Recognition

##### *Prior to the Adoption of PFRS 15*

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

##### *Upon Adoption of PFRS 15*

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

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

#### *Interest Income*

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





#### *Other Income*

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

#### Cost and Expense Recognition

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

#### Provisions

##### *General*

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

##### *Provision for Mine Rehabilitation and Decommissioning*

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

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

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

#### Pension Liability

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

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



Defined benefit costs comprise the following:

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

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

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

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

#### Income Taxes

##### *Current Income Tax*

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

##### *Deferred Income Tax*

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

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

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

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

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



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

#### *Uncertain Tax Position*

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

#### Leases – Company as a Lessee

The Company's lease contracts pertain to operating leases of machinery and equipment.

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

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

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

#### Segment Reporting

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

#### Basic Loss Per Common Share

Basic loss per common share is computed based on the weighted average number of shares outstanding and subscribed for each respective period with retroactive adjustments for stock dividends declared, if any.

#### Diluted Loss Per Common Share

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

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

#### Foreign Currency Transactions

The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional



currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. All differences are taken to “Foreign exchange loss (gain) - net” in the statement of comprehensive income.

#### Contingencies

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

#### Events After the End of the Financial Reporting Date

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

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#### **4. Significant Accounting Estimates and Assumptions**

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

#### Estimates and Assumptions

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

#### *Estimating Allowance for Inventory Obsolescence*

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

#### *Estimating Useful Lives of Property, Plant and Equipment*

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



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

*Estimating Impairment of Property, Plant and Equipment*

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

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

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

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

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

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

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

*Estimating Allowance for Impairment Losses on Claims for VAT TCCs and Advances to Employee*

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

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



*Assessing Recoverability of Deferred Exploration Costs*

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

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

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

*Estimating Pension Costs*

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

*Assessing Realizability of Deferred Tax Assets*

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

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



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## 5. Cash

|               | 2019            | 2018            |
|---------------|-----------------|-----------------|
| Cash on hand  | ₱35,000         | ₱35,000         |
| Cash in banks | 945,770         | 627,437         |
|               | <b>₱980,770</b> | <b>₱662,437</b> |

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

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

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## 6. Materials and Supplies

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

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

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

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## 7. Other Current Assets and Other Noncurrent Assets

### Other Current Assets

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

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



Other Noncurrent Assets

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





**8. Property, Plant and Equipment**

**2019**

|  | Underground<br>Development | Mine and<br>Mining<br>Properties | Buildings<br>and Plant<br>Improvements | Roads and<br>Bridges | Office and<br>Household<br>Furniture and<br>Equipment | Transportation<br>Equipment | Total          |
|--|----------------------------|----------------------------------|--|----------------------|---|-----------------------------|----------------|
| <b>Cost</b>  |                            |                                  |  |                      |   |                             |                |
| Balances at beginning and end of year                        | ₱1,574,754,870             | ₱405,000,000                     | ₱123,519,016                           | ₱18,140,398          | ₱4,595,689  | ₱2,119,727                  | ₱2,128,129,620 |
| <b>Accumulated depreciation, amortization and depletion:</b> |                            |                                  |  |                      |   |                             |                |
| Balances at beginning of year                                | 763,575,151                | 84,461,189                       | 122,954,146                            | 14,093,758           | 4,581,290   | 2,119,727                   | 991,785,261    |
| Depreciation (Note 16)                                       | -                          | -                                | 132,472                                | 36,125               | 1,860   | -                           | 170,457        |
| Balances at end of year                                      | 763,575,151                | 84,461,189                       | 123,086,618                            | 14,129,883           | 4,583,150   | 2,119,727                   | 991,955,718    |
| <b>Accumulated impairment losses</b>                         | 101,568,158                | 40,134,801                       | -                                      | -                    | -   | -                           | 141,702,959    |
| <b>Net book values</b>                                       | ₱709,611,561               | ₱280,404,010                     | ₱432,398                               | ₱4,010,515           | ₱12,459   | ₱-                          | ₱994,470,943   |

**2018**

|  | Underground<br>Development | Mine and<br>Mining<br>Properties | Buildings<br>and Plant<br>Improvements | Roads and<br>Bridges | Office and<br>Household<br>Furniture and<br>Equipment | Transportation<br>Equipment | Total          |
|--|----------------------------|----------------------------------|--|----------------------|---|-----------------------------|----------------|
| <b>Cost</b>  |                            |                                  |  |                      |   |                             |                |
| 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  |
| <b>Accumulated depreciation, amortization and depletion:</b> |                            |                                  |  |                      |   |                             |                |
| 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    |
| <b>Accumulated impairment losses</b>                         | 101,568,158                | 40,134,801                       | -                                      | -                    | -   | -                           | 141,702,959    |
| <b>Net book values</b>                                       | ₱709,611,561               | ₱280,404,010                     | ₱564,870                               | ₱4,046,640           | ₱14,319   | ₱-                          | ₱994,641,400   |



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

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

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

The Company performed an impairment test in 2019 and 2018.

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

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

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

- a. **Future Production Levels and Costs**  
Future production levels and costs include direct and indirect costs used to concentrate the mined ore reserves for the remaining life of the mine.
- b. **Gold Prices**  
The Company considers the effect of commodity price changes. The Company considered the possible effect of the changes in the price of gold as it relates to the revenues that may be generated by the Company and the attainment of the cash flow projections. The Company used the data from the project feasibility study and was compared against externally published data.
- c. **Pre-tax Discount Rate**  
Discount rate represents the current market assessment of the risks specific to the Company, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors. The cost of debt is based on the risk free market rate available in the market. Specific risk is incorporated by applying individual beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used by the Company are 15.8% and 12.0% as at December 31, 2019 and 2018, respectively.



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

## 9. Deferred Exploration Costs

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

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

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

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

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

## 10. Accounts Payable and Other Current Liabilities

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



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

Terms and conditions of the aforementioned liabilities are as follows:

- Accrued interest on bonds pertains to unpaid dollar-denominated interest on bonds, which were converted into equity shares in 1999. In 2008, some accrued interest on bonds payable were converted to equity (see Note 15). The movement in the remaining accrued interest payable pertains to the translation adjustments of US\$1.9 million and is due and demandable.
- Accrued interest on royalty payable pertains to the interest on unpaid royalty due under the Operating Agreement with CMI (see Note 21). The loan to CMI and the accrued interest is payable within one (1) year from the date of the note payable, and if the loan is not paid within the agreement, a new promissory note from the Company shall be made amounting to the original principal of the loan plus accrued interest to-date.
- Accrued salaries and wages and professional fees are noninterest-bearing and generally settled within thirty (30) days.
- Others consist mainly of statutory payables and payables to third parties which are already due and demandable. Statutory payables are expected to be paid within thirty (30) days.
- Dividends payable pertains to the cash dividends which remains outstanding as at December 31, 2019 and 2018 (see Note 12).

## 11. Related Party Transactions

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

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



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

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

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



The loan agreement gives the following rights to Alakor:

- Option to convert, at any time after the earliest draw down date, all amounts outstanding under the loan into equity of the Company at ₱0.018 per share.
  - Subscribe to no more than 2,700,000 shares of the Company at ₱0.018 per share within five (5) years from the execution of the loan documents.
- b. Accrued expenses due to Alakor, TPC and VIMC pertain to rental and utilities charged by the related parties to the Company.
- c. Advances from Alakor consist of loans and advances that are covered by promissory notes subject to roll-over every ninety (90) days with interest at twelve percent (12%) per annum. These are used to finance the Company's capital expenditures and working capital requirements.
- d. Due to Alakor, NBS, APHC, and Abacus pertain to advances for working capital purposes. APHC made additional advances to UPMC for additional working capital amounting to ₱12.9 million and ₱9.4 million in 2019 and 2018, respectively.

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

Compensation of Key Management Personnel

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

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

Changes in liabilities arising from financing activities

|                             | January 1, 2019     | Additions          | Payments  | December 31, 2019   |
|-----------------------------|---------------------|--------------------|-----------|---------------------|
| Due to related parties      | ₱255,255,969        | ₱12,900,000        | ₱-        | ₱268,155,969        |
| Redeemable preferred shares | 26,100,000          | -                  | -         | 26,100,000          |
|                             | <b>₱281,355,969</b> | <b>₱12,900,000</b> | <b>₱-</b> | <b>₱294,255,969</b> |

|                             | 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          |
|                             | <b>₱271,955,969</b> | <b>₱9,400,000</b> | <b>₱-</b> | <b>₱281,355,969</b> |



## 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)          |
| <b>Balances at December 31, 2019, 2018 and 2017</b>           | <b>12,200,000</b> | <b>₱0.50</b>  | <b>₱6,100,000</b>  |
|   | 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)       |
| <b>Balances at December 31, 2019, 2018 and 2017</b>           | <b>400,000</b>    | <b>₱50.00</b> | <b>₱20,000,000</b> |
| <b>Total redeemable preferred shares</b>                      | <b>12,600,000</b> |               | <b>₱26,100,000</b> |

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

### *Class A*

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

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

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

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

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

### *Class B*

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



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

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

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

### 13. Pension Liability

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

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

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

The details of pension costs are as follows:

|                      | 2019            | 2018            | 2017            |
|----------------------|-----------------|-----------------|-----------------|
| Current service cost | ₱166,936        | ₱192,727        | ₱223,061        |
| Interest cost        | 81,630          | 64,375          | 57,636          |
|                      | <b>₱248,566</b> | <b>₱257,102</b> | <b>₱280,697</b> |

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

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





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

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

|                      | 2019  | 2018  |
|----------------------|-------|-------|
| Discount rate        | 4.90% | 7.50% |
| Salary increase rate | 5.00% | 5.00% |

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

|                      | Increase<br>(Decrease) | 2019       | 2018      |
|----------------------|------------------------|------------|-----------|
| Discount rates       | +1.00%                 | (P105,747) | (P74,471) |
|                      | -1.00%                 | 121,897    | 85,217    |
| Salary increase rate | +1.00%                 | P120,540   | P86,509   |
|                      | -1.00%                 | (106,599)  | (76,810)  |

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

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

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

|                               | 2019              | 2018              |
|-------------------------------|-------------------|-------------------|
| More than 1 year to 5 years   | P348,356          | P574,743          |
| More than 5 years to 10 years | 525,754           | 359,886           |
| More than 10 years            | 3,056,809         | 3,656,035         |
|                               | <b>P3,930,919</b> | <b>P4,590,664</b> |

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

#### 14. Provision for Mine Rehabilitation and Decommissioning Costs

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

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



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

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

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

## 15. Capital Stock and Capital Restructuring

The movements in authorized common shares are as follows:

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

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 at January 29, 1990          |                                       | 52,705,000,000              |                      | 52,705,000,000 | 1,027,000,000 |



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



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

The movements in issued common shares are as follows:

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

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

- a. Decrease the Company's issued capital stock by 50% or ₱460.5 million by reducing the par value of common and Preferred "A" shares from ₱1.00 to ₱0.50 per share and Preferred "B" shares from ₱100.00 to ₱50.00 per share, and accordingly decrease its authorized capital stock from ₱1.9 billion to ₱1.4 billion. The decrease in capital stock and in the redeemable preferred shares was applied against the Company's deficit (see Note 12).
- b. Further reduction in the par value of the Company's common shares from ₱0.50 to ₱0.01 per share with the corresponding increase in number of shares.
- c. Increase in the authorized capital stock from ₱1.4 billion to ₱4.0 billion divided into 397.3 billion common shares with par value of ₱0.01 each; 13.5 million Class A preferred shares with the par value of ₱0.50 each; 400.0 thousand Class B preferred shares with par value of ₱50.00 each. The Company issued ₱2.2 billion worth of common shares with a par value of ₱0.01 per share paid by way of conversion of existing liabilities of the Company to related parties (see Note 12).

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

- The interest on the loans and advances shall be reduced from 24% per annum to 18% per annum effective April 1, 2007;
- The cut-off date for the accruals of interest on the loans and advances shall be June 30, 2007 to facilitate the conversion process;
- If for whatever reason, the debt conversion process does not materialize as planned, accruals of interest at the reduced rate of 18% per annum shall resume starting July 1, 2007.



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

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

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

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

#### 16. General and Administrative Expenses

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

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



### 17. Interest Expenses

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

### 18. Other Income

|  | 2019      | 2018        | 2017            |
|--|-----------|-------------|-----------------|
| Gain on sale of scrap materials and supplies | ₱-        | ₱-          | ₱88,383         |
| Gain on disposal of property and equipment   | -         | 200         | 625,850         |
|  | <b>₱-</b> | <b>₱200</b> | <b>₱714,233</b> |

### 19. Income Taxes

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

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

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

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



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

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

Movements in NOLCO and MCIT are as follows:

**NOLCO**

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

**MCIT**

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

**20. Basic and Diluted Loss Per Common Shares**

Basic and diluted loss per share is computed as follows:

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



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

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## 21. Commitments and Contingencies

### Option and Operating Agreement with CMI

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

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

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

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

### Assignment of Mine Rights from VIMC

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

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## 22. Financial Risk Management and Capital Management

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

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





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

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

#### Credit Risk

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

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

As at December 31, 2019 and 2018, the Company used general approach in the assessment of cash credit quality. The ECL relating to Company's cash is minimal as these are deposited in reputable banks which have good bank standing and is considered to have low credit risk.

#### Liquidity Risk

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

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

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

\*excluding statutory payables



| 2018  | On demand               | Within 6 Months | 6 to 12 Months | Over 1 year | Total                   |
|---|-------------------------|-----------------|----------------|-------------|-------------------------|
| <b>Financial Asset:</b>                         |                         |                 |                |             |                         |
| Cash  | P662,437                | P-              | P-             | P-          | P662,437                |
| <b>Financial Liabilities:</b>                   |                         |                 |                |             |                         |
| Accounts payable and other current liabilities* | P830,771,026            | P-              | P-             | P-          | P830,771,026            |
| Due to related parties                          | 255,255,969             | -               | -              | -           | 255,255,969             |
| Redeemable preferred shares                     | 26,100,000              | -               | -              | -           | 26,100,000              |
| <b>Net Financial Liabilities</b>                | <b>(P1,111,464,558)</b> | <b>P-</b>       | <b>P-</b>      | <b>P-</b>   | <b>(P1,111,464,558)</b> |

\*excluding statutory payables

#### Foreign Exchange Risk

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

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

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

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

As at December 31, 2019 and 2018, the exchange rate of ₱ to the \$ is ₱50.64 and ₱52.58, respectively.

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

|  | Change in exchange rate |                  |
|--|-------------------------|------------------|
|  | \$ strengthens by 5%    | \$ weakens by 5% |
| Decrease (increase) in loss before income tax and equity |                         |                  |
| 2019   | (P4,908,878)            | P4,908,878       |
| 2018   | (5,097,439)             | 5,097,439        |
| 2017   | (4,796,134)             | 4,796,134        |

#### Fair Values of Financial Instruments

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



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

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

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

Capital Management

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

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

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

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

|                            | 2019                 | 2018              |
|----------------------------|----------------------|-------------------|
| Capital stock              | P2,613,147,971       | P2,613,147,971    |
| Additional paid-in capital | 19,449,376           | 19,449,376        |
| Deficit                    | (2,677,733,848)      | (2,630,879,668)   |
|                            | <u>(P45,136,501)</u> | <u>P1,717,679</u> |

The Company is not exposed to externally imposed capital requirements.

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### 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.

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### 24. Events After the Reporting Period

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



have caused disruptions to business and economic activities, and its impact on business and operations continue to evolve.

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

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

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

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

### VAT

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

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

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

### Withholding Taxes

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

|  |                 |
|--|-----------------|
| Withholding taxes on compensation and benefits | ₱259,720        |
| Expanded withholding taxes                     | 32,916          |
|  | <u>₱292,636</u> |

### Other Taxes and Licenses for 2019

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

|                      |                 |
|----------------------|-----------------|
| Permits and licenses | ₱245,519        |
| Real property taxes  | 118,246         |
|                      | <u>₱363,765</u> |



Tax assessments and cases

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





**UNITED PARAGON MINING CORPORATION**  
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**AND SUPPLEMENTARY SCHEDULES**  
**SEC FORM 17-A**  
**DECEMBER 31, 2019**

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Report of Independent Auditors

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December 31, 2019, 2018 and 2017

Statements of Changes in Equity for the Years Ended  
December 31, 2019, 2018 and 2017

Statements of Cash Flows for the Years Ended  
December 31, 2019, 2018 and 2017

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

|  | 2019      | 2018       |
|--|-----------|------------|
| <b><u>Profitability Ratios:</u></b>          |           |            |
| Return on assets                             | -4.16%    | -5.29%     |
| Return on equity                             | -106.60%  | -1,892.86% |
| Gross profit margin                          | -         | -          |
| Net profit margin                            | -         | -          |
| <b><u>Liquidity and Solvency Ratios:</u></b> |           |            |
| Current ratio                                | 0.0206:1  | 0.0211:1   |
| Quick ratio                                  | 0.0008:1  | 0.0006:1   |
| Solvency ratio                               | -0.0400:1 | -0.0530:1  |
| <b><u>Financial Leverage Ratios:</u></b>     |           |            |
| Asset to equity ratio                        | 25.61:1   | 357.68:1   |
| Debt ratio                                   | 1.04:1    | 1.00:1     |
| Debt to equity ratio                         | 26.61:1   | 356.68:1   |
| Interest coverage ratio                      | 0.04:1    | -0.25:1    |



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

|   |
|---|
| <b><u>United Paragon Mining Corporation</u></b><br>(The Company; Reporting Company) |
|---|

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

**SCHEDULE III**  
**UNITED PARAGON MINING CORPORATION**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**PURSUANT TO REVISED SRC RULE 68 AND**  
**SEC MEMORANDUM CIRCULAR NO. 11**  
**As at December 31, 2019**

|   |                         |
|---|-------------------------|
| <b>Unappropriated Retained Earnings, beginning</b>  | (P2,630,879,668)        |
| Adjustments:  | —                       |
| <b>Unappropriated Retained Earnings, as adjusted, beginning</b>   | <u>(P2,630,879,668)</u> |
| <b>Add: Net loss actually earned/realized during the period</b>   | (46,854,180)            |
| Net income during the period closed to Retained Earnings  |                         |
| Less: Non-actual/unrealized income net of tax   | —                       |
| Equity in net income of associate/joint venture   | —                       |
| Unrealized foreign exchange gain - net (except those attributable to cash)  | —                       |
| Unrealized actuarial gain   | —                       |
| Fair value adjustment (mark-to-market gains)  | —                       |
| Fair value adjustment of investment property resulting to gain  | —                       |
| Adjustment due to deviation from PFRS/GAAP - gain   | —                       |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS | —                       |
| Subtotal  | <u>—</u>                |
| Add: Non-actual losses  |                         |
| Depreciation on revaluation increment (after tax)   | —                       |
| Adjustment due to deviation from PFRS/GAAP - loss   | —                       |
| Loss on fair value adjustment of investment property (after tax)  | —                       |
| Subtotal  | <u>—</u>                |
| <b>Net loss actually earned during the period</b>   | <u>(46,854,180)</u>     |
| Add (Less):   |                         |
| Dividend declarations during the period   | —                       |
| Appropriations of retained earnings   | —                       |
| Reversals of appropriations   | —                       |
| Effects of prior period adjustments   | —                       |
| Treasury shares   | —                       |
| Subtotal  | <u>—</u> (59,350,717)   |
| <b>Unappropriated Retained Earnings, as adjusted, ending†</b>   | <u><u>P—</u></u>        |

† Amount is zero since the reconciliation results to a deficit

SCHEDULE A

**UNITED PARAGON MINING CORPORATION  
FINANCIAL ASSETS IN EQUITY SECURITIES  
DECEMBER 31, 2019**

| Name of issuing entity and<br>association of each issue    | Number of shares or principal<br>amounts of bonds and notes | Amount shown in the balances sheet<br>(figures in thousands) | Income received and accrued |                |
|--|---|--|-----------------------------|----------------|
| <table border="1"><tr><td>NOT APPLICABLE</td></tr></table> |   |  |                             | NOT APPLICABLE |
| NOT APPLICABLE   |   |  |                             |                |

**SCHEDULE B**

**UNITED PARAGON MINING CORPORATION**  
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN RELATED PARTIES)**  
**DECEMBER 31, 2019**

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

NOT APPLICABLE

SCHEDULE C

**UNITED PARAGON MINING CORPORATION  
AMOUNTS RECEIVABLE FROM RELATED PARTIES  
WHICH ARE ELIMINATED DURING THE  
CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

NOT APPLICABLE

**SCHEDULE D**

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

| <u>Description</u>  | <u>Beginning balance</u> | <u>Additions at cost</u> | <u>Charged to cost and expenses</u> | <u>Charged to other accounts</u> | <u>Other changes additions (deductions)</u> | <u>Ending balance</u> |
|---|--------------------------|--------------------------|-------------------------------------|----------------------------------|---|-----------------------|
| <div style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div> |                          |                          |                                     |                                  |   |                       |

**SCHEDULE E**

**UNITED PARAGON MINING CORPORATION  
LONG-TERM DEBT  
DECEMBER 31, 2019  
(Amounts in Thousands)**

| Title of Issue and<br>type of obligation                   | Amount authorized by: Indenture | Amount shown under the caption<br>"Current Portion of long-term<br>borrowings" in related balance sheet | Amount shown under the caption<br>"Long-term borrowings- net of current<br>portion" in related balance sheet |                |
|--|---------------------------------|---|--|----------------|
| <table border="1"><tr><td>NOT APPLICABLE</td></tr></table> |                                 |   |  | NOT APPLICABLE |
| NOT APPLICABLE   |                                 |   |  |                |

**SCHEDULE F**

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

| Name of Related Party                                      | Balance at beginning of period | Balance at end of period |                |
|--|--------------------------------|--------------------------|----------------|
| <table border="1"><tr><td>NOT APPLICABLE</td></tr></table> |                                |                          | NOT APPLICABLE |
| NOT APPLICABLE   |                                |                          |                |



SCHEDULE G

UNITED PARAGON MINING CORPORATION  
GUARANTEES OF SECURITIES OF OTHER ISSUERS  
DECEMBER 31, 2019

| Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owed by person for which statement is filed | Nature of guarantee |
|---|---|---|--|---------------------|
|---|---|---|--|---------------------|

NOT APPLICABLE

**SCHEDULE H**

**UNITED PARAGON MINING CORPORATION  
CAPITAL STOCK  
DECEMBER 31, 2019**

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

| Title of Issue | Number of shares authorized | Number of shares   |   | Directors and Officers | Principal Substantial Stockholders | No of shares held by Government | Banks | Others         |
|----------------|-----------------------------|--|---|------------------------|------------------------------------|---------------------------------|-------|----------------|
|                |                             | Number of shares issued and outstanding as shown under related financial condition caption | reserved for option, warrants, conversions and other rights |                        |                                    |                                 |       |                |
| Common Stock   | 397,325,000,000             | 261,314,797,080  |   | 689,814,317            | 205,328,291,218                    |                                 |       | 55,296,691,545 |



40938

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S.E.C. Registration No.

**UNITED PARAGON MINING CORPORATION**

(Company's Full Name)

**6<sup>TH</sup> Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City**

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

**(632) 8631-5139**

(Company's Telephone Numbers)

**JUNE 30, 2020**

(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: June 30, 2020
2. Commission ID No. **40938**
3. BIR Tax Identification No. **000-169-117-000-V**

**UNITED PARAGON MINING CORPORATION**

4. Exact name of issuer as specified in its charter

**Philippines**

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

6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)

**Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550**

7. Address of issuer's principal office \_\_\_\_\_ Postal Code

**(63 2) 8631-5139**

8. Issuer's telephone number, including area code

**N/A**

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

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

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

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

Yes [] No []

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

**Philippine Stock Exchange, Inc.**

**Common Stock**

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

1. The unaudited Financial Statements of the Company (Statements of Financial Position, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows) for the interim period ended December 31, 2019 and June 30, 2020 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 December 31, 2019 and June 30, 2020 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 June 30, 2020) as compared with the most recent annual financial statements (December 31, 2019) 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 June 30, 2020) is reflected in the interim financial statements.
6. Unusual items during the interim period (January to June 30, 2020), 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, 2019 and 2018), which had a material effect in the current interim period (January to June 30, 2020).
8. There were NO long-term contracts entered into by the Company during the interim period January to June 30, 2020).
9. There were NO capitalization of liabilities, new borrowings and any modification of existing financing arrangements during the interim periods under review (January to June 30, 2020 and 2019) 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 June 30, 2020) 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 June 30, 2020) 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 June 30, 2020) 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 June 30, 2020), 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, 2019).
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 (June 30, 2020 vs. June 30, 2019)**

The Company has no operating income earned for the period end June 2020 and 2019 and sustained a net loss of P32.46 million and P26.72 million, respectively. The higher net loss was due to accrued interest expense on outstanding loans.

General and administrative expenses of P4.13 million and P4.10 million were incurred for the period ending **June 30, 2020** and **June 30, 2019**, respectively.

The finance expenses of P26.60 million for the period ending **June 30, 2020** was slightly higher as compared to the same period in 2019 due to compounded interest calculation on Camarines Minerals Inc., past due obligation.

Restatement of foreign currency denominated liabilities for the period ending **June 30, 2020** resulted into a foreign exchange loss of P1.73 million due to peso depreciation from P50.744 (12.31.19) to P49.851 (06.30.20).

### **Financial Condition (June 30, 2020 vs. December 31, 2019)**

The Company has total assets of P1,124.75 million and P1,125.71 million as of June 30, 2020 and December 31, 2019, respectively.

Total current liabilities of P1,200.18 million and P1,168.7 million for the period ending June 30, 2020 and December 31, 2019, exceeded its current assets by P1,176.79 million and P1,144.60 million, respectively. The increase was mainly due to interest accrual and other payables and related party transaction.

The Company has incurred a capital deficiency of P76.41 million and P43.9 million resulting from cumulate losses of P2,710.19 million and P2,677.7 for the period June 30, 2020 and December 31, 2019, respectively.

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 2020".

The gold price increased significantly by sixteen percent (16%) at the end of June 30, 2020 as compared to December 31, 2019. Gold was traded in the London Metal Exchange ("LME") with a closing price of US\$1,770.70/oz. as of June 30, 2020 as compared to US\$1,523.00/oz as of December 31, 2019. In 2020 gold price reached an all-time high of US\$1,775.70 on June 24, 2020.

Inasmuch as the Company's mining and milling operations are still suspended, the key performance indicators of the Company as of June 30, 2020 as compared to June 30, 2019 are as follows:

| Ratios                   | Formula   | June 30<br>2020                    | June 30<br>2019                    |
|--------------------------|---|------------------------------------|------------------------------------|
| Current Ratio            |   | <b>0.0195</b>                      | <b>0.0208</b>                      |
|                          | Current Assets/<br>Current Liabilities                      | P 23,392,400<br>P 1,200,179,112    | P 23,664,702<br>P 1,139,156,098    |
| Quick Ratio              |   | <b>0.0003</b>                      | <b>0.0006</b>                      |
|                          | Current Asset-Inventory-Prepaid/<br>Current Liabilities     | P 409,827<br>P 1,200,179,112       | P 723,914<br>P 1,139,156,098       |
| Solvency Ratio           |   | <b>0.9364</b>                      | <b>0.9793</b>                      |
|                          | Total Assets/<br>Total Liabilities                          | P 1,124,753,595<br>P 1,201,167,093 | P 1,116,648,667<br>P 1,140,244,503 |
| Debt Ratio               |   | <b>1.07</b>                        | <b>1.02</b>                        |
|                          | Total Liabilities/<br>Total Assets                          | P 1,201,167,093<br>P 1,124,753,595 | P 1,140,244,503<br>P 1,116,648,667 |
| Debt to equity ratio     |   | <b>(15.72)</b>                     | <b>(48.32)</b>                     |
|                          | Total liabilities/<br>Stockholders' equity                  | P 1,201,167,093<br>P (76,413,498)  | P 1,140,244,503<br>P (23,595,836)  |
| Equity to debt ratio     |   | <b>(0.06)</b>                      | <b>(0.02)</b>                      |
|                          | Stockholders' equity/<br>Total liabilities                  | P (76,413,498)<br>P 1,201,167,093  | P (23,595,836)<br>P 1,140,244,503  |
| Asset to equity ratio    |   | <b>(14.72)</b>                     | <b>(47.32)</b>                     |
|                          | Total Assets<br>Stockholders' equity/                       | P 1,124,753,595<br>P (76,413,498)  | P 1,116,648,667<br>P (23,595,836)  |
| Interest coverage ratios |   | <b>(0.22)</b>                      | <b>(0.07)</b>                      |
|                          | Earnings (loss) before interest & taxes<br>Interest Expense | P (5,856,301)<br>P 26,604,245      | P (1,752,061)<br>P 24,965,013      |
| Book value per share     |   | <b>(0.00029)</b>                   | <b>(0.00009)</b>                   |
|                          | Stockholders' equity/<br>Total # of shares                  | P (76,413,498)<br>261,314,797,080  | P (23,595,836)<br>261,314,797,080  |
| Loss per share           |   | <b>0.00012</b>                     | <b>0.00010</b>                     |
|                          | Net loss/<br>Total # of shares                              | P 32,460,546<br>261,314,797,080    | P 26,717,074<br>261,314,797,080    |

The change in key indicators as of June 30, 2020 as compared to June 30, 2019 are as follows; a decreased in all key performance indicators were noted due to net loss for the period ending June 30, 2020.

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

| Ratios                   | Formula   | June 30<br>2020                    | December 31<br>2019                |
|--------------------------|---|------------------------------------|------------------------------------|
| Current Ratio            |   | <b>0.0195</b>                      | <b>0.021</b>                       |
|                          | Current Assets/<br>Current Liabilities                      | P 23,392,400<br>P 1,200,179,112    | P 24,104,427<br>P 1,168,671,920    |
| Quick Ratio              |   | <b>0.0003</b>                      | <b>0.0008</b>                      |
|                          | Current Asset-Inventory-Prepaid/<br>Current Liabilities     | P 409,827<br>P 1,200,179,112       | P 980,770<br>P 1,168,671,920       |
| Solvency Ratio           |   | <b>0.9364</b>                      | <b>0.9624</b>                      |
|                          | Total Assets/<br>Total Liabilities                          | P 1,124,753,595<br>P 1,201,167,093 | P 1,125,706,949<br>P 1,169,659,901 |
| Debt Ratio               |   | <b>1.07</b>                        | <b>1.04</b>                        |
|                          | Total Liabilities/<br>Total Assets                          | P 1,201,167,093<br>P 1,124,753,595 | P 1,169,659,901<br>P 1,125,706,949 |
| Debt to equity ratio     |   | <b>(15.72)</b>                     | <b>(26.61)</b>                     |
|                          | Total liabilities/<br>Stockholders' equity                  | P 1,201,167,093<br>P (76,413,498)  | P 1,169,659,901<br>P (43,952,952)  |
| Equity to debt ratio     |   | <b>(0.06)</b>                      | <b>(0.04)</b>                      |
|                          | Stockholders' equity/<br>Total liabilities                  | P (76,413,498)<br>P 1,201,167,093  | P (43,952,952)<br>P 1,169,659,901  |
| Asset to equity ratio    |   | <b>(14.72)</b>                     | <b>(25.61)</b>                     |
|                          | Total Assets<br>Stockholders' equity/                       | P 1,124,753,595<br>P (76,413,498)  | P 1,125,706,949<br>P (43,952,952)  |
| Interest coverage ratios |   | <b>(0.22)</b>                      | <b>0.04</b>                        |
|                          | Earnings (loss) before interest & taxes<br>Interest Expense | P (5,856,301)<br>P 26,604,245      | P 1,738,031<br>P 48,592,211        |
| Book value per share     |   | <b>(0.00029)</b>                   | <b>(0.00017)</b>                   |
|                          | Stockholders' equity/<br>Total # of shares                  | P (76,413,498)<br>261,314,797,080  | P (43,952,952)<br>261,314,797,080  |
| Loss per share           |   | <b>0.00012</b>                     | <b>0.00018</b>                     |
|                          | Net loss/<br>Total # of shares                              | P 32,460,546<br>261,314,797,080    | P 46,854,180<br>261,314,797,080    |

The change in key indicators as of June 30, 2020 as compared to December 31, 2019 are as follows; a decreased in all key performance indicators were noted due to net loss for the period ending June 30, 2020.

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 June 30, 2020 reflect foreign exchange loss on the Company's dollar denominated accounts.

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

The Company entered into a P250.0 million Convertible Loan Agreement with Alakor Corporation, which was approved on September 20, 2011. The proceeds of the facility shall be used to finance the cost of conducting a feasibility study on the Longos Gold Project and for general working capital requirements of the Company. In the meantime, the Company will pursue various options to raise project funding for its exploration work program and for further rehabilitation of the Longos mine, once the Company obtained the necessary government permits. Should the required permits obtained and the financing materialize during the year; this will have a material impact on liquidity. Also, please refer to item "C" under "Plan of Operations for the year 2020".

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 2020 covers the following activities:
- a. The Company is in the process of complying pre-condition requirement after approval of its Exploration Permit Application on August 24, 2018. The company is set to start the implementation of its two-year approved exploration work program in the second quarter of year 2019 subject to approval of the revised exploration work program submitted to MGB Central Office dated September 23, 2019. In 2020 Q1 MGB CO endorsed to MGB V the approval of the revised exploration work program. On June 22, 2020, the Company submitted a request letter to MGB V for an extension of one year to implement the revised exploration work program that will expire on August 20, 2020 due to force majeure (pandemic COVID 19).
  - b. The Company will obtain the financing requirement needed to implement the approved exploration work program, environmental work program and community development program either from external sources or internal sources.
  - c. The Company intends to address and mitigate the impact of net loss to equity in the financial statements by renegotiating current loan obligations.

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

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

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

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

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

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

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

C. Any significant changes in the number of employees.

Manpower as of June 30, 2020 consists of nine (9) 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 June 30, 2020, 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 June 30, 2020 and December 31, 2019, 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:

#### **June 30, 2020**

(In Million Pesos)

|  | <b>Due and<br/>Demandable</b> | <b>Within 6<br/>Months</b> | <b>6 to 12<br/>Months</b> | <b>Over<br/>1 year</b> | <b>Total</b>      |
|--|-------------------------------|----------------------------|---------------------------|------------------------|-------------------|
| <b>Financial Asset:</b>                        |                               |                            |                           |                        |                   |
| Cash   | 0.41                          | 0                          | 0                         | 0                      | 0.41              |
| <b>Financial Liabilities:</b>                  |                               |                            |                           |                        |                   |
| Accounts payable and other current liabilities | 899.65                        | 0                          | 0                         | 0                      | 899.65            |
| Due to related parties                         | 274.43                        | 0                          | 0                         | 0                      | 274.43            |
| Redeemable preferred shares                    | 26.10                         | 0                          | 0                         | 0                      | 26.10             |
| <b>Net Financial Liabilities</b>               | <b>(1,199.77)</b>             | <b>0</b>                   | <b>0</b>                  | <b>-</b>               | <b>(1,199.77)</b> |

#### **December 31, 2019**

(In Million Pesos)

|  | <b>Due and<br/>Demandable</b> | <b>Within 6<br/>Months</b> | <b>6 to 12<br/>Months</b> | <b>Over<br/>1 year</b> | <b>Total</b>      |
|--|-------------------------------|----------------------------|---------------------------|------------------------|-------------------|
| <b>Financial Asset:</b>                        |                               |                            |                           |                        |                   |
| Cash   | 0.98                          | 0                          | 0                         | 0                      | 0.98              |
| <b>Financial Liabilities:</b>                  |                               |                            |                           |                        |                   |
| Accounts payable and other current liabilities | 874.36                        | 0                          | 0                         | 0                      | 874.36            |
| Due to related parties                         | 268.16                        | 0                          | 0                         | 0                      | 268.16            |
| Redeemable preferred shares                    | 26.10                         | 0                          | 0                         | 0                      | 26.10             |
| <b>Net Financial Liabilities</b>               | <b>(1,167.64)</b>             | <b>0</b>                   | <b>0</b>                  | <b>-</b>               | <b>(1,167.64)</b> |

### 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:

|  | June 30, 2020 |            | December 31, 2019 |            |
|--|---------------|------------|-------------------|------------|
|  | USD           | PHP        | USD               | PHP        |
| Accrued interest and other current liabilities | 1,921,528     | 95,790,092 | 1,921,528         | 97,296,559 |
| Other current liabilities                      | 17,399        | 867,358    | 17,399            | 880,998    |

As at June 30, 2020 and December 31, 2019, the exchange rate of ₱ to the \$ is ₱49.851 and ₱50.744, 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 |                         |                  |
| <b>June 30, 2020</b>                                       | <b>(4,789,505)</b>      | <b>4,789,505</b> |
| December 31, 2019  | (4,908,878)             | 4,908,878        |

#### 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 June 30, 2020 and December 31, 2019 there were no transfers among Levels 1, 2 and 3 of fair value measurements.

#### Capital Management

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



The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. No changes were made in the objectives, policies or processes during the period ended June 30, 2020 and year ended December 31, 2019.

Management's plans on how to address the Company's deficit in explained under Plan of Operations for 2020.

The following table summarizes what the Company considers as its total capital as of June 30, 2020 and December 31, 2019.


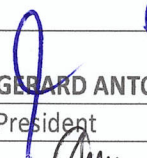

|               |                |
|---------------|----------------|
| Capital stock | P2,613,147,971 |
| Share premium | 19,449,376     |
|               | P2,632,597,347 |

## 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<br>Signature & Title<br>Date | <br><b>ALFREDO C. RAMOS</b><br>Chairman of the Board            |
| Issuer<br>Signature & Title<br>Date | <br><b>GERARD ANTON S. RAMOS</b><br>President                    |
| Issuer<br>Signature & Title<br>Date | <br><b>GILBERT M. RABAGO</b><br>Finance & Administrative Manager |

**UNITED PARAGON MINING CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
In Million Pesos

|   | June 30,<br>2020<br>(Unaudited) | December 31,<br>2019<br>(Audited) |
|---|---------------------------------|-----------------------------------|
| <b>CURRENT ASSETS</b>                             |                                 |                                   |
| Cash and cash Equivalents                         | 0.41                            | 0.98                              |
| Materials and supplies - at net realizable value  | 17.36                           | 17.36                             |
| Other current assets                              | 5.62                            | 5.77                              |
| <b>TOTAL CURRENT ASSETS</b>                       | <b>23.39</b>                    | <b>24.10</b>                      |
| <b>NONCURRENT ASSETS</b>                          |                                 |                                   |
| Property, plant and equipment                     | 994.16                          | 994.47                            |
| Deferred exploration costs                        | 92.59                           | 92.59                             |
| Other noncurrent assets                           | 14.61                           | 14.54                             |
| <b>TOTAL NONCURRENT ASSETS</b>                    | <b>1,101.36</b>                 | <b>1,101.60</b>                   |
| <b>TOTAL ASSETS</b>                               | <b>1,124.75</b>                 | <b>1,125.71</b>                   |
| <b>CURRENT LIABILITIES</b>                        |                                 |                                   |
| Accounts payable and other current liabilities    | 899.65                          | 874.42                            |
| Due to related parties                            | 274.43                          | 268.16                            |
| Redeemable preferred shares                       | 26.10                           | 26.10                             |
| Income tax payable                                | -                               | -                                 |
| <b>TOTAL CURRENT LIABILITIES</b>                  | <b>1,200.18</b>                 | <b>1,168.67</b>                   |
| <b>NONCURRENT LIABILITIES</b>                     |                                 |                                   |
| Pension liability                                 | 0.99                            | 0.99                              |
| <b>TOTAL NONCURRENT LIABILITIES</b>               | <b>0.99</b>                     | <b>0.99</b>                       |
| <b>TOTAL LIABILITIES</b>                          | <b>1,201.17</b>                 | <b>1,169.66</b>                   |
| <b>EQUITY</b>                                     |                                 |                                   |
| 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 | 1.18                            | 1.18                              |
| Deficit   | (2,710.19)                      | (2,677.73)                        |
| <b>TOTAL EQUITY</b>                               | <b>(76.41)</b>                  | <b>(43.95)</b>                    |
| <b>TOTAL LIABILITIES AND EQUITY</b>               | <b>1,124.75</b>                 | <b>1,125.71</b>                   |

UNITED PARAGON MINING CORPORATION  
**STATEMENTS OF COMPREHENSIVE INCOME**  
For the Six Months Ended June 30, 2020  
In Million Pesos except computation of Income/Loss per share  
(Unaudited)

|   | Six Months ended June 30 |                 | Quarter (April - June) |                 |
|---|--------------------------|-----------------|------------------------|-----------------|
|   | 2020                     | 2019            | 2020                   | 2019            |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>        | 4.13                     | 4.10            | 2.20                   | 2.15            |
| <b>OTHER (INCOME) EXPENSES</b>                    |                          |                 |                        |                 |
| Finance expenses                                  | 26.60                    | 24.97           | 13.30                  | 12.53           |
| Foreign exchange (gain) loss                      | 1.73                     | (2.35)          | 1.36                   | (2.74)          |
| Interest income                                   | (0.00)                   | (0.00)          | (0.00)                 | (0.00)          |
| Other (income) expenses                           | -                        | -               | -                      | -               |
|   | 28.34                    | 22.61           | 14.66                  | 9.78            |
| <b>NET LOSS FOR THE PERIOD</b>                    | 32.46                    | 26.72           | 16.86                  | 11.94           |
| <b>LOSS PER COMMON SHARE COMPUTED AS FOLLOWS:</b> |                          |                 |                        |                 |
| <b>In Philippine Pesos</b>                        |                          |                 |                        |                 |
|   | 32,460,546               | 26,717,074      | 16,860,585             | 11,936,610      |
| Weighted average no. of shares                    | 261,314,797,080          | 261,314,797,080 | 261,314,797,080        | 261,314,797,080 |
| <b>LOSS PER COMMON SHARE</b>                      |                          |                 |                        |                 |
| Basic and diluted                                 | 0.00012                  | 0.00010         | 0.00006                | 0.00005         |

**UNITED PARAGON MINING CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the Six Months Ended June 30, 2020  
In Million Pesos  
(Unaudited)

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| <b>SHARE CAPITAL</b>   |                   |                   |
| <b>Authorized</b>  |                   |                   |
| 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 <sup>(1)</sup> | 6.75              | 6.75              |
| Preferred Class “B” – 400,000 shares @ ₱50.00 par value per share <sup>(1)</sup>   | 20.00             | 20.00             |
| <b>Total Authorized Capital Stock</b>  | <b>4,000.00</b>   | <b>4,000.00</b>   |
| <b>Issued and outstanding</b>  |                   |                   |
| 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                 |
| <b>Balance at end of 2nd quarter</b>   | <b>2,613.15</b>   | <b>2,613.15</b>   |
| <b>SHARE PREMIUM</b>   |                   |                   |
| Balance at beginning of year   | 19.45             | 19.45             |
| Movement for the period  | 0                 | 0                 |
| <b>Balance at end of 2nd quarter</b>   | <b>19.45</b>      | <b>19.45</b>      |
| <b>ACTUARIAL GAINS ON RETIREMENT BENEFIT OBLIGATION</b>                            |                   |                   |
| Balance at beginning of year   | 1.18              | 1.40              |
| Movement for the period  | 0                 | 0                 |
| <b>Balance at end of 2nd quarter</b>   | <b>1.18</b>       | <b>1.40</b>       |
| <b>EQUITY</b>  |                   |                   |
| Balance at beginning of year, as previously reported                               | (2,677.73)        | (2,630.88)        |
| Net loss for the period  | (32.46)           | (26.72)           |
| <b>Balance at end of 2nd quarter</b>   | <b>(2,710.19)</b> | <b>(2,657.60)</b> |
|  | <b>(76.41)</b>    | <b>(23.60)</b>    |

**UNITED PARAGON MINING CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
For the Six Months Ended June 30, 2020  
In Million Pesos  
(Unaudited)

|   | <b>2020</b>   | <b>2019</b> |
|---|---------------|-------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |               |             |
| Net Income (Loss) before income tax                       | (32.46)       | (26.72)     |
| Adjustments for:  |               |             |
| Finance expenses  | 26.60         | 24.97       |
| Depreciation Expense                                      | 0.03          | 0.09        |
| Foreign Exchange (gain) loss                              | 1.73          | (2.35)      |
| Interest & Other Income                                   | (0.00)        | (0.00)      |
| Operating loss before changes in working capital          | (4.10)        | (4.02)      |
| Changes in:   |               |             |
| Receivables   | -             | (0.12)      |
| Materials and supplies                                    |               | (0.03)      |
| Prepaid expenses and other current assets                 | (0.23)        | -           |
| Accrued interest and other current liabilities            | (2.45)        | (1.85)      |
| Cash used in operations                                   | (6.77)        | (6.02)      |
| Interest received   | 0.00          | 0.00        |
| Income taxes paid (MCIT)                                  | -             | (0.00)      |
| Net cash used in operating activities                     | (6.77)        | (6.02)      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>               |               |             |
| Net Additions (deductio) to property, plan, and equipment | 0.00          | -           |
| Deferred exploration costs - evaluation expenditures      | -             | -           |
| Increase in other assets                                  | (0.07)        | (0.12)      |
| Net Cash used in investing activities                     | (0.07)        | (0.12)      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |               |             |
| Advances from related parties                             | 6.27          | 6.20        |
| Loan Payable  |               |             |
| Net cash provided by financing activities                 | 6.27          | 6.20        |
| <b>EFFECTS OF EXCHANGE RATE CHANGES IN CASH</b>           | <b>0</b>      | <b>0</b>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>                    | <b>(0.57)</b> | <b>0.06</b> |
| <b>CASH</b>   |               |             |
| January 1   | 0.98          | 0.66        |
| <b>June 30</b>  | <b>0.41</b>   | <b>0.72</b> |

**UNITED PARAGON MINING CORPORATION**  
**FINANCIAL ASSETS IN EQUITY SECURITIES**  
June 30, 2020

| Name of issuing entity and<br>association of each issue   | Number of shares or principal<br>amounts of bonds and notes | Amount shown in the balances sheet<br>(figures in thousands) | Income received and accrued |
|---|---|--|-----------------------------|
| <div style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div> |   |  |                             |

**UNITED PARAGON MINING CORPORATION**  
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS**  
**(OTHER THAN RELATED PARTIES)**  
June 30, 2020

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

**UNITED PARAGON MINING CORPORATION**  
**AMOUNTS RECEIVABLE FROM RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE**  
**CONSOLIDATION OF FINANCIAL STATEMENTS**  
June 30, 2020

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



**UNITED PARAGON MINING CORPORATION**  
**INTANGIBLE ASSETS - OTHER ASSETS**  
June 30, 2020

| Description   | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| <div style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div> |                   |                   |                              |                           |                                      |                |

**UNITED PARAGON MINING CORPORATION**  
**LONG-TERM DEBT**  
June 30, 2020  
**(Amounts in Thousands)**

| Title of Issue and<br>type of obligation | Amount authorized by: Indenture | Amount shown under the caption "Current<br>Portion of long-term borrowings" in<br>related balance sheet | Amount shown under the caption "Long-<br>term borrowings- net of current portion" in<br>related balance sheet |
|--|---------------------------------|---|---|
|--|---------------------------------|---|---|

NOT APPLICABLE

**UNITED PARAGON MINING CORPORATION**  
**INDEBTEDNESS TO RELATED PARTIES**  
**(LONG-TERM LOANS FROM RELATED COMPANIES)**  
June 30, 2020

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| Name of Related Party | Balance at beginning of period | Balance at end of period |
|-----------------------|--------------------------------|--------------------------|
|-----------------------|--------------------------------|--------------------------|

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|                |
|----------------|
| NOT APPLICABLE |
|----------------|

**UNITED PARAGON MINING CORPORATION**  
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
June 30, 2020

| 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

**UNITED PARAGON MINING CORPORATION**  
**CAPITAL STOCK**  
 June 30, 2020

The Company's authorized share capital is ₱4.0 billion divided into 397.3 billion shares at ₱0.01 par value. As at June 30, 2020, total shares issued and outstanding is 261,314,797,080 held by 1,186 shareholders.

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

**SCHEDULE 1**  
**UNITED PARAGON MINING CORPORATION**  
**FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED**

|  | <b>June 30, 2020</b> | <b>June 30, 2019</b> |
|--|----------------------|----------------------|
| <b><u>PROFITABILITY RATIOS:</u></b>          |                      |                      |
| Return on Assets                             | -2.885%              | -2.626%              |
| Return on Equity                             | 0.000%               | 0.000%               |
| Gross profit Margin                          | 0                    | 0                    |
| Net Profit Margin                            | 0                    | 0                    |
| <b><u>LIQUIDITY AND SOLVENCY RATIOS:</u></b> |                      |                      |
| Current Ratio                                | 0.0204 : 1           | 0.0206 : 1           |
| Quick Ratio                                  | 0.001 : 1            | 0.0001 : 1           |
| Solvency Ratio                               | 0.9498 : 1           | 0.9897 : 1           |
| <b><u>FINANCIAL LEVERAGE RATIOS:</u></b>     |                      |                      |
| Asset to Equity ratio                        | -18.90 : 1           | -95.73 : 1           |
| Debt ratio                                   | 1.05 : 1             | 1.01 : 1             |
| Debt to equity ratio                         | -19.90 : 1           | -96.73 : 1           |
| Interest Coverage ratio                      | -0.17 : 1            | -0.19 : 1            |

**UNITED PARAGON MINING CORPORATION**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**

June 30, 2020

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**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 6<sup>th</sup> Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City. Its exploration and mining operations are located in Longos, Paracale, Camarines Norte.

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**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 financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs). PFRSs include statements named PFRS and Philippine Accounting Standards (PASs) and Philippine Interpretations from the International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council (FRSC).

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, 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.

The amendments do not have any impact on the Company’s financial statements as it does not have debt instruments with negative compensation prepayment features.

- 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.

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

The change in accounting standard does not have a significant impact on the Company’s financial statements as the Company has no long-term lease agreement as a lessee.

- 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 did not have any significant impact on the Company's financial statements as the Company does not have any plan amendment, curtailment, or settlement.

- *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.*

Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its interim 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.

Upon adoption of the Interpretation, the Company has assessed whether it has any uncertain tax position. The Company applies significant judgement in identifying uncertainties over its income tax treatments. The Company determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation does not have an impact on the financial statements of the Company.

- *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 did not have any significant impact on the Company's financial statements.

- *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.

These amendments did not have any significant impact on the Company's financial statements.

- *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.

Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements upon adoption.

#### New Standards and Interpretation Issued and Effective after December 31, 2019

The Company will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs, PAS and Philippine Interpretations to have significant impact on its financial statements.

#### *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 are not expected to have any significant impact on the Company's financial statements.

- *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.

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

#### *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, 2023, 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..

#### 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 fair value through profit or loss (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.

- *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.

*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 fair value through other comprehensive income (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 June 30, 2020 and December 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 June 30, 2020 and December 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 June 30, 2020 and December 31, 2019, the Company has no financial assets at FVOCI.

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

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

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

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

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

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

*Impairment of Financial Assets Prior to January 1, 2018*

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or

group of financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after initial recognition of the asset (an incurred “loss event”) and that loss has an impact on the estimated future cash flows of the financial asset or the group of financial asset that can be reliably estimated.

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

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

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

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

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

### *Impairment of Financial Assets Effective January 1, 2018*

Upon adoption of PFRS 9, the standard introduces the single, forward-looking “expected loss” impairment model, replacing the “incurred loss” impairment model under PAS 39.

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

ECLs are measured in a way that reflects the following:

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

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

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

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

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

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

- *Determination of the Stage for Impairment.* At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available

without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

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

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

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

#### Offsetting Financial Instruments

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

#### Derecognition of Financial Instruments

##### *Financial Assets*

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

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

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

liability are measured on a basis that reflects the rights and obligations that the Company has retained.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Company's statement of comprehensive income.

#### Cash

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

#### Materials and Supplies

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

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

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

#### Other Current Assets

##### *Input VAT*

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

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

##### *Tax Credit Certificates (TCCs)*

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

#### Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

#### Deferred Exploration Costs and Deferred Development Costs



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

Deferred development costs included in “Underground Development” under “Property, Plant and Equipment” include costs incurred after determining the commercial viability of extracting a mineral resource.

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

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

#### Impairment of Nonfinancial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company used value in use to assess the recoverable amount of an asset.

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

#### *Deferred Exploration Costs*

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



regular basis and these costs are carried forward provided that at least one of the following conditions is met:

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

#### Redeemable Preferred Shares

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

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

The Company classified its redeemable preferred shares as a liability.

#### Capital Stock and Additional Paid-in Capital (APIC)

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

#### Deficit

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

#### Revenue Recognition

##### *Prior to the Adoption of PFRS 15*

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

##### *Upon Adoption of PFRS 15*

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

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

in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

#### *Interest Income*

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

#### *Other Income*

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

#### Cost and Expense Recognition

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

#### Provisions

##### *General*

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

##### *Provision for Mine Rehabilitation and Decommissioning*

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

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

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

#### Pension Liability

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

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

Defined benefit costs comprise the following:

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

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

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

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

#### Income Taxes

##### *Current Income Tax*

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

##### *Deferred Income Tax*

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

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

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

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

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

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

#### *Uncertain Tax Position*

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

#### Leases – Company as a Lessee

The Company's lease contracts pertain to operating leases of machinery and equipment.

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

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

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

#### Segment Reporting

An operating segment is a component of an entity that: (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (b) whose operating

results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

#### Basic Loss Per Common Share

Basic loss per common share is computed based on the weighted average number of shares outstanding and subscribed for each respective period with retroactive adjustments for stock dividends declared, if any.

#### Diluted Loss Per Common Share

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

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

#### Foreign Currency Transactions

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

#### Contingencies

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

#### Events After the End of the Financial Reporting Date

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