COVER SHEET

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SEC Registration Number

U N I T E D P A R A G O N M I N I N G

C O R P O R A T I O N

(Company's Full Name)

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1 2 5 P I O N E E R S T M A N D A L U Y O N C I T Y

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

Mr. Gilbert V. Rabago	636-5133 / 34
Contact Person	Company Telephone Number

SEC 17-Q

For Quarter Ending June 30, 2016

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

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

40938

S.E.C. Registration No.

UNITED PARAGON MINING CORPORATION

(Company's Full Name)

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

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

(632) 636-5133 to 5134

(Company's Telephone Numbers)

June 30, 2016

(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, 2016

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)

5th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City **1550**

7. Address of issuer's principal office Postal Code

(63 2) 636-5133 to 5134

8. Issuer's telephone number, including area code

N/A

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

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

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

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

Yes [√] No [ ]

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

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

12. Indicate by check mark whether the registrant:

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

Yes [√] No [ ]

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

Yes [√] No [ ]

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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 periodended December 31, 2015 and June 30, 2016 are included in this report.

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

3. The Company's interim financial statements for the period ended December 31, 2015 and June 30, 2016 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, 2016) as compared with the most recent annual financial statements (December 31, 2015) 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, 2016) is reflected in the interim financial statements.

6. Unusual items during the interim period (January to June 30, 2016), 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, 2015 and 2014), which had a material effect in the current interim period (January to June 30, 2016).

8. There were NO long-term contracts entered into by the Company during the interim period (January to June 30, 2016).

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, 2016 and 2015) 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, 2016) 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, 2016) 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, 2016) 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, 2016), 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, 2015).

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, 2016 vs. June 30, 2015)

The Company posted a lower net loss for the period ending June 30, 2016 of ₱22.8 million compared to ₱23.2 million in same period in 2015. The improvement in net loss was due to net effect of increase in general and administrative expenses and decrease in finance charges due to interest rate restructuring on related party transaction and foreign exchange gain due to peso appreciation.

General and administrative expenses for the period ending June 30, 2016 was ₱1.5 million higher as compared to ₱6.32 million in the same period in 2015. The increase in expenses pertains to 2012 BIR deficiency tax payment.

The finance expenses of ₱15.4 million for the period ending June 30, 2016 was lower by ₱0.6 millionas compared to the same period in 2015.

Restatement of foreign currency denominated liabilities for the period ending June 30, 2016 resulted into a foreign exchange gain of ₱0.4 million due to peso appreciation from ₱47.116 (12.31.15) to ₱46.96 (6.30.16).

Financial Condition (June 30, 2016 vs. December 31, 2015)

The Company has a total assets of P1,116.39million and P1,120.9 million as of June 30, 2016 and December 31, 2015, respectively. The net decrease in the company assets was due to P8.1 million decrease in cash and cash equivalent mainly attributable to the disbursement of funds for operating expenses and P0.6 million depreciation in property plant and equipment, offset by P4.5 million increase in exploration and feasibility study cost for property resurvey and further land evaluation.

Total current liabilities increased from P828.8 million to P847.6 million for the period ending December 31, 2015 and June 30, 2016, respectively. The increase of P18.8 million was mainly due to interest accrual and related party transaction advances. Of the current liabilities, 63% or P536.7 million was due to related parties and the balance to outside creditors, suppliers and contractors.

The stockholders' equity decreased from P171.3 million as of December 31, 2015 to P148.5 million as of June 30, 2016 due to operation net loss for the period.

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

Due to the suspension of mining and milling operations and limited sources of funds, the Company failed to meet payments within the stated terms to majority of its suppliers, contractors and creditors. However, the Company has been continuously paying the accounts that relates to its current working capital requirement, and the old accounts due to its suppliers, contractors and creditors remain unchanged. The internal and external sources of funds and the courses of action that the Company plans to undertake to address the liquidity problem are discussed under “Plan of operations for the year 2016”.

The gold priceincreased by 24% at the end of first semester of 2016 as compared to 2015 December 31. Gold was traded in the London Metal Exchange (“LME”) with a closing price of US$1,062.50/oz. at the end of 2015 as compared to US$1,317.00/oz as of June 30, 2016. In 2015 gold price reached an all-time high of US$1,298.00 on Jan 21, 2015.

Inasmuch as the Company’s mining and milling operations are still suspended, the key performance indicators of the Company as of June 30, 2016as compared to December 31, 2015are as follows:

Ratios	Formula		June 30 2016		December 31 2015
Current Ratio			**0.04**		**0.05**
	Current Assets/	₱	36,574,916	₱	44,706,960
	Current Liabilities	₱	847,624,401	₱	828,852,162
Quick Ratio			**0.02**		**0.03**
	Current Asset-Inventory-Prepaid/	₱	18,967,008	₱	26,993,019
	Current Liabilities	₱	847,624,401	₱	828,852,162
Solvency Ratio			**1.15**		**1.18**
	Total Assets/	₱	1,116,890,254	₱	1,120,938,163
	Total Liabilities	₱	968,389,796	₱	949,617,557
Debt Ratio			**0.87**		**0.85**
	Total Liabilities/	₱	968,389,796	₱	949,617,557
	Total Assets	₱	1,116,890,254	₱	1,120,938,163
Debt to equity			**6.52**		**5.54**
ratio	Total liabilities/	₱	968,389,796	₱	949,617,557
	Stockholders' equity	₱	148,500,459	₱	171,320,606
Equity to			**0.15**		**0.18**
debt ratio	Stockholders' equity/	₱	148,500,459	₱	171,320,606
	Total liabilities	₱	968,389,796	₱	949,617,557
Asset to			**7.52**		**6.54**
equity ratio	Total Assets	₱	1,116,890,254	₱	1,120,938,163
	Stockholders' equity/	₱	148,500,459	₱	171,320,606
Interest			**0.48**		**0.01**

coverage ratios	Earnings (loss) before interest & taxes	₱ 7,390,634	₱ 371,555
	Interest Expense	₱ 15,429,513	₱ 52,115,353
Book value		**0.0006**	**0.0007**
per share	Stockholders' equity/	₱ 148,500,459	₱ 171,320,606
	Total # of shares	261,314,797,080	261,314,797,080
Loss per share		**0.00009**	**0.0002**
	Net loss/	₱ 22,820,147	₱ 52,486,908
	Dividends on Pref A	0	-
	Adjusted Net loss/	22,820,147	52,486,908
	Total # of shares	261,314,797,080	261,314,797,080

The change in key indicators as of June 30, 2016 as compared to December 31, 2015 are: decrease in in current ratio of 20%, 31% in quick ratio, 15% equity-to-debt ratio and 13% in book value per share due to operating net loss reported during the period and increase in liability due to interest accrual and related party loans; likewise, an increase in debt–to-equity of 18% and 15% in asset-to-equity was reported due to decrease in net worth as a result of increase in liabilities and net loss for the period.

The key performance indicators of the Company as of June 30, 2016as compared to June 30, 2015 are as follows:

Ratios	Formula	June 30 2016	June 30 2015
Current Ratio		**0.04**	**0.07**
	Current Assets/	₱ 36,574,916	₱ 55,134,216
	Current Liabilities	₱ 847,624,401	₱ 810,671,601
Quick Ratio		**0.02**	**0.05**
	Current Asset-Inventory-Prepaid/	₱ 18,967,008	₱ 37,409,205
	Current Liabilities	₱ 847,624,401	₱ 810,671,601
Solvency Ratio		**1.15**	**1.22**
	Total Assets/	₱ 1,116,890,254	₱ 1,131,913,042
	Total Liabilities	₱ 968,389,796	₱ 931,256,110
Debt Ratio		**0.87**	**0.82**
	Total Liabilities/	₱ 968,389,796	₱ 931,256,110
	Total Assets	₱ 1,116,890,254	₱ 1,131,913,042
Debt to equity ratio		**6.52**	**4.64**
	Total liabilities/	₱ 968,389,796	₱ 931,256,110
	Stockholders' equity	₱ 148,500,459	₱ 200,656,932

Equity to		**0.15**	**0.22**
debt ratio	Stockholders' equity/	₱ 148,500,459	₱ 200,656,932
	Total liabilities	₱ 968,389,796	₱ 931,256,110
Asset to		**7.52**	**5.64**
equity ratio	Total Assets	₱ 1,116,890,254	₱ 1,131,913,042
	Stockholders' equity/	₱ 148,500,459	₱ 200,656,932
Interest		**0.48**	**0.45**
coverage ratios	Earnings (loss) before interest & taxes	₱ 7,390,634	₱ 7,176,326
	Interest Expense	₱ 15,429,513	₱ 16,021,213
Book value		**0.0006**	**0.0008**
per share	Stockholders' equity/	₱ 148,500,459	₱ 200,656,932
	Total # of shares	261,314,797,080	261,314,797,080
Loss per		**0.00009**	**0.00009**
share	Net loss/	₱ 22,820,147	₱ 23,197,539
	Dividends on Pref A	0	0
	Adjusted Net loss/	22,820,147	23,197,539
	Total # of shares	261,314,797,080	261,314,797,080

The change in key indicators as of June 30, 2016 as compared to same period in year 2015 are: decrease in current ratio of 58%, 106% in quick ratio, 41% in equity-to-debt and 35% in book value per share due to increase in liabilities and decrease in net worth as a result of net loss for the period, likewise this will increase ratio on debt 5%, 29% in deb-to-equity and 25% in asset-to-equity.

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, 2016reflect foreign exchange gain on the Company's dollar denominated accounts.

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

The Company entered into a ₱250.0 million Convertible Loan Agreement with Alakor Corporation which was approved on September 20, 2011. The proceeds of the facility shall be used to finance the cost of conducting a feasibility study on the Longos Gold Project and for general working capital requirements of the Company. In the meantime, the Company will pursue various options to raise project funding for the 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 2016".

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 2016 covers the following activities:

a. The Company continued to dispose scrap, obsolete and excess assets to raise additional funds and to meet its current operating costs under care and maintenance status.
b. The Company will continue with its exploration and drilling activities upon receipt of the Exploration Permit from the government on the applied area, and;
c. The Company will examine various project financing options to fund its Exploration Work Program subject to the company being awarded the exploration permit to continue its operation.

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, newly-appointed 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.

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, 2016 consists of ten (10) regular personnel. The Company expects no significant change in the number of employees for the ensuing year unless the necessary permits have been awarded to the company and the needed funding requirements for exploration and further rehabilitation and development of the Longos Mine becomes available, in which case, a significant number of employees will be hired.

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

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

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

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

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

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

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

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

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

(in Million Pesos)

	June 30, 2016				
	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash in bank*	2.66	0	0	0	2.66
Receivables from:	0	0.09	5.30	2.47	7.86
Total credit risk exposure	**2.66**	**0.09**	**5.30**	**2.47**	**10.53**

**Excluding cash on hand.*

(in Million Pesos)

	December 31, 2015				
	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	10.67	0	0	0	10.67
Receivables from:	0	0.08	5.36	2.47	7.91
Total credit risk exposure	**10.67**	**0.08**	**5.36**	**2.47**	**18.59**

**Excluding cash on hand.*

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

1. Cash and cash equivalents are assessed as high grade since these are deposited with reputable banks.
2. Receivables, which pertain mainly to receivables from staff and employees and others, were assessed as standard grade since there were no history of default on the outstanding receivables as of June 30, 2016and December 31, 2015. These were assessed based on past collection experience and the debtors' ability to pay the receivables

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

As of June 30, 2016and December 31, 2015, the contractual undiscounted cash flows from cash and cash equivalents and receivables, which are short-term in nature and used for liquidity purposes amounted to ₱10.6 million and ₱18.6 million, respectively.

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

June 30, 2016

(In Million Pesos)

	Due and Demandable	**Within 6 Months**	**6 to 12 Months**	**Over 1 year**	**Total**
Accrued interest and other current liabilities	650.39	0	35.82	0	686.21
Advances from related parties	112.18	0	0	0	112.18
Redeemable preferred shares	26.10	0	0	0	26.10
Accounts payable	3.11	0	0	0	3.11
Dividends payable	20.02	0	0	0	20.02
Long-term debt:					
Principal	0	0	0	120.00	120.00
Future interest	0	0	0	36.00	36.00
	811.80	0	35.82	156.00	1,003.62

December 31, 2015

(In Million Pesos)

	Due and Demandable	**Within 6 Months**	**6 to 12 Months**	**Over 1 year**	**Total**
Accrued interest and other current liabilities	635.69	0	35.82	0	671.52
Advances from related parties	107.70	0	0	0	107.70
Redeemable preferred shares	26.10	0	0	0	26.10
Accounts payable	3.11	0	0	0	3.11
Dividends payable	20.02	0	0	0	20.02
Long-term debt:					
Principal	0	0	0	120.00	120.00
Future interest	0	0	0	36.00	36.00
	792.62	0	35.823316	156.00	984.45

Foreign Exchange Risk

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

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

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

(in Million)

	June 30		December 31	
	USD	**PHP**	USD	PHP
Accrued interest and other current liabilities	**1.92**	**90.23**	1.92	85.93

As of June 30, 2016 and December 31, 2015, the exchange rate of the Philippine peso to the USD is ₱46.96 and ₱47.166, respectively.

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

(in Million Pesos)

	Change in exchange rate	
	$ strengthens by 5%	$ weakens by 5%
Increase (decrease) in income before income tax and equity		
June 30	**(4.51)**	**4.51**
December 31	(1.25)	0.92

Fair Values of Financial Instruments

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

The table below presents a comparison by category of carrying amounts and estimated fair values of the Company's financial assets and liabilities as of June 30, 2016and December 31, 2015.

(In Million Pesos)	**June 30**		**December 31**	
	Carrying Values	**Fair Value**	**Carrying Values**	**Fair Value**
Loans and receivables:				
Cash and cash equivalents	2.70	2.70	10.72	10.72
Receivables*	7.86	7.86	7.86	7.86
	10.56	10.56	18.58	18.58

Other financial liabilities:

Accrued interest and other current liabilities	686.21	686.21	671.91	671.91
Advances from related parties	112.18	112.18	107.70	107.70
Redeemable preferred shares	26.10	26.10	26.10	26.10
Accounts payable	3.11	3.11	3.11	3.11
Income Tax Payable	-	-	0.01	0.01
Dividends payable	20.02	20.02	20.02	20.02
Long-term debt	120.00	120.00	120.00	120.00
	967.62	967.62	948.85	948.85

**Excluding claims for VAT TCC's and TCC's on hand.*

Cash and Cash Equivalents, Receivables, Accrued Interest and Other Current Liabilities, Advances from Related Parties, Redeemable Preferred Shares, Accounts Payable and Dividends Payable

The carrying amounts approximate their fair values due to their short-term maturities.

Long-term debt

The fair value of the long-term debt is based on the discounted value of future cash flows using the applicable interest rates for similar types of loans. Discount rate used range from 2.2% to 3.2% in 2016.

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, 2016and year ended December 31, 2015.

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

The following table summarizes what the Company considers as its total capital as of June 30, 2016and December 31, 2015.

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

Issuer	**ALFREDO C. RAMOS**
Signature & Title	Chairman of the Board and President
Date	August 2, 2016
Issuer	**GILBERT V. RABAGO**
Signature & Title	Finance & Administrative Manager
Date	August 2, 2016

UNITED PARAGON MINING CORPORATION
STATEMENTS OF FINANCIAL POSITION
In Million Pesos

	JUNE 30, 2016 (Unaudited)	December 31, 2015 (Audited)
A S S E T S		
Current Assets		
Cash and cash equivalents	2.70	10.72
Receivables – net (Schedule J)	16.27	16.27
Materials and supplies - at net realizable value	17.36	17.36
Prepaid expenses and other current assets	0.25	0.35
Total Current Assets	**36.57**	**44.71**
Noncurrent assets		
Property, plant and equipment – net	543.88	544.44
Deferred development costs – net	452.02	452.02
Deferred exploration costs – net	81.37	76.89
Other noncurrent assets	3.05	2.89
Total Noncurrent Assets	**1,080.32**	**1,076.23**
	1,116.89	**1,120.94**
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued interest and other current liabilities	686.21	671.91
Advances from related parties	112.18	107.70
Redeemable preferred shares	26.10	26.10
Accounts payable	3.11	3.11
Income tax payable	0.00	0.01
Dividends payable	20.02	20.02
Total Current Liabilities	**847.62**	**828.85**
Noncurrent Liability		
Loan payable	120.00	120.00
Pension Liability	0.77	0.77
Total Noncurrent Liabilities	**120.77**	**120.77**
Total Liabilities	**968.39**	**949.62**
Equity		
Capital stock	2,613.15	2,613.15
Share premium	19.45	19.45
Actuarial gains on retirement benefit obligation	1.03	1.03
Deficit	-2,485.13	-2,462.31
Total Equity	**148.50**	**171.32**
	1,116.89	**1,120.94**

UNITED PARAGON MINING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the SixMonths Ended June 30, 2016
In Million Pesos
(Unaudited)

	Six Months ended June 30		Quarter – April to June	
	2016	**2015**	**2016**	**2015**
GENERAL AND ADMINISTRATIVE EXPENSES	7.80	6.32	3.71	3.21
OTHER (INCOME) EXPENSES			0	0
Finance expenses	15.43	16.02	6.45	8.04
Foreign exchange (gain) loss	(0.40)	1.11	1.65	0.77
Interest income	(0.01)	(0.01)	(0.00)	(0.00)
Other (income) expenses	-	(0.25)	-	(0.25)
	15.02	16.87	8.10	8.55
NET LOSS FOR THE PERIOD	22.82	23.20	11.81	11.76

LOSS PER COMMON SHARE COMPUTED AS FOLLOWS: In Philippine Pesos	Six Months ended June 30		Quarter – April to June	
	2016	**2015**	**2016**	**2015**
Net loss	22,820,147.00	23,197,539.00	11,811,147.00	11,759,317.00
Weighted average no. of shares	261,314,797,080.00	261,314,797,080.00	261,314,797,080.00	261,314,797,080.00
LOSS PER COMMON SHARE				
Basic and diluted	0.00009	0.00009	0.00005	0.00005

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the SixMonths Ended June 30, 2016
In Million Pesos

	(Unaudited)	
	2016	**2015**
SHARE CAPITAL		
Authorized		
Common – 397,325,000,000 shares @ ₽0.01 par value per share	3,973.25	3,973.25
Preferred Class “A” – 13,500,000 shares @ ₽0.50 par value per share (1)	6.75	6.75
Preferred Class “B” – 400,000 shares @ ₽50.00 par value per share (1)	20.00	20.00
Total Authorized Capital Stock	**4,000.00**	**4,000.00**
Issued and outstanding		
Common shares-261,314,797,080 shares @ ₽0.01 par value per share		
Balance at beginning of year	**2,613.15**	**2,613.15**
Issuance for the period	**0**	**0**
Balance at end of 1st semester	**2,613.15**	**2,613.15**
SHARE PREMIUM		
Balance at beginning of year	19.45	19.45
Movement for the period	0	0
Balance at end of 1st semester	**19.45**	**19.45**
ACTUARIAL GAINS ON RETIREMENT BENEFIT OBLIGATION		
Balance at beginning of year	1.03	1.08
Movement for the period	0	0
Balance at end of 1st semester	**1.03**	**1.08**
EQUITY		
Balance at beginning of year, as previously reported	(2,462.31)	(2,409.82)
Net loss for the period	(22.82)	(23.20)
Balance at end of 1st semester	**(2,485.13)**	**(2,433.02)**
	148.50	**200.66**

UNITED PARAGON MINING CORPORATION
STATEMENTS OF CASH FLOWS
For the Six Months Ended June 30, 2016
In Million Pesos
(Unaudited)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) before income tax	(22.82)	(23.20)
Adjustments for:		
Finance expenses	15.43	16.02
Depreciation Expense	0.56	0.68
Foreign Exchange (gain) loss	(0.40)	1.11
Interest & Other Income	(0.01)	(0.26)
Operating loss before changes in working capital	(7.24)	(5.65)
Changes in:		
Receivables	0.00	-
Materials and supplies	0.00	0.05
Prepaid expenses and other current assets	0.10	0.06
Accounts payable	-	-
Accrued interest and other current liabilities	(0.73)	(1.74)
Cash used in operations	(7.86)	(7.28)
Interest received	(0.01)	(0.01)
Income taxes paid (MCIT)	0.01	0.01
Net cash used in operating activities	(7.86)	(7.28)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plan, and equipment	-	0.25
Additions to exploration costs - evaluation expenditures	-	-
(Decrease) Increase in other assets	(0.16)	(0.12)
Net Cash used in investing activities	(0.16)	0.13
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from related parties	-	10.56
Loan Payable		
Net cash provided by financing activities	-	10.56
EFFECTS OF EXCHANGE RATE CHANGES IN CASH		
NET INCREASE (DECREASE) IN CASH	**(8.02)**	**3.41**
CASH		
January 1	10.72	4.55
June 30	**2.70**	**7.97**

SCHEDULE A

UNITED PARAGON MINING CORPORATION
FINANCIAL ASSETS IN EQUITY SECURITIES
June 30, 2016

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued

NOT APPLICABLE

SCHEDULE B

UNITED PARAGON MINING CORPORATION
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
June 30, 2016

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
June 30, 2016

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
June 30, 2016

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

NOT APPLICABLE

SCHEDULE E

UNITED PARAGON MINING CORPORATION
LONG-TERM DEBT
June 30, 2016
(Amounts in Thousands)

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
Alakor Corporation	₱–	₱–	₱120,000,000

SCHEDULE F

UNITED PARAGON MINING CORPORATION
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
June 30, 2016

Name of Related Party	Balance at beginning of period	Balance at end of period
Alakor Corporation	₱–	₱120,000,000

SCHEDULE G

UNITED PARAGON MINING CORPORATION
GUARANTEES OF SECURITIES OF OTHER ISSUERS
June 30, 2016

Name of issuing entity of securities guaranteed bytheParent 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
June 30, 2016

The Company's authorized share capital is ₱2.6 billion divided into 261.3 billion shares at ₱0.01 par value. As at June 30, 2016, total shares issued and outstanding is 261,314,797,080 held by 1,212 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Directors and Officers	Principal/ Substantial Stockholders	No of shares held by Government	Bank
Common Stock	397,338,900,000	261,314,797,080	–	589,147,650	205,328,291,218	–	–

SCHEDULE 1

UNITED PARAGON MINING CORPORATION

FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED

June 30, 2016

	June 30, 2016	December 31, 2015
PROFITABILITY RATIOS:		
Return on Assets	-2.039%	-4.680%
Return on Equity	-15.367%	-30.640%
Gross profit Margin	0	0
Net Profit Margin	0	0
LIQUIDITY AND SOLVENCY RATIOS:		
Current Ratio	0.0431 : 1	0.0539 : 1
Quick Ratio	0.0224 : 1	0.0326 : 1
Solvency Ratio	1.15 : 1	1.18 : 1
FINANCIAL LEVERAGE RATIOS:		
Asset to Equity ratio	7.52 : 1	6.54 : 1
Debt ratio	0.87 : 1	0.85 : 1
Debt to equity ratio	6.52 : 1	5.54 : 1
Interest Coverage ratio	-0.48 : 1	-1.55 : 1

Schedule J

UNITED PARAGON MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLES
As of June 30, 2016
In Million Pesos

Account Title	Amount	AGING IN MONTHS Current/1	2-3	4-6	6-12	Over 1 year
Employee Advances - Company	6.25	0	0	0	0	6.25
Loans Receivable - Employees	0.17	0	0	0	0	0.17
Claims for value added tax (VAT) TCCs	23.77	0	0	0	0	23.77
Sundry Receivables	1.44	0	0	0	0	1.44
Total Receivables	31.63	0.00	0.00	0.00	0.00	31.63
Allowance for:						
doubtful accounts	-2.42	0	0	0	0	-2.42
uncollectible VAT refund	-12.94	0	0	0	0	-12.94
Receivable - Net	16.27	0.00	0.00	0.00	0.00	16.27

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

1. **Corporate Information**

Corporate Information

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

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

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

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

2. **Summary of Significant Accounting Policies**

Basis of Preparation

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

Statement of Compliance

The Company's financial statements have been prepared with PFRS.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2015:

The nature and impact of each new standard and amendment is described below:

- Philippine Accounting Standards (PAS) 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. It is not expected that this amendment would be relevant to the Company, since the Company has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
These improvements are effective on or after July 1, 2014 and do not have a significant effect to the Company. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment will not have a material effect on the Company since it adopts the cost model of accounting.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendments affect disclosures only and have no impact on the financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
These improvements are effective on or after July 1, 2014 and do not have a significant effect to the Company. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 or (PFRS 9, as applicable).

- PAS 40, *Investment Property - Clarifying the Interrelationship of PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-occupied Property*
  The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. These amendments are not expected to have any impact to the Company as the Company does not have any investment properties.

<u>Standards and Interpretations Issued but not yet Effective</u>
The Company will adopt the following standards and interpretations enumerated below when these become effective.

Deferred

- Philippine Interpretations based on International Financial Reporting Interpretations Committee 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts,* or involves rendering of services in which case revenue is recognized based on stage of completion.

  Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

  The SEC and the Financial Reporting Standard Council (FRSC) have deferred the effectivity of this interpretation until the final revenue standard is issued by the International Accounting Standards Boards (IASB) and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any effect on the financial statements of the Company.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*,and PAS 28, *Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not have any impact on the financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Company.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income (OCI). The standard requires
  disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Company is an existing PFRS preparer, this standard would not apply.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendment)
  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements

- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets- Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- PAS 16*, Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company as the Company does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Company's financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)
These improvements are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a significant effect to the Company. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. These amendments will not have any impact on the financial statements.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. The Company expects that this interpretation will not have any impact on its financial statements.

- PFRS 7*, Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. These amendments will not have any impact on the financial statements.

- PAS 19*, Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. These amendments will not have any impact on the financial statements.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). These amendments will not have any impact on the financial statements.

Effective January 1, 2018

- PFRS 9, *Financial Instruments*
  In July 2014, the final version of PFRS 9 was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Company did not early adopt PFRS 9.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and methodology for financial assets, but will have no effect on the classification and measurement of its financial liabilities. The adoption will also have an effect on the application of hedge accounting. The adoption of PFRS 9 is not expected to have any significant impact on the Company's financial statements.

The following new standards issued by the IASB have not yet been adopted locally by the SEC and FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations. Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

Summary of Significant Accounting Policies

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

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

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

Initial Recognition and Measurement of Financial Instruments
Financial assets within the scope of PAS 39 are classified as financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities are classified either at FVPL or as other financial liabilities. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every end of the reporting period.

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

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

The Company's financial instruments are in the nature of loans and receivables and other financial liabilities. As at June 30, 2016 and December 31, 2015, the Company has no financial instruments classified as FVPL, HTM investments, AFS financial assets or as derivatives designated as hedging instruments in an effective hedge.

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

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

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

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

The Company's cash and receivables as atJune 30, 2016 and December 31, 2015 are classified under this category.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading, not derivatives nor designated as at FVPL upon the inception of the liability, where the substance of the contractual arrangement on the Company having an obligation either to deliver cash or another financial asset to the holder or to satisfy the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of equity shares. These include financial liabilities arising from operations or borrowings (e.g., accounts payable, accrued expenses). These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of

amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized or impaired, as well as through the amortization process.

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

Included under this category are accrued interest and other current liabilities, advances from related parties, redeemable preferred shares, accounts payable, dividends payable and long-term debt.

Fair Value Measurement

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

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

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

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

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

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

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

- Level 1 - Quoted prices in active markets for identical asset or liability
- Level 2 - Those involving inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs)

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 financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided with a separate schedule in this report.

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

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

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

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

<u>Derecognition of Financial Instruments</u>
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- theCompany 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,
- theCompany 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.

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

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

<u>Redeemable Preferred Shares</u>
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.

<u>Derivative Financial Instruments</u>
Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. An embedded derivative is separated from the host contract and accounted for as derivative if all the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and,
- the hybrid or combined instrument is not recognized as at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contracts that significantly modify the cash flows that would otherwise be required. As at June 30, 2016 and December 31, 2015, the Company has no bifurcated embedded derivatives.

<u>Materials and Supplies</u>
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 is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

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

Prepaid Expenses and Other Current Assets

Prepaid expenses consist of prepaid rent, prepaid insurance and contribution fund for the reimbursement of medical expenses of the employees of the Company. Prepaid expenses, initially recognized at cost, are amortized every month based on their term, except for the contribution fund for the employees of the Company.

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 exploration costs and mine and mining properties.

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

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

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

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

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 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

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:

- the period for which the entity 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;
- 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.

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

Other Noncurrent Assets
This account consists of input value-added tax (VAT) and long term receivables. Long term receivables are recognized at cost less any impairment losses.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed to the Company by its suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations.

Input VAT, which are included under the “Other noncurrent assets” account in the statement of financial position and stated at their estimated net realizable value, will be used to offset against the Company’s output VAT liabilities.

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

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

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

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

Provisions
General
Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected

future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

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

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

<u>Capital Stock and Share Premium</u>
The Company has issued capital stock that is classified as equity. Amount of contribution in excess of par value is accounted for as a share premium.

<u>Other Comprehensive Income</u>
Other Comprehensive Income comprises the actuarial gains on the retirement benefits obligation of the Company.

<u>Deficit</u>
Deficit represents accumulated losses incurred by the Company.

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

Interest Income
Interest income is recognized when earned and presented net of applicable final tax.

Other Income
Other income is recognized when earned. Other income consists of gain on sale of the Company's property and equipment, scrap inventory and gain or loss on expiration of prepaid taxes.

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

<u>Borrowing Costs</u>
Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalization of borrowing costs commences when the activities

to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing cost. When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. Effective in January 1, 1999 to March 24, 2015, borrowing costs related to loans used to finance the Rehabilitation Project are recognized in the statement of comprehensive income as a result of the suspension of development activities in December 1998.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating Leases - The Company as a Lessee

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

Pension Liability

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

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

Defined benefit costs comprise the following:

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

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

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

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

Income Taxes

Current Income Tax

Current tax liabilities for the current and prior periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused net operating loss carryover (NOLCO) to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred income tax asset to be recovered.

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

Deferred tax, relating to items outside the statement of comprehensive income, are recognized in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

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

Segment Reporting

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

Loss Per Common Share

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

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

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

Foreign Currency Transactions

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS 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.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

Judgments

In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Determining Functional Currency

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the primary economic environment in which the Company primarily operates.

Determining Operating Lease Commitments - Company as Lessee
The Company has entered into mining leases on its mine site locations. The Company has determined that the lessor retains all significant risks and rewards of ownership of these properties. These lease agreements are accounted for as operating leases.

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 Impairment Losses on Receivables
The Company assesses at each reporting date whether there is any objective evidence that receivables are impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the affiliated companies and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as historical loss experience. Allowance for impairment loss is provided when management believes that the receivable balance cannot be collected or realized after exhausting all efforts and courses of action.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Company's assessment of the accounts since their inception. The Company's assessments take into consideration factors such as any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

As at June 30, 2016 and December 31, 2015, receivables, net of allowance for impairments loss, amounted to ₱16.3 million and ₱16.3 million, respectively. Allowance for impairment losses on receivables amounted to ₱15.4 million as at June 30, 2016 and December 31, 2015.

Estimating Allowance for Inventory Obsolescence
Inventories, which are used in the Company's operations, are stated at the lower of cost or NRV. Allowance due to obsolescence is established when there is evidence that the equipment where the parts and supplies were originally purchased for are no longer in service. Materials which are non-moving or have become unusable are priced at their recoverable amount. As at June 30, 2016 and December 31, 2015, inventories carried at lower of cost or NRV, amounted to ₱17.4 and ₱17.4, respectively.

Estimating Impairment of Property, Plant and Equipment

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that the property, plant and equipment is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

As at June 30, 2016 and December 31, 2015, allowance for impairment losses of property, plant and equipment amounted to ₱77.0 million.

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.

In June 30, 2016 and December 31, 2015, the Company recognized depreciation and amortization expense amounting to ₱0.6 million and ₱1.3 million, respectively. As at June 30, 2016 and December 31, 2015, the carrying amounts of property, plant and equipment amounted to ₱543.9 million and ₱544.4 million, respectively.

Assessing Recoverability of Deferred Development Costs and Deferred Exploration Costs

A valuation allowance is provided for estimated unrecoverable deferred exploration and deferred development costs based on the Company's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of mineral reserves in those properties, and metal prices in the market which is the primary driver of returns on the production. As at June 30, 2016 and December 31, 2015, deferred development costs amounted to ₱452.0 million and ₱76.9 million, respectively. No allowance for impairment losses on deferred development costs and deferred exploration costs was recognized by the Companyin June 30, 2016 and December 31, 2015.

Estimating Mineral Reserves and Resources

Mineral reserves and resources estimates for mining projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based on anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Estimates of resource for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.

As at June 30, 2016 and December 31, 2015, the indicated mineral resources amounted to 3,160,737 MT at 10.89 grams per tonnes (Au g/t) containing 1,106,420 ounces of gold.

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. In accordance with Revised 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. As at June 30, 2016 and December 31, 2015, the Company's pension liability amounted to ₱0.8 million.

4. **Cash**

	June 30, 2016	2015
Cash on hand	**₱35,000**	₱45,000
Cash in banks	**2,661,626**	10,674,641
	₱2,696,626	₱10,719,641

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

Total interest income amounted to ₱6,519 and ₱12,305 in June 30, 2016 and December 31, 2015, respectively.

5. **Receivables**

	June 30, 2016	2015
Claims for VAT tax credit certificates (TCC)	**₱23,772,232**	₱23,772,232
TCC's on hand	**-0-**	-0-
Others	**7,861,672**	7,914,667
	31,633,904	31,686,899
Allowance for impairment losses on:		
Claims for VAT TCC's	**12,944,529**	12,944,529
Others	**2,418,992**	2,468,992
	15,363,521	15,413,521
	₱16,270,383	₱16,273,378

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

The Company applied for revalidation of the TCC's on hand with the DOF before its expiry date, December 2009. As of September 30, 2015, the Company applied the revalidated TCC's to avail of cash conversion program of the BIR. The application is still in progress and for evaluation subject to submission of needed requirement.

Others include employee advances for company expenses, advances to contractors and external receivables from other companies. The aforementioned receivables are non-interest bearing.

6. **Materials and Supplies**

	June 30, 2016	2015
Spare parts	**₱23,130,450**	₱23,115,155
Consumables	**5,228,266**	5,243,561
Fuel and lubricants	**108,494**	109,536
	28,467,210	28,468,252
Allowance for Inventory Obsolescence	**(11,104,940)**	(11,104,940)
	₱17,362,271	₱17,363,312

As at June 30, 2016 and December 31, 2015,the NRV of materials inventory was₱17.3 million, respectively.Total amount of allowance to reduce materials and supplies to NRV amounted to ₱11.1 million as of June 30, 2016 and December 31, 2015, respectively.

7. **Property, Plant and Equipment**

June 30, 2016

	Underground Development and Exploration	Mine and Mining Properties	Buildings and Plant Improvements	Office and Household Furniture and Equipment	Transportation Equipment	Roads and Bridges	Construction In Progress	Total
Cost:								
Balances at beginning of year	₱1,058,040,597	₱405,000,000	₱125,449,581	₱4,603,059	₱3,968,628	₱14,221,073	₱3,919,325	₱1,615,202,263
Additions	–	–	-	-0-	–	–	–	-0-
Disposals	–	–	-	–	–	–	–	-
Balances at end of year	₱1,058,040,597	₱405,000,000	₱125,449,581	₱4,603,059	₱3,968,628	₱14,221,073	₱3,919,325	1,615,202,263
Accumulated depreciation, amortization, depletion and impairment:								
Balances at beginning of year	800,445,294	124,595,990	124,332,861	3,834,183	3,572,347	13,982,372	–	1,070,763,047
Additions	–	–	120,198	264,871	155,046	18,062	–	558,177
Disposals	–	–	-	–	–	–	–	-
Balances at end of year	800,445,294	124,595,990	124,453,059	4,099,054	3,727,393	14,000,434	–	1,071,321,224
Net books values	₱257,595,303	₱280,404,010	₱996,522	₱504,005	₱241,235	₱220,639	₱3,919,325	₱543,881,039

2015

	Underground Development and Exploration	Mine and Mining Properties	Buildings and Plant Improvements	Office and Household Furniture and Equipment	Transportation Equipment	Roads and Bridges	Construction In Progress	Total
Cost:								
Balances at beginning of year	₱1,058,040,597	₱405,000,000	₱125,449,581	₱4,566,526	₱3,968,628	₱14,221,073	₱3,919,325	₱1,615,165,730
Additions	–	–	-0-	36,5333	–	–	–	37,073
Disposals	–	–	-0-	–	–	–	–	-0-
Balances at end of year	₱1,058,040,597	₱405,000,000	₱125,449,581	₱4,603,059	₱3,968,628	₱14,221,073	₱3,919,325	1,615,202,263
Accumulated depreciation, amortization, depletion and impairment:								
Balances at beginning of year	800,445,294	124,595,990	124,088040	2,768,528	2,514,414	13,910,122	–	1,082,477,401
Additions	–	–	244,821	529,563	513,851	36,125	–	1,324,360
Disposals	–	–	-0-	–	–	–	–	-0-
Balances at end of year	800,445,294	124,595,990	124,332,861	3,834,183	3,572,347	13,982,372	–	1,070,763,047
Net books values	₱257,595,303	₱280,404,010	₱1,116,720	₱768,876	₱396,281	₱238,701	₱3,919,325	₱544,439,216

As at June 30, 2016 and December 31, 2015, the carrying value of idle property, plant and equipment amounted to ₱4.2 million. The Company has no plans of disposing these idle assets as it is reserving these for future use when the mine is reopened.

As at June 30, 2016 and December 31, 2015, the cost of fully depreciated property, plant and equipment which are still being used in operations by the Company amounted to ₱137.0 million .

Construction in progress as at June 30, 2016 and December 31, 2015 mainly pertains to road access and drainage system projects at different percentages of completion.

8. Deferred Development Costs and Deferred Exploration Costs

	Deferred Development Costs	Deferred Exploration Costs
Costs	₱516,714,273	₱90,214,575
Allowance for impairment losses	(64,698,015)	(8,843,918)
	₱452,016,258	₱81,370,657

Deferred development costs include, among others, shaft sinking, horizontal and vertical developments, further underground exploration and drilling costs incurred to delimit and access adjacent veins, and the related capitalizable interests and financing charges.

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.

No additional impairment loss was recognized in June 30, 2016and 2015. 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 a qualified technical personnel and certified by a competent geologist and mine engineer 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.

9. Accrued Interest and Other Current Liabilities

	June 30, 2016	2015
Accrued interest on:		
Redeemable Class B preferred shares	**₱191,145,204**	₱189,150,683
Redeemable Class A preferred shares	**60,434,968**	59,824,968
Bonds payable	**90,234,945**	90,630,780
Royalty payable	**213,221,253**	200,519,740
Advances from related parties	**68,093,612**	66,512,946
Others	**1,925,987**	1,925,987
	625,055,968	608,565,104

(Forward)

	June 30, 2016	2015
Other current liabilities:		
Royalty payable	**35,823,316**	35,823,316
Nontrade payables	**8,456,418**	8,456,418
Accrued salaries and wages	**7,401,569**	7,522,453
Accrued professional and consultancy fees	**4,171,276**	4,308,779
Accrued rental and utilities	**2,874,876**	2,874,875
Accrued taxes and licenses	**0**	61,075
Others	**2,430,810**	4,302,023
	61,158266	63,348,939
	₱686,214,234	₱671,914,043

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. The remaining accrued interest payable are due and demandable.

- Accrued interest on royalty payable pertains to the interest on unpaid royalty due under the Operating Agreement with CMI. 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.

- Other current liabilities - “others” consists mainly of statutory payables and payables to third parties. This includes the payable to MIPSCOR which is already due and demandable. Statutory payables are expected to be paid as the said payables are demanded by the government offices concerned.

10. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are considered to be related if they are subject to common control and common significant influence. Related parties may be individuals or corporate entities. Transactions with related parties are based on terms agreed to by the parties.

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

		Outstanding Balance – as at June 30, 2016 and December 31, 2015					
Related Party	Year	Amount/volume	Accrual of interest	Advances from related parties	Long-term debt	Terms	Conditions
Entity under Common Control							
Alakor Corporation*	**2016**	**₱–**	**₱–**	**₱–**	**₱120,000,000**	10% interest bearing	uncollateralized
	2015	–	–	–	120,000,000	Due and demandable	
	2016	**-**	**39,266,672**	**–**	**–**	Due and demandable	uncollateralized
	2015	-	39,266,672	–	–		
	2016	**–**	**–**	**75,684,098**	**–**	12% interest bearing	uncollateralized
	2015	–	–	75,684,098	–	Due and demandable	
	2016	**-**	**27,246,274**	**–**	**–**	Due and demandable	uncollateralized
	2015	-	27,246,274	–			
	2016	**–**	**–**	**13,450,000**		Non-interest bearing	Uncollateralized
	2015	-3,500,000	–	13,450,000			
National Bookstore, Inc.	**2016**	**4,480,000**	**–**	**18,880,714**	**–**	non-interest bearing;	uncollateralized
	2015	10,557,000	–	14,400,714	–	Due and demandable	
Anglo Philippine Holdings, Inc.	**2016**	**–**	**–**	**3,347,744**	**–**	non-interest bearing;	uncollateralized
	2015	–	–	3,347,744	–	Due and demandable	
Abacus Book and Card Corporation	**2016**	**–**	**–**	**493,413**	**–**	non-interest bearing;	uncollateralized
	2015	–	–	493,413	–	Due and demandable	
The Philodrill Corporation	**2016**	**–**	**–**	**323,019**	**–**	non-interest bearing;	uncollateralized
	2015	–	–	323,019	–	Due and demandable	
	2016	**₱4,480,000**	**₱66,512,946**	**₱112,178,988**	**₱120,000,000**		
	2015	₱7,075,000	₱66,512,946	₱107,698,988	₱120,000,000		

**The ₱120,000,000 is included as part of long term debt under non-current liabilities.*

In the normal course of business, the Company has transactions with related parties as follows:

Long-term Debt
On September 20, 2011, the Company entered into 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 uncollateralized loan amounts to ₱250 million with 10% interest per annum due 36 months after draw down date. As at December 31, 2011, drawdown amounted to ₱120 million. There were no additional drawdowns in 2015 and 2014, but the Company requested for a monthly request of funds to the Company for meeting its financing needs.

The loan agreement gives the following rights to Alakor Corporation:

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

Advances from Related Parties
Advances from Alakor Corporation, an entity under common control, consist of loans and advances that are covered by promissory notes subject to roll-over every ninety (90) days with interest at 12% per annum. These are used to finance the Company's capital expenditures and working capital requirements. The Company received additional advances from National Bookstore amounting to P10.6 million in 2015 and P4.5 million in 2016, which are non-interest bearing.

11. **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	–	(0.50)	(6,750,000)
Conversion of preferred shares to common shares	(1,300,000)	–	(650,000)
Balances at June 30, 2016 and Dec. 31, 2015	12,200,000	₱0.50	₱6,100,000

	Class B		
	Shares	Par value	Amount
December 31, 2007	400,000	₱100.00	₱40,000,000
Effect of capital restructuring in 2008:			
Decrease in par value	–	(50.00)	(20,000,000)
Balances at June 30, 2016 and Dec. 31, 2015	400,000	₱50.00	₱20,000,000
Total redeemable preferred shares	12,600,000		₱26,100,000

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

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 date was moved to an indefinite period.

On October 21, 1994, the BOD approved the declaration of cash dividends in the amount of ₱26.5 million or ₱0.0098 per share to all Preferred "A" stockholders of record as of October 31, 1994 either payable not later than October 1, 1995 or may be applied against any of the unpaid subscriptions for common shares issued under the first and second 1994 stock rights offerings. A substantial portion of these cash dividends equivalent to ₱20 million remains outstanding as of June 30, 2016 and December 31, 2015.

The dividends accruing on Class A preferred shares from November 1, 1994 to June 30, 2016 and December 31, 2015 that have not been declared amounted to ₱60.4 million and ₱59.8 million respectively. The corresponding liabilities for these dividends were recorded in the books under "Accrued interest".

As discussed in Notes to the financial statements, certain Class A preferred shares and the related accrued dividends were converted to equity in 2008.

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 to an indefinite period. The redemption amount will earn 20% interest per annum from April 10, 1994 until paid.

As of June 30, 2016 and December 31, 2015, accrued interest on Class B preferred shares amounted to ₱191.1 million and ₱189.1 million, respectively.

12. Provision for Mine Rehabilitation and Decommissioning Costs

Department of Environment and Natural Resources (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 SitioLongos, Paracale, Camarines Norte.

On January 7, 2011, the Company submitted a revised EPEP and FMRDP to the MGB subject for evaluation and approval. As of October 4, 2013 the company received the approval of the conversion of its application from Mineral Production Sharing Agreement (MPSA) to Exploration Permit Application (EXPA) whereby the company is obliged to implement its Environmental Work Program (EWP) and Exploration Work Program (EWP) under exploratory stage upon receipt of approval of an exploration permit. Pending these documents, there is no reasonable basis for estimating the provision for mine rehabilitation and decommissioning costs. Accordingly, no provision was recognized in the books.

13. **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 par value	–	(0.50)	(435,000,000)
b) Change in par value from ₱1.00 to ₱0.50 per share	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 capital stock	255,825,000,000	0.01	2,558,250,000
Balances at June 30, 2016 and Dec. 31, 2015	397,325,000,000	₱0.01	₱3,973,250,000

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

Date of approval or date of effectivity	Description	Number of shares registered	Issue or offer price	Balance	Amount
April 10, 1970	Initial Capital	500,000,000	₱0.01	500,000,000	₱5,000,000
January 29, 1990	Increase in authorized capital stock:				
	Common shares	50,000,000,000	0.01	50,000,000,000	500,000,000
	Preferred Class A	2,700,000,000	0.01	2,700,000,000	27,000,000
	Preferred Class B	5,000,000	100.00	5,000,000	500,000,000
Balance as of January 29, 1990		52,705,000,000		52,705,000,000	1,027,000,000
April 8, 1994	Increase in authorized capital stock:				
	Common shares	200,000,000,000	0.01	200,000,000,000	2,000,000,000
	Preferred Class A	–	0.01	–	–
	Preferred Class B	–	100.00	–	–
		200,000,000,000		200,000,000,000	2,000,000,000

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

Balance as of December 31, 2011	397,338,900,000	₱0.01	397,338,900,000	₱4,000,000,000

As at June 30, 2016 and Dec. 31, 2015, there were no movements in the Company's registered securities. There are 1,212 shareholders who hold 261.3 billion shares as at June 30, 2016.

The movements in issued common shares are as follows:

	Issued shares		
	Shares	Par value	Amount
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 June 30, 2016 and Dec. 31, 2015	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.

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 billion 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 .

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

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

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

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

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

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

The Philippine Stock Exchange (“Exchange”) approved on December 14, 2011, the application of the Company to list 217.8 million common shares with a par value of ₱0.01 per share, to cover its debt-to-equity conversion transactions with its creditors at a conversion price of ₱0.01 per share. The total transaction value is ₱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. The listing application for the underlying common shares of convertible preferred shares was filed with the Exchange on February 14, 2012.

14. Basic and Diluted Loss Per Common Share

Basic and diluted loss per share is computed as follows:

	June 30, 2016	2015
Net loss for the quarter/year	**₱22,820,147**	₱52,478,908
Divided by weighted average number of common shares	**261,314,797,080**	261,314,797,080
Basic and diluted loss per share	**(₱0.00009)**	(₱0.0002)

The resulting per share amounts are the same for both basic and diluted earnings per share in June 30, 2016 and 2015, since the Company does not have any debt or equity securities that will potentially cause a loss per share dilution.

15. Commitments and Contingencies

The Company entered into Option and Operating Agreements 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 decide 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.

Royalty payable amounts to ₱35.8 million and ₱35.8 million as at June 30, 2016 and December 31, 2015. Interest expense on royalty payable, which is at 14% interest rate compounded annually and covered by promissory notes, is recognized in the statement of comprehensive income amounts to ₱15.4 million, ₱33.9 million in June 30, 2016 and December 31, 2015, respectively. The total accrued interest to CMI amounts to ₱213.2 million and ₱200.5 million as at June 30, 2016 and December 31, 2015, respectively.