

# COVER SHEET

3 9 2 4 3  
S.E.C. Registration Number

I M P E R I A L R E S O U R C E S  
I N C O R P O R A T E D  
\_\_\_\_\_  
\_\_\_\_\_

(Company's Full Name)

8 2 - J 4 T H S T R E E T,  
M A R I A N A N E W M A N I L A  
Q U E Z O N C I T Y, M E T R O M A N I L A

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

JESUS VICENTE B. CAPELLAN

7 2 1 - 6 9 9 4  
Company Telephone Number

## SEC FORM 20-IS

1 2 3 1

PRELIMINARY INFORMATION STATEMENTS AS OF  
DECEMBER 31, 2018

0 7 1 9

Month Day  
Fiscal Year

Form Type

Month Day  
Annual Meeting

N/A  
Secondary License Type, If Applicable

M S R D  
Dept. Requiring this Doc.

N/A  
Amended Articles Number/Section

N/A  
Total No. of Stockholders

Total Amount of Borrowings  
N/A N/A  
Domestic Foreign

To be accomplished by SEC Personnel concerned

\_\_\_\_\_  
File Number

\_\_\_\_\_  
LCU

\_\_\_\_\_  
Document I.D.

\_\_\_\_\_  
Cashier

\_\_\_\_\_

Remarks = pls. Use black ink for scanning purposes

# **IMPERIAL RESOURCES INCORPORATED**

Unit 202 Villa Building, No. 78 Jupiter Street, Bel-Air  
Makati City, Metro Manila

## **NOTICE OF THE REGULAR ANNUAL STOCKHOLDERS' MEETING**

### **DEAR STOCKHOLDERS:**

**NOTICE IS HEREBY GIVEN** that the regular annual meeting of the stockholders of **IMPERIAL RESOURCES INCORPORATED** will be held at **Rms. 8 & 9 Parish Center, Santuario de San Antonio, McKinley Road, Forbes Park, Makati City, Metro Manila**, on **Thursday, July 11, 2019, at 10:00 o'clock in the morning**. The order of business of said meeting shall be as follows:

1. Secretary's Proof of Notice of Meeting
2. Declaration of Quorum
3. Approval of the Minutes of Regular Annual Stockholders' Meeting held on July 19, 2018
4. Annual Report as at December 31, 2018
  - 4.1. President's Report to Equity Holders
  - 4.2. Financial Statements
5. Approval by the stockholders of the Annual Report and the Financial Statements of the corporation
6. Election of Seven (7) Members of the board of directors inclusive of two (2) Independent Directors
7. Ratification of the appointment of Villaruz, Villaruz & Co. CPA's as Independent Auditor of Imperial Resources Incorporated, with business address at Unit 3, Level 9 Galleria Corporate Center, E. Delos Santos Avenue (EDSA) corner Ortigas Avenue, Quezon City, Metro Manila
8. Ratification of all acts, contracts, resolutions and proceedings of the Board of Directors and Corporate Officers acting within the scope of their designated authority from July 19, 2018 Annual Stockholders' Meeting until the present, July 11, 2019
9. Other Matters
10. Adjournment

The Board of Directors has fixed May 20, 2019 as the record date for the determination of stockholders who are entitled to notice and to vote at the meeting. On the other hand, the stock and transfer book of the Company will be closed at 5:00 o'clock in the afternoon of July 03, 2019 and will be reopened after the stockholders meeting.

**JESUS VICENTE B. CAPELLAN**  
Corporate Secretary



**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 20-IS**

**INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE**

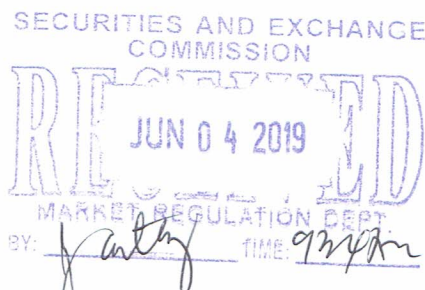
Filed by the Registrant ☒ [ X ]

Filed by a Party other than the Registrant ☐ [ ]

1. Check the appropriate box:

☒ [ X ] Preliminary Information Statement

☐ [ ] Definitive Information Statement



2. Name of Registrant as specified in its charter **IMPERIAL RESOURCES INCORPORATED**

3. **Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **39243**

5. BIR Tax Identification Code **000-463-670-000**

6. **Unit 202 Villa Building, No. 78 Jupiter Street, Bel-Air, Makati City**  
**Metro Manila** **1200**  
Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632)831-4719/721-6994**

8. **July 11, 2019, 10:00 A.M. Rms. 8 & 9 Parish Center, Santuario de San Antonio,**  
**McKinley Road, Forbes Park, Makati City**  
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders **June 19, 2019**

10. There is no proxy solicitation

11. Securities registered pursuant to Sections 8 and 12 of the Code or Section 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate Registrants):

<b>Title of Each Class</b>	<b>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</b>
Common Stock – P1.00 par value	
	652,500,000 Six Hundred Fifty-Two Million Five Hundred Thousand Common Shares

**There are no debt securities**

Amount of Debt Outstanding - *Php41,223,110*

12. Are any or all of Registrant's securities listed on a Stock Exchange?

Yes [☒] No ☐

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

**Philippine Stock Exchange**

**Common Stock Shares**

The original Twenty Million (20,000,000) shares of stock consisting of Fourteen Million (14,000,000) Common Class "A" shares and Six Million (6,000,000) Common Class "B" shares are listed in the Philippine Stock Exchange. After the approval of the change in par value from Php5.00 to Php1.00 and declassification of Class "A" and Class "B" into Common Stock by the Securities and Exchange Commission on February 10, 2017, the Common Stock shares listed with Philippine Stock Exchange has become 100,000,000 shares. One Hundred Fifty Million (150,000,000) Common Stock shares out of the increase of authorized capital stock which are exempted from the registration requirements under Sec. 6(a) (4) of the Revised Securities Act (now Sec. 10 1(e) of the Securities Regulation Code are being readied for listing application.

**PART I**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

However, if you wish to send a representative/proxy, please send your proxy letter not later than July 04, 2019 for recording and validation to the office of the Corporate Secretary of Imperial Resources Incorporated at Unit 202 Villa Building, No.78 Jupiter Street, Bel-Air, Makati City, Metro Manila 1200 or at No. 82-J 4<sup>th</sup> Street, Mariana, New Manila, Quezon City, Metro Manila 1112.

**ITEM 1. DATE/TIME/PLACE OF THE ANNUAL MEETING OF THE SECURITY HOLDERS**

a. The stockholders' meeting shall be held on:

Date	: July 11, 2019 (Thursday)
Time	: 10:00 o'clock
Place	: Rms. 8 & 9 Parish Center Santuario de San Antonio McKinley Road, Forbes Park Makati City, Metro Manila



Complete mailing address of the business office of the Registrant:

**No. 82-J 4<sup>th</sup> Street, Mariana, New Manila, Quezon City, Metro Manila**

- b. The approximate date on which the information statement is first to be sent and given to the security holders shall be June 19, 2019.

## **ITEM 2. DISSENTER'S RIGHT OF APPRAISAL**

Any stockholder of the corporation shall have the right to dissent and demand payment of the fair value of his shares in any of the following instance(s):

1. In case of any amendment to the articles of incorporation which has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
3. In case of merger or consolidation.

There are no corporate actions that will be taken up at its regular annual stockholders' meeting for which a stockholder may exercise the right of appraisal.

**How Right is Exercised** - The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for the payment of the fair value of his shares; Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation. (Sec. 82, Corporation Code)

## **ITEM 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON**

- (a) There is no substantial interest, direct or indirect, by security holdings or otherwise, of each of the following persons in any manner to be acted upon, other than the election to office.



1. Each person who has been a director or officer of the Registrant at any time since the beginning of the last fiscal year;
  2. Each nominee for election as director of the Registrant;
  3. Each associate of any of the foregoing persons.
- (b) No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting. No indication of any action intended to be opposed.

## B. CONTROL AND COMPENSATION INFORMATION

### ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

- (a) As of Record Date, the Company had the following outstanding shares of common stocks:

<u>Class Voting Share</u>	<u>No. of Shares Outstanding</u>	<u>Voting Shares Entitled to Vote</u>	
<u>Title of Each Class</u>	<u>Number of Shares Outstanding Computed at P1.00 Par value per Share</u>	<u>%</u>	<u>No. of Shares Entitled to Vote</u>
Common Filipino	650,784,724	99.74%	One vote per share
Common Foreign	1,715,276	0.26%	One vote per share
Total	652,500,000	100%	

- (b) All stockholders as of May 20, 2019, record date are entitled to notice and to vote at the Annual Stockholders' Meeting.
- (c) The election of directors shall be taken up at the meeting and pursuant to Section 24 of the Corporation Code, each stockholder shall have the right to cumulate his votes in favor of any nominee(s) for director. There are no condition precedents for the exercise of the cumulative voting rights in the election of directors. A stockholder may vote such number of shares registered in his name as of the record date for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit. The total number of votes cast by such stockholder should not exceed the number of shares owned by him as shown in the books of the Corporation multiplied by the whole number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company is computed as follows: no. of shares held on record as of record date x 7 directors. Pursuant to Section 24 of the Corporation Code, candidates receiving the highest number of votes will be declared elected.

In all other cases, each share of stock is entitled to one vote.

**Right to vote of pledgors, mortgagors, and administrators.** - In case of pledged or mortgaged shares in stock corporations, the pledgor or mortgagor shall have the right to attend and vote at meetings of stockholders, unless the pledgee or mortgagee is expressly given such right in writing and is recorded on the appropriate corporate books by the pledgor or mortgagor.

Executors, administrators, receivers, and other legal representatives duly appointed by the court may attend and vote in behalf of the stockholders or members without need of any written proxy.

**Voting in case of joint ownership of stock.** - In case of shares of stock owned jointly by two or more persons, in order to vote the same, the consent of all the co-owners shall be necessary, unless there is a written proxy signed by all the co-owners, authorizing one or some of them or any other person to vote such share or shares; Provided, that when the shares are owned in an "and/or" capacity by the holder thereof, any one of the joint owners can vote said shares or appoint a proxy therefore.

**Voting right for treasury shares** - Treasury shares shall have no voting right as long as such stock remains in Treasury.

## **VOTING PROCEDURE**

In all matters to be submitted to voting which are: (1) amendment of the By-Laws; and, (2) increasing the authorized capital stock, the counting of the majority or two thirds (2/3) of the outstanding capital stock shall be by raising of hands to determine the number of shares who vote in favor of the resolution for the amendment or increase of the authorized capital stock and other incidents.

- a. Vote required for amended By-Laws, the owners of at least a majority of the outstanding capital stock.
- b. Vote required for the increase of authorized capital stock, the approval by a majority vote of the Board of Directors and two-third (2/3) of the outstanding capital stock.
- c. There is no information or fact gained that a change in control of the Registrant has occurred since the beginning of its last fiscal year. Hence, no details can be stated.

In the election of the seven (7) Directors of the Board, the seven (7) nominees (including the two (2) nominees for independent directors) who get the highest votes shall each be deemed duly elected to the Board. Voting by ballot shall be supervised by a Voting Committee. However, voting by ballot shall be dispensed with upon assent of seventy per cent (70%) of the outstanding shares.



## C - Security Ownership of Certain Record and Beneficial Owners and Management

### (1) SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS OF MORE THAN 5% OF ANY CLASS AS OF MAY 31, 2019

(1) Title of Class	(2) Name, Address of Record Owner and Relationship With Issuer	(3) Name of Beneficial Owner and Relationship With Record Owner	(4) Citizenship	(5) No. of Shares Held	(6) Percent of Ownership
Common Stock	PCD Nominee, Corporation G/F MSE Building 6767 Ayala Ave., Makati City (Stockholder)	Various Stockholders Clients	Filipino and Others Nationalities	33,228,565	5.093%
Common Stock	Oliverio G. Laperal, Sr. 31 Pili Avenue, Forbes Park Makati City (Stockholder)	Owner	Filipino	546,552,070	83.763%

### (2) SECURITY OWNERSHIP OF MANAGEMENT AS OF MAY 31, 2019

(1) Title of Class	(2) Name of Beneficial Owner	(3) Amount and Nature Of Beneficial Ownership	(4) Citizenship	(5) Percent of Class
(a) Directors and Executive Officers:				
Common Stock	Desiderio L. Laperal	1,670,000 shares (voting power and investment return (Record))	Filipino	0.256%
Common Stock	Oliverio L. Laperal, Jr.	1,580,000 shares (voting power and investment return (Record))	Filipino	0.242%
Common Stock	Jesus Vicente B. Capellan	160,000 shares (voting power and investment return (Record))	Filipino	0.025%
Common Stock	Vilma B. Villanueva	200,000 shares (voting power and investment return (Record))	Filipino	0.307%
Common Stock	Victorio M. Amante*	15,000 shares (voting power and investment return (Record))	Filipino	0.002%
Common Stock	Horacio M. Pascual*	175,000 Shares (voting power and investment return (Record))	Filipino	0.027%
Common Stock	Nelson G. Mendoza	10,000 shares (voting power and investment return (Record))	Filipino	0.002%
Common Stock	Genelita G. Manandic	1,000 shares (voting power and investment return (Record))	Filipino	0.000%
(b) Directors and Executive Officers as a group unnamed				
Common Stock		3,811,000 shares (voting power and investment return (Record))	Filipino	0.585%

\*The Chairman of the Board from July 13, 2017 to July 19, 2018 was Victorio M. Amante. The Chairman of the Board from July 19, 2018 to present is Atty. Horacio M. Pascual who was elected as such during the organizational meeting held on July 19, 2018.

### (3) VOTING TRUST HOLDERS OF 5% OR MORE

There are no holders of voting trust agreements or of similar import.



#### (4) CHANGES IN CONTROL

Management continues to receive inquiries regarding possible strategic alliance or merger. However, as of the date of this report there is no formal arrangement firmed up with any person or group of persons or entities which may result in a change in control of the Registrant and, therefore, there is no material information to disclose.

#### D - Certain Relationships and Related Transactions

During the years 2017 and 2018, the Company records show that there were consummated transactions to which the Registrant was a party, in which a director, executive officer or stockholder owns ten per cent (10%) or more of the total outstanding shares. The following are material transactions:

##### 1. Parent Company and Subsidiary

The Parent Company has made advances for the working capital of its subsidiary Philippine Cyber College Corp.. As of December 31, 2018 and 2017 the Parent Company's advances amounted to Php23,647,934.25 and Php23,427,934.25, respectively. In accordance with the consolidation process, these have been eliminated in the consolidated financial statements.

##### 2. Key Management Personnel

	Amount of transactions	Outstanding balance	Terms and conditions
<u>Year 2018</u>			
Short-term employee benefits	P 1,657,652	P -	There are no termination, other long-term benefits and share-based payments granted to our key management personnel for the year ended December 31, 2018.
Post-employment benefits	2,522,890	-	
<u>Year 2017</u>			
Short-term employee benefits	P 1,566,201	P -	There are no termination, other long-term benefits and share-based payments granted to our key management personnel for the year ended December 31, 2017.
Post-employment benefits	2,371,331	-	
<u>Year 2016</u>			
Short-term employee benefits	P 1,549,599	P -	There are no termination, other long-term benefits and share-based payments granted to our key management personnel for the year ended December 31, 2016.
Post-employment benefits	2,465,193	-	

There were no termination, post-employment, other long-term benefits and share-based payments granted to the key management personnel for the years ended December 31, 2018, 2017 and 2016. The President/Chief Executive Officer and Vice-President/Treasurer (Chief Financial Officer) do not receive salary from the Company. The members of the Board of Directors receive only per diem of P10,000 per attendance in the regular and special meeting of the Board. The Per Diem for the attendance in the annual stockholders' meeting followed by the organizational meeting or special stockholders meeting is Fifteen Thousand Pesos (P15,000.00). The total amount of per diem paid in 2018, 2017 and 2016 were Php195,000, Php295,000 and Php185,000, respectively.



### **3. Parent Company and Imperial Development Corporation – Common Director**

The Parent Company is renting its office from Imperial Development Corporation. Mr. Desiderio L. Laperal, a director and officer of the company, owns more than ten percent (10%) of the total outstanding shares of Imperial Development Corporation and is at the same time a director and officer of said corporation. The total rental expense including 12% value added tax paid during 2018 was Php635,712.00. The contract of lease expired on December 31, 2018 and was renewed for another year at a monthly rate of Php52,976 inclusive of value added tax for another year.

### **4. Parent Company and its Subsidiary and Filipinas Golf and Country Club, Inc. – Common Director**

The Parent Company and its subsidiary have a lease agreement (sub-lessee) with Filipinas Golf and Country Club, Inc. as a sub-lessor for an office space of about ten (10) square meters, more or less each located at the second floor of an office building for a period of one year starting January 1, 2015. The monthly rental to be paid by each sub-lessee is Php6,179.04 from January, 2015 to May, 2015 and Php6,434.40 from June, 2015 to December, 2015. The sub-lease agreement was renewed for another year. From January, 2016 to May, 2016 the monthly rental paid was Php6,434.40 and from June, 2016 to December, 2016 it was Php6,689.76. The sub-lease agreement was extended until the expiration of the lease contract of Filipinas Golf and Country Club, Inc. with the building owner which was May 31, 2017. FGCCI renewed its contract with the building owner for another one (1) year starting June 1, 2017 until May 31, 2018. Subsequently, IRI renewed its lease contract with FGCCI for another one (1) year starting June 1, 2017 to May 31, 2018 with a monthly rental of Php6,689.76 which cover water bills, parking and association dues. Again IRI renewed its lease contract with FGCCI at P7,013.89 per month which covers water bills, parking and association dues for another one (1) year starting June 1, 2018 to May 31, 2019 after FGCCI renewed its lease contract with the building owner also for another one (1) year starting June 1, 2018 to May 31, 2019.

### **5. Parent Company and its Officer / Major Stockholder**

The Parent Company has advances payable as of December 31, 2018 to its major stockholder, Mr. Oliverio G. Laperal, Sr. amounting to Php12,861,214.83. This payable does not have any repayment date. It is also non-interest bearing.

The Parent Entity and its subsidiary do not have any guarantees of securities of other issuing entities by the issuer for which the statement is filed as at December 31, 2018. These certain relationships and related transactions are further discussed in the Notes to the Consolidated Financial Statements under Note 19 on pages 46 to 48.

The Parent Entity and its subsidiary do not have any relationship with any parties that fall outside of the definition “Related Parties” under SFAS/IAS No. 24.

In the past three years there has been no complaint, dispute or claim against related party transactions that the Company is aware of.

### **Insider Trading/Material Inside Information**

The Company is not aware of any case of insider trading involving any of its directors and officers in the past three years. All its directors, officers and employees are aware that the Company does not allow the unlawful use of material inside information by any of them.



**ITEM 5. Directors and Executive Officers of the Company**

**(1) a-c.**

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>
M. VICTORIO M. AMANTE*	81	Fil.	Chairman of the Board
Atty. HORACIO M. PASCUAL*	86	Fil.	Chairman of the Board
Mr. DESIDERIO L. LAPERAL	64	Fil.	President/Chief Executive Officer/ Member, Board of Director
Mr. OLIVERIO L. LAPERAL, JR.	69	Fil.	Vice President/Chief Financial Officer/Treasurer/ Member, Board of Director
Ms. VILMA B. VILLANUEVA	76	Fil.	Assistant Treasurer/Comptroller/ Chief Accounting Officer/ Member, Board of Directors
Atty. JESUS VICENTE B. CAPELLAN	52	Fil.	Corporate Secretary/ Member, Board of Directors
Ms. GENELITA G. MANANDIC** (Independent Director)	56	Fil.	Member, Board of Directors
Mr. ANTHONY NELSON G. MENDOZA** (Independent Director)	76	Fil.	Member, Board of Directors

\*Mr. Victorio M. Amante served as Director and Chairman of the Board up to July, 2018. He was replaced by Atty. Horacio M. Pascual who was elected Director during the Annual Stockholders' Meeting on July 19, 2018 and Chairman of the Board during the organizational meeting on July 19, 2018.

\*\*An "Independent Director" refers to a person other than an officer or employee of the corporation, its parent or subsidiaries, or any other individual having any relationship with the corporation, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Company has its nomination committee which recommends to the board those qualified to be elected as members of the Board of Directors. All the above stated members of the Board were elected during the Regular Annual Stockholders Meeting held on July 19, 2018, and some were elected as officers of the Registrant Corporation during the Organizational Meeting held on July 19, 2018.

There has been no director who has resigned nor declined to stand for re-election to the board of directors since the last three (3) years because of a disagreement with the Company on matters relating to its operations, policies and practices.

Per SEC Memorandum Circular No. 4, Series of 2017, to promote and reinforce board independence and to be consistent with recognized regional best practice, the following are the amended rules on the term limit of independent directors:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;
2. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director;
3. In the instance that a Company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual stockholders' meeting; and
4. Reckoning of the cumulative nine-year term is from 2012.



All directors are aware of the requirements of the Securities and Exchange Commission regarding the purchase and/or sale of their Company shares covered by SEC Form 23 A/B and 18A/18AS. During the year 2018 no director purchased or sold any shares of the Company.

The term of office of the directors is one year. The period during which the directors/officers have served the Company is presented in their respective resume attached to and forming part of this report.

- d. A summary of the business experiences during the past five (5) years of each of the above-named directors are shown in their respective resume attached to this report as ANNEX "C".

## **(2) Significant Employees**

The Company views its human resources as an important factor in its operations, however, the Company is not highly dependent on the services of any key personnel, hence, no arrangement has been made with respect to any person who will remain with the Company and perceived to compete upon termination. Employees who resign or terminated are required to sign a quitclaim stating among others that they are binding themselves not to divulge any information or trade secrets which they have learned and which have come to their knowledge in confidence and which if revealed would be prejudicial to the Company.

## **(3) Family Relationship:**

Mr. Desiderio L. Laperal, President/Chief Executive Officer, and Mr. Oliverio L. Laperal, Jr. Vice-President and Chief Financial Officer are the sons of Mr. Oliverio G. Laperal, Sr., former President and Chief Executive Officer and a major stockholder.

## **(4) Involvement in Certain Legal Proceedings (Occurred during the past five (5) years and Material to Evaluation)**

During the past five (5) years or since January 1, 2013 up to the present the Company is not aware of any events involving legal proceedings of such nature that are material to the evaluation of its present Directors/Officers, namely: DESIDERIO L. LAPERAL, OLIVERIO L. LAPERAL, JR., JESUS VICENTE B. CAPELLAN, HORACIO M. PASCUAL, VILMA B. VILLANUEVA, ANTHONY NELSON G. MENDOZA and GENELITA G. MANANDIC.

- a. The Company is not aware of any bankruptcy petition filed by or against any business which any of the above-mentioned directors/officers was a general partner or executive officer at anytime within five (5) years;
- b. The Company is not aware of any conviction by final judgment for any offense, in a criminal proceedings, domestic or foreign, or being the subject of a pending criminal proceeding of any of the above-mentioned directors/officers;
- c. The Company is not aware of any order, judgment or decree, not subsequently reversed, suspended, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the above-mentioned directors/officers in any type of business, securities, commodities or banking activities;
- d. The Company is not aware of any findings by a domestic or foreign court of competent jurisdiction, the Commission or comparable foreign body, or a domestic

or foreign Exchange or other organized trading market or self-regulatory organization, that any of the above-mentioned directors/officers has violated a securities or commodities law or regulation and said judgment has not been reversed, suspended or vacated.

While there are cases in which Mr. Desiderio L. Laperal, is named individually as party-litigant, said cases do not directly or indirectly concern or pertain to Imperial Resources Incorporated and its subsidiary, the Registrant Corporation, but are cases which name him as representative or individually outside of Imperial Resources Incorporated and its subsidiary. Please see the list of cases hereto attached as Annex "B".

### **Number of Independent Directors**

All companies are encouraged to have independent directors. However, issuers of registered securities and public companies are required to have at least two (2) independent directors or at least twenty percent (20%) of its board size, whichever is the lesser. Provided further that said companies may choose to have more independent directors in their boards than as above-required.

The nominees for election as Independent Directors of the Board of Directors on July 11, 2019 are as follows:

Nominees of Independent Directors	Person/Group Recommending Nomination	Relation of (a) and (b)
(a)	(b)	
Mr. Anthony Nelson G. Mendoza	Mr. Oliverio L. Laperal, Jr.	None
Ms. Genelita G. Manandic	Atty. Jesus Vicente B. Capellan	None

### **C. Nominees for Election as Members of the Board of Directors.**

For the year 2018, the Chairman of the Nomination Committee is Atty. Jesus Vicente B. Capellan, with the following members, Mr. Oliverio L. Laperal, Jr. and Ms. Genelita G. Manandic, as Independent Director.

The nominees for election of the Board of Directors on July 11, 2019 are as follows:

1. Atty. Horacio M. Pascual
2. Mr. Desiderio L. Laperal
3. Mr. Oliverio L. Laperal, Jr.
4. Ms. Vilma B. Villanueva
5. Atty. Jesus Vicente B. Capellan
6. Ms. Genelita G. Manandic (Independent Director) and
7. Mr. Anthony Nelson G. Mendoza (Independent Director)



## ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

(a) General and Summary Compensation Table  
**ANNUAL COMPENSATION**

(a) <b>Name and Principal Position</b>	(b) <b>Year</b>	(c) <b>Salary (P)</b>	(d) <b>13<sup>th</sup> Month/ Bonus (P)</b>	(e) <b>*Other Annual Compensation</b>
Desiderio L. Laperal President /Chief Executive Officer	2017	No Compensation	-	45,000.00
	2018	No Compensation	-	35,000.00
	2019	No Compensation	-	35,000.00
Oliverio L. Laperal, Jr. Chief Financial Officer/ Vice-President/Treasurer	2017	No Compensation	-	35,000.00
	2018	No Compensation	-	25,000.00
	2019	No Compensation	-	35,000.00
A. Jesus Vicente B. Capellan Corporate Secretary	2017	300,000.00	25,000.00	45,000.00
	2018	300,000.00	25,000.00	35,000.00
	2019	300,000.00	25,000.00	35,000.00
B. Vilma B. Villanueva Assistant Treasurer/ Comptroller	2017	513,096.00	42,758.00	45,000.00
	2018	513,096.00	42,758.00	35,000.00
	2019	513,096.00	42,758.00	35,000.00
C. Bernadette S. Magahis Secretary to the President/CEO	2017	474,456.00	39,538.00	-
	2018	474,456.00	39,538.00	-
	2019	474,456.00	39,538.00	-
D. All Other Officers and Directors as a group E. Unnamed	2017	-	-	55,000.00
	2018	-	-	125,000.00
	2019	-	-	65,000.00

\* The "Other Annual Compensation" column represents the per diem paid to all the members of the Board of Directors for their attendance in the regular and special meetings of the Board.  
For the year 2019, the figures under columns (c), (d) and (e) are estimated figures only.

### (3) Compensation of Directors

The Members of the Board of Directors do not receive fixed compensation but are given *per diem* for every attendance in the regular and special meeting of the Board of Directors of Ten Thousand Pesos (Php10,000.00). The per diem for the attendance of each member in the annual stockholders' meeting followed by the organizational meeting or special stockholders' meeting is Fifteen Thousand Pesos (Php15,000.00).

During the year 2018, there were three (3) regular and special meetings of the Board of Directors, and among the directors there were three (3) absences recorded.

Other than the standard arrangements pursuant to which the directors of the Registrant are compensated, there are no other arrangements nor consulting contracts, pursuant to which any director of the Registrant was compensated, or is to be compensated, directly or indirectly during the Registrant's last completed fiscal year and the ensuing year, for any service provided as a director. Other than the *per diem* paid, there are no other arrangements, bonuses, profit sharing, or other similar plans, which arrangements forming part of the compensation, hence, the details being asked could not be discussed nor disclosed



**(4) Employment Contracts and Termination of Employment and Change-In-Control Arrangements.**

There are no employment contracts and termination of employment and change-in-control arrangements, hence, the details being asked could not be discussed or disclosed.

**(5) Warrants and Stock Options of Officers and Directors**

During the year covered by this report up to date of this report, none of the Officers or Directors are recipient of stock options, warrants or rights.

**ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS**

As stated in the information statement under "Other Events", in compliance with the principles of good corporate governance and best practices, the Board constituted Committees, which are the (1) Nomination Committee (2) Audit Committee and (3) Compensation and Remuneration Committee, through the process of election during organizational meeting of the officers of the Company. The term of the elected members is for one (1) year. The election of the candidates takes into consideration the present qualification and none of the disqualifications of the nominees. Each of the three (3) Committees is composed of three (3) members of the Board, one of whom shall be an independent director and shall have adequate understanding at least or competence of the Company's financial management system and environment. For the year 2018, the Chairman of the Audit Committee is Ms. Genelita G. Manandic, Independent Director, with following member, Mr. Desiderio L. Laperal, and Atty. Horacio M. Pascual.

(a) In December, 2010, the Group engaged the services of Villaruz, Villaruz & Co., CPAs, with office address at Unit 3, Level 9, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City, Metro Manila, to audit the financial statements of Imperial Resources Incorporated (Parent Entity) and Philippine Cyber College Corp. (Subsidiary) as at December 31, 2010. The said auditing firm audited the financial statements of the Parent Entity and its Subsidiary for the succeeding years. Again, in the annual stockholders' meeting held on July 19, 2018 the stockholders ratified the appointment of Villaruz, Villaruz & Co., CPAs, as the Auditor of Imperial Resources Incorporated effective immediately. The Board of Directors will again nominate the same accounting firm for re-appointment this fiscal year, unless said firm will terminate its services for replacement.

Representative of Villaruz, Villaruz & Co., CPAs, are expected to be present at the annual stockholders' meeting with an opportunity to make statement, if they so desire, and will be available to entertain appropriate questions.

(b) In conformity with **Section D, Item VIII** of the Company's Manual on Corporate Governance (**Manual**), the handling partner of Villaruz, Villaruz & Co., CPAs, as the Company's independent auditor, shall be changed every five (5) years or earlier. For the years 2010 to 2013, inclusive, the signing partner was Mrs. Normita L. Villaruz and for the years 2014 to 2018, the signing partner is Mr. George V. Villaruz. The Group will rotate the signing partner of its external auditors at least every five (5) years to comply with the requirements of SRC Rule 68 (3)(b)(iv).

1. No case of independent accountant who declined to stand for re-election after completion of the current audit or was dismissed.

## **ITEM 8. COMPENSATION PLANS**

No action shall be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

- a. The Company has no stock options, warrants or rights;
- b. Likewise, there is no other type of compensation plan;
- c. There is no compensation plan which has been taken up.  
Hence, the details being asked could not be discussed nor disclosed. In the same manner no other type of compensation plan, hence, no details can be discussed.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE**

No action will be taken with respect to the authorization or issuance of any securities otherwise for exchange for outstanding securities of the Registrant. Hence, no information required by Part III paragraph (B) of Annex "A" can be given.

### **ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES**

No action will be taken with respect to the modification of any class of securities of the Registrant or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

All other instruction contained in letters (a) through (g) are not applicable.

### **ITEM 11. FINANCIAL AND OTHER INFORMATION**

#### **(a) Information required.**

No other action will be taken with respect to any matter specified in ITEM 9 or 10, hence, the information required in numbers 1, 4 and 5 with the exception of management discussion and analysis and plan of operation will be included in this information and (4): A statement as to whether or not representatives of principal accountants (1) are expected to be present at the security holders meeting will have the opportunity to make a statement if they desire to do so; or are expected to have to be available to respond to appropriate actions which has already been answered in the applications.

### **ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS**

No action will be taken with respect to any transaction involving merger, consolidation, acquisition or similar matters, hence, the discussion with respect to the details thereto cannot be given.



All matters asked concerning letters (a), (b), and (c) cannot be given owing to the absence of the transactions.

#### **ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY**

No action will be taken with respect to the acquisition or disposition of any property, hence, no information can be given on the matters asked in (a) to (d).

#### **ITEM 14. RESTATEMENT OF ACCOUNTS**

No action will be taken with respect to the restatement of any asset, capital or surplus account of the Registrant, hence, no information on matters asked can be given.

#### **D. OTHER MATTERS**

Suggestions and/or proposals are open to all stockholders OF RECORD.

#### **ITEM 15. ACTION WITH RESPECT TO REPORTS**

All minutes of meeting of the Directors are included in Item 8 of the agenda. Likewise, all reports of its directors, officers, or committees are included in the minutes of meetings of the security holders. Specifically, the -

1. Approval of the Minutes of Regular Annual Stockholders' Meeting held on July 19, 2018.
2. Approval by the stockholders of the Annual Report and the Financial Statements of the Company as of December 31, 2018.
3. Election of seven (7) members of the Board of Directors inclusive of two (2) Independent Directors.
4. Ratification of the appointment of Villaruz, Villaruz & Co. CPA's as independent auditor of Imperial Resources, Incorporated with business address at Unit 3 Level 9 Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City, Metro Manila.
5. Ratification of all acts, contracts, resolutions, and proceedings of the Board of Directors and Corporate Officers acting within the scope of their designated authority, from July 19, 2018 Annual Stockholders' Meeting until the present July 11, 2019, are included in said reports. These refers to acts, contracts, and proceedings of the Board of Directors and Corporate Officers which shall be approved and thenceforth, ratified by the security holders. All actions of the Board of Directors shall be approved in the annual stockholders' meeting.

Such matter intended for approval or disapproval of any action to be taken have been acted upon in resolutions passed and approved in the meeting after proper discussion of the Board, Committees of the Board, itself.

As stated, such matter intended for approval or disapproval have already been acted upon, to a vote of security holders, or by immediate action as called for.

#### **ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED**

No action is to be taken with respect to any matter which is not required to be submitted to a vote by security holders.

#### **ITEM 17. AMENDMENT OF CHARTER, BY-LAWS OR OTHER DOCUMENTS**

No pending proposals for amendment of the charter, by-laws or other documents which may be submitted to a vote by security holders.

#### **ITEM 18. OTHER PROPOSED ACTION**

No other proposed action will be taken up with respect to any matter for the approval of the proposed exchange of shares of stock with real estate whose appraised value is less than ten (10%) per cent of increased capital stock of the corporation.

#### **ITEM 19. VOTING PROCEDURES**

For election of directors, the seven (7) nominees receiving the highest number of votes shall be declared elected. For other proposals or matters submitted to a vote, the majority of the *quorum* except when otherwise provided by law, shall be sufficient for its approval.

Counting of the Ayes and Nays or showing of hand shall be the method by which the votes will be counted unless a stockholder requires balloting in which case, the casting of votes of the stockholders shall be by the ballots. Votes shall be counted by representatives of the external auditor, Villaruz, Villaruz & Co., CPA's and the Corporate Secretary, Atty. Jesus Vicente B. Capellan, who shall serve as the members of the Committee on Election.

#### **INCORPORATION BY REFERENCE**

Incorporated hereto, by reference as Annex "A" is the management report; Annex "B" is the cases where Mr. Oliverio L. Laperal, Jr. and Mr. Desiderio L Laperal, represents the Corporation named as party-litigant outside of or extraneous to Imperial Resources, Incorporated; Annex "C" is the resume of Directors and Officers; Annex "D" is the Quaterly Report 17-Q as of March 31, 2019 and Annex "E" is 2018 Audited Consolidated Financial Statements as at December 31, 2018 of Imperial Resources, Incorporated and Annex "F" is the Certification of Independent Directors.



## **PART II**

### **SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on June 03, 2019. The Issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**IMPERIAL RESOURCES, INCORPORATED**  
Issuer

**June 03, 2019**  
Date

**JESUS VICENTE B. CAPELLAN**  
Corporate Secretary

**MANAGEMENT REPORT:****BUSINESS AND GENERAL INFORMATION****PART 1 - BUSINESS****(A) Description of Business –****1. Business Development**

Imperial Resources Incorporated (the Company), was incorporated in the Philippines on September 5, 1969 with the principal purpose of engaging in the mining and oil exploration business. Its capitalization was Php25 million with P0.01 par value per share or 2.5 billion common shares of stock. In 1970 the shares of the Company were listed in the Philippine Stock Exchange. An onshore drilling in Badian, Cebu did not result to a discovery of gas and oil. The Company participated in twelve (12) offshore oil drilling in the South Sulu Sea and Reed Bank area in partnership with three (3) internationally-renowned oil companies despite its limited resources. Again, there was no commercial oil or gas discovery in all its offshore drillings. The Company decided to close its mining and oil exploration projects.

The Company in 2000 amended its articles of incorporation making the business of Information Technology (IT) as its primary purpose and the mining and oil exploration as one of its secondary purposes. In line with this, the Company established Philippine Cyber College Corp. (PCC) as its 99% per cent -owned subsidiary which operated two (2) I.T. learning centers, one in Baguio City and another at Malolos City, Bulacan until the end of school year 2007 to 2008.

In 2007 after the approval of the Board of Directors, the stockholders and finally, the SEC the change of the par value of the Company's common shares of stock from P0.01 to Php5.00 was implemented in the Philippine Stock Exchange.

In 2009 after closing the two (2) I.T. learning centers, PCC opened a techno-vocational training project in Pasay City to train students to become world class welders. However, it operated only until the latter part of 2009.

A Memorandum of Agreement was executed in January, 2009 by and between the Company and P.T. Aspal Buton Nasional, an Indonesian company, which owns about 2,900 hectares of Asphalt Mining Concession in Sulawesi, Indonesia, whereby the Company was given exclusive rights to explore and evaluate the mining property and subsequently exploit, develop and bring it to commercial production. Series of geophysical and geologic studies and surveys were conducted in the ensuing years as basis for the preparation of a Project Feasibility Report.

In 2015 the Company received proposals to venture into silica sand mining to address the demand of companies in the manufacture of flat glass and glass bottles. A project cost study was presented to the Company for analysis, discussion and evaluation and consideration. Thereupon, initial findings show that the project is financially viable and promising.

The Company, however, is making further studies for sustainability of the project owing to the latest environmental policies, regulations and pronouncements made by the various



government agencies on mining. Another factor which the company would like to consider is the local peace and order situation in the proposed silica sand mining sites.

The Company since the incorporation has never experienced bankruptcy, receivership or similar proceeding because the majority stockholders have committed to support financially the Company's operations through payments of their unpaid subscription even in the absence of a formal call by the Board of Directors and cash advances as needed. There are no new material classification, merger, or purchase or sale of a significant amount of assets not in the ordinary course of business.

On March 29, 2011, the Board of Directors held a special meeting wherein the change of par value of the shares of stock of the Company from Five Pesos (Php5.00) to One Peso (Php1.00) per share was approved. This was subsequently ratified by the stockholders during the regular annual stockholders' meeting held on July 14, 2011.

On March 28, 2016, the Board of Directors held a special meeting wherein the declassification of the shares of stock of the Parent Entity from Common Class 'A' and Class 'B' to Common Stock voting shares was approved. This was subsequently confirmed and ratified by the stockholders during the regular annual stockholders' meeting held on July 14, 2016.

The change of par value and the declassification of the Class 'A' and Class 'B' shares of stock into Common stock were approved by the SEC on February 10, 2017 and PSE implemented the said changes on February 22, 2017.

## **2. Business of Issuer**

### **a. Mining**

#### **a.1. Asphalt**

The Company conducted geologic and geophysical (Electric Resistivity) surveys in 2009 on approximately two hundred (200) hectares and one thousand seven hundred (1,700) hectares, all located in Buton Island, southwest of Sulawesi Province in Indonesia the result of which was promising.

In August, 2010 the Company furnished a few samples of rocks gathered from the mining property to Toyo-Union Co. Ltd. (TUCL) and expressed an intention to have a business association with them, subject to some terms and conditions, including confidentiality and exclusivity rights reserved for the Company. This was firmed up through a Memorandum of Agreement signed on September 13, 2010. During 2011, the engineers and geologists of TUCL together with the engineers from Aspal Buton Nasional were able to go to the asphalt concession areas and collected about sixty (60) kilos of samples and TUCL were able to bring the samples to Tokyo. However, this project with TUCL did not prosper.

During the second half of 2011, the two asphalt concessions were expiring. However, because of the significant geophysical electric resistivity survey arranged and conducted by Aspal Buton Nasional, and funded by the Company, approval for extension of the exploration concession for additional period of two (2) years was obtained. In 2013, the Company was able to secure another extension of the lease of its mining concession.

In 2011, the Company has spent US\$220,000 for additional geologic works/studies needed for the preparation of the project feasibility report and environmental impact report required pending conversion of PT Aspal Buton Nasional Exploration permit to Development and Exploitation permit. In 2012, the Company spent US\$120,000 for more geological works/studies. The Project Feasibility Report and Environmental Impact Report written in



Bahasa Indonesia upon completion were submitted to the Indonesian authorities for approval. The Company funded the translation of the Project Feasibility Report and Environmental Impact Report from Bahasa Indonesia to English in 2012 and was completed in 2013. These English version reports will be used by the Company in looking for and negotiating with foreign investors for possible tie-up or capital funding considering that this project entails a huge capital outlay.

In 2014, the Company spent US\$50,000 for obtaining informal approval for exploitation concession of the 1,722 hectares located at Waangu-Angu area and US\$52,000 for the preparation of the required technical report on post-production program to restore most of the mined-in areas to usable condition.

In 2015, the Company remitted US\$99,250 to Mr. Eddy Surohadi for the account of P.T. Aspal Buton and P.T. Indominas to cover the budget required for various technical and tax expenses on the CNC (Clean and Clear Certificate) IUP Production Program for the coverage area of 1,722 hectares located at Waangu-Angu area.

Up to the present, the Company is awaiting a progress report from the Indonesian partners and additional budget needed regarding its application for formal approval for the exploitation concession of the above stated area before it releases additional funds.

On March 16, 2017, in the special meeting of the Board of Directors, it was resolved that while the Company is proceeding with caution and at the same time re-evaluating its Indonesian mining project owing to the precipitous fall in the world price of crude, the Company is at present inclined to pursue the said project especially so that the Indonesian partners have been continuously looking for foreign partners to invest capital needed after they have secured formal approval of the exploitation concession because of its viability. Furthermore, an in depth study and evaluation, shall be made on silica mineral mining venture as priorly been proposed and discussed. Towards this end, the Laperal family and LTC Real Estate Corporation committed to support and fund the said projects.

## **a.2. Precious Metals**

On January 17, 2010, the Company signed a Memorandum of Agreement with PT. Indominas, an Indonesian Company duly organized and existing under the laws of the Republic of Indonesia, with principal office address at JL. Klampis Anom II/29, Surabaya, Indonesia (referred to as Claimowners). After January 17, 2010, the Claimowners expect to be granted Mining Rights by the government state corporation Perusahaan Daerah (Perusda) Pd. Utama Sultra of South East Sulawesi of the Republic of Indonesia, covering an approximate 4,779 hectares mining exploration concession at South East Sulawesi Province, of the Republic of Indonesia. The Claim owners granted the Company the exclusive rights to do preliminary studies before choosing the area to be developed. If the results of the studies are favorable, the Company shall pay another US\$170,000 upon approval of the conversion of the selected areas into exploration concession. Within thirty (30) days after the Claimowners shall have obtained and delivered all government approvals, permits, extensions and licenses, the Company at its sole expense shall start geological and geophysical surveys on the mining concessions for the purpose of determining the potentials for commercial operations, development and exploitation of the above-mentioned mining concessions. In 2010, preliminary studies on the said area have started. The preliminary geologic survey on the proposed subject area indicated possible deposits. Outside and a bit far from the subject area there are many gold panners. The Company is also evaluating the peace and order situation in the area. After evaluating several factors the Company will have a better total picture on the business prospects of the gold mining project.



Several years ago our Company was invited to operate in Papua New Guinea. The prospects are interesting but we are cautious. The area is a semi-autonomous region controlled by former anti-government rebels. Companies from China have established presence in the area and are reportedly involved in basic infrastructure projects and in mining. We will look for a strategic partner before we commit to Papua New Guinea.

## **b. Information Technology (IT) Related Business**

### **b.1. I.T. Education**

#### **b.1.a. Description**

PCC's IT learning centers in Baguio City (PCC-Baguio) and Malolos, Bulacan (PCC-Malolos) started operations in 2001. These two learning centers were accredited with Technical Education and Skills Development Authority (TESDA). The methodologies and teaching curriculum of the two learning centers were patterned after Singapore's "higher educational system for Information Technology" which was prepared by Tata Conglomerate Group (TATA) from India. PCC's educational system was drawn under the supervision of TATA and the University of Sto. Tomas (UST).

PCC-Baguio and PCC-Malolos gained accreditation to offer courses for CISCO, Microsoft, Oracle and Sun Microsystems. Relative to its accreditation with CISCO, both centers entered into a CISCO Networking Academy "Local Academy Agreement" with UST, a CISCO Regional Academy. PCC-Malolos was named one of the two best CISCO local academies in the Philippines in 2005. This agreement was not renewed after the two centers temporarily suspended their operations. The other courses offered were Web Developer, Data Developer, Server Back-End Management, Business Automation Provider, E-Commerce Programming and Network Management and Administration.

The Company's awareness of its social responsibility was shown by PCC-Malolos working in partnership with the Provincial Government of Malolos, Bulacan through its "Joint Livelihood Project" by offering its IT courses to less fortunate students from Bulacan at a much lower cost. All students who graduated under this program gained employment. Unfortunately, this program was terminated by the Bulacan government in May, 2007.

During the years that the two learning centers operated, they produced highly competent graduates who were able to land good paying jobs locally and abroad. Because of the continuous losses incurred by the two learning centers, their operations were suspended at the end of school year 2007-2008.

## **c. Technical-Vocational Education, Training and Assessment Project**

### **Description**

In March 2008, PCC put up training facility in Pasay City focused on Applied Metals Engineering Skills requirements starting with the development of First Class welders in Submerged Metal Arc Welding (SMAW) or stick welding; Tungsten Inert Gas Welding (TIG also called Gas Tungsten Arc Welding or GTAW) for stainless steel, aluminum and other special alloys; and Gas Metal Arc Welding (GMAW) for continuous welds. In the following year after this training facility secured its accreditation with Technical Education and Skills Development Authority (TESDA) it started operating.

During 2009 there were about a hundred students under the TESDA PGMA Scholarship Program who successfully passed the independent TESDA-approved Assessor's assessment program. Most of them gained employment abroad through TESDA. About twenty



one (21) of them were recommended by TESDA for employment with Negros Navigation. TESDA temporarily cut its PGMA Scholarship Program when funds were depleted. Since this was the mainstay of welding schools for sustaining their operations and PCC's marketing efforts with shipping establishments and placement agencies did not bear fruit it was forced to suspend its operations. Management has finally decided to phase-off its Techno-Vocational Project. It has concentrated its financial resources on the development of its Indonesian mining project and will focus its efforts and resources on the more promising economic and financially lucrative Indonesian mining project.

The Group has no reported income since PCC suspended its operations in 2009.

The Company and PCC are not holding any patent, trademark, copyright or franchise.

#### **GOVERNMENTAL APPROVAL, REGULATIONS AND ENVIRONMENTAL LAWS**

The Company and PCC are committed to follow governmental laws and regulations governing the conduct of its operations. As of the date of this report, management is not aware of any existing or probable government regulation which has or will have a great impact on the business of the Group. There is no environmental or mining law in the Philippines that significantly affects the projects of the Company at present or in the near future, since it does not have approved mining claim in the country. Since the Company is still in the pre-development and pre-exploration stage, and its mining project is located in Indonesia, no material cost is likely to be incurred as regards this matter.

#### **TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES**

The Group has not been totally dependent on any single or few suppliers of equipment and materials needed in its operations. Likewise, continuous operation does not depend on any one director or officer of the Group.

#### **COMPANY OFFICE STAFF**

As at the end of 2018 there were eight (8) active employees of the Company of which seven (7) of them are working full time. There are six (6) employees under Operations, two (2) are under Administrative. One (1) employee resigned in January, 2019 leaving seven (7) employees, six (6) employees under operations and one (1) under administrative. Management plans to hire a replacement.

The Company's regular employees are entitled to 13<sup>th</sup> month pay , SSS, PHIC and Pag-Ibig fund benefits including medical and dental benefits and separation pay as provided for by law.

In October, 2018 the Company decided to give its employees a 14<sup>th</sup> month pay to help them cope with the unabated increase in the cost of fuel and basic necessities as a result the TRAIN-Law. However, this is not a continuing benefit. Except for a non-contributory retirement pay benefit computed according to the requirements of R.A. 7641 known as "Retirement Pay Law" there are no profit-sharing benefits, long-term benefits, share-based payments and other post employment benefits. As regards retirement benefits the Company has applied PAS 19 (as amended-June, 2011) this is further discussed in Note 18 of the Notes to Consolidated Financial Statements.

The Company's members of its Board and executives as well as regular employees are encouraged to attend accounting, tax and management seminars and other professional and business training programs offered by the government and private entities to enhance their



skills and abilities in the performance of their assigned tasks and to be updated on policies, rules and regulations implemented by various regulatory and governing bodies at the expense of the Company. All Board Members have been attending the Corporate Governance seminars as required by SEC.

There is no company union, consequently, there is no collective bargaining agreement.

## **MAJOR RISKS**

The Group does not have a Risk Management Committee which is not practicable at its current operational set up. Risk Management is the responsibility of the Board of Directors. Management has adopted sound policies and measures in order to preserve its financial assets and fully maximize effectively their usage and sees to it that these are implemented and monitored.

Cash and cash equivalents are deposited with stable and reputable banks. Placements normally have 35-day maturities, thereby, reducing the risk of change in value. The Group is not engaged in the trading of financial assets for speculative purposes. Presently, its source of cash comes primarily from the payments of major stockholders of their subscription payables. Because of the commitment given by the major stockholders to continue supporting the financial operations of the Company by paying their subscription payables even in the absence of a formal call by the Board of Directors, or extending cash advances to the Company including deposits for future subscription, exposure to liquidity risk is minimized.

The Company does not have any loans or notes payable, hence, it is not exposed to the risk of changing market interest rates. Furthermore, its cash and cash equivalents have fixed interest rates. The Company maintains foreign currency accounts to defray its mining pre-development costs, and is, therefore, exposed to currency risk. The Company has no material exposure to credit risks from outsiders.

Its Financial Assets are not used for collateral or other credit enhancement.

A more detailed analysis and discussion of the Group's Financial Assets in relation to financial risks such as credit risk, liquidity risk and market risk are presented in Note 6 pages 30-34 of the Notes to the Consolidated Financial Statements.

## **OTHER RISKS**

The Company moved from Makati City to its current Quezon City address in the early 90's. All these years it did not experience any destructive flooding until typhoon "Ondoy" in 2009. The Company's office equipment, furniture and fixture and some office documents and accounting records were destroyed during the said flood. This kind of risk was never anticipated by management. In 2010, the Company undertook preventive measures to avoid destruction of its assets and records in case another catastrophe of that magnitude occurs. In the middle of 2011, the Company's office in Makati moved to a flood-free location. Also the Company was able to lease additional space for its Quezon City office to house some of its records and files.

In 2015 its Makati office transferred to a much better location at Barangay Bel-Air, Makati City.

In June, 2016 the building where the Company's Makati office is situated was partially destroyed by fire. Some office files were water-damaged. The lessor finished the repair and renovation of the partially damaged building including the Company office in 2017.



Management is aware of the following risks that the Company will face in the future as regards its mining project:

1. Mining metals and non-metals is essentially risky and expensive and faced with multiple problems.
2. The prices of commodities are always subject to fluctuations.
3. All governments change its heads and regulations are subject to unpredictable changes and government laws and regulatory policies and corporate governance poses hazards to plan, execute and deliver on long-term projects.
4. The global weather is unpredictable.
5. Many governments are demanding larger and larger share of the profits. Higher taxes and rents are seen as management problems.
6. Terms of contracts may be subjected to unpredictable changes.

#### **Management's Responses and Outlook**

1. The Company's main goal is to explore for less risky exploration and exploitation minerals.
2. Shorten exploration period and look for the most economical ways to explore and conduct the latest geological and geophysical techniques to minimize risks of exploration.
3. Management will engage experts to utilize proven hedge and financial initiatives to mitigate and minimize the inherent risks of the volatility of commodities.
4. The Group is aware of the importance of community welfare and community relationship.

#### **(B) Description of Properties**

As of December 31, 2018 the following are the properties of material value owned by the Group.

1. A parcel of land located at No. 1004 EDSA, Quezon City, covered by Transfer Certificate of Title No. N-307207 of the Register of Deeds of Quezon City with an area of Five Thousand (5,000) sq.m., more or less, issued under the name of Imperial Resources Incorporated was acquired in 2007 with a transfer value of Four Hundred Million Pesos (P400,000,000.00) as full payment for Thirty Four Million (34,000,000) Common Class "A" shares and Forty Six Million (46,000,000) Common Class "B" shares subscribed all at Five Pesos (P5.00) per share by Mr. Oliverio G. Laperal, Sr. This property is taken up as "Investment Property". The Company is in the process of opposing a request for reinstatement of *lis pendens* annotation with the Registry of Deeds of Quezon City with Reference No. 009783-10-000001. The Company's legal consultants confirmed that as an innocent purchaser for value of the land in question, cannot be prejudiced by *lis pendens* annotation that did not appear in the predecessor title of the land at the time of the transfer. Up to the date of this report, management has not received any communication with the Registry of Deeds and the *lis pendens* annotation has not been restored. There are informal settlers in the property. This property was appraised by Cuervo Valuers & Advisory Inc., an SEC accredited appraiser. The appraisal value of this property as of December 31, 2018 was P785,000,000.
  2. School Building – In September, 2002, the school building constructed by Phil. Cyber College Corp. (PCC) for PCC Baguio Center was finished and inaugurated. The total cost amounted to Two Million Two Hundred Thousand Pesos (P2,200,000.00).
  3. Welding machines and equipment needed for the Techno-Vocational Education Training and Assessment courses of PCC amounting to about P1.4 million were acquired in 2008.
  4. Transportation Equipment – A Toyota Innova acquired in 2009 at P 1,150,000.00.
- All the above-mentioned properties are not mortgaged. The Group is not aware of any



lien or encumbrance on any of them.  
The Group does not have any property under lease.

5. Exploration and Evaluation Asset account consists of:
- The exclusive mining rights of exploration, exploitation, development and operation of about 1,940 hectares of Mining Exploration Concession located at Buton Island, South East Sulawesi Province, Indonesia which the Company has acquired on January 30, 2009 from PT Aspal Buton Nasional by paying a signature bonus of US\$150,000.00 or P7,090,500.00.
  - The signature bonus amounting to P4,705,000.00 (US\$100,000.00) paid by Imperial Resources Incorporated to PT. Indominas, an Indonesian Company, for the former to acquire other mining rights in Indonesia per memorandum of agreement executed on January 17, 2010 between the said parties.
  - In 2015, the Company spent US\$99,250.00 or P4,453,844.00 to cover the budget required for various technical and tax expenses on the CNC IUP Production Program for the coverage area of 1,722 hectares located at Waangu-Angu area.
  - As of December 31, 2016 the accumulated cost of geophysical and geological works/studies amounted to P38,676,848.00 and the acquisition of rights to explore amounted to P11,795,500.00.
  - There was no disbursement pertaining to the mining project in 2017 and 2018 so the amounts remain the same.

There was no material acquisition of assets by the Group during 2018. The Company has not perfected any mining claims in the Philippines.

#### **(C) Legal Proceedings**

There are no legal proceedings pending or terminated during the fiscal year covered by this report, which directly or indirectly concern or pertain to Imperial Resources Incorporated and Philippine Cyber College, hence, no information similar to that required by aforesaid disclosure can be disclosed.

So far as is known to the Registrant, there is no proceeding known or contemplated by government authorities or any other entity to be brought against it.

#### **(D) Submission of Matters to a Vote of Security Holders**

The Company did not submit during the 4<sup>th</sup> quarter of the fiscal year covered by this report to a vote by security holders, through the solicitation of proxies.

### **PART III – SECURITIES OF THE REGISTRANT**

#### **(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters**

##### **1. Market Information**

The shares of stock of Imperial Resources Incorporated (IMP) are traded in the Philippine Stock Exchange. Presented below are the quarterly market prices of the stocks of the Company in 2018 and 2017 as provided by the Research Department of the Philippine Stock Exchange:

	<u>2018</u>	<u>1st QTR</u>	<u>2nd QTR</u>	<u>3rd QTR</u>	<u>4th QTR</u>
Common Stock	Par Value	1.00	1.00	1.00	1.00
	High	2.49	2.59	2.32	2.29
	Low	2.41	2.00	2.00	1.63
	Close	2.49	2.12	2.00	1.87

The prices of the stocks from January, 2017 to February 22, 2017 were adjusted due to the change of par value effective February 22, 2017.

	<u>2017</u>	<u>1st QTR</u>	<u>2nd QTR</u>	<u>3rd QTR</u>	<u>4th QTR</u>
Common Stock	Par Value	1.00	1.00	1.00	1.00
	High	29.00	4.14	3.64	3.72
	Low	3.54	3.38	2.85	2.26
	Close	3.63	3.40	2.92	2.64

In 2017, the total volume of Common shares traded was 33,754,362. The par value of the shares of stock of the Company was changed from P5.00 to P1.00 and the Class "A" and Class "B" shares were declassified into common stock as approved by the SEC on February 10, 2017 and implemented by PSE on February 22, 2017. In 2018 the total volume traded was 5,129,792 shares. The Common stock traded at high of P2.59, low at 1.63 and closed at P1.87. The Common Stock traded at a high of P1.75, low at P1.75, and closed at P1.75 with a total volume of 1,000 shares on May 31, 2019.

## 2. Holders

Until February 10, 2017 the Company had two (2) classes of stock; both classes were identical in all aspects, except that:

Class "A" shares may be issued and/or sold only to citizens of the Philippines or to corporations at least sixty percent (60%) of the capital stock of which is owned by citizens of the Philippines; and

Class "B" shares may be issued and/or sold to any person or corporation irrespective of citizenship. Provided, that a stockholder who is a Filipino citizen holding Common Class "B" shares is entitled at any time to convert his Common Class "B" shares to Common Class "A" shares in the manner provided in the By-Laws.

On February 10, 2017 the SEC approved the declassification of the Common Class "A" and Class "B" shares into Common Stock of at least 60% of the common shares of stock shall be issued and/or sold only to citizens of the Philippines or to Corporations at least 60% of the capital stock of which is owned by the citizen of the Philippines.

The holders of Common Stock have the right to participate and vote in the regular annual stockholders' meeting have rights to dividends and are entitled to all proprietary right in relation to their stockholdings.

(a) The approximate number of holders of Common Stock as of May 31, 2019 is 1,666. There are about 1,663 stockholders owning 100 shares or more. The following is a list of the top twenty (20) stockholders as of May 31, 2019 submitted to us by our transfer agent, Professional Stock Transfer, Inc.



**IMPERIAL RESOURCES, INC.  
TOP TWENTY (20) STOCKHOLDERS  
AS OF MAY 31, 2019**

	NAME OF STOCKHOLDER	TOTAL NUMBER OF SHARES	%
1	LAPERAL, SR., OLIVERIO G. *	546,552,070	83.763%
2	PCD NOMINEE CORPORATION	33,228,565	5.093%
3	LMI HOLDINGS CORPORATION	21,905,000	3.357%
4	MARINO OLONDRIZ Y CIA	2,411,095	0.370%
5	LAPERAL, DESIDERIO L.	1,670,000	0.256%
6	LAPERAL, ALEXANDRA L.	1,660,000	0.254%
7	GANOTISI, FILOMENO	1,630,000	0.250%
8	LAPERAL, ROSAMARIA	1,626,500	0.249%
9	CONCEPCION, REGINA L.	1,580,000	0.242%
	LAPERAL, JR., OLIVERIO	1,580,000	0.242%
	LAPERAL, VICTORINA L. (VICTORINA HERAS)	1,580,000	0.242%
10	LTC REAL ESTATE CORPORATION	1,047,375	0.161%
11	BENJAMIN CO CA & CO., INC.	1,009,755	0.155%
12	CHIONG & CO., INC.	976,100	0.150%
13	INVESTORS SECURITIES, INC.	948,750	0.145%
14	E. SANTAMARIA & CO., INC. (SP	812,275	0.125%
15	ANSELMO TRINIDAD & CO., INC.	797,875	0.122%
16	ANSALDO, GODINEZ & CO., INC.	699,850	0.107%
17	PHILSEC INVESTMENT CORPORATION	662,275	0.101%
18	DACILLO, NENITA C.	638,000	0.098%
19	KUI, JOHN	605,620	0.093%
20	AQUINO, ANTONIO & VELMONTE SEC.	573,250	0.088%

(b) As of May 31, 2019 99.74% are owned by Filipinos while 0.26% are owned by other nationalities.

\*The number of shares under the name of Oliverio G. Laperal, Sr. who passed away on last August 26, 2018 includes 318,400 shares under RCBC TIA which is owned by him.

### 3. Dividends

The Company has never declared any dividend on any class of its common equity since its incorporation because it has not gone into commercial operations and, therefore, it does not have cash surplus earnings.

The Board of Directors of the Registrant has the unrestricted power to declare dividends out of the unrestricted earnings which shall be payable in cash, property or in stocks to all stockholders on the basis of outstanding stock held by them. Other than as are provided for in Section 42 of the Revised Corporation Code, as exception to the retention of surplus earnings, the registrant has no agreement, stipulation or undertaking in favor of any bank, financial institution or any other entity or person, limiting its ability to pay dividends on common equity or that are likely to do so in the future.

#### 4. Recent Sales of Unregistered Securities

For the year 2018, there was no sale of unregistered securities.

#### Exemption from Registration Claimed:

In its Resolution No. C15, Series of 1998, the Securities and Exchange Commission upon letter petition filed by Imperial Resources Incorporated requesting that the issuance to LMI Holdings Corporation of Fifteen Billion (15,000,000,000) Common Class "A" (Par value per share P0.01) shall be exempted from the registration requirements of the Revised Securities Act., the Commission granted the request considering that the said securities are to be issued exclusively to an existing stockholder out of the increase in authorized capital stock approved by the Commission on August 5, 1997, and held that the issuance thereof, is an exempt transaction based on Section 6(a) (4) of the Revised Securities Act (now Section 10.1(e) of the Securities Regulation Code).

#### (B) Description of Registrant's Securities

##### 1. Common Stock

(a) As of December 31, 2017 presented below is the capital stock structure of the Company:

	Common Stock No. of shares	Amount
Authorized Capital	<u>1,800,000,000</u>	<u>P 1,800,000,000.00</u>
Issued and Outstanding	230,443,195	230,443,195.00
Subscribed & Partially Paid	<u>422,056,805</u>	<u>422,056,805.00</u>
Total	<u>652,500,000</u>	<u>P 652,500,000.00</u>

(b) As of December 31, 2018

	Common Stock No. of shares	Amount
Authorized Capital	<u>1,800,000,000</u>	<u>P 1,800,000,000.00</u>
Issued and Outstanding	230,643,195	230,643,195.00
Subscribed & Partially Paid	<u>421,856,805</u>	<u>421,856,805.00</u>
Total	<u>652,500,000</u>	<u>P 652,500,000.00</u>

A further discussion of the Company's share capital is shown in Note 20 pages 49-50 of the Consolidated Financial Statements as of December 31, 2018.

(c) By provision of the Articles of Incorporation, security holders are denied of their pre-emptive rights. All shares of stock are entitled to equal voting rights. Likewise, all shares of stock are entitled to the distribution of dividends, either in cash or stock dividend.

2. The Company has no stock options, warrants or rights, debt securities, securities subject to redemption or call, securities other than common equity and other securities, hence, the details being asked could not be discussed nor disclosed.



## INTEGRATED ANNUAL CORPORATE GOVERNANCE

A. In relation to the implementation of the Code on Corporate Governance and the Company's duly adopted Manual on Corporate Governance, the Company is always reminded of its reportorial obligation which should be complied with by the responsible officers of the Company.

B. All material information about the Company which could adversely affect its viability or the interest of its stockholders and other stakeholders should be publicly and timely disclosed. Such information include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management.

C. Disclosures are reported in the following manner:

1. For changes or updates *required* to be reported or disclosed under Section 17 of the Securities Regulation Code (SRC), the Company shall notify the Commission using *SEC Form 17-C* within five (5) calendar days from the occurrence of the reportable change to be signed by the duly authorized officer of the Company;
2. For changes or updates *not required* to be reported or disclosed under Section 17 of the Securities Regulation Code (SRC), the Company shall notify the Commission through an *advisement letter* stating the changes or updates made within five (5) days from the occurrence of the reportable change to be signed by the Corporate Secretary and Compliance Officer;
3. To facilitate the disclosure and to harmonize the corporate governance requirements of the Securities and Exchange Commission and the Philippine Stock Exchange, the Company shall submit an Integrated Annual Corporate Governance Report (I-ACGR) in the following manner:
  - a. The Company shall submit four (4) copies of a fully accomplished I-ACGR on May 30 of the following year and every year thereafter;
  - b. The I-ACGR shall cover all relevant information from January to December of the given year. At least one (1) complete copy of the I-ACGR filed with the Commission shall be duly notarized and shall bear original and manual signatures of the following required signatories: Chairman of the Board, Chief Executive Officer or President, all Independent Directors, Compliance Officer and Corporate Secretary;
  - c. The I-ACGR, with accessible links, shall be posted on the Company's website within five (5) business days from submission to the SEC;

N.B.: The Company is no longer required to file updates and changes on their I-ACGR within five (5) days from the occurrence of the reportorial changes. Likewise, the Company is no longer required to file a Consolidated Changes in the ACGR within ten (10) days from the end of the year; (SEC Memorandum Circular No. 15, Series of 2017)

D. As evaluation system and as measure of level being undertaken by the Company to fully comply with the adopted leading practices and principles on good corporate governance, the Company has resorted to the use of the Corporate Governance Self-Rating.

The Compliance Officer submits a certification concerning the commitment of the Board of Directors and the Management i.e., officers and staff of Imperial Resources Incorporated to bind themselves to the principles and best practices contained in the Manual on Corporate Governance, as adopted by the Board of Directors of the Company. Thence, the Compliance Officer certifies that at a certain date, the Company has completely complied with



the same without deviation, as adopted and submitted to the Securities and Exchange Commission with further certification that the Board has conducted itself with utmost honesty and integrity in the discharge of its duties, function and responsibilities.

Within the period covered by the Code on Corporate Governance, as adopted there has been no recorded or noticeable deviation from the Company's Manual on Corporate Governance. Consequently, there cannot be a disclosure of the name and position of the persons involved and the sanctions imposed on the said individual.

It is admitted that there are incompleteness or delay in compliance area as shown and explained in the Corporate Governance Self-Rating Report.

E. Pursuant to the measure of level of compliance as shown in the self-rating report, there is room for improvement. Anent thereto, the Company plans to create other committee to strengthen its system of checks and balances.

As stated in the information statement under "Other Events", in compliance with the principles of good corporate governance and best practices, the Board constituted Committees, which are the (1) Nomination Committee (2) Audit Committee and (3) Compensation and Remuneration Committee, through the process of election during organizational meeting of the officers of the Company. The term of the elected members is for one (1) year. The election of the candidates takes into consideration the present qualification and none of the disqualifications of the nominees. Each of the three (3) Committees is composed of three (3) members of the Board, one of whom shall be an independent director and shall have adequate understanding at least or competence of the Company's financial management system and environment. For the year 2018, the Chairman of the Audit Committee is Ms. Genelita G. Manandic, Independent Director, with following member, Mr. Desiderio L. Laperal, and Mr. Oliverio L. Laperal, Jr.

## **PART IV – FINANCIAL INFORMATION**

### **A. Management's Discussion and Analysis (MD & A) or Plan of Operation**

#### **1. Plan of Operations**

##### **Mining and Asphalt**

In 2015 Mr. Eddy Surohadi of P. T. Aspal Buton and P. T. Indominas, requested funding from the Company for the various technical works, government taxes and fees, and other construction and engineering expenses to secure the necessary CNC (Clean and Clear Certificate IUP Production Program for the coverage area of 1,722 hectares located at Waangu-Angu area.

The Company remitted to Mr. Eddy Surohadi for the account of P. T. Aspal Buton and P. T. Indominas the amount of US\$99,250 in 2015. So far the Indonesian partners have not requested additional funding for whatever is needed to secure the formal approval for the exploitation concession of the above stated area.

The Indonesian partners have been offering the project to other interested entities to enter into a joint-venture agreement with the Company inasmuch as the project entails huge capital outlay. The Company is hopeful that the Indonesian partners can find a foreign investor because of the viability of the project

The Company has been studying and evaluating a project cost study submitted by a



project proponent pertaining to silica sand quarrying and processing operation. The Company is aware of the increasing demand for flat glass and glass bottles by local glass manufacturing companies like San Miguel Corporation and Asia Brewery, Inc. Prospective silica sand mine sites have been identified by the proponent. While the project cost study shows a fairly good ROI management has been evaluating, analyzing and discussing further the data used in the project cost study including the impact of the latest environmental policies, regulations and pronouncements made by various government agencies on the feasibility and sustainability of the project. Another important factor being considered by management is the peace and order situation in the prospective silica mining sites.

In 2018 the President, Desiderio L. Laperal travelled to Europe for preliminary discussions and observation of IT-based business applications related to remote sensing of marine and land resources, land-use, and community development. President Laperal observed driver-less autonomous farm machinery, robotic steel fabrication and remote-controlled fisheries management systems. He was impressed with the Green Energy initiatives mandated by the European Union, which is meant to encourage more reliance on renewable power such as air turbines, hydro and solar. All of these applications and the downstream business opportunities are relevant to Imperial Resources Incorporated.

#### **Techno-Vocational Education, Training and Assessment Project**

On March 20, 2013 at the meeting of the Management Committee wherein, all members who are also directors were present and representing majority of the members of the board unanimously resolved and approved the dormancy status of PCC due to its non-operation since 2010 and because of the significant losses incurred by PCC which resulted to a capital deficiency of P23.3 million and P20.9 million as at December 31, 2017 and 2016, respectively. As at December 31, 2018 the capital deficiency is P23.5 million.

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

The Company has never been into commercial operations since its incorporation. In 2008, its revenues were derived from its subsidiary's (PCC) I.T. project. In 2009 its revenues were derived from its subsidiary's techno-vocational education and training project. Since in 2010, except for interest income earned unrealized gain on foreign exchange, and gain from investment revaluation (2013), no other income was reported because of the temporary suspension of PCC's Techno-Vocational Project. The subsidiary (PCC) has been receiving offers to lease its building in Baguio City. Management has been evaluating the said offers. The yearly losses shown in its financial reports are actually administrative and pre-development and pre-exploration expenses incurred. Presented below are the consolidated financial highlights of the Company as of December 31, 2018, 2017, and 2016.

	2018	2017	2016
Statement of Loss			
Revenues	235,140,356	50,033,264	80,138,072
Administrative Expenses	7,440,754	8,680,254	7,165,256
Other Comprehensive Income (Loss)	98,581	290,433	(555,618)
Balance Sheet			
Total Current Assets	3,543,776	2,760,433	2,995,554
Non Current Assets	836,913,501	601,878,751	552,095,953
Total Assets	840,457,277	604,639,184	555,091,507
Current Liabilities	2,273,251	1,972,766	246,980
Non-Current Liabilities	38,949,859	31,477,698	25,382,408
Total Liabilities	41,223,110	33,450,464	25,629,388
Equity	799,234,167	571,188,720	529,462,119
Total Liabilities and Equity	840,457,277	604,639,184	555,091,507

The following are the financial soundness indicators for 2018, 2017 and 2016.

	2018	2017	2016
(i) Current/liquidity ratios:			
$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{3,543,776}{2,273,251} = 1.56:1$	$\frac{2,760,433}{1,972,766} = 1.40:1$	$\frac{2,995,554}{246,980} = 12.13:1$
(ii) Debt-to-equity ratios:			
$\frac{\text{Total liabilities}}{\text{Equity}}$	$\frac{41,223,110}{799,234,167} = 0.05:1$	$\frac{33,450,464}{571,188,720} = 0.06:1$	$\frac{25,629,388}{529,462,119} = 0.05:1$
(iii) Solvency ratios:			
$\frac{\text{Total liabilities}}{\text{Total assets}}$	$\frac{41,223,110}{840,457,277} = 0.05:1$	$\frac{33,450,464}{604,639,184} = 0.06:1$	$\frac{25,629,388}{555,091,507} = 0.05:1$
(iv) Asset-to-equity ratios:			
$\frac{\text{Total assets}}{\text{Equity}}$	$\frac{840,457,277}{799,234,167} = 1.05:1$	$\frac{604,639,184}{571,188,720} = 1.06:1$	$\frac{555,091,507}{529,462,119} = 1.05:1$
(v) Interest rate to coverage ratios (Earnings before interest and taxes/Interest expense):	This ratio is not applicable since the Company has no interest expense.		
(vi) Profitability ratios (Net profit after taxes/Revenues before cost of services):			
$\frac{\text{Net profit after taxes}}{\text{Revenues}}$	$\frac{227,799,518}{235,140,356} = 0.97:1$	$\frac{41,433,516}{50,033,264} = 0.83:1$	$\frac{68,122,406}{80,138,072} = 0.85:1$

A separate schedule showing the financial soundness indicators is also presented in the attachments to the Notes to Consolidated Financial Statements in compliance with SRC Rule 68, as amended.

By comparing the Consolidated Statements of Financial Position and Consolidated Statements of Comprehensive Income for the years 2018 and 2017, the following are the material (5% or more) changes and their causes:

### **Statements of Financial Position:**

#### **1. Cash and Cash Equivalents**

This account consists of Cash on Hand and in Banks including short-term (35-day) placements. In 2018 the cash inflow of P7.569 million came from advances from stockholders in amount of P7.279 million, interest income earned at P15 thousand, and unrealized gain on foreign exchange at P125 thousand and additional paid-up capital of P150 thousand. The cash outflow includes total administrative expenses incurred amounting



to P6.487 million, and cash advances made to subsidiary at P223 thousand. In 2017 the cash advances from stockholders amounted to P6.23 million, interest income earned at P24 thousand realized forex gain of P10 thousand or total of P6.27 million. The total cash outflow was P6.61 million representing administrative expenses of P6.34 million cash advances to subsidiary at P262 thousand and acquisition of equipment at P6 thousand.

## **2. Trade and Other Receivables - Net**

In 2018 the decrease of about 66.5% or P73 thousand represents the payment of salary loans extended to its employees. The increase in 2017 of about 304.6% or P83 thousand represents the salary loans extended to company employees. Also in 2016 the balance of this account represents primarily the salary loan receivable from an employee.

## **3. Property and Equipment – Net**

The decrease in 2018 by about 65.5% or P21 thousand represents the depreciation for the year. The decrease in 2017 by about 84.5% or P172 thousand represents the depreciation for the year. The 47.3% or P182 thousand decrease in 2016 represent the depreciation provided for the year. While there were office equipment acquired in 2016, there were some which were derecognized with minimal effect on the balance.

## **4. Investment Property**

The Company's investment property was appraised in 2018. The appraised value went up to P785 million from the appraised value in 2017 of P550 million or an increase of P235 million which is about 42.7%. The appraised value in 2016 was P500 million, hence, the increase in 2017 by about 10%.

## **5. Available For Sale Investments/Investments in Stocks**

In 2018 this account was reclassified as Investments in Stocks. The figure in 2018 is the same as that of 2017. The decrease in 2017 over 2016 figure of about 7.9% or P7 thousand was the result of the writing-off of the investment with Export and Industry Bank which has become unrecoverable.

## **6. Accruals and Other Payables**

In 2018 the increase of about 15.4% or P303 thousand primarily came from the accrual of realty tax for 2018 on the company's investment property. Aside from accrued expenses this account includes withholding tax payable, documentary stamp tax payable, SSS, Pag-ibig, Philhealth premiums, and loans payable. There was an increase of 704.4% or P1.725 million in 2017 compared to the figure in 2016. Ninety two percent (92%) or P1.6 million of this amount represents accrued realty tax due on the investment property. The balance represents increase in professional fee and other expenses.

## **7. Income Tax Payable**

In 2018 there was a P186 income tax payable arising from unrealized gain in 2017 amounting to P9 thousand realized in 2018 while in 2017 there was a P2.7 thousand Income Tax payable due on the P133 thousand unrealized gain in foreign exchange in 2016 realized in 2017 thereby posting a decrease of about 92.8% or P2 thousand.

## **8. Advances from Shareholders**

A stockholder made a total advances of P7.3 million resulting to a 26.6% increase over 2017 figure. The decision of management in 2017 to reclassify deposit for future subscription account to advances from stockholders account resulted to a 112.4% or P14.5 million increase in this account over 2016 figure.



## **Statements of Comprehensive Income:**

### **1. Revenue**

The other income account consists of gain from investment revaluation, interest income and unrealized gain on foreign exchange. In 2018 the investment property was appraised at P785 million, an increase of 42.7% or P235 million from the appraised value of P550 million in 2017. The appraised value in 2016 was P500 million a 10% increase or P50 million in 2017. In 2018 interest income and unrealized gain on foreign exchange increased by 1,251.8% or P116 thousand while in 2017 it decreased by about 75.9% or P105 thousand over 2016 figure.

### **2. Administrative Expenses**

#### **2.1. Salaries and Wages**

Because of the unabated increase in the cost of basic commodities as a result of the TRAIN Law, management as a way of helping its employees cope with the economic situation, gave a 14<sup>th</sup> month pay during the 4<sup>th</sup> quarter of 2018. This is the reason for the increase in this account of about 7.37% or P218 thousand over the figure in 2017. The increase in 2017 over 2016 figure was very minimal.

#### **2.2. Professional Fees**

The Company incurred a professional fee for research and legal services rendered on a proposed real estate project in 2017. None of this nature was incurred in 2018, hence, the decrease of about 20.19% or P105 thousand. This was the reason why in 2017 this account increased by 27.1% or about P111 thousand over the 2016 figure because none of this nature was incurred in 2016.

#### **2.3. Utilities**

This account increased by 16.4% or P84 thousand over 2017 figure due to the increase in the consumption of water and electricity coupled with the increase in the use of mobile phones. However, due to the cost cutting measure implemented by Company in 2017 this account decreased by 11.2% or P65 thousand over 2016 figure.

#### **2.4. Director's Fee**

The decrease of about 30.4% or P85 thousand was due to the decrease of the number of board meetings held from four (4) in 2017 to only three (3) in 2018. The recorded absences in 2018 was three (3). The increase in 2017 by about 51.4% or P95 thousand was due to the increase of board meetings from three (3) in 2016 to four (4) in 2017. The recorded absences in 2017 was two (2) while four (4) in 2016.

#### **2.5 Dues and Subscription**

In 2018 there was no substitutional listing fee paid by the Company to PSE, hence, the decrease of about 19.8% or P94 thousand unlike in 2017 when the Company paid P99 thousand as substitutional listing fee increasing by 26.6% over 2016 figure. None of this nature was incurred in 2016.

#### **2.6. Retirement Benefit Expense**

The increase by about 20.5% or P57 thousand in 2018 was brought about by the increase in the service cost and interest expense on defined benefit obligation. This was also the reason for the increase in 2017 over 2016 figure by 35% or P72 thousand.

#### **2.7. Taxes and Licenses**

The 71.1% decrease or about P1.2 million in this account was due to the fact that the accrual of realty tax covered only 2018 unlike in 2017 which



covered several years. The 3,407.7% or P1.66 million increase in this account in 2017 was brought about primarily by the accrual of unpaid realty tax due for several years on the Company's investment property and documentary stamp tax due because of the reclassification of the deposit for future subscription account to advances from stockholders account both totaling to P1.66 million. There was no accrual made on realty tax in 2016.

## **2.8 Security Services**

The result of the termination of the security services in January 31, 2017 by the subsidiary (PCCC) being rendered at the site where its welding machines and other equipment were stored was a decrease of about 12.8% or P30 thousand in 2018. This was the reason why in 2017 there was a decrease by about 54.5% or P280 thousand over 2016 figure.

## **2.9. Depreciation**

In 2018 there as a decrease of about 88.4% or P157 thousand because the building owned by the subsidiary was fully depreciated in 2017. In 2017 some office furniture and fixture and office equipment became fully depreciated, hence, the 6.12% or P11.6 thousand decrease over 2016 figure.

## **2.10. Insurance**

In 2018 this account decreased by about 32.3% or P16 thousand because as the vehicle being used by the Company deteriorate, the insurance premiums on said vehicles also decrease. In 2017 the Company took comprehensive insurance coverage on the old vehicles being used, hence, the increase of about 75% or P20 thousand over 2016 figure.

## **2.11. Miscellaneous Expense**

This account includes bank charges and cost of training and seminars for officers and employees. There was an increase in 2018 by 44.6% or P88 thousand due to the increase in the cost and number of seminars and training programs attended by the employees and officers. Also, there was an increase in meal expenses of employees while on errands. The Company gave financial assistance to two of the Company's employees due to the death of a family member in 2016. There was no expense of this nature in 2017, hence, the decrease of about 8.8% or P19 thousand.

## **2.12. Penalties and Surcharges**

On December 31, 2017 the deposit for future subscription account was reclassified as Advances from Stockholders. The documentary stamp tax imputed on the said advances was paid beyond the required time of payment in 2018, hence, the penalty charges which resulted to an increase of 2,596.7% or P27 thousand. In 2017 the Company paid penalty of P1,025 for late payment of quarterly income tax. In 2016 the Company did not incur any penalty in the submission of reports with BIR and SEC, hence, the increase.

## **2.13. Travel and Transportation**

This account increased in 2018 by about 11.5% or P21 thousand due to the increase in messengerial related activities and increase in the cost of gasoline and oil. The increase in 2017 over 2016 figure was minimal.

## **2.14. Supplies and other expenses**

This account includes computer and office supplies, advertising and printing expenses. In 2018 there was an increase of about P21 thousand or



24.2% because of the increase in the cost of computer supplies. Also, the company placed ad for job opening twice. In 2017 this account decreased by about 48.2% or P79 thousand. Aside from the decrease in the consumption of xerox and computer supplies the Company did not incur any cost in the printing of stock certificates which it did in 2016 due to the change of the par value of its shares of stocks.

#### **2.15. Impairment loss on investment in AFS**

In 2018 the Company did not recognize impairment loss on its AFS with Export and Industry Bank, hence, the increase by P7 thousand. There was a recognition of impairment loss in 2017 and none in 2016, hence, the decrease by P7 thousand.

During 2016, some stockholders paid their subscriptions payable in the amount of P100 thousand. Also a major stockholder made a deposit for subscription in the amount of P6 million to defray the administrative expenses of the Company. If necessary the Company may make a call on the unpaid subscriptions as an alternative to raise funds.

#### **Material Event/s and Uncertainties**

Other than the disclosures made in this report including those contained in the Notes to the Consolidated Financial Statements and its Subsidiary which includes some material events after balance sheet date, the Group has nothing to report on the following:

- (i) Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.
- (ii) Events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of obligation. The Group is not in default or in breach of any note, loan, lease or other indebtedness or financing arrangements requiring it to make payments. Except for the advances made by a major stockholders the Group has no trade payables and there is no significant amount in its other payables that has not been paid within the stated terms. There is no identifiable material deficiency since the major stockholders are committed to fund the Group's operations.
- (iii) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period.
- (iv) Any other material commitments for capital expenditures.
- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues, income from continuing operations.
- (vi) Any significant elements of income or loss that did not arise from the issuer's continuing operations.
- (vii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

#### **Company Vision**

To become a self-sustaining and profitable Company for a long period of time by providing energy and energy-related products as its contributions to enhance energy supply in the country.



### 3. Changes in and Disagreements with the Group's accountants on Accounting and Financial Disclosure

There was no disagreement with the Group's external auditors on matters relating to accounting principles or practices or financial disclosures or auditing scope or procedures during the last three (3) fiscal years.

In December, 2010, the Group engaged the services of Villaruz, Villaruz & Co., CPA's with office address at Unit 3, 9<sup>th</sup> Floor, Galleria Corporate Center, EDSA Corner Ortigas Avenue, Quezon City to audit the financial statements of Imperial Resources Incorporated (Parent Entity) and Philippine Cyber College Corp. (Subsidiary) as at December 31, 2010. The said auditing firm audited the financial statements of the Parent Entity and its Subsidiary for the succeeding years. The Professional fees as agreed upon for the years 2018, 2017 and 2016 are presented below:

	PROFESSIONAL FEE	12% VALUE ADDED TAX	OUT OF POCKET EXPENSES	TOTAL
<b>IMPERIAL RESOURCES, INC.</b>				
2018	200,000.00	24,000.00	20,000.00	244,000.00
2017	200,000.00	24,000.00	20,000.00	244,000.00
2016	200,000.00	24,000.00	20,000.00	244,000.00
	600,000.00	72,000.00	60,000.00	732,000.00
<b>PHILIPPINE CYBER COLLEGE CORP.</b>				
2018	10,000.00	1,200.00	-	11,200.00
2017	10,000.00	1,200.00	-	11,200.00
2016	10,000.00	1,200.00	-	11,200.00
	30,000.00	3,600.00	-	33,600.00
	630,000.00	75,600.00	60,000.00	765,600.00

For the Parent Entity an out of pocket expenses equivalent to 10% of the professional fee covering travel, meals, communication, printing, etc. shall be billed separately. For the Subsidiary actual out of pocket expenses incurred in the course of audit shall be billed separately.

For the years 2010 to 2013, inclusive, the signing partner was Mrs. Normita L. Villaruz and for the years 2014 to 2018, the signing partner is Mr. George V. Villaruz. The Group will rotate the signing partner of its external auditors at least every five (5) years to comply with the requirements of SRC Rule 68 (3) (b) (iv).

#### EXTERNAL AUDIT FEES

1. The scope of the audit services rendered by Villaruz, Villaruz & Co., CPA's for the fiscal year 2018 and prior years is as follows:
  - a. Audit and examination of the statement of financial position as at December 31, 2018 and the related statements of comprehensive income, statements of equity and of cash flows as of and for the year ended December 31, 2018 of Imperial Resources Incorporated and its subsidiary, Philippine Cyber College Corp.;
  - b. Submission of the proposed auditor's adjusting journal entries and review of the draft of the audited financial statements after the posting of the approved audit adjustments as of and for the year ended

December 31, 2018 to come up with the Company's audited financial statements which shall be prepared by the Company's accountant and which will be reviewed by Villaruz, Villaruz & Co., CPA's, in compliance with SEC Memorandum Circular No. 16 dated December 10, 2009.

- c. Review of the annual income tax return which shall be prepared by the Company accountant based on the audited financial statements for the year ended December 31, 2018.

2. Aside from the above-mentioned audit services there were no other professional services rendered by

Villaruz, Villaruz & Co., CPA's for the fiscal year 2018 and prior years.

- (a) Under the caption "Tax Fees"

There is nothing to report under "Tax Fees" caption since the external auditors did not perform any tax accounting, compliance, advice, planning and any other form of tax services.

- b) Under the caption "All Other Fees"

There is nothing to disclose under this category since no services was rendered other than the audit services as described earlier and as provided by the external auditors.

- (c) The engagement proposal for the audit of the financial statements of Imperial Resources Incorporated and its subsidiary, Philippine Cyber College Corp., was reviewed by the members of the audit committee before the approval by the management.

The members of the Audit Committee met with the external auditors and management and discussed the audit findings, adjusting journal entries, additional suggested steps to be implemented to strengthen the Company's internal controls and financial reporting issues and judgments used in the preparation of the financial statements.

The members of the Audit Committee, after reviewing and discussing the audited financial statements, approved and submitted the same to the Board of Directors for approval and authority for issue.

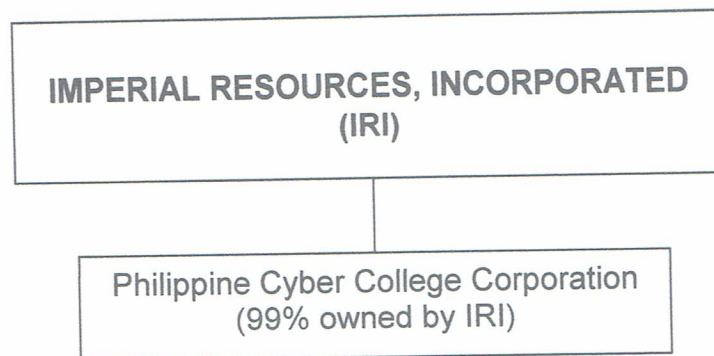
### **Financial Statements**

The Company's audited Financial Statements and its Subsidiary including the Consolidated Financial Statements as at December 31, 2018 and 2017, were approved and authorized for issuance by the President. Mr. Desiderio L Laperal during the meeting of the Board of Directors held on April 6, 2019 after these were reviewed and recommended for approval by the Audit Committee on April 6, 2019. The said Financial Statements are submitted with this report and incorporated in the 2018 Annual Report to security holders to be presented to the stockholders' meeting during the annual stockholders' meeting for approval.

The Consolidated Cash Flow Statement for three (3) years, Notes to Financial Statements (Accounting Policies and Explanatory Notes), Representations as to the Audit, General Notes to Financial Statements including applicable supplementary schedules as required under Annex 68-J and 68-E of Rule 68, are also submitted with this report.



**MAP OF THE CONGLOMERATE OR GROUP OF COMPANIES WITHIN WHICH THE  
REPORTING ENTITY BELONGS**



**PART V - EXHIBITS AND SCHEDULES**

**Exhibits and Reports**

**(a) EXHIBITS**

- A. Management Report
- B. Cases where Mr. Oliverio L. Laperal, Jr. represented the Corporation as party-litigant and where Mr. Oliverio L. Laperal, Jr. and Mr. Desiderio L. Laperal are named party-litigants.
- C. Resume of Board of Directors and Officers
- D. 17-Q Quarterly Report as of March 31, 2019
- E. 2018 Audited Consolidated Financial Statements
- F. Certification of Independent Directors

**(b) MATTERS DISCLOSED FOR THE LAST 6 MONTHS**

The Corporate Secretary of the Registrant Corporation has disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange, the following material matters for the last six (6) months:

**A. July 19, 2018**

The regular annual meeting of the stockholders of Imperial Resources Incorporated was held on July 19, 2018, at Rooms 8 & 9 Parish Center, Santuario de San Antonio, Mckinley Road, Forbes Park, Makati City, Metro Manila.

At the meeting, seven (7) members of the Board of Directors were elected, namely:

Atty. Horacio M. Pascual	-	Chairman of the Board
Mr. Oliverio L. Laperal, Jr.	-	Member
Mr. Desiderio L. Laperal	-	Member
Atty. Jesus Vicente B. Capellan	-	Member
Ms. Vilma B. Villanueva	-	Member
Mr. Anthony Nelson G. Mendoza	-	Independent Director
Ms. Genelita G. Manandic	-	Independent Director

Immediately after the regular annual stockholders' meeting and after a brief respite, an organizational meeting was held at the same venue and the following officers were elected, to wit:

Horacio M. Pascual	-	Chairman of the Board
Desiderio L. Laperal	-	President/CEO
Oliverio L. Laperal, Jr.	-	Vice-President/Chief Financial Officer/ Treasurer
Vilma B. Villanueva	-	Comptroller/Assistant Treasurer/Chief Accounting Officer
Jesus Vicente B. Capellan	-	Corporate Secretary

### Item 9 - Other Events

Among the salient resolutions which were approved and ratified in said meeting are: (1) The approval of the minutes of the Regular Annual Stockholders' Meeting held on July 13, 2017 (2) Approval by the stockholders of the Annual Report and Financial Statements of the Company for the year ended December 31, 2017; (3) Election of seven (7) members of the Board of Directors inclusive of two (2) Independent Directors; (4) Ratification of the appointment of Villaruz, Villaruz & Co., CPAs as independent auditor of Imperial Resources Incorporated with business address at Unit 3 Level 9 Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City, Metro Manila; and (5) Ratification of all acts, contracts, resolutions and proceedings of the Board of Directors and Corporate Officers acting within the scope of their designated authority from July 13, 2017 until the present, July 19, 2018.

### Other Matters:

As an aid in complying with the principles of good corporate governance, the Board constituted Committees, which are the (1) nomination committee; (2) audit committee; and (3) compensation and remuneration committee.

These Standing Committees are each composed of three (3) voting members, one of whom is an independent director. So until duly replaced, the following were elected members of the following Committees, namely:

### Nomination Committee:

Atty. Jesus Vicente B. Capellan	-	Chairman
Mr. Oliverio L. Laperal, Jr.	-	Member
Ms. Genelita G. Manandic (Independent Director)	-	Member

### Compensation and Remuneration Committee:

Mr. Desiderio L. Laperal	-	Chairman
Ms. Vilma B. Villanueva	-	Member
Mr. Anthony Nelson G. Mendoza (Independent Director)	-	Member

### Audit Committee:

Ms. Genelita G. Manandic (Independent Director)	-	Chairman
Mr. Desiderio L. Laperal	-	Member
Atty. Horacio M. Pascual	-	Member

Lastly, is the suggestion of the Chairman to take further studies into the possibility of



mining exploration, utilization and development of silica minerals as potential investment.

The principles governing good Corporate Governance shall be adopted as stated in the manual and circular of the Securities and Exchange Commission.

The foregoing matters form part of our disclosure of what may be considered as material information which may affect the value and trading of securities of Imperial Resources Incorporated.

- B. List of Top 100 Stockholders (Quarterly Report-PSE/SEC)
- C. Public Ownership Report (Quarterly Report-PSE/SEC)
- D. Report on Number of Shareholders (Monthly Report-PSE/SEC)
- E. Foreign Ownership Report (Monthly Report-PSE/SEC)
- F. July 19, 2018 - 2018 General Information Sheet (SEC/PSE)
- G. Quarterly Report (17-Q -PSE/SEC)

### **UNDERTAKING**

Upon the written request of a stockholder, the Company undertakes to furnish said stockholder a copy of SEC Form 17-A free of charge. Such written request should be directed to the Office of the Corporate Secretary, Atty. Jesus Vicente B. Capellan with address at Unit 202 Villa Building, No. 78 Jupiter Street, Bel-Air, Makati City, Metro Manila or to 82-J 4<sup>th</sup> Street, Mariana, New Manila, Quezon City.

**IMPERIAL RESOURCES, INCORPORATED**

Issuer

**JESUS VICENTE B. CAPELLAN**

Corporate Secretary

## ANNEX "B"

### ITEM 1. CASES WHERE MR. OLIVERIO L. LAPERAL JR., MR. DESIDERIO L. LAPERAL AND ATTY. JESUS VICENTE B. CAPELLAN ARE NAMED PARTY-LITIGANTS.

<b>Case Title</b>	<b>Spouses Emilio &amp; Cresencia Valdez, et al. vs. Spouses Oliverio G. Laperal and Emma L. Laperal, et al. Docketed as Civil Case No. 5236-R Regional Trial Court, Branch 61 Baguio City</b>
<b>Date Filed</b>	May 10, 2002
<b>Nature of the Action</b>	The case was filed by the Valdez' against the Laperals, et al. for annulment of documents and recovery of possession with damages.
<b>Status</b>	<p>Said case was dismissed against Spouses Oliverio G. Laperal and Emma L. Laperal and Philippine Cyber College Corp., in a resolution dated April 8, 2011. But the plaintiffs made an appeal before the Court of Appeals seeking the review of the conclusions reached by the RTC.</p> <p>The Court of Appeals reversed the order of dismissal by the RTC and directed that the case be tried on the merits. From the adverse order, defendants filed an appeal before the Supreme Court. Said court, however, affirmed the findings of the Court of Appeals. Hence, the case is now pending trial on the merits before the Regional Trial Court.</p>
<b>Case Title</b>	<b>Victorina L. Laperal, et al., vs. Filipinas Golf &amp; Country Club, Inc., et al. Docketed as Civil Case No. Q-09-221 Regional Trial Court, Branch 93 Quezon City, Metro Manila</b>
<b>Status</b>	<p>This a civil case filed by Victorina L. Laperal, Rosamaria L. Laperal, Regina L. Concepcion and Alexandra L. Laperal against the Filipinas Golf &amp; Country Club, Inc. on July 15, 2009, asking the RTC to direct the Company to issue their respective proprietary membership certificates.</p> <p>On September 7, 2009, Oliverio G. Laperal, Sr. filed a motion for leave to admit his complaint-in-intervention with the attached complaint-in-intervention against the plaintiffs. He asserted his real and beneficial ownership over the proprietary membership certificates claimed by the plaintiffs and thus, prayed that the court must dismiss the case for lack of cause of action. On September 7, 2009, the Company filed its verified answer to the complaint. The plaintiffs then filed their reply to the answer on October 08, 2009.</p> <p>Meanwhile, availing of the remedies under the Rules of Court, the Company served written interrogatories and requests for admissions on the plaintiffs on September 29, 2009. With leave of court, the Company also served on plaintiffs supplemental and clarificatory written interrogatories. The plaintiffs then asked for an extension of deadline to reply to the discovery devices.</p> <p>On January 11, 2010, the parties filed a joint motion to suspend the proceedings for a period of one hundred twenty (120) days to give them ample opportunity to discuss the possibility of an amicable settlement.</p>



Thereafter, the scheduled hearings of the case have been reset given the parties' joint manifestations that they are still finalizing the terms of the settlement.

From May 28 until July 18, 2013, the parties underwent mediation proceedings.

On November 26, 2013, the court issued an order directing the parties to submit their pre-trial briefs and the judicial affidavits of their witnesses. The pre-trial brief was due on January 26, 2014.

On January 27, 2014, the parties filed a joint motion to suspend submission of pre-trial briefs and judicial affidavits for the reason that they are very close to concluding an amicable settlement of the case. The request for suspension was granted in open court on January 29, 2014 and the Judicial Dispute Resolution ("JDR") was reset to March 25, 2014. In an Order dated September 29, 2014, the JDR was further reset to December 9, 2014. The JDR was further reset to March 10, 2015. On the said date, it was again reset to May 26, 2015. The JDR finally pushed through on May 26, 2015 and its continuation was reset to July 27, 2015. However, the continuation of the JDR on July 27, 2015 was cancelled and was further reset to October 26, 2015.

## **RESUME OF DIRECTORS AND OFFICERS**

---

### 1. Directors and Officers

#### **VICTORIO M. AMANTE, 81**

##### **IMPERIAL RESOURCES INCORPORATED**

- Chairman of the Board (July 8, 2010 to July 18, 2018)
- Independent Director (July 27, 2006 –July 10, 2008 to July 09, 2009-July 18, 2018 )

##### **EDUCATIONAL ATTAINMENT:**

1948 - 1952

1956

1961-1962

- Grade School – San Pedro Elementary School
- High School – Colegio de San Juan de Letran
- Bachelor of Science in Chemical Engineering  
De Salle University
- Graduate Courses in Management  
Engineering  
Feati University

##### **OTHER BUSINESS EXPERIENCE:**

Guadix Land Corporation

Pietro Quarries, Inc.

Kloeckner Ina of Duisburg

Investment & Capital Corporation

Nobel Philippines, Inc.

Classic Chemicals, Inc.

Republic Glass Corporation

Sarangaya Industries, Inc.

Pineapple Cannery of Dole Phils., Inc.

Castle & Cooke Investments

Republic Glass Corporation

Mancor Engineering Services, Inc.

PHINMA

Porcelain Enameling Plant of Inter- Island

Gas Service, Inc.

Dela Salle University (School of  
Engineering)

- Vice-President (2001 to present)
- Consultant (1999 to 2000)
- President (1996 to 1998)
- Country Representative (1991 to 1996)
- Senior Vice-President (1988 to 1991)
- Asst. Managing Director (1978 to 1988)
- Vice-President (1976 to 1978)
- Vice-President (1974 to 1978)
- Vice-President (1971 to 1974)
- Plant Superintendent (1966 to 1971)
- Staff Assistant (1965 to 1966)
- Staff Assistant (1964 to 1965)
- Staff Engineer (1962 to 1964)
- Research Assistant (1961 to 1962)
- Quality Control Engineer (1958 to 1961)
- Instructor (1956 to 1958)

##### **AFFILIATIONS AND MEMBERSHIPS:**

Life Member, Management Association of the Philippines



President, 1996 to 1997, Alabang Rotary Club  
Trustee and Treasurer, 2000 to 2002, MAP ABCD Foundation  
Trustee and Treasurer, 2000 to 2003, National Agribusiness Development Foundation

**HORACIO M. PASCUAL, 86**

**IMPERIAL RESOURCES  
INCORPORATED**

- Chairman of the Board (July 19, 2018 to present)

**EDUCATIONAL ATTAINMENT:**

1950

- St. Williams College- Association in Arts (Pre-Law)

1952

- National University – Bachelor of Science in Education

1964

- Manuel L. Quezon University – Bachelor of Law

1979

- NDCP – Master of National Security Administration (MNSA)
- PUP - Doctor of Public Administration (earned 21 units)

**OTHER BUSINESS EXPERIENCE:**

Filipinas Golf & Country Club, Inc.

- Director

H.M. Pascual Law Office

- Partner

Acsay Pascual And Associates Law Office

- Partner

Legal and Policy Research Department &

Enterprises Operations Department

- Director

Export Processing Zone Authority

- Director

Chief Policy Research Officer

- Presidential Economic Staff

Program Implementation Agency

- Administrative Assistant

Xavierville Homeowner' Association

- President

- Director

**AFFILIATIONS AND MEMBERSHIPS:**

Integrated Bar of the Philippines, Isabela

American Society of International Law, U.S.A

International Society for the Study of Comparative Public Law, U.S.A.

Philippine Association of Technical Assistance Participants, Manila

ELM Association of the Philippines, Inc., Manila

## **DESIDERIO L. LAPERAL, 64**

### **IMPERIAL RESOURCES INCORPORATED**

- President/CEO (July 14, 2016 to July 13, 2017) (July 19, 2018 to present)
- Vice-President/Chief Financial Officer (July 13, 2017 to Present) Vice-President (1996 to July 2016)(July 13, 2017 – July 18, 2018)
- Treasurer (1996 to July, 2016)
- Director (1977-1981;1996 to present)

### **EDUCATIONAL ATTAINMENT:**

1965 - 1971

1971 - 1973

1973 - 1978

- Elementary – La Salle, Mandaluyong City
- Institute Le Rosey, Switzerland – High School
- B. S. Finance -University of Santa Clara, USA

### **OTHER BUSINESS EXPERIENCE:**

Pacifica, Inc.

Filipinas Golf & Country Club, Inc.

Philippine Cyber College Corp.  
LMI Holdings Corporation  
Laperal Realty Corporation  
Rockway Real Estate Corporation  
LTC Real Estate Corporation  
Keystone Agricultural Ventures, Inc.  
Imperial Development Corporation  
Phil. Hybrid Seeds, Inc.  
Phil. Agro-Research Corporation

- Vice-President/Treasurer (1996 to July 1997)
- Vice-President (1976 to 1981)
- Director (1978 to August 2010)
- Senior Vice-President (1991 to 2000)
- Vice-President (1990 to 2000)
- Director (1979 to present)
- President (2001 to 2014)
- Vice-President/Treasurer (2000 to present)
- Vice-President/Treasurer (1997 to present)
- Vice-President/Treasurer (1985 to present)
- Vice-President (1982 to present)
- Vice-President /Treasurer (1982 to present)
- President (1982 to present)
- Vice-President /Treasurer (1985 to present)
- Vice-President (1980 to present)
- President (1980 to present)

### **AFFILIATIONS AND MEMBERSHIPS:**

Rotary Club of Makati-Ayala

- Charter Member (1983 to present)



## **OLIVERIO L. LAPERAL, JR. 69**

### **IMPERIAL RESOURCES INCORPORATED**

- President/Chief Executive Officer (July 13, 2017 to July 18, 2018)
- Vice – President /Chief Financial Officer/  
Treasurer (July 14, 2016 to July 13, 2017,  
July 19, 2018 to present)
- Director (March 28, 2016 to present)

### **EDUCATIONAL ATTAINMENT:**

1968 – 1969

1969 - 1973

1973 - 1975

- De La Salle University (Mla.) School of  
Engineering
- Cornell University (NY, USA) BS. Honors
- Cornell University (NY, USA) MBA

### **OTHER BUSINESS EXPERIENCE:**

Statler Hotel, New York, USA  
Chemical Bank of New York, Wall St,  
USA

Holiday Inn. Vancouver BC, Canada

Pioneer Savings & Loan. Manila

Pacific Shores Capital Dev Corp.

R. S Video & Film Productions

Filipinas Golf & Country Club, Inc.

- Front Desk Manager. 1974-1975
- Assistant Manager. 1975
- Assistant Manager. 1975
- Director & VP for Marketing. 1975-1980
- Exec VP. 1975-1980
- President & Managing Dir. 1980- present
- Co-President/Managing Dir. 1975-1980. 2016-  
present

### **AFFILIATIONS AND MEMBERSHIPS:**

Society of Motion Picture and Television Engineers (SMPTE), New York, USA

National Association of Broadcasters. Washington, DC, USA

Adverting Suppliers Association of the Phils.

Commercial Production House Group

Rotary Club of Makati West

Phil. Practical Shooting Asso. Phil National Team.

Waterski Asso of the Philippines. Phil National Team. Southeast Asian record holder.

Manila Polo Club.

Alabang Country Club

Subic Bay Yacht Club

Tagaytay Highlands & Midlands.

Licensed Pilot. Instrument Rated. Philippines & USA. Licensed drone commercial pilot.

**VILMA B. VILLANUEVA, 76**

**IMPERIAL RESOURCES  
INCORPORATED**

- Comptroller (2001 to present)
- Chief Accounting Officer (2001 to present)
- Assistant Treasurer (1974 to present)
- Director (1994 to present)

**EDUCATIONAL ATTAINMENT:**

1948 - 1954

1954 - 1958

1958 - 1962

1969 - 1971

- Mangatarem Elementary School
- Mangatarem High School
- University of the East – BBA (Accounting)  
CPA
- Letran College – MBA (Undergraduate)

**OTHER BUSINESS EXPERIENCE:**

Pacifica, Inc.

Liberty Mines, Inc.

Filipinas Golf & Country Club, Inc.

Imperial Development Corporation  
Keystone Agricultural Ventures, Inc.

- Director (1994 to July 1997)
- Treasurer (1977 to July 1997)
- Director (1990 to 1996)
- Asst. Corporate Secretary & Asst. Treasurer  
(1979 to 1996)
- Comptroller/Chief Accounting Officer  
(May 2008 to present)
- Director (1989 to present)
- Assistant Secretary (1990 to 1994)
- Treasurer (1995 to April 2008)
- Assistant Treasurer (1986 to present)
- Director (2000 to present)

**GENELITA G. MANANDIC, 56**

**IMPERIAL RESOURCES  
INCORPORATED**

- Independent Director (June 10, 2010 to  
present) present

**EDUCATIONAL ATTAINMENT:**

1970 - 1976

1976 - 1980

1981 - 1986

- Balanga Elementary School
- Tomas Del Rosario Academy
- Civil Engineering - University of the East

**OTHER BUSINESS EXPERIENCE:**

Filipinas Golf and Country Club, Inc.

- Director (April 2010 to present)



## **COCOLIFE**

Everlasting Memorial Park  
Subic Bay Waterfront Development  
Corporation  
Thocaris One Inc.  
Matthews Cremation Division  
Fruit and Veggie Friends Club, Inc.

- Life Underwriter (1991 to 1992)
- Agency Manager (1992 to 1995)
- Marketing Manager (1995 to 1996)
- Group Manager (1996 to 1999)
- Partners (1990 to date)
- Phil. Representative (1990 to date)
- Founder, Lecturer (1994 to date)

## **ANTHONY NELSON G. MENDOZA, 76**

### **IMPERIAL RESOURCES INCORPORATED**

- Independent Director (April 21, 2010 to present)

### **EDUCATIONAL ATTAINMENT:**

1971 - 1973

1965 - 1968

1961 - 1965

1959 - 1961

1955 - 1959

1949 - 1955

- De La Salle University – MBA
- Loyola House, Ateneo Manila – Theology
- San Jose Seminary, Ateneo Manila
- AB Philosophy, Cum Laude
- San Jose Seminary, CDO – AA Humanities, Valedictorian
- High School – Honor Class – ICC, Ozamis
- Elementary

### **OTHER BUSINESS EXPERIENCE:**

Blessed Entrepreneurial Agribusiness  
Dev't. Corp.

Bless Tahanan Corporation

Bless Microfinance Corporation

San Miguel Corporation

Brunei Shell Petroleum  
Economic Development Foundation  
Rotary Club of Kuala Belait Brunei  
Kiwanis Club of Metropolis Quezon City  
Fraternitas  
Rotary Club of Palanyag Paranaque  
Rotary Club of Alabang

- President / CEO (2007 to present)
- President / CEO (2006 to present)
- President / CEO (1998 to present)
- Sales Service Manager (1987 to 1996)
- Senior Staff Logistics (1985 to 1987)
- Planning Manager (B-Meg) (1983 to 1985)
- OD Consultant (1979 to 1981)
- OD Adviser (1981)
- Management Consultant (1973 to 1978)
- Member (1981)
- President (1989 to 1990)
- President (1994 to 1999)
- President (2004 to 2006)
- President Elect / VP (2008 to 2009)

**JESUS VICENTE B. CAPELLAN, 52**

**IMPERIAL RESOURCES  
INCORPORATED**

- Corporate Secretary/Director (Feb. 28, 2014 to present)

**EDUCATIONAL ATTAINMENT:**

1973 - 1980

1980 - 1984

1984 - 1985

1985 - 1988

1988 - 1993

- Elementary – Saint Ferdinand College
- High School – San Jacinto Seminary
- San Pablo Seminary - Bachelor of Arts in Philosophy
- University of Santo Tomas – Bachelor of Arts in Philosophy
- Post Graduate - University of Santo Tomas – Bachelors of Laws

**OTHER BUSINESS EXPERIENCE:**

Filipinas Golf & Country Club, Inc.

LTC Real Estate Corporation  
Philippine Cyber College Corp.  
Imperial Development Corporation

Keystone Agricultural Ventures, Inc.  
Laperal Realty Corporation

LMI Holdings Corporation  
San Beda College Alabang, School of Law  
The Firm of Sarmiento Delson & Dakanay & Resurreccion

Alternative Dispute Resolution (ADR)  
Manila Bulletin Corporation  
Ateneo De Manila University (Loyola)  
De La Salle (Greenhills)  
National Center for Mediation  
Philippine Institute of Arbitrators, Inc.

- Corporate Secretary/Director (Feb. 28, 2014 to present)
- Corporate Secretary
- Corporate Secretary
- Corporate Secretary
- Corporate Secretary
- Trial Lawyer
- Corporate Secretary
- Corporate Secretary
- Trial Lawyer
- Corporate Secretary
- Faculty/Consultant
- Of Counsel
- Apprentice
- Trial Lawyer/Consultant
- Trial Lawyer
- Trial Lawyer
- Asst. Vice-President
- Member

**AFFILIATIONS AND MEMBERSHIPS:**

President, UST AB Pax Romana (Social Action Center) (1986-1988)

Treasurer, UST AB Philosophy Council (1986-1988)

Member, UST AB Legion of Mary (1986-1988)

Member, Knights of Columbus, Council No. 7884 (UST College Council) (1987-Present)



## COVER SHEET

3 9 2 4 3

S.E.C. Registration Number

IMPERIAL RESOURCES, INC.

(Company's Full Name)

82 - J 4TH STREET NEW MANILA  
QUEZON CITY

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

JESUS VICENTE B. CAPELLAN

Contact Person

831-4719 / 724-2986

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC FORM 17-Q

Quarterly Report as of March 31, 2019

Form Type

0 7

Month

Day

Annual Meeting

Secondary License Type, If Applicable

C G F D

Dept. Requiring this Doc.

Amended Articles Number/Section

1 6 7 0

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

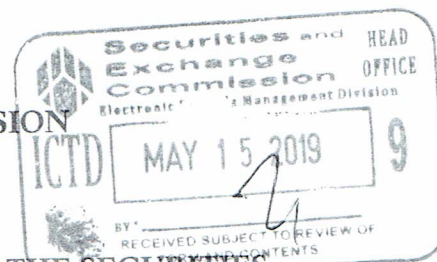
LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q



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

1. For the quarterly period ended: March 31, 2019
2. Commission identification number: 39243 3. BIR Tax Identification No.: 000-463-670

**IMPERIAL RESOURCES, INC.**

4. Exact name of issuer as specified in its charter

**Metro Manila, Philippines**

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

6. Industry Classification Code:  (SEC Use Only)

**Unit 202 Villa Building, No. 78 Jupiter Street corner Makati Avenue, Barangay Bel-Air,  
Makati City 1200**

7. Address of issuer's principal office Postal Code

**(632) 724-2986**

8. Issuer's telephone number, including area code

**82-J 4<sup>th</sup> Street, New Manila, Quezon City**

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Voting Shares – P1.00 par value 652,500,000 Million Voting Shares	652,500,000 Million Voting Shares

**There are no debt securities**

Amount of Debt Outstanding – P 42,131,376  
One Hundred Fifty Million (150,000,000) Common voting shares are exempted from registration



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    Common Voting shares

There are One Hundred Million (100,000,000) Common Voting shares listed in the Philippine Stock Exchange, One Hundred Fifty Million (150,000,000) Common Voting shares are being readied for listing application.

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 RSA and RSA 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 ☐

## **PART I – FINANCIAL INFORMATION**

### **Item 1. FINANCIAL STATEMENTS**

1. The Financial Statements are as follows:

- a) Consolidated Statements of Financial Position as of March 31, 2019 (Unaudited) and December 31, 2018 (Audited).
- b) Unaudited Consolidated Statements of Changes in Equity for the Quarters Ended March 31, 2019 and 2018.
- c) Unaudited Consolidated Statements of Comprehensive Income for the Quarters Ended March 31, 2019 and 2018.
- d) Unaudited Consolidated Statements of Cash Flows for the Quarters Ended March 31, 2019 and 2018.
- e) Aging of Accounts Receivable as of March 31, 2019.

### **Item 2. ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

During the first quarter of 2019, per data provided by the Philippine Stock Exchange, Parent Entity (IMP) shares traded at a high of P2.21, low at P1.82 and closed at P1.88. The total volume of shares traded during the quarter was 1,755,261 shares. On the other hand during the first quarter of 2018 the shares of stocks traded at a high of P2.49, low of P2.41 and closed at P2.49 with a volume of 10,000 shares.

The Company received cash advances during the quarter covered by this report from a stockholder amounting to P1.1 million which funded the administrative expenses during the said period which amounted to P1.5 million.

During this quarter the income earned came from interest income earned by the Parent Entity amounting to about P2 thousand.

The Group during the first quarter of 2019 did not dispose any asset of material amount nor does it plan to do it in the near future. It has not budgeted nor committed any substantial amount for material or capital expenditures for the coming quarters.

The Indonesian partners have not stopped looking for prospective investors for the mining project in Indonesia who are willing to enter into a joint-venture agreement with the Parent entity because the project requires huge capital outlay. As regards the silica mining project being offered to the Parent entity, while management after evaluation and analysis believes that the feasibility studies submitted shows fairly good ROI, management is still waiting for new environmental and mining policies and pronouncements by the different government agencies which might have a great impact on the project. The Laperal family and LTC Real Estate Corporation are committed to support and fund the said projects.

Late last year the President of travelled to Europe for preliminary discussion and observation of IT-based business applications related to remote sensing of marine and land resources, land-use, and community development.

Material changes (five percent (5%) or more) in the accounts under the unaudited consolidated statements of financial position as at March 31, 2019 compared with the figures appearing in the audited consolidated statements of financial position as at December 31, 2018 including the reasons for such changes are presented below:

**1. Receivables -**

The decrease of about P10 thousand or 27.3% at the end of the 1<sup>st</sup> quarter of 2019 from December 31, 2018 figure represents collections of loans made to employees of the Parent Entity.

**2. Prepayments -**

The decrease at the end of the first quarter of 2019 in the amount of about P18 thousand or 46.2% represents the expensed portion of the prepaid insurance recognized on December 31, 2018.

**3. Accruals and other payables —**

The decrease of about 8% or P192 thousand was the result of the payment of accrued expenses during the first quarter of 2019.

Discussed below are the material changes (five per cent (5%) or more) in the accounts under the Consolidated Statements of Comprehensive Income for the first quarter of 2019 in comparison with the same period in 2018 including the causes of such changes:

**A. Income Account**

**1. Interest Income**

This account decreased during the first quarter of 2019 by about 19% or P382 because of lesser investible funds compared with the first quarter of 2018.



## **B. Administrative Expenses Accounts**

### **1. Utilities -**

A decrease of about 22.7% or P28 thousand in the first quarter of 2019 was due to the increase in the usage of landline, mobile phones and consumption of water and cost of electricity during the period covered by the report compared with the same period in 2018.

### **2. Professional Fee -**

During the first quarter of 2019 the Parent entity hired a new appraiser for its property and the fee charged was higher by P5 thousand or an increase by about 13.3% compared with the figure during the same period in 2018.

### **3. Repairs and Maintenance -**

An increase in this account by about 44.1% or P17 thousand compared with the figure for the first quarter of 2018 was due to the increase in the cost of maintaining the computers and other office equipment.

### **4. Travel and Transportation-**

This account includes gasoline and oil expense for company vehicle and motorcycle for the messengers, the cost of which increased during the first quarter of 2019 compared to the figure during the same period in 2018 by about 87.4% or P33 thousand.

### **5. SSS, PHIC and HDMF contributions**

The decrease of about 25.9% or P3 thousand during the first quarter of 2019 compared with the figure in the first quarter of 2018 was due to the resignation of an employee in January, 2019.

### **6. Supplies and Other Office Expenses—**

This account includes office supplies, advertising, printing and reproduction expenses. The usage of office supplies during the first quarter of 2019 decreased. During the first quarter of 2018 the Company incurred an online job posting expense. There was none of this nature incurred in 2019. These contributed to the decrease by about P22 thousand or 75.2%.

### **7. Taxes and Licenses—**

There was an increase of about 33.7% or P9 thousand during the first quarter of 2019 due to the increase in the amount paid for business permit and documentary stamp tax compared to what was paid during the same period in 2018.

### **8. Insurance—**

There was an increase of about 13.9% or P3 thousand during the first quarter of the 2019 compared with the figure for the same period in 2018 due to the change of insurance company which can render better service.

## THE GROUPS FINANCIAL SOUNDNESS INDICATORS

Presented below are the Financial Soundness Indicators used by the Group for the March 31 2019, December 31, 2018 and March 31, 2018

	March 31, 2019	December 31, 2018	March 31, 2018
(i) Current/liquidity ratios:			
$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{2,882,934}{2,081,518} = 1.39:1$	$\frac{3,543,776}{2,273,251} = 1.56:1$	$\frac{2,980,484}{1,774,952} = 1.68:1$
(ii) Debt-to-equity ratios:			
$\frac{\text{Total liabilities}}{\text{Equity}}$	$\frac{42,131,376}{747,665,059} = 0.05:1$	$\frac{41,223,110}{799,234,167} = 0.05:1$	$\frac{35,116,650}{569,739,933} = 0.06:1$
(iii) Solvency ratios:			
$\frac{\text{Total liabilities}}{\text{Total assets}}$	$\frac{42,131,376}{839,796,435} = 0.05:1$	$\frac{41,223,110}{840,457,277} = 0.05:1$	$\frac{35,116,650}{604,856,583} = 0.06:1$
(iv) Asset-to-equity ratios:			
$\frac{\text{Total assets}}{\text{Equity}}$	$\frac{829,796,435}{797,665,059} = 1.04:1$	$\frac{840,457,277}{799,234,167} = 1.05:1$	$\frac{604,856,583}{569,739,933} = 1.06:1$
(v) Interest rate coverage ratios (Earnings before interest and taxes/Interest expense):	This ratio is not applicable since the Company has no interest expense.		
(vi) Profitability ratios (Net profit after taxes/Revenues before cost of services):			
$\frac{\text{Net profit after taxes}}{\text{Revenues}}$	$\frac{(1,569,109)}{1,604} = (978.25):1$	$\frac{227,799,518}{235,140,356} = 0.97:1$	$\frac{(1,596,138)}{1,986} = (803.69):1$

### 2. Notes to Interim Financial Statements and Other Required Disclosures:

- a. The Group's unaudited interim financial statements as of March 31, 2019 presented in this report have been prepared in conformity with generally accepted accounting principles. The same have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and Philippine Accounting Standards (PAS). The same accounting policies and methods of computation were followed in the unaudited interim financial statements as compared with the Company's audited financial statements as of December 31, 2018.
- b. There were no material seasonal or cyclical factors that affected the Group's financial condition and results of operations during the period covered by this report.
- c. There were no items affecting assets, liabilities, equity, net income, or cash flows considered unusual because of their nature, size, or incidents aside from what is disclosed in the "Analysis of Financial Condition and Results of Operation" portion.
- d. The Group did not use estimates of amounts in its interim period reports covering the 1<sup>st</sup> quarter of the year 2019 and end of the year 2018, hence, no changes that have material effect in the current interim period can be reported.



- e. The Group has no issuances, repurchases and repayments of debt and equity securities. It has no short-term or long-term promissory notes. Therefore, it has no interest expense nor amortization of debt discount and expense or premium.
  - f. Management is not aware of any material events subsequent to interim period ending March 31, 2019 that have not been reflected in the financial statements for said period.
  - g. There has been no changes in the composition of the Group during the interim period covered by this report, including business combinations, acquisition or disposal of subsidiaries and long-term investments, and restructurings. As regards PCC, the subsidiary, which temporarily suspended the operations of its techno-vocational project since the start of 2010, at the meeting of the Board of Directors on May 17, 2013 the dormancy status of PCC due to significant losses it has incurred was resolved and approved.
  - h. The Group has no contingent liabilities or contingent assets since December 31, 2018.
  - i. There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.
  - j. There were no material segment revenue and segment business results during the period covered by this report.
  - k. There has been no cash or stock dividends paid by the Group since their incorporation.
  - l. No allowance for doubtful accounts has been set up during this period covered by this report and therefore, there is no reversal of allowance for doubtful accounts including those receivables pertaining in related parties.
  - m. Certain accounts have been reclassified and comparative figures have been adjusted to conform with the presentation of the Consolidated Financial Statements as of December 31, 2018.
  - n. Both the Parent Entity and Subsidiary have adopted new and amended standards and interpretations which became effective starting January, 2018. The adoption did not have any significant impact on the Group's financial statements. The following are new standards and amendments to existing standards and interpretation effective 2018 and are relevant to the Group's operation.
- PFRS 9 (2014) *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, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Group applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Group has not restated the comparative information, which continues to be reported under PAS 39.

The effect of adopting PFRS 9 is as follows:

Increase (Decrease) in statements of financial position	Adjustments	As at January 1, 2018
<b>Assets</b>		
Available-for-sale financial assets	(a)	(80,000)
Financial assets at fair value through other comprehensive income (FVOCI)	(a)	80,000
		-

The nature of these adjustments is described below:

*a) Classification and measurement*

Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four (4) categories of financial assets: FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. PFRS 9 requires that the Company classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, FVOCI, or FVPL.

The Group's debt instruments financial assets consist of cash and cash equivalents, other receivables, and due from subsidiary. The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest (SPPI) and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt instruments financial assets to be measured at amortized cost.

The Group elected to classify irrevocably its quoted equity investments previously classified as AFS financial assets under equity instruments designated at FVOCI as it intends to hold these investments for the foreseeable future (Note 11).

The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39.

The adoption of PFRS 9 did not result to changes to the classification and measurement of financial liabilities. All of the Group's financial liabilities are classified and measured at amortized costs.

*b) Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking Estimated Credit Loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.



The Group assessed that there is no impairment loss to be recognized on its debt instruments financial assets not held at FVPL due to the adoption of PFRS 9.

- PFRS 15 *Revenue from Contracts with Customers* – This new standard replaces the following standards and interpretations: (a) PAS 11, *Construction Contract*; (b) PAS 18, *Revenue*; (c) IFRIC 13, *Customer Loyalty Programmes*; (d) IFRIC 15, *Agreements for the Construction of Real Estate*; (e) IFRIC 18, *Transfer of Assets from Customers*; and (f) PIC 31, *Revenue - Barter transaction Involving Advertising Services*. The main change is that, the Company will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This includes the use of five-step model framework to account for revenue arising from contracts with customers. Application of this framework will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.
- Amendments to PFRS 15, *Clarifications to PFRS 15* – The amendments clarify the concept of 'distinct' in identifying performance obligations. It also clarifies how to assess control depending whether the Group is a principal or an agent. The amendments also provide guidelines on licensing and some transition relief for modified contracts or completed contracts.

PFRS 15 and amendments to PFRS 15 have no impact on the Group's financial statements since it is still in the exploration stages and evaluation of mineral resources of the mining project and has no product to sell.

- Amendments to PAS 40, *Transfers of Investment Property* – The amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. A change in intention, in isolation, is not enough to support a transfer.

The amendments have no impact on the Group's financial statements since there was no change in use of the Group's investment property.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* – The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation needs not be applied to income taxes, insurance contracts or reinsurance contracts.

The interpretation has no impact on the Group's financial statements.

There are new PFRS, revisions, amendments to existing standards, annual improvements and interpretations that are effective for periods subsequent to December 31, 2018 and are relevant to the Group's operations, however, the adoption are not expected to have significant impact on the Parent and Subsidiary's financial statements:



Effective in 2019:

- PFRS 16 *Leases* – This new standard replaces the following standards and interpretations: (a) PAS 17, *Leases*; (b) IFRIC 4, *Determining whether an Arrangement contains a Lease*; (c) SIC-15, *Operating Leases – Incentives*; and (d) SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The biggest change is that Lessees do not need to classify the lease at its inception and determine whether it's finance or operating lease. The standard introduces new accounting model for all leases. A lessee shall recognize a right-of-use asset and a lease liability, except for leases with a lease term of 12 months or less and containing no purchase options and leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture). Early application is permitted but the Company opted not to early adopt the standard. The new standard will have no impact on the Company's financial statements since the term of lease agreements is not more than twelve (12) months.

- Amendments to PAS 19 (Revised), *Plan Amendment, Curtailment or Settlement* –The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (a) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and (b) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

The Company is currently assessing the impact of adopting these amendments.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* – This interpretation provides requirements on how to reflect the effects of uncertainty in accounting for income taxes.

The Company is currently assessing the impact of adopting this interpretation.

o. Financial Risk Management Objectives and Policies

The Group's activities are exposed to a variety of financial risks: credit risk, liquidity risk, market risk and fair value estimates. The Group's overall risk management program seeks to minimize potential adverse effects on its financial performance and to make an optimal contribution to its revenues by managing these risks. The Parent Entity's risk management, vested thru the Board of Directors, focuses on actively securing its short to medium-term cash flows by minimizing the exposure to financial risks. Long-term financial investments are managed to generate lasting returns.



Management is aware of the following risks that the Company will face in the future as regards its mining project:

1. Mining metals and non-metals is essentially risky and expensive and faced with multiple problems.
2. The prices of commodities are always subject to fluctuations.
3. All governments change its heads and regulations are subject to unpredictable changes and government laws and regulatory policies and corporate governance poses hazards to plan, execute and deliver on long-term projects.
4. The global weather is unpredictable.
5. Many governments are demanding larger and larger share of the profits. Higher taxes and rents are seen as management problems.
6. Terms of contracts may be subjected to unpredictable changes.

#### Management's Responses and Outlook

1. The Company's main goal is to explore for less risky exploration and exploitation minerals.
2. Shorten exploration period and look for the most economical ways to explore and conduct the latest geological and geophysical techniques to minimize risks of exploration.
3. Management will engage experts to utilize proven hedge and financial initiatives to mitigate and minimize the inherent risks of the volatility of commodities.
4. The Group is aware of the importance of community welfare and community relationship

#### Financial risk factors

The Group's financial assets and liabilities, comprising mainly of cash and cash equivalents, trade and other receivables, available-for-sale investments and refundable deposits are exposed to a variety of financial risks. The management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks in the Group's financial performance. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

##### *1. Credit Risk Management*

Credit risk refers to the risk that a counterpart will default on its obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets.

The credit risk for cash and cash equivalent is assessed by Management as low risk since these are deposited with reputable banks which have low probability of insolvency. The amount of the Group's trade and other receivables account is not material. The Group's maximum exposure to credit risk from the available-for-sale investments is equivalent to the fair value of the shares in the Philippine Stock Exchange (PSE). The Group has no investments in foreign securities. The total carrying amount of the financial assets composed of cash and cash equivalents, other receivables, and deposit as presented in the financial statements as of March 31, 2019 is P2,907,456. These financial assets are not impaired and none are used for collateral or other credit enhancements.

## *2. Liquidity Risk Management*

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by maintaining adequate highly liquid assets in the form of cash and cash equivalents. A call of subscription receivable by the Board of Directors of the Parent Entity is an alternative to raise cash. The major stockholders have committed to make advances to the Parent Entity to sustain its operations. A stockholder made a cash advance amounting to P1,100,000 during the first quarter of 2019. The current ratio as of March 31, 2019 is 1.39 : 1.

## *3. Market Risk Management*

Market risk is the risk of loss to future earnings, to fair value or to future cash that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

### *3.1 Interest rate and foreign currency risk*

The Group's exposure to the risk of changes in interest rates is minimal since its cash and cash equivalents have fixed interest rates not affected by interest rates in the market. The Group does not have any interest bearing notes payable and is therefore not affected by changes in interest rates. The Parent Entity is exposed to foreign currency risk primarily with respect to its monetary assets denominated in US Dollar which are used to cover the exploration and development costs of its mining project in Indonesia. The Parent Entity's financial position and financial performance are affected by the movements in the Philippine Peso to US Dollar exchange rates. Foreign currency risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The balance of the US Dollar denominated cash and cash equivalents was US\$45,157.55 on December 31, 2018 and US\$45,194.06 on March 31, 2019. Any unrealized gain/loss from foreign exchange rate is taken up at the end of the year.

### *3.2 Other Price Risk Sensitivity*

The Parent Entity's market price risk arises from available-for-sale financial asset which is carried at fair value. It manages its risk from changes in market price by monitoring the changes in the market price of the investments.

Since there has been no available market value in the PSE since 2010 of Philcomsat Holdings, Corp. due to its suspension from trading the Company recognized impairment loss of P720,000 as of December 31, 2018.



p. Operating Segment

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.

In 2009, with the interest of the Parent Entity in mining, this business segment can be reported as an operating segment even though it is still in its exploratory stage. The business segment is organized and managed separately according to the nature of the services provided. A segment asset includes all operating assets used by a segment and consists of supplies, deposits, exploration and evaluation assets, property and equipment (net of accumulated depreciation),

With the granting of rights of exploration, development and operation of the mining concessions in Indonesia, as of March 31, 2019, there is nothing to report on mining business segment while the total segment assets under exploration and evaluation asset account amounts to P50,472,348 as of March 31, 2019 broken down into acquisition of rights to explore amounting to P11,795,500 and geophysical studies amounting to P38,676,848.

Management has no knowledge of any trends, demands, commitments, events, or uncertainties that would have material impact on the Group's liquidity. The Group look at its current assets as source of liquidity. The capital market has been moving upwards which is beneficial to the Group. The Group still expects to collect some subscription receivables from its major stockholders who have committed to support the operations of the Group by paying their subscriptions even in the absence of a formal call by the board of directors. Management has no knowledge of any trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's operations. Management is not aware of any significant elements of income or loss that did not arise from the Group's operations nor were there any seasonal aspects that had material effect on the financial condition of the Group during the period covered by this report.

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

As at the end of the 1<sup>st</sup> quarter of year 2019, the Group was not in default in any of its indebtedness. It has enough resources or can raise resources if necessary in order to meet any of its obligations and implement its planned activities. It does not foresee any liquidity problem in the coming quarters.

### PART III – OTHER INFORMATION

All material events and / or matters during the period covered by this report were disclosed under SEC Form 17-C. There are no other material matters/events during the period covered by this report which are required by SEC to be disclosed that are not disclosed with SEC.

# IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY

## Consolidated Statements of Financial Position

March 31, 2019 and December 31, 2018

Amounts in Philippine Peso

	March 31 2019	* December 31 2018	**
<b>A S S E T S</b>			
<b>Current assets</b>			
Cash and cash equivalents	P 2,835,708	3,468,946	
Trade and other receivables (net)	26,748	36,800	
Prepayments	20,478	38,030	
<b>Total current assets</b>	<u>2,882,934</u>	<u>3,543,776</u>	
<b>Non current-assets</b>			
Investment in stocks	80,000	80,000	
Property and Equipment - net	10,846	10,846	
Investment property	785,000,000	785,000,000	
Exploration and evaluation assets	50,472,348	50,472,348	
Refundable Deposit	45,000	45,000	
Deferred Tax Asset	1,305,307	1,305,307	
<b>Total non-current assets</b>	<u>836,913,501</u>	<u>836,913,501</u>	
<b>TOTAL ASSETS</b>	<u>P 839,796,435</u>	<u>840,457,277</u>	
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accruals and other payables	P 2,081,332	P 2,273,065	
Income Tax Payable	186	186	
<b>Total current liabilities</b>	<u>P 2,081,518</u>	<u>P 2,273,251</u>	
<b>Non-current liabilities</b>			
Retirement benefits payable	4,351,019	4,351,019	
Advances from stockholders	35,698,840	34,598,840	
<b>Total non-current liabilities</b>	<u>40,049,859</u>	<u>38,949,859</u>	
<b>TOTAL LIABILITIES</b>	<u>42,131,376</u>	<u>41,223,110</u>	
<b>Total Equity Attributable to the Owners of the Parent</b>			
Share Capital	636,563,546	636,563,546	
Other Comprehensive Income (Loss)	(2,689)	(2,689)	
Retained earnings / (Deficit)	161,340,073	162,908,520	
	<u>797,900,930</u>	<u>799,469,377</u>	
<b>Non-controlling interest</b>	(235,871)	(235,210)	
<b>TOTAL EQUITY</b>	<u>797,665,059</u>	<u>799,234,167</u>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>P 839,796,435</u>	<u>P 840,457,277</u>	

\* Unaudited

\*\* Audited



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**

**Consolidated Statements of Comprehensive Income**

(Unaudited)

**For the Quarters ended March 31, 2019 and 2018**

		Amounts in Philippine Peso	
		<u>March 31</u>	<u>March 31</u>
		2019	2018
<b>INCOME</b>			
Interest Income	P	<u>1,604</u>	P 1,986
<b>EXPENSES</b>			
Salaries and Wages		646,230	677,857
Professional Fees		44,756	39,513
Utilities		94,334	122,071
Rental		201,011	199,067
Repairs and Maintenance		54,002	37,477
Transportation and Travel		70,923	37,836
Dues and Subscription		298,211	307,065
Miscellaneous		36,760	38,605
Security Services		51,000	51,000
Supplies and other office expenses		7,411	29,854
SSS, PHIC and HDMF contributions		9,157	12,363
Taxes and Licenses		35,074	26,233
Insurance		21,843	19,183
		<u>1,570,712</u>	<u>1,598,124</u>
<b>LOSS FROM OPERATIONS</b>		<u>(1,569,109)</u>	<u>(1,596,138)</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u><u>(1,569,109)</u></u>	<u><u>(1,596,138)</u></u>
<b>LOSS FOR THE QUARTER</b>			
ATTRIBUTABLE TO :			
Owners of the Parent		(1,568,447)	(1,595,556)
Non-Controlling Interest		(662)	(582)
	P	<u><u>(1,569,109)</u></u>	P <u><u>(1,596,138)</u></u>
<b>LOSS PER SHARE</b>		<u><u>(0.002)</u></u>	<u><u>(0.002)</u></u>

*Note:*

Loss per share amounts are computed by dividing the net loss attributable to the owners of the Parent for the period over the number of shares issued and outstanding at the end of the period which is 652,500,000 shares for 2019 and 2018.

# IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY

## Consolidated Statements of Changes in Equity

(Unaudited)

March 31, 2019 and 2018

Amounts in Philippine Peso  
March 31  
2019                      March 31  
2018

### EQUITY

Capital stock - par value - P1.00 for 2019 and 2018

Authorized - 1,800,000,000 shares for 2019 and 2018

Common Stock - 1,800,000,000 shares for 2019 and 2018

Common Stock - Issued and outstanding - 230,643,195  
for 2019 and 2018,

Balance at beginning of year

P 230,643,195                      P 230,443,195

Issued

-                      200,000

Balance at end of period

230,643,195                      230,643,195

Common Stock - subscribed capital stock - 421,856,805  
shares for 2019 and 2018,

Balance at beginning of year

421,856,805                      422,056,805

Addition (Deduction) - net

-                      (200,000)

Balance at end of period

421,856,805                      421,856,805

Less: subscription receivable

Balance at beginning of year

15,936,454                      16,086,454

Addition (Deduction) - net

-                      (150,000)

Balance at end of period

15,936,454                      15,936,454

405,920,351                      405,920,351

636,563,546                      636,563,546

Total share capital

Other Comprehensive Income (Loss)

(2,689)                      (101,270)

Retained Earnings

Balance at the beginning of year

162,908,520                      (64,893,192)

Comprehensive loss for the period

(1,568,447)                      (1,595,555)

Balance at the end of the period

161,340,073                      (66,488,747)

(235,871)                      (233,597)

Non-Controlling interest

P 797,665,059                      P 569,739,933

**TOTAL EQUITY**



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

**(Unaudited)**

**For the Quarters Ended March 31, 2019 and 2018**

	Amounts in Philippine Peso	
	March 31 2019	March 31 2018
<b>Cash Flows from Operating Activities</b>		
Net loss from Operations	P (1,569,109)	P 1,596,138
Adjustments for Interest Income	(1,604)	1,986
Decrease (Increase) in :		
Receivables	10,052	32,400
Prepayments	17,552	17,519
Increase (Decrease) in :		
Accruals and other Payables	(191,733)	(197,813)
Cash Used in Operating Activities	<u>(1,734,842)</u>	<u>(1,746,018)</u>
Interest Income Received	<u>1,604</u>	<u>1,986</u>
<b>Net Cash Used in Operating Activities</b>	<u>(1,733,238)</u>	<u>(1,744,032)</u>
<b>Cash Flows from Investing Activities</b>	-	-
<b>Cash Flows from Financial Activities</b>		
Additonal Paid up Capital	-	150,000
Advances from stockholders	1,100,000	1,864,000
<b>Net Cash Provided from Financial Activities</b>	<u>1,100,000</u>	<u>2,014,000</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(633,238)	269,968
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	3,468,946	2,613,767
<b>Cash and Cash Equivalents at the End of the Period</b>	<u><u>P 2,835,708</u></u>	<u><u>P 2,883,735</u></u>

# IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY

## Aging of Accounts Receivable (Unaudited) As of March 31, 2019

Trade and other Receivables - P 26,748.00  
Loans to Employees and other companies P 26,748.00

### 1) Aging of accounts receivable

Type of accounts receivable	Total	1 Month	2-3 Mos.	4-6 Mos.	7 Mos To 1 Year	1-2 Years	3-5 Years	5 Years- above	Past due accounts & Items in Litigation
a) Trade receivables									
1) Trade receivables	-	-	-	-	-	-	-	-	-
b) Non-trade receivables									
1) Advances to employees	22,820.00	-	-	-	22,820.00			-	
2) Others	3,928.00	-	-	-	3,928.00				
Others-Accrued Interest	-	-	-	-	-				
Non-trade receivable	26,748.00	-	-	-	26,748.00	-	-	-	-
Total accounts receivable (net)	26,748.00								

### 2) Accounts receivable description

Type of receivable	Nature/Description	Collection Period
1) Advances to employees	Advances to company employees	
2) Others	Advances to other companies	

### 3) Normal Operating Cycle : Calendar Year (12 months)

Note: No additional allowance for bad debts was set up during the quarter ending March 31, 2018.  
No reversal of allowance for doubtful accounts.



## 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

**IMPERIAL RESOURCES, INC.**

Signature and Title

**JESUS VICENTE B. CAPELLAN**  
Corporate Secretary

Date

May 2, 2019

Signature and Title

**VILMA B. VILLANUEVA**  
Comptroller/Assistant Treasurer

Date

May 2, 2019

**COVER SHEET**  
for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

							3	9	2	4	3
--	--	--	--	--	--	--	---	---	---	---	---

**COMPANY NAME**

I	M	P	E	R	I	A	L		R	E	S	O	U	R	C	E	S	,											
I	N	C	O	R	P	O	R	A	T	E	D		A	N	D		S	U	B	S	I	D	I	A	R	Y			

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

U	N	I	T		2	0	2		V	I	L	L	A		B	U	I	L	D	I	N	G	,						
N	O	.		7	8		J	U	P	I	T	E	R		S	T	R	E	E	T		C	O	R	N	E	R		
M	A	K	A	T	I		A	V	E	N	U	E	,		B	A	R	A	N	G	A	Y							
B	E	L	-	A	I	R	,		M	A	K	A	T	I		C	I	T	Y	,									
M	E	T	R	O		M	A	N	I	L	A																		

Form Type

A	C	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, if Applicable

N/A
-----

**COMPANY INFORMATION**

Company's Email Address

N/A
-----

Company's Telephone Number/s

721-6994
----------

Mobile Number

N/A
-----

No. of Stockholders

1668
------

Annual Meeting (Month/Day)

JULY 19
---------

Fiscal Year (Month/Day)

DECEMBER 31
-------------

**CONTACT PERSON INFORMATION**

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

JESUS VICENTE B. CAPELLAN
---------------------------

Email Address

jvicentecapellan@yahoo.com
----------------------------

Telephone Number/s

831-4719
----------

Mobile Number

09177931475
-------------

**CONTACT PERSON's ADDRESS**

UNIT 202 VILLA BUILDING, NO. 78 JUPITER STREET CORNER MAKATI AVENUE, BRGY. BEL-AIR, MAKATI CITY, METRO MANILA
--

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

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



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**

**REPORT ON EXAMINATION  
OF CONSOLIDATED  
FINANCIAL STATEMENTS  
December 31, 2018, 2017 and 2016**

**VILLARUZ, VILLARUZ & CO., CPAs**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders of  
IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY  
82-J 4th Street, Barangay Mariana, New Manila  
Quezon City

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the accompanying consolidated financial statements of IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY (the Parent Entity and Subsidiary) which comprise the consolidated statements of financial position as at December 31, 2018, 2017 and 2016, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY as at December 31, 2018, 2017 and 2016, and its financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

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

#### *Key Audit Matters*

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### **Valuation of Investment property**

Refer to Note 13 in the consolidated financial statements.

Management has estimated the fair value of the Parent Entity and Subsidiary's investment property to be P785,000,000 as at December 31, 2018 with a revaluation gain for the year ended December 31,



2018 recorded in the statements of comprehensive income of P235,000,000. Independent external valuation was obtained in order to support management's estimates. The valuation is dependent on certain key assumptions that require significant management judgment including selection of fair value technique to determine the carrying value of the investment property. Such fair value was determined based on recent prices of similar properties, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Our procedures in relation to management's valuation of investment property included:

- Evaluation of the independent external valuers' competence, capabilities and objectivity;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; and
- Checking, on a sample basis, the accuracy and relevance of the input data used.

We found the key assumptions were supported by the available evidence. The fair market value of the property was supported by comparative approach to value that considers the sale of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison which was in line with our expectations. We found the disclosures in Note 13 to be appropriate.

#### **Recoverability of Exploration and evaluation assets**

Refer to Note 14 in the financial statements.

The ability of the Parent Entity and Subsidiary to recover its exploration and evaluation assets depends on the commercial viability of the mineral resources. The carrying value of exploration and evaluation assets as at December 31, 2018 amounted to P50,472,348 which is considered material to the consolidated financial statements. This matter is important to our audit because of the substantial amount of exploration and evaluation assets and the significant management judgment involved in performing a recoverability review.

Our procedures in relation to management's assessment on the recoverability of exploration and evaluation assets included the following:

We obtained management's assessment on the recoverability of the exploration and evaluation assets, and inquired into the status of these projects and their future plan of operation. We obtained the status of the Parent Entity and Subsidiary's exploration project in Indonesia as of December 31, 2018 from the latest available reports of its Indonesian partner's technical group. We reviewed the terms of contracts and agreements, and budgets as well as the remittances made to the Indonesian partner to cover the exploration costs. We inspected reports covering licenses and permits of the exploration project to determine the right of the Parent Entity and Subsidiary to explore in specific areas. We also inquired of management about the project areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. We found the disclosures in Note 14 to be appropriate.



---

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

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

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

Those charged with governance are responsible for overseeing the Parent Entity and Subsidiary's financial reporting process.

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

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

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

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



opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Entity and Subsidiary to cease to continue as a going concern.

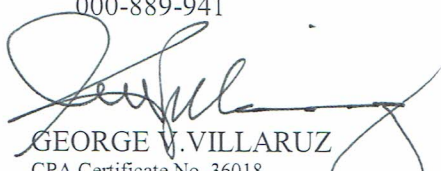
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

VILLARUZ, VILLARUZ & CO., CPAs

000-889-941

By:



GEORGE V. VILLARUZ

CPA Certificate No. 36018

PRC ID No. 0036018 valid until August 26, 2020

PTR No. 7375815 issued on January 7, 2019 at Quezon City

BIR A. N. (Individual) 07-001490-003-2017 issued on December 20, 2017 effective until December 19, 2020

BIR A. N. (Firm) 07-001486-004-2017 issued on December 20, 2017 effective until December 19, 2020

SEC A.N. (Individual) as general auditors 1106-AR-2 issued on March 23, 2017 effective until March 22, 2020

SEC A.N. (Firm) as general auditors 0128-FR-3 issued on January 5, 2017 effective until January 4, 2020

T.I.N. 101-741-882

BOA/PRC Registration No. 0058 issued on October 4, 2018 effective until June 26, 2021

Quezon City, Philippines

April 6, 2019

## IMPERIAL RESOURCES, INC. AND SUBSIDIARY

82-J 4<sup>th</sup> Street, New Manila, Quezon City  
Telephone No. 724-2986 \* Fax No. 721-4648

---

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

The management of **IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY (the Parent Entity and Subsidiary)** is responsible for the preparation and fair presentation of the consolidated financial statements, for the years ended December 31, 2018, 2017 and 2016, including the schedules attached therein, in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Parent Entity and Subsidiary's financial reporting process.

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

**VILLARUZ, VILLARUZ & CO., CPAs**, the independent auditors, appointed by the stockholders, has audited the financial statements of the Parent Entity and Subsidiary in accordance with Philippine Standards on Auditing, and in its reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**HORACIO M. PASCUAL**  
*Chairman of the Board*

  
**DESIDERIO L. LAPERAL**  
*President / Chief Executive Officer*

  
**OLIVERIO L. LAPERAL, JR.**  
*Vice-President / Chief Financial Officer*

Signed this 6<sup>th</sup> day of April, 2019



## ACKNOWLEDGMENT


REPUBLIC OF THE PHILIPPINES)

\_\_\_\_\_QUEZON CITY\_\_\_\_\_) S.S.

BEFORE ME, the undersigned Notary Public for and in, this APR 12 2019  
personally appeared the following affiants with their respective Passport Numbers as follows.

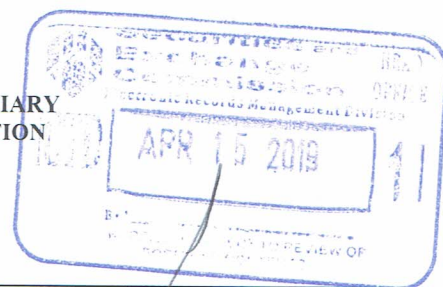
NAME	PASSPORT NO.	ISSUED / EXPIRE
Horacio M. Pascual	P5135248A	Nov. 25, 2017 / Nov. 24, 2022
Desiderio L. Laperal	P5651619A	Jan. 17, 2018 / Jan. 16, 2028
Oliverio L. Laperal, Jr.	EC6133290	Dec. 04, 2015 / Dec. 03, 2020

WITNESS MY HAND SEAL on the date and place first above written.

  
**ATTY. ROGELIO J. BOLIVAR**  
NOTARY PUBLIC IN QUEZON CITY  
AM Adm. No. 1038574 Jan. 2019 up to Dec. 2020  
PTR O.R. 5522486 C 1-3-19/Roll No. 33632 / TIN# 129-871-009  
MCLE No. V-0019296 valid from 04/15/2016 until 04/14/2019/Pasig City  
Address: 31-F Harvard St. Cubao Q.C.

Doc. No. 119;  
Page No. 12;  
Book No. 5;  
Series of 2019.

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31, 2018, 2017 and 2016  
(All amounts in Philippine Peso)



<b>ASSETS</b>				
	Notes	2018	2017	2016
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	3, 8	3,468,946	2,613,767	2,943,289
Other receivables	3, 9	36,800	109,940	27,171
Prepayments	3, 10	38,030	36,726	25,094
Total Current Assets		3,543,776	2,760,433	2,995,554
<b>NON-CURRENT ASSETS</b>				
Investment in stocks	3, 11	80,000	80,000	86,910
Property and equipment, net	3, 12	10,846	31,393	203,024
Investment property	3, 13	785,000,000	550,000,000	500,000,000
Exploration and evaluation assets	3, 14	50,472,348	50,472,348	50,472,348
Refundable deposit	3, 15	45,000	45,000	45,000
Deferred tax asset	3, 16	1,305,307	1,247,358	1,288,671
Total Non-current Assets		836,913,501	601,876,099	552,095,953
<b>TOTAL ASSETS</b>		<b>840,457,277</b>	<b>604,636,532</b>	<b>555,091,507</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accruals and other payables	3, 17	2,273,065	1,970,201	244,900
Income tax payable	3, 16	186	2,565	2,080
Total Current Liabilities		2,273,251	1,972,766	246,980
<b>NON-CURRENT LIABILITIES</b>				
Advances from shareholders	3, 19	34,598,840	27,319,840	21,086,840
Retirement benefits payable	3, 18	4,351,019	4,157,858	4,295,568
Total Non-current Liabilities		38,949,859	31,477,698	25,382,408
<b>TOTAL LIABILITIES</b>		<b>41,223,110</b>	<b>33,450,464</b>	<b>25,629,388</b>
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>				
Share capital	3, 20	636,563,546	636,413,546	636,413,546
Remeasurement on retirement benefits payable	3, 18	(2,689)	(101,270)	(391,703)
Deficit	3	162,908,520	(64,893,192)	(106,330,699)
		799,469,377	571,419,084	529,691,144
<b>NON-CONTROLLING INTEREST</b>	3, 26	(235,210)	(233,016)	(229,025)
<b>TOTAL EQUITY</b>		<b>799,234,167</b>	<b>571,186,068</b>	<b>529,462,119</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>840,457,277</b>	<b>604,636,532</b>	<b>555,091,507</b>

(See Notes to Financial Statements)



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
For the years ended December 31, 2018, 2017 and 2016  
(All amounts in Philippine Peso)

	Notes	2018	2017	2016
<b>OTHER INCOME</b>				
Gain from investment property revaluation unrealized	13	235,000,000	50,000,000	80,000,000
Interest income	8, 9	14,725	23,970	19,083
Unrealized gain on foreign exchange, net	8, 23	125,631	9,294	118,989
Total Other Income		235,140,356	50,033,264	80,138,072
<b>ADMINISTRATIVE EXPENSES</b>	25	7,440,754	8,680,254	7,165,256
<b>PROFIT FROM OPERATIONS</b>		227,699,602	41,353,010	72,972,816
<b>TAX BENEFITS DEFERRED</b>	16	99,916	80,506	(4,850,410)
<b>PROFIT FOR THE YEAR</b>		227,799,518	41,433,516	68,122,406
<b>OTHER COMPREHENSIVE INCOME</b>				
Item that will not be reclassified to profit or loss:				
Remeasurements of retirement benefits payable, net of tax	18	98,581	290,433	(555,618)
Total Other Comprehensive Income (Loss)		98,581	290,433	(555,618)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>		227,898,099	41,723,949	67,566,788
<b>PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO:</b>				
Owners of the parent		227,801,712	41,437,507	68,129,779
Non-controlling interest	3, 26	(2,194)	(3,991)	(7,373)
		227,799,518	41,433,516	68,122,406
<b>TOTAL COMPREHENSIVE PROFIT (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the parent		227,900,293	41,727,940	67,574,161
Non-controlling interest	3, 26	(2,194)	(3,991)	(7,373)
		227,898,099	41,723,949	67,566,788
<b>EARNINGS PER SHARE:</b>				
Basic	3, 27	0.36	0.07	0.54
Diluted	3, 27	0.35	0.06	0.52

(See Notes to Financial Statements)

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the years ended December 31, 2018, 2017 and 2016  
(All amounts in Philippine Peso)

			Equity Attributable to Equity Holders of Parent Entity			Equity Attributable to Equity Holders of the Non- controlling Interest (Note 26)	Total Equity
	Note	Share Capital	Remeasurements on retirement benefits payable	Retained Earnings (Deficit)			
SHARE CAPITAL							
Authorized 1,800,000,000 shares at P1 par value per share		<u>1,800,000,000</u>	20				
Issued and Subscribed 652,500,000 shares at P1 par value per share		652,500,000	20				
Subscription Receivable		<u>15,936,454</u>	20				
Paid- up 636,563,546 shares at P1 par value per share		<u>636,563,546</u>					
<b>Balance at January 1, 2016</b>		<b>633,813,110</b>	<b>163,915</b>	<b>(174,460,478)</b>	<b>(221,652)</b>	<b>459,294,894</b>	
<b>Transactions with owners:</b>							
Collection of subscription receivable		100,436	-	-	-	100,436	
Issuance of shares		2,500,000	-	-	-	2,500,000	
<b>Total transactions with owners</b>		<b>2,600,436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,600,436</b>	
<b>Total comprehensive income (loss):</b>							
Profit (Loss) for the year		-	-	68,129,779	(7,373)	68,122,406	
Other comprehensive loss for the year		-	(555,618)	-	-	(555,618)	
<b>Total comprehensive income (loss) for the year</b>		<b>-</b>	<b>(555,618)</b>	<b>68,129,779</b>	<b>(7,373)</b>	<b>67,566,788</b>	
<b>Balance at December 31, 2016</b>		<b>636,413,546</b>	<b>(391,703)</b>	<b>(106,330,699)</b>	<b>(229,025)</b>	<b>529,462,119</b>	
<b>Total comprehensive income (loss):</b>							
Profit (Loss) for the year		-	-	41,437,507	(3,991)	41,433,516	
Other comprehensive income for the year		-	290,433	-	-	290,433	
<b>Total comprehensive income (loss) for the year</b>		<b>-</b>	<b>290,433</b>	<b>41,437,507</b>	<b>(3,991)</b>	<b>41,723,949</b>	
<b>Balance at December 31, 2017</b>		<b>636,413,546</b>	<b>(101,270)</b>	<b>(64,893,192)</b>	<b>(233,016)</b>	<b>571,186,068</b>	
<b>Transaction with owners:</b>							
Collection of subscription receivable		150,000	-	-	-	150,000	
<b>Total comprehensive income:</b>							
Profit (Loss) for the year		-	-	227,801,712	(2,194)	227,799,518	
Other comprehensive income for the year		-	98,581	-	-	98,581	
<b>Total comprehensive income (loss) for the year</b>		<b>-</b>	<b>98,581</b>	<b>227,801,712</b>	<b>(2,194)</b>	<b>227,898,099</b>	
<b>Balance at December 31, 2018</b>		<b>636,563,546</b>	<b>(2,689)</b>	<b>162,908,520</b>	<b>(235,210)</b>	<b>799,234,167</b>	

(See Notes to Financial Statements)



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31, 2018, 2017 and 2016  
(All amounts in Philippine Peso)

	Notes	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before provision for income tax		227,699,602	41,353,010	72,972,816
Adjustments for:				
Gain from investment property revaluation unrealized	13	(235,000,000)	(50,000,000)	(80,000,000)
Accrual of taxes		396,964	1,587,857	-
Accrual of retirement benefits expense	18	333,991	277,194	205,363
Depreciation	12, 22, 25	20,547	177,531	189,109
Impairment loss on investment in AFS	11	-	6,910	-
Loss on derecognition of property and equipment	12	-	-	3,000
Unrealized gain on foreign exchange, net	8, 23	(125,631)	(9,294)	(118,989)
Interest income	8	(14,725)	(23,970)	(19,083)
Operating loss before working capital changes		(6,689,252)	(6,630,762)	(6,767,784)
Decrease (Increase) in:				
Other receivables		73,140	(82,769)	(27,171)
Prepayments		(1,304)	(11,632)	9,010
Increase (Decrease) in:				
Accruals and other payables		(94,101)	137,444	(76,679)
Cash used in operations		(6,711,517)	(6,587,719)	(6,862,624)
Income tax paid		(2,660)	(2,167)	(444)
Interest received	8	14,725	23,970	19,083
Net cash used in operating activities		(6,699,452)	(6,565,916)	(6,843,985)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>				
Acquisition of property and equipment	12	-	(5,900)	(9,800)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Collection of subscription	20	150,000	-	100,436
Increase in advances from shareholders	19	7,279,000	6,233,000	7,161,000
Net cash provided by financing activities		7,429,000	6,233,000	7,261,436
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	8, 23	125,631	9,294	118,989
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		855,179	(329,522)	526,640
<b>CASH AND CASH EQUIVALENTS, January 1</b>	8	2,613,767	2,943,289	2,416,649
<b>CASH AND CASH EQUIVALENTS, December 31</b>	8	3,468,946	2,613,767	2,943,289

(See Notes to Financial Statements)

**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the years ended December 31, 2018, 2017 and 2016**  
**(All amounts in Philippine Peso unless otherwise stated)**

---

**NOTE 1 - GENERAL INFORMATION**

Imperial Resources, Incorporated (Parent Entity) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) per Registration No. 39243 on September 5, 1969. The primary purpose of the Parent Entity is to carry on the business of operating coal mines, and of prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging, and otherwise producing, and dealing in all kinds of ores, metals and minerals, asphalt-bithumen, hydrocarbons, acids and chemicals, and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced; to purchase, lease, option, locate or otherwise acquire, own, exchange, sell, or otherwise dispose of, pledge, mortgage, deed in trust, hypothecate, and deal in mines, mining claims, mineral lands, coal lands, timber lands, water and water rights, other property, both real and personal.

The Parent Entity holds 99% interest in Philippine Cyber College Corporation (PCC), its only subsidiary, with principal place of business at 82-J 4<sup>th</sup> Street, Barangay Mariana, New Manila, Quezon City. PCC was registered with the SEC on May 30, 2000 per Registration No. A20007650 to own, operate, manage and maintain a school of learning, offering, kindergarten or pre-school training, as well as primary, secondary and tertiary levels of school instructions and to develop and educate students in accordance with approved curriculum prescribed by the government, and in connection therewith, to obtain the required permits and government recognition for the operation of said educational institution and the authority to confer certificates of completion/graduation and/or diploma; further, to own, lease and acquire the use and possession of land for school campus, school buildings and properties for school facilities. PCC had management and technical agreement with two (2) I.T. learning centers located in Baguio and Malolos, Bulacan. However, in June 2008 the two (2) learning centers temporarily suspended their operations. Management had decided to shift from I.T. education project to technical vocational education, training and assessment project. Since the latter part of 2009 PCC's operations has remained suspended.

During the special meeting of the Board of Directors held on March 29, 2011, it was resolved that the change of par value of the shares of stock of the Parent Entity from Five Pesos (P5.00) to One Peso (P1.00) per share, was approved and thereafter ratified. Consequently, on July 14, 2011, on the regular annual stockholders' meeting, the same has been confirmed and ratified.

On October 2, 2013, a special meeting of the Board of Directors was called to consider, among other matters, the amendment of the Articles of Incorporation, specifically the articles pertaining to the change of name of the Parent Entity to Century Sun Services, Inc. which was already approved by the Board of Directors and reserved with the Securities and Exchange Commission (SEC). Also, a proposal was raised for the amendment of the purpose of the Parent Entity. It was also proposed that the corporate term be extended for another fifty (50) years. Finally, another proposal was submitted to increase the authorized capital stock from One Billion Eight Hundred Million Pesos (P1,800,000,000) up to Six Billion Pesos (P6,000,000,000). Upon motions made and duly seconded, the proposed amendments were unanimously approved by the Board of Directors. On July 10, 2014, on the regular annual stockholders' meeting, the same had been confirmed and ratified. As of December 31, 2018, the Company's management has not implemented this.



During the special meeting of the Board of Directors held on March 28, 2016 the declassification of the shares of stock of Parent entity from common Class “A” and Class “B” shares to common stock voting shares was approved. This was subsequently confirmed and ratified by the stockholders during the regular annual stockholders’ meeting held on July 14, 2016.

The change of par value and the declassification of shares were approved by SEC on February 10, 2017 and implemented by Philippine Stock Exchange (PSE) on February 22, 2017.

The Parent Entity and its Subsidiary have eight (8) employees as at December 31, 2018, 2017 and 2016.

The Parent Entity and its Subsidiary’s principal place of business is at Unit 202 Villa Building, No. 78 Jupiter Street corner Makati Avenue, Barangay Bel-Air, Makati City, Metro Manila, the business address is at 82-J 4<sup>th</sup> Street, Barangay Mariana, New Manila, Quezon City and the registered office is at 3762-C Cuenca corner Emilia Streets, Barangay Palanan, Makati City, Metro Manila.

These financial statements have been approved and authorized for issuance by Mr. Desiderio L. Laperal, CEO/President, on behalf of the Board of Directors on April 6, 2019.

## **NOTE 2 - STATUS OF OPERATIONS**

### *Parent Entity*

Since 2005, the Parent Entity has been evaluating mining projects. It has narrowed down the prospective mining properties to gold mining, asphalt mining and energy. In September 2008, the Parent Entity made a deposit amounting to P7,090,500 (US\$150,000) to acquire mining rights in Indonesia.

In January 2009, the Parent Entity signed a Memorandum of Agreement with P.T. Aspal Buton Nasional, an entity organized and existing under the laws of Indonesia which was granted mining rights covering 1,940 hectares of Mining Exploration Concession located at Buton Island, South East Sulawesi Province, Indonesia. With the deposit amounting to P7,090,500 made by the Company to the said Indonesian entity in 2008, the Parent Entity was granted the exclusive rights of exploration, exploitation, development and operation of the above-described mining concessions during its lifetime and over such additional future mining concessions that P.T. Aspal Buton Nasional may acquire or be awarded.

During 2009, the Parent Entity conducted geologic and geophysical (Electric Resistivity) surveys on the approximately two hundred (200) hectares and one thousand seven hundred (1,700) hectares, all located in Buton Island, Southwest of Sulawesi Province, Indonesia.

The two (2) asphalt concessions were expiring during the second half of 2011. However, because of the significant geophysical electric resistivity survey conducted and which were arranged by the business associate, Aspal Buton Nasional, and funded by the former, the Parent Entity was able to obtain approval for extension of the exploration concession for additional period of two (2) years. In 2014-2016, approval for extension of the exploration concession were obtained.

In December 2009, the Parent Entity made a deposit of P4,705,000 (US\$100,000) to PT. Indominas to acquire other mining rights in Indonesia which was subsequently charged to exploration and evaluation assets during the year as a signature bonus.

On January 17, 2010, the Parent Entity signed a Memorandum of Agreement with PT. Indominas, an Indonesian Company duly organized and existing under the laws of the Republic of Indonesia, with principal office address at JL. Klampis Anom II/29, Surabaya, Indonesia (referred to as Claimowners). After January 17, 2010, the Claimowners expect to be granted Mining Rights by the government state corporation Perusahaan Daerah (Perusda) Pd. Utama Sultra of South East Sulawesi of the Republic of Indonesia, covering an approximate 4,779 hectares mining exploration concession at South East Sulawesi Province of the Republic of Indonesia. The Claimowners granted the Parent Entity the exclusive rights to do preliminary studies before choosing the area to be developed. If the results of the studies are favorable, the Parent Entity shall pay another US\$170,000 upon approval of the conversion of the selected areas into exploration concession. Within thirty (30) days after the Claimowners shall have obtained and delivered to the Parent Entity all government approvals, permits, extensions and licenses, the Parent Entity at the sole expense shall start geological and geophysical surveys on the mining concessions for the purpose of determining the potentials for commercial operations, development and exploitation of the above-mentioned mining concessions. At the end of 2010, preliminary studies on the said area have not been completed.

The preliminary geologic survey on the proposed subject area indicated possible deposits. Outside and a bit far from the subject area, there are many gold panners. The Parent Entity is also evaluating the peace and order situation in the area. After evaluating several factors the Parent Entity will have a better total picture on the business prospects of the gold mining project.

In August 2010, the Parent Entity furnished the samples of rocks gathered from the survey made in Indonesia to Toyo - Union Co., Ltd. (TUCL) and expressed an intention to have a business association with them, subject to some terms and conditions, including confidentiality and exclusivity rights reserved for the Parent Entity. TUCL recognized and respect the exclusive rights of the Parent Entity and have entered into a memorandum of agreement with the Parent Entity on September 13, 2010. During 2011, the engineers and geologist of TUCL together with the engineers from Asphal Buton Nasional were able to go to the asphalt concession areas and collected about sixty (60) kilos of samples and TUCL was able to bring samples to Tokyo. As of date, the Parent Entity has no agreement with TUCL.

On March 16, 2017, in the special meeting of the Board of Directors, it was resolved that while the Parent Entity is proceeding with caution and at the same time re-evaluating its Indonesian mining project owing to the precipitous fall in the world price of crude, the Parent Entity is at present inclined to pursue the said project for that reason the Indonesian partners have been continuously looking for foreign partners to invest capital needed after they have secured formal approval of the exploitation concession because of its viability. Furthermore, the Parent Entity has been studying and evaluating a project cost study submitted by a project proponent pertaining to silica sand quarrying and processing operation. The Parent Entity is aware of the increasing demand for flat glass and glass bottles by local glass manufacturing companies. Management has been evaluating the impact of the latest environmental policies, regulations and pronouncements made by various government agencies on the feasibility and sustainability of the project. Another important factor being considered by management is the peace and order situation in the prospective silica mining sites. Towards this end, the Laperal family and LTC Real Estate Corporation committed to support and fund the said projects.

In 2018 the President, Desiderio L. Laperal travelled to Europe for preliminary discussions and observation of IT-based business applications related to remote sensing of marine and land resources, land-use, and community development. President Laperal observed driver-less autonomous farm machinery, robotic steel fabrication and remote-controlled fisheries management systems. He was impressed with the Green Energy initiatives mandated by the European Union, which is meant to



encourage more reliance on renewable power such as air turbines, hydro and solar. All of these applications and the downstream business opportunities are relevant to Imperial Resources.

### *Subsidiary*

Until the middle of 2008, the Subsidiary was engaged in the business of Information Technology (I. T.) - Education. Educational facilities are located in Baguio and Malolos, Bulacan, each with an enrollment of 40-60 students and class-sizes limited to about 15 students. All potential students undergo rigorous online entrance exams to ensure high quality students. The school's objective is to produce a small number of extremely high quality graduates each year. The educational facility located in Malolos had a "Joint Livelihood Project" with the Provincial Government of Bulacan which was formally terminated in May 2007. The school transferred to another location in Malolos, Bulacan in time for June 2007 school enrollment. However, in June 2008 the two (2) learning centers temporarily suspended their operations and remain as such up to the present.

Management has decided to shift from I.T. education project to technical-vocational education, training and assessment project. Management believes in the value of education, hence, this new project is the Subsidiary's answer to government's call to help stimulate economic growth through productive employment. The Subsidiary is aware of the global need and the lack of highly skilled welders, pipe fitters and other allied skills in the construction business. With this new venture, the Subsidiary hopes to provide a relevant training system that can fully prepare the manpower with the correct skills needed in the rapidly modernizing economies.

It has secured a property lease in Pasay City, as the site of the education and training facility, for five (5) years commencing on April 1, 2008. The monthly rental is ten percent (10%) of the gross tuition, matriculation, and students' miscellaneous fees from July 1, 2009 up to July 31, 2013. The preparation, construction and renovation works on the education and training facility started in March 2008. For the techno vocational project, the Subsidiary engaged the services of its administrator in March 2008. Two (2) employees were hired in June 2008 to assist the administrator.

The training center, in cooperation with the PGMA Scholarship of Technical Education and Skills Development Authority (TESDA), conducted its operations from February to July 2009. In August, TESDA temporarily cut its PGMA Scholarship Program which is the mainstay of welding schools in sustaining their operations. Because the Subsidiary failed to obtain marketing agreements to provide welding training for maritime placement companies' recruits, the management of the Parent Entity has been mulling over the idea of phasing off this techno-vocational project to concentrate on its more financially promising mining project.

For the years 2008 and 2007 (and prior years), there were no material sources of revenue. It was only in 2009 that it generated revenue from tuition fees for its techno-vocational project. However, as discussed above, operations have been hampered due to temporary cessation of the PGMA Scholarship Program of TESDA. The Subsidiary incurred net losses of P0.21 million, P0.39 million and P0.73 million for the years 2018, 2017 and 2016, respectively. Due to the losses incurred, the Subsidiary has capital deficiency amounting to P23.52 million, P23.30 million and P22.90 million as at December 31, 2018, 2017 and 2016, respectively.

For the past years, the Parent Entity has rendered continuous support to the Subsidiary by providing the necessary funds when the need arises.

On March 20, 2013, at the meeting of the Management Committee, wherein, all members who were also directors were present and representing majority of the members of the Board of Directors

unanimously resolved and approved the dormancy status of Philippine Cyber College Corporation (PCC) due to its non-operation since 2010 and because of the significant losses incurred by the Subsidiary. As at December 31, 2013, 2012 and 2011, the Capital Deficiency amounted to P20.90 million, P20.03 million, and P18.76 million.

In 2015, the Subsidiary has entertained inquiries or proposals to lease its building in Baguio City. Consequently, the Subsidiary has changed its basis of accounting from liquidation basis to going-concern basis.

In 2016, an interested party proposed to rent the building to be used as its marketing office for Thirty Five Thousand Pesos (P35,000.00) per month. On March 16, 2017, at the special meeting of the Board of Directors, it was resolved that the Vice-Chairman and Vice-President, is authorized and empowered to negotiate, transact, conclude, execute and sign, for and in behalf of the Subsidiary, agreements or contracts for the lease of the property in Baguio as well as to deliver such necessary records, documents or papers pertinent to or in implementation thereof. It was resolved further that the same person is authorized and empowered to agree on the terms, conditions and stipulations, and the price of the lease, for the best interest of the Subsidiary. However, due to the change of marketing plans of the prospective lessee the lease agreement was not finalized. Early in 2018 an interested party made an offer to lease the building to be used as a primary school for Forty Thousand Pesos (P40,000) per month. However, the negotiation bogged down.

Despite the presence of the caretaker to prevent informal settlers to enter and use their property as their dwelling place, in 2013, management decided to allow Philippine National Internal Affairs Services (PNP-IAS) to use portion of the ground floors as its office for free. During the latter part of 2018, the PNP-IAS moved out of the property. Management plans soonest to have the building repaired and repainted in order to better attract potential lessees considering its good location. Accordingly, the Company continuously reports under going-concern basis of accounting.

#### ***Commitment of support of shareholders***

In the previous years, Mr. Oliverio G. Laperal Sr., the Parent Entity and Subsidiary's former President, and other major shareholders have committed to support and to fund the ongoing and new projects, and assured the continuous operations of the Parent and Subsidiary's.

In 2007, as a sign of support and commitment, the President paid in full his subscription of P400 million to increase the capital stock of the Parent Entity and Subsidiary (from P700 million to P1.8 billion) by executing a deed of assignment of a real estate property in favor of the Parent Entity and Subsidiary. The transfer certificate of title of the said property was issued in the name of Imperial Resources, Incorporated on September 3, 2007 per TCT N-307207 issued by the Register of Deeds of Quezon City. Aside from the subscription of P400 million paid for in real estate property, cash advances amounting to P8.89 million, P4.5 million and P915 thousand were received from the former President for the years 2015, 2014 and 2013, respectively. The shareholders have paid their unpaid subscription amounting to P150,000 and P100,436 for the years 2018 and 2016, respectively.

As discussed in Note 2, the Laperal family and LTC Real Estate Corporation committed to support and fund the said projects. LTC Real Estate Corporation, a shareholder, had provided cash advances amounting to P7,279,000, P6,233,000 and P6,113,625 (Note 19) for the years ended December 31, 2018, 2017 and 2016, respectively. Given the financial condition of the Parent Entity and Subsidiary, the shareholders do not demand immediate repayment of their advances to the Parent Entity and Subsidiary.



### **NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below to facilitate understanding of the data presented in the consolidated financial statements. These policies have been consistently applied, unless otherwise stated.

#### **3.1 Basis of preparation and statement of compliance**

The accompanying consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These consolidated financial statements have been prepared under the historical cost convention except for certain assets measured at fair value. The consolidated financial statements are presented in Philippine Peso, the Parent Entity and Subsidiary's functional currency.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Parent Entity and Subsidiary's accounting policies. The areas involving a higher degree of judgment, complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

#### **Basis of Consolidation**

These consolidated financial statements consist of the financial statements of Parent Entity and its Subsidiary as at and for the years ended December 31, 2018, 2017 and 2016. The financial statements of the Subsidiary are prepared for the same reporting period as the Parent Entity using consistent accounting policies.

#### ***Subsidiary***

Subsidiary is an entity that is controlled by another entity. Control is when the latter is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the Subsidiary.

The Parent Entity has the power to govern the financial reporting policies generally accompanying a shareholding of more than one-half of the voting rights of the Subsidiary. The Parent Entity obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Parent Entity controls another company. Consolidation begins from the date the Parent Entity obtains control of the Subsidiary and ceases when it loses control.

All intragroup balances, income and expenses and unrealized gains and losses from intragroup transactions are eliminated in full.

### *Non-controlling Interest*

Non-controlling interest represents the portion of profit or loss and other comprehensive income and the net assets not held by the Parent Entity and are presented separately in the consolidated statements of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity holders of the Parent Entity. Transactions with non-controlling interest are accounted for using the entity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

### 3.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended standards and interpretations, which became effective beginning January 1, 2018. The adoption of these new and amended standards and interpretations did not have significant impact on the Parent Entity and Subsidiary's financial statements.

#### 3.2.1 New standards, amendments to existing standards and interpretation effective in the current year and are relevant to the Parent Entity and Subsidiary's operations

- PFRS 9 (2014) *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, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The Parent Entity and Subsidiary applied PFRS 9 prospectively, with an initial application date of January 1, 2018. The Parent Entity and Subsidiary has not restated the comparative information, which continues to be reported under PAS 39.

The effect of adopting PFRS 9 is as follows:

<b>Increase (Decrease) in statements of financial position</b>	<b>Adjustments</b>	<b>As at January 1, 2018</b>
<b>Assets</b>		
Available-for-sale financial assets (AFS)	(a)	(80,000)
Financial assets at fair value through other comprehensive income (FVOCI)	(a)	80,000
		-

The nature of these adjustments is described below:

#### *a) Classification and measurement*

Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four (4) categories of financial assets: FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. PFRS 9 requires that the Parent Entity and Subsidiary classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, FVOCI, or FVPL.



The Parent Entity and Subsidiary's debt instruments financial assets consist of cash and cash equivalents, other receivables and refundable deposit. The Parent Entity and Subsidiary assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest (SPPI) and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Parent Entity and Subsidiary concluded these debt instruments financial assets to be measured at amortized cost.

The Parent Entity and Subsidiary elected to classify irrevocably its quoted equity investments previously classified as AFS financial assets under equity instruments designated at FVOCI as it intends to hold these investments for the foreseeable future (Note 11).

The Parent Entity and Subsidiary continued measuring at fair value all financial assets previously held at fair value under PAS 39.

The adoption of PFRS 9 did not result to changes to the classification and measurement of financial liabilities. All of the Parent Entity and Subsidiary's financial liabilities are classified and measured at amortized costs.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as of January 1, 2018, is as follows:

Financial assets	Original Measurement		New Measurement	
	Category under PAS 39	Original Carrying Amount under PAS 39	Category under PFRS 9	New Carrying Amount under PFES 9
Cash and cash equivalents	Loans and receivables	2,350,767	Financial assets at amortized cost	2,350,767
Other receivables	Loans and receivables	109,940	Financial assets at amortized cost	109,940
Quoted equity securities	AFS financial assets	80,000	Equity instrument at FVOCI	80,000
Refundable deposit	Loans and receivables	45,000	Financial assets at amortized cost	45,000

#### b) Impairment

The adoption of PFRS 9 has fundamentally changed the Parent Entity and Subsidiary's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking Estimated Credit Loss (ECL) approach. PFRS 9 requires the Parent Entity and Subsidiary to recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Entity and Subsidiary expects to receive.

Parent Entity and Subsidiary assessed that there is no impairment loss to be recognized on its debt instruments financial assets not held at FVPL due to the adoption of PFRS 9.

- PFRS 15 *Revenue from Contracts with Customers* – This new standard replaces the following standards and interpretations: (a) PAS 11, *Construction Contract*; (b) PAS 18, *Revenue*; (c) IFRIC 13, *Customer Loyalty Programmes*; (d) IFRIC 15, *Agreements for the Construction of Real Estate*; (e) IFRIC 18, *Transfer of Assets from Customers*; and (f) PIC 31, *Revenue - Barter transaction Involving Advertising Services*. The main change is that, the Parent Entity and Subsidiary will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This includes the use of five-step model framework to account for revenue

arising from contracts with customers. Application of this framework will depend on the facts and circumstances present in a contract with a customer and will require the exercise of judgment.

- Amendments to PFRS 15, *Clarifications to PFRS 15* – The amendments clarify the concept of ‘distinct’ in identifying performance obligations. It also clarifies how to assess control depending whether the Parent Entity and Subsidiary is a principal or an agent. The amendments also provide guidelines on licensing and some transition relief for modified contracts or completed contracts.

PFRS 15 and amendments to PFRS 15 have no impact on the Parent Entity and Subsidiary’s financial statements since the Parent Entity and Subsidiary is still in the exploration stages and evaluation of mineral resources of the mining project and has no product to sell.

- Amendments to PAS 40, *Transfers of Investment Property* – The amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. A change in intention, in isolation, is not enough to support a transfer.

The amendments have no impact on the Parent Entity and Subsidiary’s financial statements since there was no change in use of the Parent Entity and Subsidiary’s investment property.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* – The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation needs not be applied to income taxes, insurance contracts or reinsurance contracts.

The interpretation has no impact on the Parent Entity and Subsidiary’s financial statements.

### 3.2.2 New standards, amendments to existing standards that are not yet effective in the current year but are relevant to the Parent Entity and Subsidiary’s operations

These are new PFRS, revisions, amendments to existing standards, annual improvements and interpretations that are effective for periods subsequent to December 31, 2018 and are relevant to the Parent Entity and Subsidiary’s operations, however, the adoption are not expected to have significant impact on the Parent Entity and Subsidiary’s financial statements:

#### Effective in 2019:

- PFRS 16 *Leases* – This new standard replaces the following standards and interpretations: (a) PAS 17, *Leases*; (b) IFRIC 4, *Determining whether an Arrangement contains a Lease*; (c) SIC-15, *Operating Leases – Incentives*; and (d) SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The biggest change is that Lessees do not need to classify the lease at its inception and determine whether it's finance or operating lease. The standard introduces new accounting model for all leases. A lessee shall recognize a right-of-use asset and a lease liability, except for leases with a lease term of 12 months or less and containing no purchase



options and leases where the underlying asset has a low value when new (such as personal computers or small items of office furniture). Early application is permitted but the Parent Entity and Subsidiary opted not to early adopt the standard.

The new standard will have no impact on the Parent Entity and Subsidiary's financial statements since the term of lease agreements is not more than twelve (12) months.

- Amendments to PAS 19 (Revised), *Plan Amendment, Curtailment or Settlement* – The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to (a) determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and (b) determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

The Company is currently assessing the impact of adopting these amendments.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* – This interpretation provides requirements on how to reflect the effects of uncertainty in accounting for income taxes.

The Company is currently assessing the impact of adopting this interpretation.

#### Effective in 2020:

- Amendments to PFRS 3, *Definition of a Business* – The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- Amendments to PAS 1 and PAS 8, *Definition of Material* – The amendments revised the definition of material. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

### 3.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 3.3.1 Classification

The Parent Entity and Subsidiary classify financial assets and liabilities according to the categories described below. Management determines the classification of the financial assets and liabilities at initial recognition.

#### 3.3.1.1 Financial assets

The classification of financial assets depends on the financial asset's contractual cash flow characteristics and the Parent Entity and Subsidiary's business model for managing them. The Parent Entity and Subsidiary classify financial assets in the following categories:

*a. Financial assets at amortized cost*

Financial assets at amortized cost are debt instruments where contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The Parent Entity and Subsidiary's financial assets classified under this category consist of cash and cash equivalents, other receivables and refundable deposit.

*b. Financial assets at fair value through other comprehensive income (FVOCI)*

Financial assets at fair value through OCI comprise:

- *Debt instruments* where contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and are held within a business model with the objective to hold financial assets in order to collect contractual cash flows and selling financial instruments.
- *Equity instruments* which are not held for trading and which the Parent and Subsidiary has irrevocably elected at initial recognition to recognize in this category. This election is made on an instrument-by-instrument basis.

The Parent Entity and Subsidiary's financial asset under this category consists of investment in stocks quoted in active market. The Parent Entity and Subsidiary elected to measure it at fair value through other comprehensive income.

*c. Financial assets at fair value through profit or loss (FVPL)*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may



be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The Parent Entity and Subsidiary has no financial assets under this category.

#### 3.3.1.2 Financial Liabilities

The Parent Entity and Subsidiary classify financial liabilities in the following categories:

*a. Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Parent Entity and Subsidiary that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Parent Entity and Subsidiary has no financial liabilities under this category.

*b. Financial liabilities at amortized cost*

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are subsequently measured at amortized cost. They contain contract obligations to deliver cash or another financial asset to the holder or to settle the obligation other than exchange of a fixed amount of cash. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting period which are classified in non-current liabilities.

The Parent Entity and Subsidiary's financial liabilities classified under this category consist of accruals and other payables (except payable to government agencies) and advances from shareholders

#### 3.3.2 Recognition and measurement

*a. Initial recognition and measurement*

Except for trade receivables that do not contain a significant financing component which are measured at the transaction price, the Parent Entity and Subsidiary initially measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

If the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, the Parent Entity and Subsidiary shall recognize the difference as a gain or loss.

Regular way purchases and sales of financial assets are recognized on the trade-date, e.g., the date on which the Parent Entity and Subsidiary commits to purchase or sell the asset.

*b. Subsequent measurement*

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

For equity instruments designated at fair value through OCI, gains and losses are never recycled to profit or loss. Dividends are recognized as income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets or liabilities at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

Other financial liabilities are measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the statement of comprehensive income.

3.3.3 Derecognition

3.3.3.1 Financial assets

The Parent Entity and Subsidiary shall derecognize a financial asset only when:

- (a) the contractual rights to the cash flows from the financial assets have expired, or
- (b) the Parent Entity and Subsidiary transfers to another party substantially all of the risks and rewards of ownership of the financial assets, or
- (c) the Parent Entity and Subsidiary, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Parent Entity and Subsidiary shall:
  - (i) derecognize the asset, and
  - (ii) recognize separately any rights and obligations retained or created in the transfer.

The carrying amount of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognized and derecognized in accordance with this paragraph shall be recognized in profit or loss in the period of the transfer.



### 3.3.3.2 Financial liabilities

The Parent Entity and Subsidiary shall derecognize a financial liability (or a part of a financial liability) only when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or has expired.

### 3.3.4 Impairment of financial assets

The Parent Entity and Subsidiary recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Entity and Subsidiary expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL).

For receivables that do not contain significant financing component, the Parent Entity and Subsidiary applies a simplified approach in calculating ECLs. Under the simplified approach, the Parent Entity and Subsidiary does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Entity and Subsidiary has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For financial assets at amortized costs being individually assessed for ECLs, the Parent Entity and Subsidiary applied lifetime ECL calculation. This involves determination of probability of default and loss-given default based on available data, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Parent Entity and Subsidiary considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants. In certain cases, the Parent Entity and Subsidiary may also consider a financial asset to be in default when internal or external information indicates that the Parent Entity and Subsidiary is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Entity and Subsidiary. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### 3.3.5 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, wherein the related assets and liabilities are presented at gross in the consolidated statements of financial position.

### 3.3.6 Fair value of financial instruments

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 of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions,
- Reference to the current fair value of another instrument that is substantially the same, and
- A discounted cash flow analysis or other valuation models.

### 3.3.7 Fair value hierarchy

The Parent Entity and Subsidiary classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.



If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation technique used to value these financial instruments is discounted cash flow analysis.

### 3.4 Cash and cash equivalents

Cash, which includes cash on hand and deposits held at call with banks and carried in the consolidated statement of financial position at face value, are unrestricted and immediately available-for-use in the current operations.

Cash equivalents are short-term, highly liquid debt instruments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placement and are subject to an insignificant risk of change in value.

### 3.5 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance and provision for impairment.

### 3.6 Prepayments

Prepayments include advance payment for insurance, membership dues and subscription. These represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to income as these are consumed in operations or expire with the passage of time.

### 3.7 Investment in stocks

Upon initial recognition, the Parent Entity and Subsidiary can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of income. Dividends are recognized as other income in the statement of income when the right of payment has been established, except when the Parent Entity and Subsidiary benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Parent Entity and Subsidiary elected to classify irrevocably its quoted equity securities under this category which are presented as Investment in stocks in the statement of financial position as at December 31, 2018, 2017 and 2016 (Note 11). Prior to adoption of PFRS 9, this financial asset was classified as AFS financial assets.

### *AFS financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Certain shares held by the Parent Entity and Subsidiary are being classified as available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in other comprehensive income, until the

investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income is included in profit or loss for the period.

Available-for-sale financial assets are initially measured at transaction price and subsequently measured at fair value.

### 3.8 Property and equipment, net

Property and equipment, except land, are carried at cost less accumulated depreciation and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the assets to working condition for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Parent Entity and Subsidiary. All subsequent expenditures are recognized as expense in the period in which those are incurred.

Depreciation is computed using the straight-line method over estimated useful lives of the related assets as follows:

	Asset life in years
Building	15
Transportation equipment	5
Welding equipment	5
Office equipment	3
Office furniture and fixture	3

The useful lives and depreciation method are reviewed at each reporting period to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. When assets are retired or otherwise disposed of, the cost, related accumulated depreciation and accumulated impairment losses are removed from the accounts and the resulting gain or loss, which is determined by comparing the proceeds with carrying amount, is recognized to the statements of comprehensive income. Fully depreciated assets are retained in the accounts until they are no longer in use.



### 3.9 Investment property

This account represents parcel of land which is initially carried at cost. Cost includes the acquisition cost of the land plus incidental costs incurred in effecting the transfer of title of the property and other necessary expenses incurred in the acquisition.

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- (a) use in the production or supply of goods or services or for administrative purposes, or
- (b) sale in the ordinary course of business.

Investment property is recognized as an asset when and only when: (a) it is probable that the future economic benefits that are associated with the investment property will flow to the entity, and (b) the cost of the investment property can be measured reliably.

After initial recognition, investment property is measured either by the fair value model or by the cost model and shall apply that policy to all of its investment property. Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statements of comprehensive income in the year of retirement or disposal.

If investment property is measured at fair value, the fair value of investment property shall reflect market conditions at the reporting date. A gain or loss arising from the change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction.

If investment property is measured at cost, it shall be carried at its cost less accumulated depreciation, amortization and any impairment in value. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure. The directly attributable expenditure includes, for example, professional fees for legal services, property transfer taxes and other transaction costs.

If the Parent Entity and Subsidiary has previously measured an investment property at fair value, it shall continue to measure the property at fair value until disposal (or until the property becomes owner-occupied property or the Parent Entity and Subsidiary begin to develop the property for subsequent sale in the ordinary course of business) even if comparable market transactions become less frequent or market prices become less readily available.

### 3.10 Exploration and evaluation assets

Exploration and evaluation assets are measured at cost. The following are expenditures that are included in the initial measurement of exploration and evaluation assets (a) acquisition of rights to explore, (b) topographical, geological, geochemical and geophysical studies, (c) exploratory drilling, (d) trenching, (e) sampling, and (f) activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource. After initial recognition, the Parent Entity and Subsidiary shall either use the cost model or the revaluation model. If the revaluation model is applied, it shall be consistent with the classification of assets. The exploration and evaluation assets are classified as tangible or intangible. When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets are reclassified to property and equipment account.

The Parent Entity and Subsidiary uses cost model as its subsequent measurement of exploration and evaluation assets - assets are carried at cost less accumulated impairment losses.

Exploration and evaluation assets are measured for impairment when facts or circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Parent Entity and Subsidiary measures, presents and discloses any resulting impairment loss. The Parent Entity and Subsidiary is still in the exploration stages and evaluation of mineral resources.

### 3.11 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill or intangible assets not ready for use - are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher between the assets' net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the estimated cost of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is charged to expense immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognized revaluation surplus for the same asset.

Non-financial assets include prepayments (Note 10), property and equipment, net (Note 12), investment property (Note 13), and exploration and evaluation assets (Note 14).

There are no impairment losses on non-financial assets as at December 31, 2018, 2017 and 2016.

### 3.12 Refundable deposit

This account pertains to refundable deposit for welding equipment which is stated at amortized cost less any impairment in value.

### 3.13 Related party transactions and relationships

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities, which are under common control with the reporting enterprise or between and/or among the reporting enterprises and their key management personnel, directors or their shareholders.

Transactions between related parties are accounted for at arm's length prices or on terms similar to those offered to non-related entities in an economically comparable market.

Advances from shareholders are initially recorded at transaction price and are subsequently measured at amortized cost using the effective interest method.



During the consolidation process, due from subsidiary/due to parent company amounting to P23,647,934 is eliminated.

### 3.14 Operating segment

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

### 3.15 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable nor deductible. The Parent Entity and Subsidiary's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as at the reporting date.

#### *Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method.

The balance sheet liability method focuses on temporary differences, which are the differences between the amount attributed to an asset or liability for tax purposes (tax base) and the carrying amount of that asset or liability in the statements of financial position.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess of the minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates applicable to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same

taxation authority and the Parent Entity and Subsidiary intends to settle the current tax assets and liabilities on a net basis.

Current tax and deferred tax shall be recognized outside profit or loss if the tax relates to items that are recognized, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognized, in the same or a different period:

- (a) in other comprehensive income, shall be recognized in other comprehensive income,
- (b) directly in equity, shall be recognized directly in equity.

### 3.16 Accruals and other payables

Accruals and other payables are recognized in the period in which the money or services are received, or when a legally enforceable claim against the Parent Entity and Subsidiary is established, or when the corresponding assets and expenses are recognized/incurred.

Accruals and other payables are measured at fair value less any directly attributable transaction cost and subsequently measured at amortized cost using the effective interest method. Accruals and other payables are derecognized when extinguished.

### 3.17 Provisions

Provisions are recognized when the Parent Entity and Subsidiary have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

### 3.18 Contingencies

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

### 3.19 Equity

Share capital is determined using the nominal value of shares that have been issued and fully paid.

Other comprehensive income (loss) pertains to remeasurement on retirement benefits payable.



Retained earnings (deficit) include current and prior period results of operations as disclosed in the statement of changes in equity

### 3.20 Revenue and expense recognition

The Parent Entity and Subsidiary is in the business of mining. This account comprises the revenue from sales of asphalt, gold and other precious metal produced, sold and payment received from the mining concessions and services rendered when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

To date, the Parent Entity has no product to sell and services to render since it is still in the pre-development and pre-exploration stage of the mining project and the Subsidiary being in the status of dormancy but has entertained inquiries or proposals to lease its building in Baguio City thus, management is looking at a possible rental income.

#### (i) Interest income

Interest income on bank deposits is presented net of tax when earned. Interest income on salary loan is recognized when earned.

#### (ii) Cost and expenses

Direct costs and expenses are recorded when incurred.

### 3.21 Employees costs

#### *Short-term employee benefits*

Short-term employee benefits are employees' benefits (other than termination benefits) which fall due wholly within twelve (12) months after the end of the period in which the employees render the related service. It includes salaries, wages, social security contributions, paid annual leaves and paid sick leave profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits for current employees. Currently, the Parent Entity and Subsidiary's employees are entitled to all the above-mentioned short-term benefits except profit sharing.

#### *Retirement benefits*

Retirement benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

The Parent Entity and Subsidiary has applied *PAS 19 (Revised) - Employee Benefits* and the related consequential amendments. The Company has applied these amendments retrospectively and in accordance with the transitional provisions as set out in the PAS 19 (Revised) par. 173. These transitional provisions have an impact on future periods.

The Parent Entity and Subsidiary's net obligation in respect of the defined benefit retirement plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current year and prior year periods. The benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at financial reporting date on high quality corporate bonds that have maturity dates approximating the terms of the

Parent Entity and Subsidiary's obligation. The current calculation is performed by a qualified actuary using the projected unit credit method.

Retirement benefits expense comprises the following:

- a. Service cost,
- b. Net interest on the net defined benefit liability,
- c. Remeasurements of net defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognized as an expense in the profit or loss.

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 the consolidated statements of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

### 3.22 Leases

Leases, where a significant portion of risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to operations on a straight-line basis over the period of the lease.

Future minimum lease payments are the payments over the lease term that the lessee is or required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with any amounts guaranteed by the lessee or by a party related to the lessee.

For operating lease, the standard requires disclosure on the total future minimum lease payments under non-cancellable operating leases for each of the following periods:

- (i) not later than one year,
- (ii) later than one year and not later than five years,
- (iii) later than five years.

#### *Determining whether an arrangement contains a lease*

At the inception of an arrangement, the Parent Entity and Subsidiary determine whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfillment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Parent Entity and Subsidiary the right to control the use of the underlying asset.



At inception or upon reassessment of the arrangement, the Parent Entity and Subsidiary separate payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Parent Entity and Subsidiary conclude for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Parent Entity and Subsidiary's incremental borrowing rate.

### 3.23 Foreign currency transactions

In preparing the Parent Entity and Subsidiary's consolidated financial statements, transactions in foreign currencies other than its functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currency are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair values are determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Foreign currency gain or loss resulting from the settlement of such transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

### 3.24 Basic and diluted earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the income (loss) for the year attributable to the common shareholders of the Parent Entity by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any. The Corporation Code of the Philippines under Section 137 defines outstanding capital stock as the total shares of stock issued under binding subscription agreements to subscribers or stockholders, whether or not fully or partially paid except treasury shares.

For the purpose of calculating diluted earnings (loss) per share, profit (loss) for the year attributable to ordinary equity holders of the Parent Entity and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

### 3.25 Subsequent events

The Parent Entity and Subsidiary identify subsequent events as events that occur after the reporting date but before the date when the consolidated financial statements are authorized for issue. Any subsequent events that provide additional information about the Parent Entity and Subsidiary's consolidated financial position at the reporting date are reflected in the consolidated financial statements.

Non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

There are no subsequent events after the reporting date that requires adjustment or disclosure in the financial statements.

#### NOTE 4 - CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The primary objective of the Parent Entity and Subsidiary on capital management is to ensure their ability to continue as a going concern and to provide adequate returns and benefits to shareholders and other stakeholders by operating with guidance of high technical services and pursue the long-term outlook of management to deliver long term growth and profits.

The Parent Entity and Subsidiary manages the following capital as shown in the statements of changes in equity:

		Note	2018	2017	2016
Authorized capital	<u>1,800,000,000</u>	20			
Subscribed capital	<u>652,500,000</u>	20			
Paid-up capital		20	636,563,546	636,413,546	636,413,546

The Parent Entity and Subsidiary monitor capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position.

Measurement of the Parent Entity and Subsidiary's financial leverage is summarized as follows:

	2018	2017	2016
Total liabilities	41,223,110	33,450,464	25,629,388
Total equity	799,234,167	571,186,068	529,462,119
Debt-to-equity ratio	0.0515:1	0.0585:1	0.048:1

The Parent Entity and Subsidiary's Board of Directors has overall responsibility for monitoring capital in proportion to risk. Profiles or capital ratios are set in the light of changes in its external environment and the risks underlying its business, operations and industry.

The Parent Entity and Subsidiary define capital as paid-up share capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock are excluded from capital for purposes of capital management.

The Parent Entity and Subsidiary set the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. Parent Entity and Subsidiary manage the capital structure and make adjustment in the light of changes in economic conditions and the risk characteristics of the underlying asset.

The Parent Entity and Subsidiary is not subject to externally imposed capital requirements.

#### NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

These consolidated financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.



## 5.1 Critical management judgments in applying accounting policies

In the process of applying the Parent Entity and Subsidiary's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the consolidated financial statements.

### a. Functional currency

The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Parent Entity and Subsidiary measures the performance and reports the results of the operations.

### b. Lease agreements

Critical judgment was exercised by management to distinguish each lease agreement as either operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

#### *Operating Lease - the Company as a lessee*

The Parent Entity and Subsidiary has entered into various leases of office spaces. The Parent Entity and Subsidiary has determined that all significant risks and rewards of ownership remain with the lessor due to the following:

- i. the ownership of the asset does not transfer at the end of the lease term,
- ii. the Parent Entity and Subsidiary has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised,
- iii. the lease term is not for the major part of the economic life of the asset even if title is not transferred.

Based on the existing lease agreements, the Parent Entity and Subsidiary have classified its lease as operating lease for the years ended December 31, 2018, 2017 and 2016 (Note 24).

### c. Provisions

Provisions for liabilities are recognized when the Parent Entity and Subsidiary have a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation.

There are no provisions recognized as at December 31, 2018, 2017 and 2016.

d. Contingencies

Contingent liabilities are not recognized in the Parent Entity and Subsidiary's financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Contingent liabilities are disclosed in Note 28. There are no contingent assets for disclosure.

5.2 Critical accounting estimates and assumptions

a. Estimated useful lives (EUL) of property and equipment

The management estimates the useful lives of property and equipment based on the period in which the assets are expected to be available for use. The EUL of the property and equipment (Note 3.8) are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on the Parent Entity and Subsidiary's collective assessment of industry practice, internal evaluation and experience with similar assets. It is possible, however, that the 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 circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

Depreciation expense amounts to P20,547, P177,531 and P189,109 for the years ended December 31, 2018, 2017 and 2016, respectively, (Note 12).

b. Impairment of available-for-sale investments (Applicable prior to adoption of PFRS 9)

The Parent Entity and Subsidiary assesses at each reporting date whether there is objective evidence that equity investments classified as available-for-sale are impaired. The Parent Entity and Subsidiary's available-for-sale investment in Export and Industry Bank has no available market value as at December 31, 2017, 2016 and 2015 due to its suspension by the Philippine Stock Exchange (PSE) since May 2, 2008. The Export Bank was shutdown by the Central Bank due to insolvency in 2012 and reported that the Philippine Insurance Corporation (PDIC) has until March 25, 2013 to effect rehabilitation of the bank. Efforts to comply with the conditions before rehabilitation are on going. The fair value of the investment amounts to zero as at December 31, 2017 and P6,910 as at December 31, 2016 and 2015. There was no available market value of Philcomsat Holdings Corporation (PHC) as at December 31, 2017, 2016 and 2015 due to its suspension by the PSE since December 21, 2007. Due to the intra-corporate controversies which PHC has been involved in for several years now, the management has decided to take a conservative stand and provide 90% allowance for impairment on its investments in the stocks of PHC. The stock is adjusted to its fair value of P80,000 as at December 31, 2017, December 31, 2016 and 2015.



The Parent Entity has recognized impairment loss on investment in Export and Industry Bank amounting to P6,910 (Note 25) as at December 31, 2017.

c. Impairment of property and equipment

The Parent Entity and Subsidiary perform an impairment review when certain impairment indicators are present. Purchase accounting requires extensive use of accounting estimates and judgment to allocate the purchase price to the fair market values of the assets purchased and liabilities assumed.

Determining the fair value of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Parent Entity and Subsidiary to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the consolidated financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Parent Entity and Subsidiary believe that their assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying value of property and equipment amounts to P10,846, P31,393 and P203,024 (Note 12) as at December 31, 2018, 2017 and 2016, respectively.

Based on management's assessment, some fully depreciated equipment amounting to P24,375, P24,000 and P925,292 (Note 12) for the years ended December 31, 2018, 2017 and 2016, respectively, are already destroyed and unserviceable, hence, derecognized in the books.

d. Revaluation of investment property

The Parent Entity and Subsidiary has adopted the fair value approach in determining the carrying value of its investment property. While the Parent Entity and Subsidiary has opted to rely on independent appraisers to determine the fair value of its investment property, such fair value was determined based on recent prices of similar property, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Parent Entity made different judgments and estimates or utilized different basis for determining fair value (Note 3.9).

The fair value of investment property is P785,000,000, P550,000,000 and P500,000,000 (Note 13) as at December 31, 2018, 2017 and 2016, respectively.

Gain from investment property revaluation amounting to P235,000,000 P50,000,000 and P80,000,000 (Note 13) related to investment property is recognized for the year ended December 31, 2018, 2017 and 2016.

e. Recoverability of exploration and evaluation of assets

Exploration and evaluation costs are recognized as assets in accordance with PFRS 6, Exploration for and Evaluation of Mineral Resources. Capitalization of these costs is based, to a certain extent, on management's judgment of the degree to which the expenditure may be associated with finding specific mining reserve.

The application of the Parent Entity and Subsidiary's accounting policy for exploration and evaluation assets requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after the exploration and evaluation assets are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available.

The Parent Entity and Subsidiary reviews the carrying values of its exploration and evaluation assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. The factors that the Parent Entity and its Subsidiary's considers important which could trigger an impairment review of exploration and evaluation assets include the following:

- the period for which the Parent Entity and its Subsidiary has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mining reserve in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mining reserve in the specific area have not led to the discovery of commercially viable mining reserve and the Parent Entity and Subsidiary decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The Parent Entity and Subsidiary determines impairment of projects based on the assessment of the technical group of its Indonesian partner or based on management's decision not to pursue any further commercial development of its exploration projects.

There are no impairment losses recognized for the years ended December 31, 2018, 2017 and 2016.

f. Impairment of non-financial assets

The Parent Entity and Subsidiary's policy on estimating the impairment of non-financial assets is discussed in Note 3.11. Though management believes that the assumptions used in estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect

the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

There are no impairment losses recognized for the years ended December 31, 2018, 2017 and 2016.

g. Estimated retirement benefits

The determination of the Parent Entity and Subsidiary's obligation and cost of pension is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions are, and include, among others, discount rate and salary increase rate. In accordance with PAS 19 (Revised), actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

PAS 19 (Revised) also requires retrospective application which means that minimum disclosure requirements shall be made in comparative period as well as the current period.

The retirement benefit expense, liability and detailed discussion of sensitivity analysis are discussed in Note 18.

h. Income taxes

A certain degree of significant judgment is required in determining the provision for income taxes as there are certain transactions for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The provision for income tax-deferred recognized for the years ended December 31, 2018, 2017 and 2016 amounts to P99,916, P80,056 and (P4,850,410) (Note 16), respectively.

i. Recognition of deferred tax assets

The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. The Parent Entity and Subsidiary's assessment on the recognition of deferred tax assets on deductible temporary differences, and the carryforward benefits of excess MCIT and NOLCO is based on the forecasted taxable income of the future years. This forecast is based on the Parent Entity and Subsidiary's past results and future expectations on revenue and expenses.

The carrying values of deferred tax assets, which the management assessed to be fully utilized within the next two (2) three (3) years amounts to P1,305,307, P1,247,358 and P1,288,671 (Note 17) as at December 31, 2018, 2017 and 2016, respectively. The Company also has deductible temporary differences, carryforward benefits of unused NOLCO and excess MCIT for which no deferred income tax asset was recognized (Note 17).



## NOTE 6 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Parent Entity and Subsidiary are exposed to a variety of financial risks: credit risk, liquidity risk, market risk, fair value estimation and fair value hierarchy. The Parent Entity and Subsidiary's overall risk management program seek to minimize potential adverse effects on its financial performance and to make an optimal contribution to its revenues by managing these risks. The Parent Entity and Subsidiary's risk management, vested thru the Board of Directors, focuses on actively securing their short to medium-term cash flows by minimizing the exposure to financial risks. Long-term financial investments are managed to generate lasting returns.

The Parent Entity and Subsidiary's response to the risks and challenges they face are as follows:

- To explore less risky exploration and exploitation of minerals,
- Shorten exploration period and look for the most economical ways to explore and to conduct the latest geological and geophysical techniques to minimize the risks of exploration,
- To engage experts to utilize proven hedge and financial initiatives to mitigate and minimize inherent risks of the volatility of commodities, and
- To place importance in community welfare and community relationship.

The policies of managing specific risks are summarized below:

### Financial risk factors

The Parent Entity and Subsidiary's financial assets and liabilities, comprising mainly of cash and cash equivalents, other receivable, deposit, investment in stocks and advances from shareholders are exposed to a variety of financial risks. The management ensures that it has sound policies and strategies in place to minimize potential adverse effects of these risks in the Parent Entity and Subsidiary's financial performance.

#### 6.1 Credit risk management

Credit risk refers to the risk that a counterparty will default on its obligations resulting in financial loss to the Parent Entity and Subsidiary. The Parent Entity and Subsidiary have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the consolidated financial statements or in the detailed analysis provided in the notes to consolidated financial statements, as summarized below:

2018	Note	Carrying amount	Neither past due nor impaired	Past due but not impaired
Cash and cash equivalents*	8	3,449,977	3,449,977	-
Other receivables	9	36,800	36,800	
Investment in stocks	11	80,000	80,000	-
Refundable deposit	15	45,000	-	45,000
		3,611,777	3,566,777	45,000

2017	Note	Carrying amount	Neither past due nor impaired	Past due but not impaired
Cash and cash equivalents*	8	2,350,767	2,350,767	-
Other receivables	9	109,940	109,940	-
Investment in stocks	11	80,000	80,000	-
Refundable deposit	15	45,000	-	45,000
		2,585,707	2,540,707	45,000

2016	Note	Carrying amount	Neither past due nor impaired	Past due but not impaired
Cash and cash equivalents*	8	2,938,299	2,938,299	-
Other receivables	9	27,171	27,171	-
Investment in stocks	11	86,910	86,910	-
Refundable deposit	15	45,000	-	45,000
		3,097,380	3,052,380	45,000

*\*Excluding cash on hand and petty cash fund*

None of the above financial assets are used for collateral or other credit enhancements.

Accordingly, the Parent Entity and Subsidiary have assessed the quality of the following financial assets:

1. The credit risk for cash and cash equivalents is assessed as low risk since cash are deposited in reputable banks which have low probability of insolvency.
2. Other receivables pertain to receivable from employees and accrued interest from time deposit. The credit risk is assessed as low risk since it is collected thru salary deduction and deposited in reputable bank which has low probability of insolvency.
3. The maximum exposure to credit risk of the Company from the investment in stock is equivalent to the fair value of the shares in the PSE as at the reporting date.
4. The Parent Entity and Subsidiary's refundable deposit is presented as non-current asset as it is not expected to be refunded within the next twelve (12) months. The risk associated with the refundable deposit is very low since the amount can be collected upon the return of the gas cylinder.

## 6.2 Liquidity risk management

Liquidity risk is the risk that the Parent Entity and Subsidiary will encounter difficulty in meeting obligations associated with financial liabilities.

As at December 31, 2018, 2017 and 2016, the Parent Entity and Subsidiary's financial liabilities have contractual maturities as follows:

		2018		2017		2016	
		3 to 12 months	More than 12 months	3 to 12 months	More than 12 months	3 to 12 months	More than 12 months
2017	Note						
Accruals and other payables *	17	2,211,163	-	1,824,495	-	186,427	-
Advances from shareholders	19	-	34,598,840	-	27,319,840	-	21,086,840
		2,211,163	34,598,840	1,824,495	27,319,840	186,427	21,086,840

\* Excluding withholding taxes, documentary stamp tax, SSS, PHIC and HDMF payables

The total current assets exceed the total current liabilities by P1,270,525, P787,667 and P2,748,574 as at December 31, 2018, 2017 and 2016, respectively, computed as follows:

	2018	2017	2016
Total current assets	3,543,776	2,760,433	2,995,554
Total current liabilities	2,273,251	1,972,766	246,980
	1,270,525	787,667	2,748,574

The Parent Entity and Subsidiary manage liquidity risk by maintaining adequate highly liquid assets in the form of cash and cash equivalents. Management has no knowledge of any other trends, demands, commitments, events or uncertainties that would have material impact on the Parent Entity and Subsidiary's liquidity. It looks at its current assets as source of liquidity. A call on subscription receivable is an alternative to raise cash. The major shareholders have committed to pay their subscription payable to the Parent Entity as the need arises.

### 6.3 Market risk management

Market risk is the risk of loss to future earnings, to fair value or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

#### 6.3.1 Interest rate and foreign currency risk

The Parent Entity and Subsidiary's exposure to the risk of changes in interest rates is minimal since the cash and cash equivalents have fixed interest rates not affected by interest rates in the market.

The Parent Entity and Subsidiary is exposed to foreign currency risk primarily with respect to the monetary assets denominated in US Dollar. The Parent Entity and Subsidiary's financial position and financial performance are affected by the movements in the Philippine Peso to US Dollar exchange rates. Foreign currency risk arises when recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Parent Entity and Subsidiary's foreign currency denominated monetary asset is shown in Note 23.

As at December 31, 2018, if the Philippine Peso has weakened/strengthened by (0.38%) against the US Dollar with all other variables held constant, loss for the year would have been lower/higher by P9,112 mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated net assets shown in Note 23. The (0.38%) volatility is based on 30-day historical foreign currency fluctuations experienced by the Company.



### 6.3.2 Other price risk sensitivity

The Parent Entity and Subsidiary's market price risk arises from available-for-sale financial asset which is carried at fair value. It manages its risk by monitoring the changes in the market price of the investments.

For the equity securities, there was no available market value in PSE due to the suspension of both the issuing companies. In 2014, the management decided to recognize the impairment loss for both companies. In 2017, the Board of Directors resolved to write-off the investment in Export and Industry Bank.

### 6.4 Fair value estimation of financial assets and liabilities

The carrying amounts of financial assets and liabilities which approximate fair values as presented in the consolidated statements of financial position are shown below:

		2018		2017		2016	
	Note	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value
Financial assets:							
Cash and cash equivalents*	8	3,449,977	3,449,977	2,350,767	2,350,767	2,938,299	2,938,299
Other receivables	9	36,800	36,800	109,940	109,940	27,171	27,171
Investment in stocks	11	80,000	80,000	80,000	80,000	86,910	86,910
Refundable deposit	15	45,000	45,000	45,000	45,000	45,000	45,000
		3,611,777	3,611,777	2,585,707	2,585,707	3,097,380	3,097,380
<i>*Excluding cash on hand and petty cash fund</i>							
Financial liabilities:							
Accruals and other payables*	17	2,211,163	2,211,163	1,824,495	1,824,495	186,927	186,927
Advances from shareholder	19	34,598,840	34,598,840	27,319,840	27,319,840	21,086,840	21,086,840
		36,810,003	36,810,003	29,144,335	29,144,335	21,273,767	21,273,767

*\*Excluding withholding taxes, documentary stamp tax, SSS, PHIC and HDMF payable.*

### 6.5 Fair value hierarchy of financial assets that are measured at fair value on a recurring basis

Financial Assets	Fair Values as at			Fair Value Hierarchy	Valuation Technique(s) / Key input(s)	Significant unobservable input(s)
	31/12/2018	31/12/2017	31/12/2016			
Investment in stocks	80,000	80,000	86,910	Level 3	Discounted cash flows	Not applicable

Investment in stocks has no available market values since 2010. The carrying amount is the approximate fair value.

**6.6 Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)**

Financial Assets / Financial Liabilities	Fair Values as at			Fair Value Hierarchy	Valuation Technique(s) / Key input(s)	Significant unobservable input(s)
	31/12/2018	31/12/2017	31/12/2016			
Cash and cash equivalents*	3,449,977	2,350,767	2,938,299	Level 3	Discounted cash flows	Not applicable
Other receivables	36,800	109,940	27,171	Level 3	Discounted cash flows	Not applicable
Investment in stocks	80,000	80,000	86,910	Level 3	Discounted cash flows	Not applicable
Refundable deposit	45,000	45,000	45,000	Level 3	Discounted cash flows	Not applicable
Accruals and other payables**	2,211,163	1,824,495	186,927	Level 3	Discounted cash flows	Not applicable
Advances from shareholders	34,598,840	27,319,840	21,086,840	Level 3	Discounted cash flows	Not applicable

\* Excluding cash on hand and petty cash

\*\*Excluding withholding taxes, documentary stamp tax, SSS, PHIC and HDMF payable

**NOTE 7 - OPERATING SEGMENT**

An operating segment is a component of the Parent Entity and Subsidiary 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.

In 2009, with the interest of the Parent Entity and Subsidiary in mining, this business segment can be reported as an operating segment even though it is still in its exploratory stage. The business segment is organized and managed separately according to the nature of the services provided. A segment asset includes all operating assets used by a segment and consists of supplies, deposits, exploration and evaluation assets, property and equipment (net of accumulated depreciation).

With the granting of the rights of exploration, exploitation, development and operation of the mining concessions in Indonesia, information about this mining business segment is as follows:

	Note	2018	2017	2016
Mining business segment		None to report	None to report	None to report
Segment assets				
Exploration and evaluation asset	14	50,472,348	50,472,348	50,472,348

## NOTE 8 - CASH AND CASH EQUIVALENTS

This account consists of:

	2018	2017	2016
Cash equivalents	2,231,455	2,103,546	2,085,303
Cash in banks	1,218,522	247,221	852,996
Cash on hand	14,969	259,000	990
Petty cash fund	4,000	4,000	4,000
	3,468,946	2,613,767	2,943,289

Cash in banks generally earn interest at prevailing bank deposit rates. Cash equivalents are placements good for thirty-five (35) days with one local bank depending on the immediate cash requirements and earn interest at the prevailing short-term deposit rate of 0.50% per annum. Due to the short-term nature of such transactions, the carrying value approximates fair value of the temporary cash investments.

Total interest income from bank deposits for the years ended December 31, 2018, 2017 and 2016 amounts to P9,958, P10,337 and P11,265 respectively.

Unrealized foreign exchange gain credited in the statements of comprehensive income due to restatement of the cash in bank and cash equivalents dollar accounts amounted to P125,631, P9,294 and P118,989 (Note 23) for the years ended December 31, 2018, 2017 and 2016, respectively.

## NOTE 9 - OTHER RECEIVABLES

This account consists of:

	2018	2017	2016
Salary loan receivable	36,511	104,102	26,562
Accrued interest	289	838	428
Other receivables	-	5,000	181
	36,800	109,940	27,171

Salary loan earns an interest rate of 16% per annum payable on a monthly/semi-monthly installment.

Interest income recognized for the years ended December 31, 2018, 2017 and 2016 amounts to P4,767, P13,633 and P7,818.

The Parent Entity and Subsidiary believes that the carrying amount of other receivables approximates fair value due to its short-term nature.

## NOTE 10 - PREPAYMENTS

This account pertains to advance payments on the Parent Company's cars insurance coverage, membership fees and subscription which are unexpired amounting to P38,030, P36,726 and P25,094 as at December 31, 2018, 2017 and 2016, respectively.



## NOTE 11 - INVESTMENT IN STOCKS

Investment in stocks measured at fair value through OCI consists of the following as at December 31, 2018:

	2018
Quoted equity instruments	
Philcomsat Holdings Corp.	80,000

There was no available market value of Philcomsat Holdings Corporation (PHC) as at December 31, 2018, 2017 and 2016 due to its suspension by the Philippine Stock Exchange (PSE) since December 21, 2007.

On December 3, 2008 the Corporation Finance Department of the SEC issued an order of suspension of PHC's Registration of Securities for violation of SRC Rules 17.1 (1) (A) (i) & (ii) due to its continuing failure to file its 2006 and 2007 annual reports as well as its 1st, 2nd and 3rd quarterly reports for 2007. As at December 31, 2018, the suspension has not been lifted. PHC is a subject of intra-corporate controversies. Due to unavailability of a market price, a valuation technique could be used to establish its fair value. Valuation techniques include using arm's length market transactions between knowledgeable parties, if available; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. However, due to intra-corporate controversies which PHC has been involved in for several years now, management has decided to take a conservative stand and provide a 90% allowance based on cost for the impairment of its investment. No fair value gain (loss) was recognized in 2018, 2017 and 2016.

Available-for-sale (AFS) financial assets (prior to adoption of PFRS 9) consist of the following as at December 31, 2017 and 2016 (Note 3):

	2017	2016
Philcomsat Holdings Corp.		
Cost - 80,000,000 shares @ P0.01/share	800,000	800,000
Export and Industry Bank		
Cost - 691,000 shares @ P1/share	691,000	691,000
Total	1,491,000	1,491,000
Fair value loss recognized in OCI	-	-
Impairment loss recognized in previous year	(1,404,090)	(1,404,090)
Impairment loss recognized in current year	(6,910)	-
Fair value, December 31	80,000	86,910

For the Export and Industry Bank stocks, there was no available market value as at December 31, 2018, 2017 and 2016 due to its voluntary suspension. The management decided to use the value of the investment at closing rate in 2008 for the years 2016 and 2015 because its stocks remain suspended as at December 31, 2016 and 2015. The last transaction date was May 14, 2009 and the closing rate was P0.26 per share for the year 2009. As at December 24, 2008, the closing rate of the stock was P0.15 per share. On the special meeting of the Board of Directors held on April 3, 2018, it was resolved that the investment on Export and Industry Bank is to be written off in the books of the Parent Entity and Subsidiary.

Below is the reconciliation between the carrying amounts of AFS financial assets reported under PAS 39 to the balances reported under PFRS 9 as at January 1, 2018:

	Note	
AFS financial assets at December 31, 2017		80,000
Impact of adoption of PFRS 9		
Reclassifications to financial assets at FVOCI	3.2.1	(80,000)
AFS financial assets at January 1, 2018		-

Due to suspension in PSE, there is no available market value for both investments, thus, there is no net accumulated unrealized gain (loss) on AFS financial assets reported under PAS 39 as at December 31, 2017 to be transferred to net accumulated unrealized gain on financial assets at FVOCI as at January 1, 2018.

## NOTE 12 - PROPERTY AND EQUIPMENT, NET

Details of property and equipment as at December 31, 2018, 2017 and 2016 are as follows:

	Building	Transportation equipment	Welding Equipment	Office equipment	Office furniture and fixture	Total
<b>Gross carrying value:</b>						
January 1, 2016	2,193,697	1,150,000	1,397,734	177,954	134,770	5,054,155
Additions	-	-	-	9,800	-	9,800
Disposals	-	-	-	(36,100)	-	(36,100)
December 31, 2016	2,193,697	1,150,000	1,397,734	151,654	134,770	5,027,855
Additions	-	-	-	5,900	-	5,900
Disposals	-	-	-	(24,000)	-	(24,000)
December 31, 2017	2,193,697	1,150,000	1,397,734	133,554	134,770	5,009,755
Disposals	-	-	-	(24,375)	-	(24,375)
December 31, 2018	2,193,697	1,150,000	1,397,734	109,179	134,770	4,985,380
<b>Accumulated depreciation:</b>						
January 1, 2016	1,901,201	1,150,000	1,397,734	104,887	115,000	4,668,822
Depreciation	146,247	-	-	31,913	10,949	189,109
Disposals	-	-	-	(33,100)	-	(33,100)
December 31, 2016	2,047,448	1,150,000	1,397,734	103,700	125,949	4,824,831
Depreciation	146,248	-	-	27,503	3,780	177,531
Disposals	-	-	-	(24,000)	-	(24,000)
December 31, 2017	2,193,696	1,150,000	1,397,734	107,203	129,729	4,978,362
Depreciation	-	-	-	16,767	3,780	20,547
Disposals	-	-	-	(24,375)	-	(24,375)
December 31, 2018	2,193,696	1,150,000	1,397,734	99,595	133,509	4,974,534
<b>Carrying value:</b>						
As at December 31, 2016	146,249	-	-	47,954	8,821	203,024
As at December 31, 2017	1	-	-	26,351	5,041	31,393
As at December 31, 2018	1	-	-	9,584	1,261	10,846

The above property and equipment have not been used as collateral for a loan.

There are no contractual commitment for the acquisition of property and equipment as at December 31, 2018, 2017 and 2016.

The gross carrying value of fully depreciated property and equipment still in use by the Parent Entity and Subsidiary amounting to P1,346,450, P1,305,825, and P1,321,825 as at December 31, 2018, 2017 and 2016, respectively.

#### **NOTE 13 - INVESTMENT PROPERTY**

This represents the transfer value or consideration of the parcel of land which was used as full payment of the subscription of the President Oliverio G. Laperal, Sr. on the increase in authorized capital stock of the Parent Entity and Subsidiary amounting to P400 million. The parcel of land is located at 1004 EDSA, Quezon City with a land area of five thousand (5,000) sq.m. This investment property is covered by TCT No. N-307207 issued by the Land Registration Authority to Imperial Resources, Incorporated on September 3, 2007. An annotation on the title states that “the acquisition of the property described in this title/certificate is by virtue of tax free exchange pursuant to Section 40 C (2) of the National Internal Revenue Code (NIRC) of 1997 per Deed of Assignment of Real Property dated February 2, 2007”.

The Parent Entity and Subsidiary’s investment property is measured using the fair value model.

The fair value of the Parent Entity and Subsidiary’s investment property is as follows:

	2018	2017	2016
Fair value, January 1	550,000,000	500,000,000	420,000,000
Gain from investment property revaluation	235,000,000	50,000,000	80,000,000
Fair value, December 31	785,000,000	550,000,000	500,000,000

The value of the property is based on the appraisal made by Cuervo Appraisers, Inc., an independent appraiser accredited with SEC and determined using the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data establishes a value estimate by processes involving comparison. Based on the analysis and considering the location, size, shape and physical characteristics, highest and best use of the subject property, the appraiser’s report indicated that the fair market value of the land is P785,000,000 as at December 31, 2018. Appraisal of the property was also performed by an independent appraiser and determined the fair value of the property as at December 31, 2017 and 2016 amounting to P550,000,000 and P500,000,000 using the same approach.

The Parent Entity and Subsidiary assessed that the investment property is considered as capital asset under Sec. 39 (A) (1) of the NIRC subject to capital gains tax upon sale and the Parent Entity and Subsidiary does not intend to sell the property. Thus, the gain from the revaluation is considered as permanent difference in the income tax computation and no deferred tax liability is recognized (Note 16).

The above investment property has not been used as collateral for a loan.



Details of the Parent Entity's investment property and information about the fair value hierarchy as at December 31, 2018 are as follows:

	Level 1	Level 2	Level 3	Fair value as at 12/31/18
Investment property	-	785,000,000	-	785,000,000

There were no transfers between Level 1 and 2 during the year.

#### NOTE 14 - EXPLORATION AND EVALUATION ASSETS

This account consists of:

	Acquisition of rights to explore	Geophysical studies	Total
<b>Gross carrying value:</b>			
January 1, 2016	11,795,500	38,676,848	50,472,348
Additions	-	-	-
December 31, 2016	11,795,500	38,676,848	50,472,348
Additions	-	-	-
December 31, 2017	11,795,500	38,676,848	50,472,348
Additions	-	-	-
As at December 31, 2018	11,795,500	38,676,848	50,472,348

On January 30, 2009, a Memorandum of Agreement was made by/and between the Parent Entity and PT. Aspal Buton Nasional granting the Parent Entity the exclusive right of exploration, exploitation, development and operation of the subject mining concessions. Upon signing of the Memorandum of Agreement, the amount deposited in September 2008 was recorded as Exploration and Evaluation Asset. In August 2009, payment for the cost of a geophysical survey was made amounting to US\$100,000. The acquisition of rights to explore and geophysical studies are expenditures which are included in exploration and evaluation assets. In May 2011 and August 2011, the amount of US\$120,000 and US\$100,000, respectively, were remitted to Mr. Eddy Surohadi for the account of PT. Aspal Buton Nasional and PT Indominas to fund the additional geological works/studies needed for the preparation of the project feasibility report and environmental impact report required pending conversion of PT Aspal Buton Nasional Exploration permit to development and exploitation permit. In February, 2012 US\$60,000 and another US\$60,000 in September were both remitted to Mr. Eddy Surohadi for the account of PT. Aspal Buton Nasional and PT Indominas to cover the budget required for additional geological works/studies needed for the preparation of the project feasibility report and environmental impact report for the mining concession area in Buton Island. In 2013, the Parent Entity remitted another US\$100,000 and US\$20,000 in April and November to secure extension on the lease of the mining concession in Buton Island. In 2014, the Parent Entity remitted the amount of US\$102,000 to Mr. Eddy Surohadi for obtaining informal approval for exploitation concession of the 1,722 hectares Waangu-Angu areas including the cost of the preparation of the required technical report on post-production program to restore most of the mined-over areas to usable condition. During the year 2015, the Company remitted US\$99,250 to Mr. Eddy Surohadi for the account of P.T. Aspal Buton and P.T. Indominas to cover the budget required for various technical and tax expenses on the CNC (Clean and Clear Certificate) IUP Production Program for the coverage area of 1,722 hectares. No remittances were made for the years ended December 31, 2018, 2017 and 2016. As discussed in Note 2, the Parent Entity is proceeding with caution and at the same time re-evaluating its Indonesian mining project owing to the precipitous fall in the world price of crude, the Parent Entity is at present inclined to pursue the said project for that reason the Indonesian partners have been continuously

looking for foreign partners to invest capital needed after they have secured formal approval of the exploitation concession because of its viability. Further, the Board of Directors, in its special meeting on April 6, 2019, has approved the plan of the Company on the encouraging prospects of its, local and offshore, mining exploration in view of its economic import and despite rigorous government regulations.

The Parent Entity and Subsidiary is still in the exploration stages and evaluation of mineral resources, thus no amortization is recognized as at December 31, 2018.

#### **NOTE 15 - REFUNDABLE DEPOSIT**

This represents the gas cylinder deposit with Island Air Product Corporation amounting to P45,000 as at December 31, 2018, 2017 and 2016.

#### **NOTE 16 - INCOME TAXES**

The components of provision for income tax-current and deferred reported in the statements of comprehensive income are as follows:

	2018	2017	2016
Provision for income tax - current	-	-	-
Provision for income tax - deferred	99,916	80,506	(4,850,410)
	99,916	80,506	(4,850,410)

The deferred tax asset (DTA) on Net Operating Loss Carry-over (NOLCO) for the years ended December 31, 2018, 2017 and 2016 is computed as follows:

	2018	2017	2016
Consolidated income before income tax	227,699,602	41,353,010	72,972,816
Equity share in net loss of subsidiary - Parent Entity	217,167	395,098	729,883
Separate net loss of subsidiary	2,194	3,991	7,373
Profit (loss) before income tax	227,918,963	41,752,099	73,710,072
Add (deduct):			
<i>Temporary differences:</i>			
Accrual of retirement benefits expense	333,991	277,194	205,363
Unrealized gain on foreign exchange in the current year	(125,631)	(9,294)	(118,989)
Unrealized gain on foreign exchange in previous year, realized in the current year	9,294	118,989	103,969
<i>Permanent differences:</i>			
Impairment loss on investment in AFS	-	6,910	-
Interest income subject to final tax	(9,958)	(10,337)	(11,265)
Non-deductible penalties and surcharges	27,641	1,025	-
Gain from investment property revaluation	(235,000,000)	(50,000,000)	(80,000,000)
Net Operating Loss Carry-Over (NOLCO)	(6,845,700)	(7,863,414)	(6,110,850)
Tax rate	30%	30%	30%
Deferred tax asset (DTA) on NOLCO	(2,053,710)	(2,359,024)	(1,833,255)

Minimum corporate income tax (MCIT) payable for the years ended December 31, 2018, 2017 and 2016 is computed as follows:

	2018	2017	2016
Unrealized gain on foreign exchange realized in the subsequent year	9,294	118,989	103,969
Interest income on salary loan	4,767	13,633	7,818
Taxable income	14,061	132,622	111,787
MCIT rate	2%	2%	2%
MCIT payable	281	2,652	2,236



The Parent Entity and Subsidiary's income tax payable is computed as follows:

	2018	2017	2016
Normal income tax	-	-	-
MCIT	281	2,652	2,236
Higher - MCIT	281	2,652	2,236
Less: Income tax payment			
1st Quarter	-	(87)	-
2nd Quarter	-	-	-
3rd Quarter	(95)	-	(156)
Income tax payable	186	2,565	2,080

The Parent Entity and Subsidiary's deferred tax asset as at December 31, 2018, 2017 and 2016 is computed as follows:

		2018		2017		2016	
	Note	Tax base	DTA	Tax base	DTA	Tax base	DTA
<i>Temporary differences:</i>							
Retirement benefit							
obligation	18	4,351,019	1,305,307	4,157,858	1,247,358	4,295,568	1,288,671

Realization of future tax benefit related to DTA is dependent on the Parent Entity and Subsidiary's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion as to the amount of DTA recognized as at December 31, 2018, 2017 and 2016. Further, the Parent Entity and Subsidiary regularly reviews the recoverability of the DTA recognized. The DTA related to impairment loss on due from subsidiary, unrealized gain on foreign exchange, MCIT and NOLCO are not recognized since management believes that there is absence of virtual certainty that the DTA can be realized against future tax liabilities.

The movements in DTA for the years ended December 31, 2018, 2017 and 2016 are as follows:

	2018	2017	2016
DTA balance at beginning of the year	1,247,358	1,288,671	957,751
DTA on retirement benefit obligation credited (charged to):			
Profit for the year	100,197	83,158	92,800
Other comprehensive income for the year	(42,248)	(124,471)	238,120
DTA balance at end of the year	1,305,307	1,247,358	1,288,671

The reconciliation of income tax expense on profit from operations computed at the statutory income tax rate to the provision for income tax - deferred reflected in the statements of comprehensive income for the years ended December 31, 2018, 2017 and 2016 are as follows:

	2018	2017	2016
Income tax expense on profit from operations at the statutory income tax rate of 30%	68,243,689	12,393,630	21,975,022
Equity share in net loss of subsidiary			
Separate net loss of subsidiary	30%	30%	30%
Adjustments for:			
Impairment loss on investment in AFS	-	2,073	-
Interest income subjected to final tax	(2,987)	(3,101)	(3,488)
Non-deductible penalties and surcharges	8,292	307	-
Gain from investment property revaluation	(70,500,000)	(15,000,000)	(24,000,000)
Unrecognized DTA on impairment loss on due from subsidiary	132,000	132,000	138,000
Unrecognized DTA on unrealized gain on foreign exchange	(34,901)	32,909	(4,506)
Unrecognized DTA on NOLCO	2,053,710	2,359,024	1,833,255
Unrecognized DTA on MCIT	281	2,652	2,236
Reversal of previously recognized DTA on NOLCO	-	-	(4,786,697)
Reversal of previously recognized DTA on MCIT	-	-	(4,232)
	(99,916)	(80,506)	(4,850,410)

The gain from investment property revaluation amounting to P235,000,000, P50,000,000 and P80,000,000 (Note 13) for the years ended December 31, 2018, 2017 and 2016, respectively, is considered as permanent difference, thus, no deferred tax liability has been provided.

The balance of NOLCO as at December 31, 2018 may be used by the Parent Entity and Subsidiary as additional deductions against their respective future taxable income. Similarly, the MCIT balance as at December 31, 2018 may be applied against future income tax liabilities of the Parent Entity and Subsidiary.

The balances of NOLCO and MCIT, with their corresponding years of expiration, are as follows:

Incurred for the year ended December 31	Available until December 31	NOLCO	MCIT
2018	2021	6,845,700	281
2017	2020	7,863,414	2,652
2016	2019	6,110,850	2,236
		20,819,964	5,169

## NOTE 17 - ACCRUALS AND OTHER PAYABLES

This account consists of:

	2018	2017	2016
Accruals			
Taxes and licenses	1,984,821	1,587,857	-
Professional fees	184,680	177,520	145,600
Utilities	18,222	19,366	25,204
Dues & subscription	4,500	7,000	5,500
Repairs and maintenance	-	11,355	-
Others	18,940	21,397	10,123
	2,211,163	1,824,495	186,427
Withholding taxes payable	35,781	53,156	43,026
SSS, Philhealth, HDMF contributions and loan payabl	17,930	19,892	14,747
Documentary stamp tax payable	8,191	72,658	700
	2,273,065	1,970,201	244,900

Management believes that the carrying amounts of accruals and other payables approximate fair values because of their short-term nature.

Accruals and other payables are expected to be settled within the next twelve (12) months.

## NOTE 18 - RETIREMENT BENEFITS

As discussed in Note 3, the Parent Entity has applied *PAS 19 (Revised) - Employee Benefits* and the related consequential amendments. The Parent Entity has applied these amendments retrospectively and in accordance with the transitional provisions as set out in the PAS 19 (Revised) par. 173. These transitional provisions have an impact on future periods. The opening statement of financial position of the earliest comparative period presented (January 1, 2011) has been restated in accordance with *PAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*. Details of the effect of the application of the new standard are disclosed in Note 3.21.

The Parent Entity and Subsidiary does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The discount rate methodology was used to estimate the present value of the Parent Entity and Subsidiary's defined benefit obligation. The discount rate was determined in accordance with the Financial Reporting Standard Council [FRSC] approved Q&A 2008-01(Revised) document, which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero coupon rates, even though theoretically derived.

The procedure of bootstrapping was applied to the PDST-R2 benchmark government bonds as at December 29, 2014 to arrive at the theoretical zero coupon yield curve. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years.

Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value.



The valuation results are based on the employee data as of the valuation dates as provided by the Parent Entity and Subsidiary. The discount rate assumption is based on the PDEx (PDST-R2) benchmark market yields on government bonds as of the valuation dates (or latest available) considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

The following information are based on the latest actuarial valuation report with December 31, 2018, 2017 and 2016 as the valuation date by an independent actuarial firm.

The movements in the present value of the retirement benefits payable recognized in the books are as follows:

	2018	2017	2016
Balance at beginning of the year	4,157,858	4,295,568	3,296,465
Interest cost	194,172	189,005	135,814
Current service cost	139,819	88,189	69,549
Remeasurements of retirement benefits payable	(140,830)	(414,904)	793,740
	4,351,019	4,157,858	4,295,568

The movements during the year in the retirement benefits payable recognized in the consolidated statements of financial position are as follows:

	2018	2017	2016
Balance at beginning of the year	4,157,858	4,295,568	3,296,465
Retirement benefits expense	333,991	277,194	205,363
Remeasurements of retirement benefits payable	(140,830)	(414,904)	793,740
	4,351,019	4,157,858	4,295,568

The amounts of retirement benefits expense for the years ended December 31, 2018, 2017 and 2016 recognized in the statements of comprehensive income are as follows:

Note	2018	2017	2016
Current service cost	139,819	88,189	69,549
Interest cost	194,172	189,005	135,814
25	333,991	277,194	205,363

The amount of remeasurements of retirement benefits payable presented in other comprehensive income in the statements of comprehensive income is computed as follows:

	2018	2017	2016
Actuarial gain on:			
changes in financial assumptions	90,623	20,325	11,064
experience	50,207	394,579	(804,804)
Total	140,830	414,904	(793,740)
Less: Deferred tax asset (liability)	(42,249)	(124,471)	238,122
	98,581	290,433	(555,618)

The movement of remeasurements on retirement benefits payable recognized in the other comprehensive income is as follows:

	2018	2017	2016
Beginning balance	(101,270)	(391,703)	163,915
Remeasurements of retirement benefits payable, net of tax	98,581	290,433	(555,618)
	(2,689)	(101,270)	(391,703)

In determining the amount on retirement benefits payable, the following actuarial assumptions were used:

	2018	2017	2016
Economic assumptions:			
Discount rate	6.94%	4.67%	4.40%
Salary increase rate	1.00%	1.00%	1.00%
Employee data:			
No. of employees	8	8	8
Average age in years	57.4	56.4	55.4
Average remaining working life	2.6	3.6	4.6
Average years of past service	25.1	24.2	23.7
Annual covered payroll	2,624,460	2,624,460	2,624,460

Below is the quantitative information about the sensitivity of the retirement liability to a reasonably, possible change in actuarial assumptions:

	2018	2017	2016
Increase in discount rate	0.90%	1.90%	1.00%
Decrease in present value of retirement benefits liability	37,080	77,726	41,831
Decrease in discount rate	0.80%	1.70%	0.80%
Increase in present value of retirement benefits liability	(33,394)	(71,508)	(35,930)
Decrease in salary increase rate assumption	0.80%	0.80%	0.80%
Decrease in present value of retirement benefits liability	(35,591)	(33,880)	(34,244)
Increase in salary increase rate assumption	0.90%	0.90%	0.90%
Increase in present value of retirement benefits liability	38,981	38,309	39,023

#### NOTE 19 - RELATED PARTY TRANSACTIONS

The Parent Entity and Subsidiary's relationship with related parties is described below:

	Relationship
Oliverio G. Laperal, Sr.	Major shareholder
LTC Real Estate Corporation	Shareholder
Filipinas Golf & Country Club, Inc.	With common directors
Imperial Development Corporation	With common director

The significant transactions of the Parent Entity and Subsidiary in the normal course of business with related parties are described below:

#### A. OTHER RELATED PARTY- SHAREHOLDER

The Parent Entity obtains non-interest bearing advances from its major shareholder. These advances are intended for the Parent Entity's operations.

	Amount of transactions	Outstanding balance	Terms and conditions
<u>Year 2018</u>			
Advances from shareholders			
LTC Real Estate Corporation	7,279,000	21,737,625	a. Have no specific repayment dates, b. The Company has unconditional right to defer payment for more than 12 months, c. Non-interest bearing, and d. Can be converted to equity upon compliance with regulatory requirements
Oliverio G. Laperal, Sr.	-	12,861,215	a. Have no specific repayment dates, b. The Company has unconditional right to defer payment for more than 12 months, c. Non-interest bearing, and d. Can be converted to equity upon compliance with regulatory requirements
	7,279,000	34,598,840	



	Amount of transactions	Outstanding balance	Terms and conditions
<u>Year 2017</u>			
Advances from shareholders			
LTC Real Estate Corporation	6,233,000	14,458,625	a. Have no specific repayment dates, b. The Company has unconditional right to defer payment for more than 12 months, c. Non-interest bearing, and d. Can be converted to equity upon compliance with regulatory requirements
Oliverio G. Laperal, Sr.	-	12,861,215	a. Have no specific repayment dates, b. The Company has unconditional right to defer payment for more than 12 months, c. Non-interest bearing, and d. Can be converted to equity upon compliance with regulatory requirements
	6,233,000	27,319,840	
<u>Year 2016</u>			
Advances from shareholders			
LTC Real Estate Corporation	6,113,625	8,225,625	a. Have no specific repayment dates, b. The Company has unconditional right to defer payment for more than 12 months, c. Non-interest bearing, and d. Can be converted to equity upon compliance with regulatory requirements
Oliverio G. Laperal, Sr.	1,452,625	12,861,215	a. Have no specific repayment dates, b. The Company has unconditional right to defer payment for more than 12 months, c. Non-interest bearing, and d. Can be converted to equity upon compliance with regulatory requirements
	7,566,250	21,086,840	

In March 2016, LTC Real Estate Corp., an investor, and the Parent Entity entered into a memorandum of agreement for the prospective subscription on the shares of stocks of the Parent Entity at the prevailing par value in the amount of Ten Million Pesos (P10,000,000) on or before December 31, 2016. The said amount shall be considered as a deposit and shall be subject to disposition, transfer and recovery by the investor. The Parent Entity has the corresponding duty to hold in trust and/ or return the said amount on demand.

As at December 31, 2018, 2017 and 2016, the Parent Entity has not met all the required conditions to account the deposit as deposit for future stock subscription. Thus, the deposit is recognized as advances from shareholders under non-current liabilities in the statements of financial position

## B. OTHER RELATED PARTY- COMMON DIRECTOR

	Amount of transactions	Outstanding balance	Terms	Conditions
<u>Year 2018</u>				
Rent				
Imperial Development Corporation	635,712	-	(1) Payable on or before fifth (5th) day of each corresponding month. (2) Lease for a period of one (1) year from January 1, 2018 to December 31, 2018. (3) Renewable upon mutual agreement before expiration of the term of the lease.	(1) In case of default in payment, the amount of rental due shall bear interest at the rate of 25% per annum.
Filipinas Golf & Country Club, Inc.	165,092	-	(1) Payable every first (1st) day of the month. (2) Sub-lease for a period of one (1) year from June 1, 2017 to May 31, 2019.	(1) In case of failure to pay, lease shall be considered terminated and the Company shall vacate the premises.
	800,804	-		
<u>Year 2017</u>				
Rent				
Imperial Development Corporation	635,712	-	(1) Payable on or before fifth (5th) day of each corresponding month. (2) Lease for a period of one (1) year from January 1, 2017 to December 31, 2017. (3) Renewable upon mutual agreement before expiration of the term of the lease.	(1) In case of default in payment, the amount of rental due shall bear interest at the rate of 25% per annum.
Filipinas Golf & Country Club, Inc.	147,175	-	(1) Payable every first (1st) day of the month. (2) Sub-lease for a period of one (1) year from June 1, 2017 to May 31, 2018. This was renewed for another year.	(1) In case of failure to pay, lease shall be considered terminated and the Company shall vacate the premises.
	782,887	-		
<u>Year 2016</u>				
Rent				
Imperial Development Corporation	635,712	-	(1) Payable on or before fifth (5th) day of each corresponding month. (2) Lease for a period of one (1) year from January 1, 2016 to December 31, 2016. (3) Renewable upon mutual agreement before expiration of the term of the lease.	(1) In case of default in payment, the amount of rental due shall bear interest at the rate of 25% per annum.
Filipinas Golf & Country Club, Inc.	158,000	-	(1) Payable every first (1st) day of the month. (2) Sub-lease for a period of one (1) year from January 1, 2016 to December 31, 2016.	(1) In case of failure to pay, lease shall be considered terminated and the Company shall vacate the premises.
	793,712	-		

### C. KEY MANAGEMENT PERSONNEL

	Amount of transactions	Outstanding balance
<u>Year 2018</u>		
Short-term employee benefits	1,657,652	-
Post-employment benefits	2,522,890	-
<u>Year 2017</u>		
Short-term employee benefits	1,566,201	-
Post-employment benefits	2,371,331	-
<u>Year 2016</u>		
Short-term employee benefits	1,549,299	-
Post-employment benefits	2,465,193	-

There were no termination, other long-term benefits and share-based payments granted to the key management personnel for the years ended December 31, 2018, 2017 and 2016. The President/Chief Executive Officer and Vice-President/Treasurer (Chief Financial Officer) do not receive salary from the Parent Entity. The members of the Board of Directors receive only per diem per attendance in the regular and special meeting of the Board and Annual/Special Stockholders Meeting. The total amount of per diem paid in 2018, 2017 and 2016 amounts to P195,000, P280,000 and P185,000 (Note 25) respectively.

### NOTE 20 - SHARE CAPITAL

The Parent Entity and Subsidiary's share capital consists of:

	2018	2017
Common shares - P1 par value per share		
Authorized shares, 1,800,000,000 as at December 31, 2018	1,800,000,000	1,800,000,000
Subscribed Share Capital	652,500,000	652,500,000
Less: Subscription Receivable	15,936,454	16,086,454
Paid up capital	636,563,546	636,413,546

The change of par value from Five Pesos (P5.00) to One Peso (P1.00) and the declassification of shares from common Class "A" and Class "B" shares to common stock voting shares were approved



by SEC on February 10, 2017 and implemented by Philippine Stock Exchange (PSE) on February 22, 2017.

2016		
	Shares	Amount
Authorized capital	360,000,000	1,800,000,000
Divided into:		
Class "A"	216,000,000	1,080,000,000
Class "B"	144,000,000	720,000,000
	360,000,000	1,800,000,000
Issued and outstanding		
Class "A"	40,132,504	200,662,521
Class "B"	5,956,135	29,780,674
	46,088,639	230,443,195
Subscribed		
Class "A"	38,167,496	190,837,480
Class "B"	46,243,865	231,219,325
	84,411,361	422,056,805
	130,500,000	652,500,000

2016		
	Amount	
Subscription receivable		
Class "A"		14,565,960
Class "B"		1,520,494
		16,086,454
Total paid up		636,413,546
Paid up		
Class "A"		376,934,041
Class "B"		259,479,505
Total paid up		636,413,546

Subscription receivable collected for the years ended December 31, 2018 and 2016 amounts to P150,000 and P100,436 respectively. There was no collection of subscription receivable for the year 2017.

Both common class "A" and "B" shares have P5.00 par value with the same rights and privileges, except that Common Class "A" shares shall be issued and/or sold only to citizens of the Philippines or to Corporation, at least sixty percent (60%) of the capital stock for/of which is owned by citizens of the Philippines, while Common Class "B" shares shall be issued and/or sold to any person or corporation irrespective of citizenship; provided that a stockholder who is Filipino citizen holding Common Class "B" shares shall be entitled at anytime to convert his Common Class "B" shares to Common Class "A" shares.

The names of the controlling groups/individuals are:

As at December 31, 2018		
<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage to total Outstanding Shares</i>
1 Laperal, Sr. Oliverio G.	546,552,070	83.76%
2 PCD Nominee, Corporation	33,223,565	5.09%
3 LMI Holdings Corporation	21,905,000	3.36%
4 Olondriz, Marino Y Cia	2,411,095	0.37%
5 Laperal, Desiderio L.	1,670,000	0.26%
6 Laperal, Alexandra L.	1,660,000	0.25%
7 Ganotisi, Filomeno	1,630,000	0.25%
Total subscribed shares of controlling groups/individuals	609,051,730	93.34%
Total subscribed shares	652,500,000	100%

As at December 31, 2017		
<i>Name</i>	<i>Number of Common Shares</i>	<i>Percentage to total Outstanding Shares</i>
1 Laperal, Sr. Oliverio G.	546,552,070	83.76%
2 PCD Nominee, Corporation	32,971,565	5.05%
3 LMI Holdings Corporation	21,905,000	3.36%
4 Olondriz, Marino Y Cia	2,411,095	0.37%
5 Laperal, Desiderio L.	1,670,000	0.26%
6 Laperal, Alexandra L.	1,660,000	0.25%
7 Ganotisi, Filomeno	1,630,000	0.25%
Total subscribed shares of controlling groups/individuals	608,799,730	93.30%
Total subscribed shares	652,500,000	100%

As at December 31, 2016		
<i>Name</i>	<i>Number of Class "A" &amp; "B"</i>	<i>Percentage to total Outstanding Shares</i>
1 Laperal, Sr. Oliverio G.	109,310,414	83.76%
2 PCD Nominee, Corporation	6,567,963	5.03%
3 LMI Holdings Corporation	4,381,000	3.36%
Total subscribed shares of controlling groups/individuals	120,259,377	92.15%
Total subscribed shares	130,500,000	100%

## NOTE 21 - EMPLOYEE COSTS

This account consists of:

	Notes	2018	2017	2016
Salaries and wages	25	3,170,328	2,952,700	2,922,087
SSS, Philhealth and HDMF contributions	25	73,135	73,139	87,640
Retirement benefits expense	18, 25	333,991	277,194	205,363
		3,577,454	3,303,033	3,215,090

## NOTE 22 - DEPRECIATION

This account consists of:

	Note	2018	2017	2016
Office equipment		16,767	27,503	31,913
Office furniture and fixture		3,780	3,780	10,949
Building		-	146,248	146,247
	12, 25	20,547	177,531	189,109

## NOTE 23 - FOREIGN CURRENCY-DENOMINATED ASSETS

Dollar denominated assets are as follows:

	2018	2017	2016
Asset:			
Cash and cash equivalents	\$ 45,158	\$ 44,958	\$ 44,761
Year end exchange rate	52.724	49.930	49.720
Peso equivalent	2,380,886	2,244,753	2,225,527

Unrealized gain on foreign exchange credited to operations for the years ended December 31, 2018, 2017 and 2016 amounted to P125,631, P9,294 and P118,989 (Note 8), respectively.

## NOTE 24 - LEASE AGREEMENTS

The Parent Entity and Subsidiary entered into operating lease agreements as follows:

1. The Company entered into an operating lease agreement with Imperial Development Corporation (IDC) for a lease of office space at 82-D and 82-J 4<sup>th</sup> Street, New Manila, Quezon City including adjoining room consisting of 26.8 square meters for a period of one (1) year from January 1, 2016 to December 31, 2016, renewable upon mutual agreement in writing by both parties, with a monthly rental of P47,300, exclusive of 12% VAT. The lease was renewed in 2018 and 2017 under the same terms, stipulations and conditions.
2. The Company entered into a sub-lease agreement with Filipinas Golf & Country Club, Inc. as a sub-lessee for an office space with an area of ten (10) sq. m. more or less located at Unit 202 Villa Building, No. 78 Jupiter Street corner Makati Avenue, Barangay Bel-Air, Makati City for a period of one (1) year with a monthly rate of P6,434 from January 1, 2016 to May 31, 2016 and P6,690 from June 1, 2016 to December 31, 2016 which includes water bills, parking



and association dues. The sub-lease agreement was renewed for another year in 2017 from June 1, 2017 to May 31, 2018 with a monthly rental of P6,690. This was further renewed from June 1, 2018 to May 31, 2019 with a monthly rental of P7,014.

Total rent expense charged to operations amounts to P800,804, P782,887 and P793,712 (Note 25) for the years ended December 31, 2018, 2017 and 2016, respectively.

The future minimum lease payments under non-cancellable operating lease are as follows:

	2018	2017	2016
Not later than one year	33,317	33,450	-

## NOTE 25 - ADMINISTRATIVE EXPENSES

This account consists of:

	Note	2018	2017	2016
Salaries and wages	21	3,170,328	2,952,700	2,922,087
Rent	24	800,804	782,887	793,712
Utilities		598,432	514,284	579,251
Taxes and licenses		494,773	1,709,001	48,721
Professional fees		416,293	521,600	410,475
Dues and subscription		380,018	473,913	374,451
Retirement benefits expense	18, 21	333,991	277,194	205,363
Security services		204,000	234,000	514,700
Director fees	19	195,000	280,000	185,000
Repairs and maintenance		165,401	159,463	209,224
Transportation and travel		164,009	185,383	187,253
Supplies and other office expenses		105,540	86,561	163,325
SSS, Philhealth and HDMF contributions	21	73,135	73,139	87,640
Insurance		33,054	47,215	27,888
Depreciation	22	20,547	177,531	189,109
Bank charges		550	50	750
Impairment loss on investment in AFS	11	-	6,910	-
Loss on derecognition of property and equipment		-	-	3,000
Representation and entertainment		-	-	50,459
Miscellaneous		284,879	198,423	212,848
		7,440,754	8,680,254	7,165,256

**NOTE 26 - NON-CONTROLLING INTEREST**

This account consists of:

	2018	2017	2016
Non-controlling interest net loss for the year	(2,194)	(3,991)	(7,373)
Non-controlling interest in net assets	(233,016)	(229,025)	(221,652)
	(235,210)	(233,016)	(229,025)

The non-controlling interest represents one (1%) percent ownership interest of the Subsidiary.

**NOTE 27 - BASIC AND DILUTED EARNINGS PER SHARE**

The basic earnings per share is computed as follows:

	2018	2017	2016
Profit for the year	227,801,712	42,801,712	68,129,779
Divided by: Weighted average number of common shares	636,551,046	636,413,546	127,282,709
Basic earnings per share	0.36	0.07	0.54

The diluted earnings per share is computed as follows:

	2018	2017	2016
Profit for the year	227,801,712	41,437,507	68,129,779
Divided by: Weighted average number of common shares	636,551,046	636,413,546	127,282,709
Number of shares assumed to be purchased	15,948,954	16,086,454	3,217,291
Total	652,500,000	652,500,000	130,500,000
Diluted earnings per share	0.35	0.06	0.52

**NOTE 28 - COMMITMENTS AND CONTINGENCIES**

The Parent Entity and Subsidiary have no impending liabilities, direct claims, contingent liabilities or matters in which there is a reasonable possibility of an outcome which might materially affect the consolidated financial position or results of operations as at December 31, 2018, 2017 and 2016.

*Commitment to Memorandum of Agreement*

In accordance with the Parent Entity's Memorandum of Agreement with PT. INDOMINAS for the exclusive rights to do preliminary studies before choosing the area to be developed, if the results of the studies are favorable, the Parent Entity shall pay another US\$170,000 upon approval of the conversion of the selected areas into exploration concession (Note 2).



## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Shareholders of  
IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY  
82-J 4<sup>th</sup> Street, Barangay Mariana, New Manila  
Quezon City

We have audited the consolidated financial statements of IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY in accordance with the Philippine Standards on Auditing for the year ended December 31, 2018 and have issued our report thereon dated April 6, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole.

The supplementary information included in the following accompanying additional components is the responsibility of the Parent Entity and Subsidiary's management.

- i. Tabular schedule of standards and interpretations as of reporting date
- ii. Schedule of financial soundness indicators
- iii. Map of conglomerate or group companies within which the reporting entity belongs
- iv. Supplementary schedules as required under Annex 68-E
- v. Reconciliation of Retained Earnings Available for Dividend Declaration

The supplementary information referred to above are presented for purposes of complying with Securities Regulation Code Rule 68, as amended (2011), and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

VILLARUZ, VILLARUZ & CO., CPAs  
000-889-941

By:

GEORGE V. VILLARUZ

CPA Certificate No. 36018

PRC ID No. 0036018 valid until August 26, 2020

PTR No. 7375815 issued on January 7, 2019 at Quezon City

BIR A. N. (Individual) 07-001490-003-2017 issued on December 20, 2017 effective until December 19, 2020

BIR A. N. (Firm) 07-001486-004-2017 issued on December 20, 2017 effective until December 19, 2020

SEC A.N. (Individual) as general auditors 1106-AR-2 issued on March 23, 2017 effective until March 22, 2020

SEC A.N. (Firm) as general auditors 0128-FR-3 issued on January 5, 2017 effective until January 4, 2020

T.I.N. 101-741-882

BOA/PRC Registration No. 0058 issued on October 4, 2018 effective until June 26, 2021

Quezon City, Philippines  
April 6, 2019





**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
As at and for the year ended December 31, 2018

**OTHER DOCUMENTS TO BE FILED WITH THE ANNUAL AUDITED FINANCIAL STATEMENTS**

Under paragraph 4(J) of SRC Rule 68, as amended, large and/or publicly-accountable entities are required to submit with their audited financial statements a schedule, in table format, showing in the first column a list of all the effective standards and interpretations under the PFRS as of year-end, and an indication opposite each in the second column on whether it is "Adopted", "Not adopted" or "Not applicable".

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> <b>Effective as of December 31, 2018</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>			✓	
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Deletion of short-term exemptions for first-time adopters			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources	✓		
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9 (2014)</b>	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
<b>PFRS 11</b>	Joint Arrangements			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories			✓
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts			✓
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19 (Revised)</b>	Employee Benefits	✓		
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs			✓
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Equity method in Separate Financial Statement			✓
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			✓
	Amendment to PAS 28 (Amended): Measuring an associate or joint venture at fair value			✓
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓
<b>PAS 40</b>	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2018		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 14</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration			✓
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**As at and for the years ended December 31, 2018, 2017 and 2016**

Pursuant to SRC Rule 68, As Amended, Part 1 General Financial Reporting Requirements No. 4 Other Documents To Be Filed With The Financial Statements.

- A. Per Subsection D. "All Secondary licenses of the Commission (financing companies, broker, dealer of securities and underwriters) and public companies" requirement of a schedule, showing financial soundness indicators in two comparative periods as follows: (i) current/liquidity ratio; (ii) solvency ratios, debt-to-equity ratios; (iii) asset-to-equity ratios; (iv) interest rate coverage ratios; (v) profitability ratios; (vi) other relevant ratios as the Commission may consider necessary.

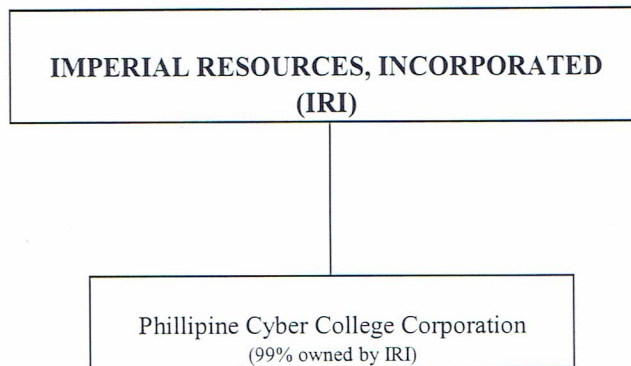
	2018	2017	2016
(i) Current/liquidity ratios:			
$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{3,543,776}{2,273,251} = 1.56:1$	$\frac{2,760,433}{1,972,766} = 1.40:1$	$\frac{2,995,554}{246,980} = 12.13:1$
(ii) Debt-to-equity ratios:			
$\frac{\text{Total liabilities}}{\text{Equity}}$	$\frac{41,223,110}{799,234,167} = 0.05:1$	$\frac{33,450,464}{571,186,068} = 0.06:1$	$\frac{25,629,388}{529,462,119} = 0.05:1$
(iii) Solvency ratios:			
$\frac{\text{Total liabilities}}{\text{Total assets}}$	$\frac{41,223,110}{840,457,277} = 0.05:1$	$\frac{33,450,464}{604,636,532} = 0.06:1$	$\frac{25,629,388}{555,091,507} = 0.05:1$
(iv) Asset-to-equity ratios:			
$\frac{\text{Total assets}}{\text{Equity}}$	$\frac{840,457,277}{799,234,167} = 1.05:1$	$\frac{604,636,532}{571,186,068} = 1.06:1$	$\frac{555,091,507}{529,462,119} = 1.05:1$
(v) Interest rate coverage ratios (Earnings before interest and taxes/Interest expense):	This ratio is not applicable since the Parent Entity and Subsidiary has no interest expense.		
(vi) Profitability ratios (Net profit after taxes/Revenues before cost of services):	This ratio is not applicable since the Parent Entity and Subsidiary has no revenues.		



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
**As at and for the year ended December 31, 2018**

---

**MAP OF THE CONGLOMERATE OR GROUP OF COMPANIES  
WITHIN WHICH THE REPORTING ENTITY BELONGS**



**IMPERIAL RESOURCES, INCORPORATED AND SUBSIDIARY**  
As at and for the year ended December 31, 2018

**SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-E**

This Annex prescribes the disclosure requirements including the form and content of the schedules required by paragraph 6, Part II of SRC Rule 68, as amended.

**Schedule A. Financial Assets**

This schedule is not applicable to the Parent Entity and Subsidiary since there is no Fair Value through Profit or Loss as at December 31, 2018.

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

This schedule is not applicable to the Parent Entity and Subsidiary since there are no amounts receivable from directors, officers, employees, related parties and principal stockholders (other than related parties) from whom an aggregate indebtedness of more than P100,000 or one percent of total assets, whichever is less, is owed at December 31, 2018.

**Schedule C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements**

This schedule consists of:

**Philippine Cyber College Corporation (Subsidiary)**

								Ending balance					
Beginning balance		Additions		Collections		Amounts Written Off		Current		Non-current		Amount eliminated	
<i>Due from Subsidiary</i>													
P	23,424,934	P	223,000	P	-	P	-	P	-	P	23,647,934	P	23,647,934
<i>Allowance for impairment loss</i>													
(22,498,000)		(440,000)		-		-		-		(22,938,000)		(22,938,000)	
# P	926,934	P	(217,000)	P	-	P	-	P	-	P	709,934	P	709,934

**Schedule D. Intangible Assets - Other Assets**

This schedule is not applicable to the Parent Entity and Subsidiary since there are no intangible assets as at December 31, 2018.

**Schedule E. Long-Term Debt**

This schedule is not applicable to the Parent Entity and Subsidiary since there is no long-term debt as at December 31, 2018.

**Schedule F. Indebtedness to Related Parties**

This schedule consists of advances from shareholders for continuous support to the Parent Entity's operations as at December 31, 2018:

Name of related party	Balance at beginning of the period	Additions (Payments)	Balance at end of period
Oliverio G. Laperal, Sr.	12,861,215	-	12,861,215
LTC Real Estate Corporation	14,458,625	6,233,000	20,691,625
	27,319,840	6,233,000	33,552,840

**Schedule G. Guarantees of Securities of Other Issuers**

This schedule is not applicable to the Parent Entity and Subsidiary since there is no guarantees of securities of other issuing entities by the issuer for which the statement is filed as at December 31, 2016.

**Schedule H. Capital Stock**

This schedule consists of:

Title of Issue	Number of shares authorized	issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common Stock	1,800,000,000	636,563,546	-	22,952,375	3,250,000	610,361,171



IMPERIAL RESOURCES, INCORPORATED  
82-J 4th Street, New Manila, Quezon City

RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
As of December 31, 2018

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2015		(200,725,802)
<b>Add: Net income actually earned/realized during 2016</b>		
Net income during 2016 closed to Retained Earnings	68,129,779	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	80,000,000	
Amount of recognized DTA that increased the amount of income tax expense	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	80,000,000	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Amount of recognized DTA that increased the amount of income tax expense	(4,850,410)	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	(4,850,410)	
<b>Net income actually earned during 2016</b>		(16,720,631)
<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2016</b>		<b>(217,446,433)</b>
<b>Add: Net income actually earned/realized during 2017</b>		
Net income during 2017 closed to Retained Earnings	41,437,507	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		
Fair value adjustment (M2M gains)		
Fair value adjustment of Investment Property resulting to gain	50,000,000	
Amount of recognized DTA that increased the amount of income tax expense		
Adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Sub-total	50,000,000	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Amount of recognized DTA that increased the amount of income tax expense	80,506	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	80,506	
<b>Net income actually earned during 2017</b>		(8,481,987)
<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2017</b>		<b>(225,928,420)</b>
<b>Add: Net income actually earned/realized during 2018</b>		
Net income during 2018 closed to Retained Earnings	227,801,712	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture		
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain		
Fair value adjustment (M2M gains)		
Fair value adjustment of Investment Property resulting to gain	235,000,000	
Amount of recognized DTA that increased the amount of income tax expense		
Adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Sub-total	235,000,000	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Amount of recognized DTA that increased the amount of income tax expense	99,916	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	99,916	
<b>Net income actually earned during 2018</b>		(7,098,372)
<b>Unappropriated Retained Earnings, as adjusted to available for dividend distribution, December 31, 2018</b>		<b>(233,026,792)</b>

**CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **GENELITA G. MANANDIC**, Filipino, of legal age and a resident of Maya-maya Drive, Maya-maya Circle, Victoria Valley Subdivision, Antipolo City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **IMPERIAL RESOURCES, INCORPORATED** and have been its independent director since June 10, 2010.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY / ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Filipinas Golf & Country Club, Inc.	Director	2010 - present
Fruit and Veggie Friends Club, Inc.	Founder, Lecturer	2004 - present
Thocaris One Corp.	Partners	1990 - 2018
Subic Bay Waterfront Dev. Corp.	Group Manager	1998 - 2000
COCOLIFE	Agency Manager	1992 - 1995
COCOLIFE	Life Underwriter	1991 - 1992
Everlasting Memorial Park	Marketing Manager	1996 - 1997

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **IMPERIAL RESOURCES, INCORPORATED**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code).

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
	NOT APPLICABLE	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
	NOT APPLICABLE	

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of IMPERIAL RESOURCES, INCORPORATED of any changes in the above-mentioned information within five days from its occurrence.


Done this \_\_\_\_ day of JUN 03 2019 at QUEZON CITY

  
GENELITA G. MANANDIC  
Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of JUN 03 2019, 2019;  
affiant personally appeared before me and exhibited to me proofs showing her identity and government issued Driver's License No. C0293038475 issued at Robinson Cainta DLRC Field Office Code 0423 1 expiring on April 22, 2022.

NOTARY PUBLIC

Doc. No. 282;  
Page No. 26;  
Book No. 2N;  
Series of 2019.

  
ATTY. ROGELIO J. BOLIVAR  
NOTARY PUBLIC - QUEZON CITY  
AM Adm. Not. Comp. No. 1038374 01-12-19 until 12-31-2021  
IBP O.R. No. 1038374 Jan. 2019 up to Dec. 2020  
PTR O.R. 5522486 C 1-3-19/Roll No. 33032 / TIN# 129-874-009  
MCLE No. V-0019296 valid from 04/15/2016 until 04/14/2019/Pasig City  
Address: 31-F Harvard St. Cubao Q.C



# **CERTIFICATION OF INDEPENDENT DIRECTOR**

I, **ANTHONY NELSON G. MENDOZA**, Filipino, of legal age and a resident of 103 Acacia Avenue, Ayala Alabang, Muntinlupa City, after having been duly sworn to in accordance with law, do hereby declare that:

1. I am a nominee for independent director of **IMPERIAL RESOURCES, INCORPORATED** and have been its independent director since April 21, 2010.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
BLESS Microfinance Corp.	President	1998 – present
BLESS Tahanan Corp.	President	2005 - present
BLESS Entrepreneurial Agri-Business Development Corp.	President	2007 - present
BLESS Omnitrans Services Corp.	President	2008 - present
BLESS Kaunlaran Corp.	President	2011 - present
BLESS Nutrifoods Corp.	Treasurer	2016 - present
BLESS Inc.	President	2016 - present
BLESS Amare Inc.	President	2016 - present
BLESS Okiniiri Resto Inc.	President	2017 - present
BLESS LAS PAELLAS, INC.	President	2017 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **IMPERIAL RESOURCES, INCORPORATED**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code).

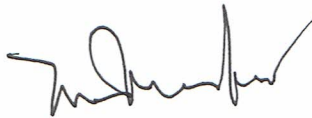
NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
	NOT APPLICABLE	

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/ INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
	NOT APPLICABLE	

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of IMPERIAL RESOURCES, INCORPORATED of any changes in the above-mentioned information within five days from its occurrence.

Done this \_\_\_\_ day of JUN 03 2019, 2019 at QUEZON CITY.

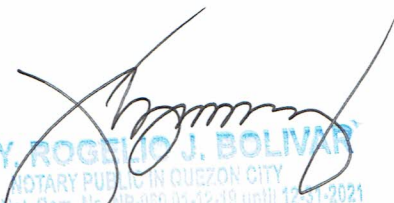


**ANTHONY NELSON G. MENDOZA**  
Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of JUN 03 2019, 2019; affiant personally appeared and exhibited to me his Passport No. P2488122A issued at DFA, Manila expiring on March 27, 2022.

NOTARY PUBLIC

Doc. No. 267;  
Page No. 26;  
Book No. XIV;  
Series of 2019.



**ATTY. ROGELIO J. BOLIVAR**  
NOTARY PUBLIC IN QUEZON CITY  
AM Adm. Div. Com. No. NP-060 01-12-19 until 12-31-2021  
IBP O.R. No. 1338374 Jan. 2018 up to Dec 2020  
PTR O.R. 5522486 C 1-3-19/Roll No. 83032 / TIN# 129-571-00  
MCLE No. V-0019296 valid from 04/15/2016 until 04/14/2019/Pasig City  
Address: 31-F Harvard St. Cubao, Q.C.