



GEOGRACE

Resources Philippines Inc.
www.geograce.com

10 September 2012

Philippine Stock Exchange, Inc.
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Re: **Amended SEC Form 17Q for the second quarter ended June 30, 2012**

Gentlemen:

We enclose a copy of the Company's Amended SEC Form 17Q for the second quarter ended June 30, 2012 which we filed with the Securities and Exchange Commission on August 10, 2012. The amended portions of the report are as follows (underlined for your reference):

1. Disclosure if the company will early adopt PFRS 9 – page 24
2. Additional requirements (SRC Rule 68, as amended October 2011)
– Schedule showing financial soundness indicators in two comparative period (Item No. 19, page 44 & 45)
3. Schedule of the Effective Standards and Interpretation (PFRS) – pages 47 to 50

Very truly yours,


ARSENIO C. CABRERA, JR.
Corporate Secretary/Corporate Information Officer

COVER SHEET

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S.E.C. Registration Number

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| I | N | C | O | R | P | O | R | A | T | E | D | | | | | | | | | | | | | | | | | | |

(Company's Full Name)

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| M | A | N | D | A | L | U | Y | O | N | G | | C | I | T | Y | | | | | | | | | | | | | |

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

| |
|--------------------------|
| DELFIN CASTRO JR. |
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Contact Person

| |
|-----------------|
| 570-9754 |
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Company Telephone Number

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| 1 | 2 | 3 | 1 |
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Month Day
Fiscal Year

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|---------------------------|
| SEC 17-Q (AMENDED) |
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FORM TYPE

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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

| |
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|--|

Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q (AMENDED)

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

1. For the quarterly period ended June 30, 2012
2. Commission identification number 41004 3. BIR Tax Identification No. 000-718-626-000
4. Exact name of issuer as specified in its charter GEOGRACE RESOURCES PHILIPPINES, INC.
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
6F Nihao Sunplaza Bldg. Shaw Blvd. cor. Princeton Street, Bgy. Wack-Wack, Greenhills East,
Mandaluyong City
8. Issuer's telephone number, including area code (632) 856-2011
9. Former name, former address and former fiscal year, if changed since last report: Not Applicable
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 |
|--------------------------------------|--|
| <u>Common stock, P1.00 par value</u> | <u>3,500,000,000</u> |
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 stock
12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the 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 90 days.
Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements for the second quarter ending June 30, 2012 was presented in conformity with accounting principles generally accepted in the Philippines. The Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

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

A. Plan of Operations

The Group will continue to focus on its competitive advantage of being one of the major mining companies in the Philippines with the most access to mining tenements in all major regions across all major mineral resources. On its existing claims, it shall continue to finance exploration efforts to advance its geologic data leading to PMRC compliant resources/reserves. It shall also simultaneously look for joint venture partners similar to the Company's successful farm-in mechanism with VALE with respect to the Masbate tenements.

The Group, as part of its business model, will also continue to identify joint venture partners to co-finance the exploration of its existing claims while ceding a percentage ownership to the joint venture partner. This will free up cash flows for further exploration of its other properties or for acquisition.

On the acquisition side, the Group shall continue to look for quality claims either by direct application with the MGB or through acquisition of existing claims in the secondary market. With the vast database the Company has built over the years along with its seasoned geologists, it can easily identify unexplored tenements across the country.

B. Management's Discussion and Analysis

Financial Performance In Thousand Pesos

| Key Financial Indicators | June 30, 2012 | % | June 30, 2011 | % |
|----------------------------|----------------|-------|----------------|-------|
| Gross Revenues | 4,176 | 0% | 6,938 | 0% |
| Cost and Expenses | <u>(3,824)</u> | 100% | <u>(5,933)</u> | 100% |
| Net Income (Loss) | <u>352</u> | -100% | <u>1,005</u> | -100% |
| Current Assets | 107,486 | | 370,571 | |
| Unallocated Current Assets | <u>12,691</u> | | <u>12,311</u> | |
| Total Current Assets | <u>120,177</u> | 30% | <u>382,882</u> | 99% |
| Assets | 388,452 | | 374,535 | |
| Unallocated Assets | <u>12,691</u> | | <u>12,311</u> | |
| Total Assets | <u>401,143</u> | 100% | <u>386,846</u> | 100% |
| Current Liabilities | <u>7,910</u> | 2% | <u>3,834</u> | 1% |
| Liabilities | 7,910 | | 3,873 | |
| Unallocated Liabilities | <u>-</u> | | <u>-</u> | |
| Total Liabilities | <u>7,910</u> | 2% | <u>3,873</u> | 1% |
| Total Stockholders' Equity | <u>393,233</u> | 98% | <u>382,972</u> | 99% |
| Current Ratio | 15.1930 | | 99.8649 | |
| Debt to Equity | 0.020 | | 0.010 | |
| Gross Profit Margin | NA | | NA | |
| Net Operating Margin | NA | | NA | |
| Return on Assets | 0.00 | | 0.00 | |
| Return on Equity | NA | | NA | |

Cost and expenses and net income are computed as a percentage of Gross Revenues.

Current assets, current liabilities, total liabilities and stockholders' equity are computed as a percentage of total assets.

Return on Assets is derived by dividing net income (loss) from total assets.

For the period ended June 30, 2012 versus December 31, 2011:

During the six-month period ending June 30, 2012, the Company incurred ₱3.82 million in operating expenses. Operating expenses comprised mainly of general and administrative expenses.

Total Current Assets increased by 0.62% or ₱0.74 million from December 31, 2011 to June 30, 2012. Similarly, total Stockholders' Equity stood at ₱393.2 million, increased from ₱392.9 million in December 2011. These increases in the assets and equity of the Company were due to the increase in advances to related parties.

For the period ended June 30, 2012 versus June 30, 2011:

Financial results showed approximately ₱4.2 million in total revenues of which ₱3.9 million were recorded as service income during the second quarter of 2012. The total general and administrative expenses decreased by 35.9% or to ₱3.8 million from ₱5.9 million during the previous year. As a result, net income for the quarter ending June 30, 2012 amounted to ₱0.35 million as compared to net income of ₱1.0 million during the previous year.

Total Current Assets for the six-month period of 2012 decreased by 68.61% or by ₱262.7 million as compared to the same period last year due to the decrease in cash and cash equivalents used in operating activities.

Total Liabilities increased by 104.2% or ₱4.04 million as compared to previous year's total liabilities. This increase was due to increase in deferred Output tax and due to related parties acquired from the acquisition of Abeilles.

Total Stockholders' Equity increased by 2.67% or ₱10.3 million representing the recognition of non-controlling interests of the company.

Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operation of the following:

- a. Any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

To date, the management of GEO has inked the following agreements:

1. February 17, 2009 - the Company signed an Operating Agreement with GEOGEN Corporation ("GEOGEN"). GEOGEN is the successor-in-interest of PGMC with respect to the Isabela Mining Claim. This Operating Agreement supersedes the Operating Agreement entered into by and between the Company and PGMC on 23 September 2008.
2. February 25, 2009 - the Company and the shareholders of GMI and SMI executed a Cancellation Agreement to formalize the termination of the Share Swap Agreements dated September 17, 2007. The parties agreed to cancel the Share Swap Agreements in view of the prevailing market conditions and the drop in the market price of the Company's shares.

As of 23 February 2009, the average market price for the last thirty (30) trading days dropped at P0.46 per share which is lower than the issue price of P1.00 per share

3. On May 6, 2011, the Board of Directors of the Company approved the amendment of the Exploration and Option Agreement (the "Vale Agreement") entered into on June 24, 2008 by and among Vale Exploration Philippines, Inc. ("Vale"), the Company, Masbate10 Phils., Inc., Masbate 2145 Phils., Inc., Masbate 109 Philippines, Inc., Richground Phils, Inc., Minevault Inc., Ecogeo Mineral Resources, Inc. and GEO8 Resources, Inc. (collectively, the seven preceding corporations shall be referred to as the "Tenement Holders"). The Board likewise authorized Mr. Jerry C. Angping, as then President of the Company, to sign for and in behalf of the Company the amendment to the Vale Agreement and the Service Agreement required to be executed by virtue thereof.

The Company had previously disclosed to this Exchange that under the Vale Agreement, Vale was, subject to government approvals, granted the exclusive exploration and mining right to conduct exploration and mineral resource and reserve valuation over seven (7) mining claims located in Masbate Island and Ticao Island in Masbate Province (collectively, the "Masbate Mining Claims") with an aggregate area of approximately 84,046 hectares. The Vale Agreement also granted Vale the option to form a joint venture for the development and operation of mining activities on the Masbate Mining Claims.

In connection with the Vale Agreement, please be informed that the parties executed an agreement entitled Amendments to the Option Agreement (the "Amendment Agreement") by virtue of which the parties agreed to amend the Vale Agreement in order to reflect their subsequent agreement on obtaining the appropriate approvals of the Vale Agreement and to appoint Vale as an independent contractor pending the approval of the Vale Agreement. Pursuant to the counterparts provision in the Amendment Agreement, Vale executed the Amendment Agreement on 5 April 2011 while the Company executed the Amendment Agreement on 6 May 2011. The parties also executed a Service Agreement dated 6 May 2011 whereby Vale was appointed as an independent contractor for the purpose of conducting exploration in the areas covered by the Masbate Mining Claims, pending the approval of the Vale Agreement by the appropriate regulatory authorities.

4. On May 6, 2011, the Company entered into various Subscription Agreements with the following investors involving a private placement transaction covering Nine Hundred Fifty Two Million Four Hundred Eighteen Thousand Five Hundred Seventy One (952,418,571) shares (the "Shares") of the Company at One Peso (PHP1.00) per share. The subscription price of One Peso (PhP1.00) per share represents a premium over the closing price over the PHP 0.63 closing price of the Company's shares as of May 5, 2011. The payment terms were as follows: (a) twenty-five percent (25%) of the subscription price shall be paid upon the execution of the Subscription Agreements; and (b) the balance of the subscription price shall be paid upon call by the Board.

| Name of Investor | Number of Shares Subscribed | Amount of Subscription |
|---------------------------------|-----------------------------|------------------------|
| • Garry Lincoln Calixtro Taboso | 200,000,000 | ₱200,000,000.00 |
| • Daniel C. Go | 120,000,000 | 120,000,000.00 |
| • Zandro L. Zulueta | 60,000,000 | 60,000,000.00 |

| | | |
|--------------------------------------|--------------------|------------------------|
| • Antonio Victoriano F. Gregorio III | 220,000,000 | 220,000,000.00 |
| • Delfin S. Castro, Jr. | 72,418,571 | 72,418,571.00 |
| • Jose Francisco E. Miranda | 60,000,000 | 60,000,000.00 |
| • Jose M. Crisostomo | 120,000,000 | 120,000,000.00 |
| • David M. Dela Cruz | 100,000,000 | 100,000,000.00 |
| TOTAL | 952,418,571 | ₱952,418,571.00 |

As of March 31, 2012, the Company has received a total of ₱238,104,642.75 from the aforementioned investors representing 25% of their total subscriptions.

b Subsidiaries

The Company owns ninety-seven percent (97%) of the issued and outstanding capital stock of Abeilles Assets, Inc. ("Abeilles"). Abeilles is engaged in the business of acquiring, holding, selling, exchanging, dealing and investing in stocks, bonds, or securities of any government or any subdivision thereof or any public or private corporation, and in real and personal properties of all kinds.

Abeilles, in turn, owns one hundred percent (100%) of the outstanding capital stock of the following mining companies: (a) GEO8 Resources, Inc. ("GEO8"); (b) Masbate 109 Philippines, Inc. ("Masbate 109"); (c) Richground Philippines, Inc. ("Richground"); and (d) Minevault, Inc. ("Minevault"). Abeilles likewise owns fifteen percent (15%) of the outstanding capital stock of Masbate 10 Philippines, Inc. ("Masbate 10") (GEO8, Masbate 109, Richground, Minevault and Masbate 10 shall collectively be referred to as the "Mining Companies").

The Mining Companies have various gold mining claims in Masbate, as more particularly described below:

| Name of Mining Company | Exploration Permit ("EP") No./Exploration Permit Application ("EXPA No.") | Location | Coverage/Area |
|------------------------|---|---|---------------------|
| GEO8 | EXPA-0000114-V | Municipalities of Milagros, Mandaon, Mobo and Masbate City, Province of Masbate | 16,185 hectares |
| Masbate 109 | EXPA-000109-V | Municipality of Mobo, Province of Masbate | 522 hectares |
| Richground | EXPA-000111-V | Municipalities of Cawayan, Dimasalang, Milagros and Uson, Province of Masbate | 16,179 hectares |
| Minevault | EXPA-000113-V | Municipalities of Aroroy, Mandaon and Baleno, Province of Masbate | 16,149 hectares |
| Masbate 10 | EP-V-2007-004 | Municipalities of Mobo, Uson, Milagros and City of Masbate, Province of Masbate | 9,576.7825 hectares |

- c. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation. None.
- d. All 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. None except items discussed above.
- e. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources and uses of funds for such expenditures. None.
- f. 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 or revenues or income from continuing operations. None.
- g. Any significant elements of income or loss that did not arise from the Company's operations. None.
- h. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

Balance Sheet items (June 30, 2012 versus December 31, 2011)

19.88% decrease in Cash and Cash Equivalents
Due to increase in operating expenses.

25.22% increase in Receivables
Primarily due to increase in advances to employees.

1.14% increase in Advances to Related Parties
Due to additional advances to related parties.

2.57% increase in Other Current Assets
Input tax on purchases.

13.80% decrease in Property and Equipment
Primarily due to amortization of various equipments.

97.72% decrease in Finance Lease Obligation
Payment of finance lease amortizations.

Income Statement items (six months period ended June 30, 2012 versus December 31, 2011)

95.11% decrease in Interest Income
Due to decrease in money market placements.

91.88% decrease in General and Administrative Expenses
Primarily due to the decrease in research and development expenses

- i. Any seasonal aspect that will have a material effect on the financial condition or results of operation of the Company. None.

PART II--OTHER INFORMATION

Item 3. Assessment of the financial risk exposures of the Company particularly on currency, interest, credit, market and liquidity risks.

Please refer to Notes to Financial Statements No. 18.

Item 4. Evaluation of Financial Instruments

- a. A description of the financial instruments of the Company and the classification and measurement applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the Company. Please refer to Notes to Financial Statements No. 19.
- b. The amount and description of the Company's investments in foreign securities. Not applicable, the Company has no investment in foreign securities.
- c. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy. Please refer to Notes to Financial Statements No. 19.
- d. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities. Please refer to Notes to Financial Statements No. 18.
- e. A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period, and the amount of gain/loss recognized for each of the said periods. Please refer to Notes to Financial Statements No. 19.
- f. The criteria used to determine whether the market for a financial instrument is active or inactive. Not applicable, the Company has no AFS investments.

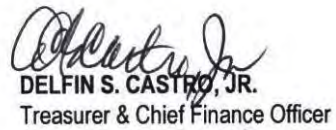
SIGNATURES

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



JOSE FRANCISCO E. MIRANDA
President

Date: 09/07/12



DELFIN S. CASTRO, JR.
Treasurer & Chief Finance Officer

Date: 09/07/12

**GEOGRACE RESOURCES PHILIPPINES, INC.
INDEX TO FINANCIAL STATEMENTS**

FORM 17-Q, Item 1

Financial Statements

Balance Sheets as of June 30, 2012 and December 31, 2011
Statements of Income for the Second Quarter ending June 30, 2012 and 2011
Statements of Changes in Stockholders Equity
Statements of Cash Flows for the Second Quarter Ending June, 2012 and 2011
Notes to Financial Statements

GEOGRACE RESOURCES PHILIPPINES, INC.
BALANCE SHEETS
(in Philippine Pesos)

| | Note | June 30, 2012 (Unaudited) | December 31, 2011 (Audited) |
|--|-------|------------------------------|--------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4, 6 | 18,578,952 | 23,189,902 |
| Receivables | 4, 7 | 23,594,206 | 18,841,259 |
| Due from related parties | 4, 15 | 25,153,288 | 24,869,127 |
| Inventory – net | 4, 8 | 40,160,255 | 40,160,255 |
| Other current assets | 9 | 12,690,671 | 12,371,677 |
| Total Current Assets | | 120,177,373 | 119,432,220 |
| Noncurrent Assets | | | |
| Property and Equipment - net | 4, 11 | 1,586,340 | 1,840,431 |
| Investment in an associate | 4, 10 | 22,998,876 | 22,998,876 |
| Mining rights | 4 | 254,777,996 | 254,777,996 |
| Rental Deposits and others | | 1,602,085 | 1,602,085 |
| Total Noncurrent Assets | | 280,965,297 | 281,219,388 |
| | | 401,142,669 | 400,651,608 |
| LIABILITIES & STOCKHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Accrued expenses and other current liabilities | 4, 13 | 3,799,504 | 3,421,874 |
| Due to related parties | 4, 15 | 4,103,501 | 4,019,501 |
| Finance lease obligation- current portion | 4, 14 | 6,537 | 287,376 |
| Total Current Liabilities | | 7,909,543 | 7,728,751 |
| Noncurrent Liabilities | | | |
| Finance lease obligation- net of current portion | 4, 14 | - | 0 |
| Total Noncurrent Liabilities | | - | 0 |
| Equity Attributable to Equity Holders of the Parent | | | |
| Capital Stock | 16 | 2,785,686,072 | 2,785,686,072 |
| Deficit | | 2,401,014,819 | 2,401,329,497 |
| | | 384,671,253 | 384,356,575 |
| Non-controlling Interests | | 8,561,874 | 8,566,282 |
| Total Equity | | 393,233,127 | 392,922,857 |
| | | 401,142,669 | 400,651,608 |

GEOGRACE RESOURCES PHILIPPINES, INC.
INCOME STATEMENTS
 Unaudited
 (in Philippine Pesos)

| | Note | 2012 | | 2011 | |
|---|-------|-------------------------|-------------------------|-----------------------|-------------------------|
| | | April 1 to June 30 | January 1 to June 30 | April 1 to June 30 | January 1 to June 30 |
| REVENUES | | | | | |
| Service income | 4 | 875,000 | 3,875,000 | 5,000,000 | 5,700,000 |
| Interest income | 4 | 215,148 | 301,292 | 701,146 | 1,238,267 |
| | | <u>1,090,148</u> | <u>4,176,292</u> | <u>5,701,146</u> | <u>6,938,267</u> |
| EXPENSES | | | | | |
| General and administrative | 4, 17 | 1,367,558 | 3,815,143 | 5,291,902 | 5,932,928 |
| Mine development costs | 4, 13 | - | - | - | - |
| Exploration costs | | - | - | - | - |
| Other (income) charges | 14 | 2,709 | 9,393 | 348 | 348 |
| | | <u>1,370,267</u> | <u>3,824,536</u> | <u>5,292,250</u> | <u>5,933,276</u> |
| INCOME (LOSS) BEFORE NET EARNINGS (LOSSES) | | (280,119) | 351,756 | 408,896 | 1,004,991 |
| PROVISION FOR INCOME TAX | | - | - | - | - |
| NET INCOME (LOSS) | | <u>(280,119)</u> | <u>351,756</u> | <u>408,896</u> | <u>1,004,991</u> |
| | | | | | |
| Weighted Average No. of Shares-Common | | <u>3,500,000,000</u> | <u>3,500,000,000</u> | <u>2,522,105,615</u> | <u>2,522,105,615</u> |
| Income (Loss) Per Share | | <u>(0.000)</u> | <u>0.000</u> | <u>0.000</u> | <u>0.000</u> |

GEOGRACE RESOURCES PHILIPPINES,
 INC.
 CONSOLIDATED STATEMENTS OF CHANGES IN
 STOCKHOLDERS' EQUITY
 (in Philippine Pesos)

| | Unaudited June 30, 2012 | Audited December 31, 2011 | Unaudited June 30, 2011 | Audited December 31, 2010 |
|--|----------------------------|------------------------------|-----------------------------|------------------------------|
| CAPITAL STOCK - P 1 par value | | | | |
| Authorized - 3,500,000,000 shares | | | | |
| Issued - 2,547,581,429 shares | 2,547,581,429 | 2,547,581,429 | 2,522,105,615 | 2,522,105,615 |
| Subscribed - 952,418,571 shares | 952,418,571 | 952,418,571 | 25,475,814 | 25,475,814 |
| 75% Unpaid Subscription | (714,313,928) | (714,313,928) | (714,313,928) | |
| Issuance via stock rights | - | - | - | - |
| | <u>2,785,686,072</u> | <u>2,785,686,072</u> | <u>1,833,267,501</u> | <u>2,547,581,429</u> |
| DEFICIT | | | | |
| Balance at beginning of period | 2,401,366,575 | 2,403,718,468 | 2,403,718,468 | 2,408,317,785 |
| Non-controlling interests of the acquired subsidiary | 8,561,874 | 8,566,282 | - | - |
| Net Income (loss) | 351,756 | 2,388,971 | (1,004,991) | (4,599,317) |
| Balance at end of period | <u>2,392,452,945</u> | <u>2,392,763,215</u> | <u>2,402,713,477</u> | <u>2,403,718,468</u> |
| STOCKHOLDERS' EQUITY, END | <u><u>393,233,127</u></u> | <u><u>392,922,857</u></u> | <u><u>(569,445,976)</u></u> | <u><u>143,862,961</u></u> |

GEOGRACE RESOURCES PHILIPPINES, INC.
STATEMENT OF CASH FLOWS
(in Philippine Pesos)

| | 2012 | | 2011 | |
|--|----------------------|-----------------------|-----------------------|-----------------------|
| | April 1 to June 30 | January 1 to June 30 | April 1 to June 30 | January 1 to June 30 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Income (loss) before income tax | (280,118.58) | 351,756.17 | 408,895.90 | 1,004,991.35 |
| Adjustment to reconcile net loss to net cash provided by operating activities: | | | | |
| Interest Income | (215,148.04) | (301,292.10) | (701,146.17) | (1,238,267.37) |
| Interest paid | 2,709.09 | 9,393.40 | 15,337.59 | 39,462.47 |
| Changes in operating assets and liabilities | | | | |
| Decrease (increase) in : | | | | |
| Receivables | 20,422.86 | (4,752,947.49) | (6,042,655.57) | (6,963,013.23) |
| Other current assets | (57,312.21) | (189,395.81) | (3,085.71) | (4,671.42) |
| Increase (decrease) in : | | | | |
| Accounts payable and accrued expenses | 135,577.68 | 432,630.16 | 619,963.62 | 703,710.41 |
| Finance lease obligation | (142,406.91) | (280,838.82) | (110,168.41) | (250,769.53) |
| Net cash used for operations | (536,276.11) | (4,730,694.49) | (5,812,858.75) | (6,708,557.32) |
| Interest received | 215,148.04 | 301,292.10 | 701,146.17 | 1,238,267.37 |
| Net cash used in operating activities | (321,128.07) | (4,429,402.39) | (5,111,712.58) | (5,470,289.95) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Due from related parties | (121,203.42) | (426,244.49) | (1,584,146.02) | (4,941,500.23) |
| Disposals (acquisitions) of property and equipment | 20,751.47 | 254,090.88 | 221,093.83 | 595,020.13 |
| Net cash used in investing activities | (100,451.95) | (172,153.61) | (1,363,052.19) | (4,346,480.10) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Interest paid | (2,709.09) | (9,393.40) | (15,337.59) | (39,462.47) |
| Additional Subscription | - | - | 238,104,642.75 | 238,104,642.75 |
| Net cash provided by (used in) financing activities | (2,709.09) | (9,393.40) | 238,089,305.16 | 238,065,180.28 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (424,289.11) | (4,610,949.40) | 231,614,540.39 | 228,248,411.29 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 19,003,241.00 | 23,189,902.00 | 68,950,633.17 | 72,316,762.27 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 18,578,951.89 | 18,578,951.59 | 300,565,173.56 | 300,565,173.56 |

GEOGRACE RESOURCES PHILIPPINES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information, Status of Operations and Authorization for the Issuance of the Consolidated Financial Statements

Corporate Information

Geograce Resources Philippines Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Philippines. The Parent Company and its subsidiaries namely; Abeilles Asset, Inc. (Abeilles), Geo8 Resources, Inc. (Geo8), Minevault Inc. (Minevault), Richground Phils Inc. (Richground), Masbate 109 Philippines, Inc. (Masbate109) (collectively referred to as the Group) are engaged in the exploration, exploitation and development of mineral resources. The registered office address of the Group is Suite 2002 The Peak Tower, 107 L.P. Leviste Street, Salcedo Village, Makati City. The Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The Group has various gold mining claims in Masbate, as more particularly described below:

| Name of Mining Company | Exploration Permit ("EP") No./Exploration Permit Application ("EXPA No.") | Location | Coverage/Area |
|------------------------|---|---|---------------------|
| GEO8 | EXPA-0000114-V | Municipalities of Milagros, Mandaon, Mobo and Masbate City, Province of Masbate | 16,185 hectares |
| Masbate 109 | EXPA-000109-V | Municipality of Mobo, Province of Masbate | 522 hectares |
| Richground | EXPA-000111-V | Municipalities of Cawayan, Dimasalang, Milagros and Uson, Province of Masbate | 16,179 hectares |
| Minevault | EXPA-000113-V | Municipalities of Aroroy, Mandaon and Baleno, Province of Masbate | 16,149 hectares |
| Masbate 10 | EP-V-2007-004 | Municipalities of Mobo, Uson, Milagros and City of Masbate, Province of Masbate | 9,576.7825 hectares |

On November 3, 2011, the BOD approved the quasi-reorganization of the Parent Company's capital structure. The quasi-reorganization involves the reduction of the par value of the Parent Company's shares from ₱1.00 per share to ₱0.30 per share. The total additional paid-in capital of ₱ 2,450,000,000 that will arise from the quasi-reorganization of the Parent Company's capital structure will be used to wipe out the accumulated deficit of the Parent Company. The quasi-reorganization was submitted to SEC on November 3, 2011 for approval. As of December 31, 2011, the application was still pending approval of the SEC.

Status of Operations

Other developments in the Group's mining exploration and operating activities are as follows:

- 1) The Group entered into Heads of Agreement (HOA) with the following companies:

NiHAO Mineral Resources International, Inc. (NiHAO)

Pursuant to the HOA with NiHAO, the Parent Company shall be granted the exclusive right to explore, develop and operate various mining tenements which are controlled by or shall be controlled by NiHAO through Mina Tierra Gracia, Inc. (Mina Tierra), Bountiful Geomines, Inc. (Bountiful Geomines) and Oregalore, Inc. (Oregalore) (collectively known as the "Mining Tenements").

Mina Tierra, Bountiful Geomines and Visayas Ore are all wholly-owned subsidiaries of NiHAO and have valid and existing exploration permit applications over various mining tenements.

The Parent Company's exclusive right to explore, develop and operate any, some or all of the Mining Tenements covered by the HOA shall be conditional upon the fulfillment of the following conditions precedent:

- i. satisfactory legal and technical due diligence on NiHAO and the Mining Tenements;
- ii. satisfactory legal and technical due diligence on Mina Tierra, Bountiful Geomines and Oregalore and their respective mining tenements; and
- iii. the approval of the terms and conditions of the Operating Agreements for any, some or all of the Mining Tenements by the appropriate regulatory agencies.

Subject to compliance with applicable laws, the parties intend to execute the necessary Operating Agreements within sixty (60) days from the date that Exploration Permits and/or Small Scale Mining Permits (SSMPs) are secured for the various mining tenements covered by the HOA with NiHAO. Subject to such other terms and conditions as may be agreed upon by the parties in the Operating Agreements, the Parent Company shall be entitled to receive at least fifty percent (50%) of the net profits arising from or relating to the operation of the Mining Tenements.

The HOA with NiHAO also granted the Parent Company the option to purchase any, some or all of the Mining Tenements by way of cash or through property-for-share swaps whereby the Parent Company shall issue unissued shares in exchange for the target Mining Tenements. The option to purchase granted to the Parent Company is subject to the completion of satisfactory due diligence, the fair valuation of the target Mining Tenements and the approval of said transactions by the appropriate regulatory agencies.

HOA with Other Mining Companies

The Parent Company's Board of Directors (BOD) also approved the execution of a separate HOA with the following companies: Negros745 Philippines, Inc., Orex Mindanao, Inc., Nickeloreon Mining, Inc., Nickelodeon Mines, Inc. and Ophiolite Mining, Inc.

On November 10, 2008, the Parent Company signed separate agreements with these companies. The agreements granted the Parent Company the exclusive right to explore, develop and operate the mining tenements of said companies.

These rights are conditional upon the fulfillment of the following conditions precedent: (a) satisfactory legal and technical due diligence on the aforementioned companies and their respective mining tenements; (b) the issuance of the exploration permits for the mining tenements; and (c) the approval of the terms and conditions of the Operating Agreements by the appropriate regulatory agencies. Subject to such other terms and conditions as the parties may agree upon in the Operating Agreements, the Parent Company shall be entitled to receive at least eighty percent (80%) of the net profits arising from or relating to the operation of the mining tenements.

- 2) On June 24, 2008, the Parent Company entered into an Exploration and Option Agreement (EOA) with Vale Exploration Philippines, Inc. (Vale). Under the agreement, the Parent Company and Vale agreed to cooperate on the exploration of seven mining claims located in Masbate province (the Masbate Claims). The BOD simultaneously approved the execution of an Exclusive Option Agreement and Irrevocable Special Power of Attorney with the seven mining companies, namely, Masbate10 Philippines, Inc. (Masbate10), Masbate2145 Philippines, Inc. (Masbate2145), Masbate109, Richground, Minevault, Ecogeo Mineral Resources, Inc. (Ecogeo Mineral Resources) and Geo8 (collectively the "7 mining companies") which grant the Parent Company the exclusive right to purchase all outstanding shares of the seven mining companies from their current owners. The 7 mining companies appointed the Parent Company as their attorney-in-fact to sign, execute and deliver the EOA with Vale for the exploration of the Masbate Claims.

Pursuant to the Exclusive Option Agreement, on December 27, 2011, the Parent Company indirectly acquired 4 of the 7 mining companies namely, Masbate109, Richground, Minevault and Geo8, through the acquisition of the shares of Abeilles. These mining companies are wholly owned subsidiaries of Abeilles.

On May 6, 2011, the Parent Company and Vale executed Amendments to the Option EOA (the "Amendment Agreement") whereby the parties amended the EOA dated June 24, 2008 by and among the Parent Company, Vale and Masbate10, Masbate2145, Masbate109, Richground, Minevault, Ecogeo Mineral Resources and GEO8. Pursuant to the Amendment Agreement, the parties agreed to amend the EOA in order to reflect their subsequent agreement on obtaining the approvals for the EOA and to appoint Vale as an independent contractor pending the approval of the EOA. On the same date, the parties also executed a Service Agreement whereby Vale was appointed as an independent contractor for the purpose of conducting exploration in the areas covered by the Masbate Claims, pending the approval of the Vale Agreement by the appropriate regulatory authorities.

- 3) On August 6, 2008, the Parent Company executed an Operating Agreement with several individuals to explore, develop and operate the gold and copper property represented by a Mineral Production Sharing Agreement situated in Ayungon, Negros Oriental.
- 4) On August 7, 2008, the Parent Company, together with NiHAO, signed a Cooperation Agreement with Jiangxi Rare Earth and Rare Metals Tungsten Group Co. (Jiangxi). The agreement is to form a strategic partnership to jointly explore and develop the six mining tenements directly and indirectly held by the Parent Company and NiHAO located in the province of Zambales.

- 5) On September 23, 2008, the Parent Company signed an Operating Agreement with Platinum Group Metals Corporation (PGMC) which grants the Parent Company exclusive right to operate and develop a mineral property in Dinapigue, Isabela. PGMC is currently operational with infrastructure consisting of a motor pool, causeway, haul road, assay laboratory, nursery, pier yard, administration office and airstrip.

On February 17, 2009, the Parent Company signed an Operating Agreement with GEOGEN Corporation (GEOGEN), which supersedes the agreement entered into by and between the Group and PGMC. GEOGEN is the successor-in-interest of PGMC with respect to the mineral property.

- 6) On September 8, 2010, the Parent Company was engaged by Dwell Asia Philippines, Inc. (DAP) to undertake a study on the mineral potential assessment of Masbate Island. The engagement aims to provide preliminary values of gold and copper deposits on the island, which will help the client in obtaining partnerships for acquisition and development of mining tenements available in Masbate Island. Service income related to the engagement amounted to P5.7 million in 2011 and P8.5 million 2010.
- 7) On May 6, 2011, the Parent Company entered into various Subscription Agreements involving a private placement transaction consisting of 952,418,571 shares of the Group at P1.00 per share.

2. Basis of Preparation and Consolidation and Statement of Compliance

Basis of Preparation

The accompanying financial statements of the Group have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine peso (Peso). Amounts are rounded off to the nearest Peso unit, except when otherwise indicated.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries for the six months period ended June 30, 2012.

The following were the subsidiaries of the Parent Company as of June 30, 2012:

| Company | Ownership | Percentage of Ownership |
|---------------|-----------|----------------------------|
| Subsidiaries: | | |
| Abeilles | Direct | 97 |
| Richground* | Indirect | 100 |
| Geo8* | Indirect | 100 |
| Minevault* | Indirect | 100 |
| Masbate109* | Indirect | 100 |
| Associate | | |
| Masbate10* | | 15 |

**The ownership in these subsidiaries
and associate are held through
Abeilles*

The subsidiaries and associate are all incorporated in the Philippines and are involved in mining activities.

3. Summary of Significant Changes in Accounting Policies and Disclosures

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the following new, revised and amended PFRS, PAS and Philippine Interpretations effective as of January 1, 2011.

- PAS 24 (*Amended*), *Related Party Disclosures* effective January 1, 2011
- PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues* effective February 1, 2010
- Philippine Interpretation based on IFRIC 14 (*Amendment*), *Prepayments of a Minimum Funding Requirement* effective January 1, 2011
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* effective July 1, 2010
- Improvements to PFRS (issued in 2010):
 - Revised PFRS 3, *Business Combinations* effective for annual periods beginning on or after July 1, 2010
 - PFRS 7, *Financial Instruments: Disclosures* effective for annual periods beginning on or after January 1, 2011
 - PAS 1, *Presentation of Financial Statements* effective for annual periods beginning on or after January 1, 2011
 - PAS 27, *Consolidated and Separate Financial Statements*
 - PAS 34, *Interim Financial Reporting* effective for annual periods beginning on or after January 1, 2011
 - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* effective for annual periods beginning on or after January 1, 2011

The adoption of these standards or interpretations is described below:

PAS 24, Related Party Transactions (Amendment)

PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

PAS 32, Financial Instruments: Presentation (Amendment)

The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-

derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Group because it does not have these types of instruments.

Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements in the Philippines; therefore, the amendment of the interpretation has no effect on the financial position or performance of the Group.

Improvements to PFRSs (issued 2010)

Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 7, *Financial Instruments - Disclosures*
- PFRS 3, *Business Combinations* (Measurement options available for non-controlling interest)
- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 1, *Presentation of Financial Statements* (Presentation of analysis of each component of other comprehensive income)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programs* (Determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Standards Issued but not yet Effective

The Group will adopt the new, revised and amended PFRS, PAS and Philippine Interpretations enumerated below, as applicable, when these become effective. The Group does not expect the adoption of these PFRS and Philippine Interpretations to have significant impact on its financial statements in the period of initial application unless stated otherwise.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*. The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and therefore, has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 12, *Income Taxes (Amendment) – Deferred tax: Recovery of Underlying Assets*. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment will have no impact to the financial statements of the Group since it has no investment property. The amendment becomes effective for annual periods beginning on or after January 1, 2012.
- PAS 19, *Employee Benefits - Defined Benefit Plans*. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment will have no impact to the financial statements of the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011.
- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*. These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the consolidated statement of financial position;
- c) The net amounts presented in the consolidated statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC)-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 11, *Joint Arrangements*. PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 9, *Financial Instruments: Classification and Measurement*. PFRS 9 as issued reflects the first phase on the replacement of PAS 39, Recognition and Measurement, and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015 with early adoption allowed. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurement of financial liabilities. **The Group will not early adopt PFRS 9 but will continue to evaluate and conduct a study on the possible impact of adopting PFRS 9 as it becomes effective in phases.**
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to offset" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing the impact of the amendments to PAS 32.
- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. The subsidiaries involved in mining activity have not yet started its business operations therefore; the interpretation will have no impact to its financial statements. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

4. Summary of Significant Accounting and Financial Reporting Policies

Business Combinations

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets and liabilities of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business

combination, the acquirer shall: (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in profit or loss any excess remaining after that reassessment.

For business combinations achieved in stages, each exchange transaction is treated separately by the Parent Company. The cost of the transaction and fair value information at the date of each exchange transaction is used to determine the amount of any goodwill associated with that transaction. This results in a step-by-step comparison of the cost of the individual investments with the Parent Company's interest in the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities at each step.

The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities may be different at the date of each exchange transaction for the following reasons:

- (a) the acquiree's identifiable assets, liabilities and contingent liabilities are notionally restated to their fair values at the date of each exchange transaction to determine the amount of any goodwill associated with each transaction; and
- (b) the acquiree's identifiable assets, liabilities and contingent liabilities must then be recognized by the parent company at their fair values at the acquisition date.

Any resulting fair value adjustment to acquiree's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Parent Company is accounted for as a revaluation.

Non-controlling Interests (NCI)

NCI represent the portion of profit or loss and the net assets in subsidiaries, not held by the Parent Company and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to the equity holders of the Parent Company.

Cash and Cash Equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition and Classification of Financial Instruments. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments at fair value through profit or loss (FVPL). Fair value is determined by reference to the transaction price or other market prices. If such market prices are not readily determinable, the fair value of the

consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, as appropriate. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities, as appropriate. The Group determines the classification at initial recognition and, where allowed and appropriate, reevaluates this designation at each reporting date.

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

Determination of Fair Value. 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 at the close of business on the reporting date. When current bid prices and asking prices are not available, the prices of the most recent transaction provide evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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; a discounted cash flow analysis or other valuation models.

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

Day 1 difference. When the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the Day 1 difference.

As of June 30, 2012 and December 31, 2011, the Group had no financial assets and financial liabilities at FVPL and HTM investments.

The following were the Group's financial assets and financial liabilities as of June 30, 2012 and December 31, 2011:

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as at FVPL, designated as AFS financial assets or HTM investments. After initial measurement, loans and receivables are carried at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, receivables and due from related parties.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This category includes accounts payable and other current liabilities and due to related parties.

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables. The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually and collectively, for financial assets that are not individually significant.

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

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

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

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced either directly or through the use of an allowance account. Impaired receivables are derecognized when they are assessed as uncollectible.

AFS Financial Assets. In case of quoted equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment loss, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in consolidated the statement of comprehensive income, is removed from the consolidated statement of changes in equity and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the statement of comprehensive income. Increases in fair value after impairment are recognized directly in the consolidated statement of changes in equity.

Derecognition of Financial Assets and Financial Liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

Offsetting of Financial Instruments

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

Exploration and Evaluation Costs

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the statement of comprehensive income as incurred, unless there is a future economic benefit that is more likely to be realized than not. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating if expenditures meet the criteria to be capitalized, several different sources of information are utilized. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Inventories

Ore stockpiles are physically measured or estimated and valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product. Cost is determined by the weighted average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs.

Materials and supplies are valued at the lower of cost or NRV. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence. Cost is determined by the first-in, first-out method and comprises purchase costs.

Investment in an Associate

The Group's investment in an associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group.

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss on its investment in the associate. The Group determines at each

reporting date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the difference in the consolidated statement of comprehensive income.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful lives of the property and equipment. The useful life of each of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The estimated useful lives of the property and equipment are as follows:

| | |
|--|---|
| Project site equipment | 5 years |
| Office equipment, furniture and fixtures | 6 years |
| Transportation equipment | 5 years |
| Leasehold improvements | 6 years or the term of the lease, whichever is shorter |

The property and equipment's useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial year-end.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Mining Rights

Mining rights are carried at cost less amortization and impairment in value, if any. Amortization shall commence at the start of commercial production based on units of production. Amortization shall cease at the earlier of the date that the intangible assets is classified as held for sale in accordance with PFRS 5 and the date that asset is derecognized.

An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Mining rights are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

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

reserves, and active and significant operations in relation to the area continuing, or planned for the future.

Mining rights represent the Group's intangible asset for its right to mine certain areas.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that the property and equipment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

Revenue

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

Service income. Revenue is recognized upon rendering of service.

Interest income. Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

General and Administrative Expenses

General and administrative expenses constitute cost of administering the business and are recognized as incurred.

Leases

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

A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- d. There is substantial change in the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Income Tax

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

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

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and the carry-forward benefits of 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 it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax asset to be recovered.

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

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

Earnings (Loss) Per Share

Earnings (loss) per share is computed by dividing the net income (loss) attributable to equity holders of the Group by the weighted average number of shares outstanding during the year adjusted to give retroactive effect to any stock dividends declared during the year.

Basic earnings (loss) per common share is computed by dividing the net income (loss) attributable to common shareholders of the Group by the weighted average number of common shares outstanding during each year after giving retroactive effect to stock dividends declared during the year.

Diluted earnings per common share is computed in the same manner, adjusted for the effect of the any potential dilutive shares.

Segment Reporting

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 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.

Provisions

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements 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 inflows of economic benefits are probable.

Events after the Reporting Date

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

5. **Significant Accounting Judgments, Estimates and Assumptions**

The consolidated financial statements prepared under PFRS require management to make judgments, estimates and assumptions that affect amounts reported in the financial statements and related notes. Future events may occur which will cause the judgment and assumptions used in

arriving at the estimates to change. The effects of any change in judgment, estimates and assumptions are reflected in the financial statements as they become reasonably determinable.

Judgments. In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements:

- Determination of Significant Influence

The Group determined that it has significant influence over Masbate10, considering the voting power is less than 20%, through representation on the BOD of Masbate10 and interchange of management personnel (see Note 10).

- Classification of Financial Instruments

The Group classifies a financial instrument or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position. Classification of financial instruments is disclosed in Note 22.

- Operating Lease

The Group has entered into commercial property leases related to the building where its office is located. As a lessee, the Group determined that it does not acquire the significant risks and rewards of ownership of this property which are being leased by the Group under operating lease arrangements.

- Capitalization of Exploration Costs

Exploration costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized.

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

- Estimation of Allowance for Impairment Loss on Receivables and Advances from Related Parties

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the

receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying values of receivables are P23.6 million and P18.8 million as of June 30, 2012 and December 31, 2011, respectively (see Note 7). Due from related parties amounted to P25.2 million and P24.9 million as of June 30, 2012 and December 31, 2011, respectively (see Note 15).

- Estimation of NRV of Inventory

The Group estimates NRV of its ore inventory by calculating the net selling price less all costs still to be incurred in converting the relevant inventory to saleable product, and delivering it to the customer. Net selling price is computed based on the quoted price of the commodity, adjusted to reflect the level of mineral content, at reporting date.

Management determines the grade of the material as well as the physical quantities. Grade is determined using x-ray fluorescence results, confirmed through colorimetric and current wet analyses. Quantity is measured using volumetric survey.

The NRV of ore inventory as of June 30, 2012 amounted to P40.0 million.

- Estimation of Useful Lives of Property and Equipment

The useful life of each of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying values of the Group's property and equipment as of June 30, 2012 and December 31, 2011 are P1.6 million and P1.8 million, respectively (see Note 11).

- Impairment of Nonfinancial Assets

An impairment review is performed when certain impairment indicators are present.

Determining the value in use of nonfinancial assets, require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, require the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the nonfinancial assets are impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations.

There were no provisions for impairment losses recognized as of June 30, 2012 and December 31, 2011. The carrying values of the Group's property and equipment as of June 30, 2012 and December 31, 2011 amounted to P1.6 million and P1.8 million, respectively (see Note 11). The carrying values of other current assets amounted to P12.7 million and P12.3 million as of June 30, 2012 and December 31, 2011, respectively (see Note 9). The carrying amounts of investment in an associate and mining rights as of June 30, 2012 amounted to P23.0 million and P254.8 million, respectively (see Notes 10 and 12).

- Recognition of Deferred Income Tax Assets

The Group's assessment on the recognition of deferred income tax assets on nondeductible temporary differences is based on forecasted future taxable income. This forecast is based on the Group's past results and future expectations on revenues and expenses.

6. Cash and Cash Equivalents

This account consists of:

| | June 30 2012 | December 31, 2011 |
|---------------------------|-------------------|----------------------|
| Cash on hand and in banks | 1,162,542 | 2,189,902 |
| Cash equivalents | 17,416,410 | 21,000,000 |
| | 18,578,952 | 23,189,902 |

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term investment rates.

Interest income as of June 30, 2012 and December 31, 2011 is P301,292 and P6,173,992, respectively.

7. Receivables

This account consists of:

| | June 30, 2012 | December 31, 2011 |
|--------------------------------------|---------------------|----------------------|
| Trade | P 21,244,000 | P 16,904,000 |
| Advances to: | | |
| Employees | 2,412,075 | 3,148,325 |
| Stockholders | 697,620 | 697,620 |
| Others | 2,054,732 | 953,700 |
| Interest receivables | 57,499 | 9,333 |
| | P 26,465,926 | P 21,712,978 |
| Less allowance for doubtful accounts | 2,871,719 | 2,871,719 |
| | P 23,594,206 | P 18,841,259 |

Trade receivables are generally settled on 30-days' term. Advances are non-interest bearing and are settled throughout the financial year.

Interest receivable pertains to the amount of interest accrued on the Group's deposits on a local bank.

8. Inventories

| | 2012 (See Note 2) | 2011 |
|------------|----------------------|--------------------|
| At NRV: | | |
| Nickel ore | P40,000,000 | P40,000,000 |
| Chemicals | 160,255 | 160,255 |
| | P40,160,255 | P40,160,255 |

The NRV of nickel ore and chemicals approximates its cost in June 30, 2012 December 31, 2011.

There was no provision for decline in value of inventories recognized in 2011. Reversal of decline in value of inventory amounted to P4.2 million in 2010.

9. Other Current Assets

| | June 30, 2012 | December 31, 2011 |
|----------------------------|---------------------|----------------------|
| Input Tax | P 9,922,042 | P 9,729,046 |
| Creditable withholding tax | 2,688,708 | 2,574,708 |
| Prepaid expenses | 79,921 | 67,923 |
| Others | - | - |
| | P 12,690,671 | P 12,371,677 |

10. Investment in an Associate

On December 21, 2011, the Group acquired from various shareholders 375,000 shares representing 15% equity interest in Masbate10, a company engaged in the exploration, and development of mineral resources. As of this date, the subscribed capital stock of Masbate10 amounted to P2,500,000, divided into 2,500,000 shares with a par value of P1 per share. The Group paid P22,998,876 for the purchase of shares.

The Group exercised significant influence over Masbate10 through interchange of management personnel and representation on the BOD of Masbate10.

11. Property and Equipment

This account consists of:

June 30, 2012

| | Project Site Equipment | Office Equipment, Furniture and Fixture | Transportation Equipment | Leasehold Improvements | Total |
|--|---------------------------|--|-----------------------------|---------------------------|------------|
| Cost: | | | | | |
| Balance at beginning of year | 2,147,905 | 4,501,829 | 4,818,627 | 1,402,802 | 12,871,163 |
| Additions for the year | - | 205,834 | 214,080 | 24,801 | 444,714 |
| Disposals | - | - | - | - | - |
| Balance at end of year | 2,147,905 | 4,707,663 | 5,032,707 | 1,427,603 | 13,315,878 |
| Less accumulated depreciation and amortization | | | | | |
| Balance at beginning | 1,052,618 | 4,273,236 | 4,302,095 | 1,402,782 | 11,030,731 |
| Depreciation and amortization for the year | 107,144 | 139,696 | 451,966 | - | 698,806 |
| Disposals | - | - | - | - | - |
| Balance at end of year | 1,159,762 | 4,412,932 | 4,754,061 | 1,402,782 | 11,729,537 |
| Net book value | 988,143 | 294,731 | 278,646 | 24,820 | 1,586,340 |

December 31, 2011

| | Project Site Equipment | Office Equipment, Furniture and Fixture | Transportation Equipment | Leasehold Improvements | Total |
|--|---------------------------|---|-----------------------------|---------------------------|------------|
| Cost: | | | | | |
| Balance at beginning of year | 2,147,905 | 4,412,191 | 4,818,627 | 1,402,802 | 12,781,525 |
| Additions for the year | - | 89,638 | - | - | 89,638 |
| Disposals | - | - | - | - | - |
| Balance at end of year | 2,147,905 | 4,501,829 | 4,818,627 | 1,402,802 | 12,871,163 |
| Less accumulated depreciation and amortization | | | | | |
| Balance at beginning | 829,462 | 4,062,174 | 3,250,404 | 1,402,782 | 9,544,822 |
| Depreciation and amortization for the year | 223,156 | 211,062 | 1,051,691 | - | 1,485,909 |
| Disposals | - | - | - | - | - |
| Balance at end of year | 1,052,618 | 4,273,236 | 4,302,095 | 1,402,782 | 11,030,731 |
| Net book value | 1,095,287 | 228,593 | 516,532 | 20 | 1,840,432 |

12. Business Combination

Acquisition of Abeilles Assets

On December 28, 2011, the Parent Company acquired 97% of the outstanding shares of Abeilles pursuant to the Deeds of Absolute Sale between the Parent Company and the shareholders of Abeilles. Under the agreement, the total consideration of P264.6 million covered the assignment of

97% of the outstanding shares of Abeilles and assignment of advances made by the previous stockholders to Abeilles aggregating P276.4 million. The Abeilles account includes the 100% ownership of outstanding shares of Richground, Geo8, Minevault and Masbate109 and 15% ownership of outstanding shares of Masbate10.

13. Accounts Payable and Accrued Expenses

This account consists of:

| | June 30, 2012 | December 31, 2011 |
|---|--------------------|----------------------|
| Deferred output VAT | P 2,169,000 | P 1,704,000 |
| Accrued expenses: | | |
| Rent and utilities | 578,133 | 578,133 |
| Documentary stamp tax | | 3,211 |
| Professional fees payable | 166,380 | 166,380 |
| Others | 7,708 | 55,000 |
| Advances from officers and a stockholders | 510,000 | 510,000 |
| Withholding taxes payable | | 52,657 |
| Others | 368,283 | 352,493 |
| | P 3,799,504 | P 3,421,874 |

Accrued expenses and other liabilities are normally settled on a 30-day term.

14. Finance Lease Obligation

The Company entered into finance lease arrangements with local banks for the acquisition of certain transportation equipment. These leases have been capitalized using a 6.0% to 12.31% interest rate.

Future minimum payments under the finance lease arrangement are as follows:

| | June 30, 2012 | December 31, 2011 |
|--|------------------|----------------------|
| Within one year | P - | P 296,769 |
| After one year to four year | - | - |
| Total minimum lease obligation | 6,537 | 296,769 |
| Less interest | - | 9,393 |
| Finance lease obligation | P 6,537 | P 287,376 |
| Noncurrent portion of finance lease obligation | P - | P - |
| Current portion of finance lease obligation | 6,537 | 287,376 |
| | P 6,537 | P 287,376 |

Interest expense for the period ended June 30, 2012 and December 31, 2011 amounted to P9,393 and P74,482, respectively.

15. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

Terms and Conditions of Transactions with Related Parties

Settlements of balances of transactions with related parties are made in cash and payable on demand. Due to/from related parties are non-interest bearing. For the years ended December 31, 2011 and 2010, the Group has not impaired amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

In considering each possible related party transaction, attention is directed to the substance of the relationship and not merely the legal form.

In the normal course of business, transactions with related parties include the following:

Companies with Interlocking Directors or Common Shareholders

- a. The Parent Company entered into a HOA with NIHAO where the Parent Company shall be granted exclusive right to various mining tenements controlled by NIHAO. The Parent Company, together with NIHAO, also signed a Cooperation Agreement with Jiangxi.
- b. On June 24, 2008, the Parent Company entered into an Exclusive Option Agreement and Irrevocable Special Power of Attorney with the seven mining companies that own Masbate Claims. The seven mining companies appointed the Parent Company as their attorney-in-fact to sign, execute and deliver the EOA with Vale for the exploration of the Masbate Claims (see Note 1)
- c. The Group also granted and availed of non-interest bearing advances to/from related parties for working capital requirements.
- d. On November 16, 2007, the Parent Company executed a Management Services Agreement with Geo Management (Hongkong), Limited (GMHK), whereby GMHK shall provide the Group with specialized management services and technical assistance, particularly in the field of mining. GMHK is a private limited company, incorporated in Hong Kong. In 2008, GMHK-Philippine Branch, to which the contract with GMHK has been transferred, was established.
- e. On October 21, 2011, the Parent Company entered into a Contract of Lease with Angping & Associates Securities Inc. (AASI) for the lease of its office space and parking slots. The lease is for a period of two (2) years beginning October 21, 2011 until October 20, 2013. The monthly rental P0.1 million inclusive of taxes and association dues. The security deposit for the lease amounting to P0.3 million will be returned to the Parent Company not earlier than sixty

(60) days after the termination of the lease contract. The security deposit is recorded in "Other noncurrent assets" account in the consolidated statement of financial position. AASI is owned by a stockholder.

The related rent expense amounted to P0.4 million as of June 30, 2012 and P0.2 million in December 31, 2011.

Other Related Parties:

- f. As of June 30, 2012 and December 31, 2011, the outstanding balances of these related party transactions were as follows:

| | | June 30, 2012 | | December 31, 2011 |
|---------------------------|---|------------------|---|----------------------|
| Due from related parties: | P | - | P | |
| Masbate 10 | | 12,557,242 | | 12,371,799 |
| Stockholders | | 9,100,000 | | 9,100,000 |
| AC&D Corporate Partners | | 2,319,656 | | 2,319,656 |
| Masbate 2145 | | 877,663 | | 826,588 |
| Ecogeo Mineral Resources | | 175,826 | | 151,955 |
| Orerich Mines, Inc. | | 122,150 | | 98,379 |
| Metalsmart Phils., Inc. | | 750 | | 750 |
| | P | 25,153,288 | P | 24,869,127 |

| | | June 30, 2012 | | December 31, 2011 |
|-------------------------------|---|------------------|---|----------------------|
| Due to related parties: | P | - | P | |
| AU197 Philippines, Inc. | | 2,492,215 | | 2,492,215 |
| AC&D | | 1,497,201 | | 1,413,201 |
| Temper & Bend Resources, Inc. | | 60,325 | | 60,325 |
| Masbate2145 | | 49,760 | | 49,760 |
| Garnierite Mining, Inc. | | 4,000 | | 4,000 |
| | P | 4,103,501 | P | 4,019,501 |

16. Equity

Authorized and issued shares as of June 30, 2012 and December 31, 2011 are as follows:

| | 30-Jun-12 | | 31-Dec-11 | | |
|------------------------------|---------------|--------|---------------|--------|---------------|
| | Shares | Amount | Shares | Amount | |
| Authorized - 1 par value | 3,500,000,000 | P | 3,500,000,000 | P | 3,500,000,000 |
| Issued | | | | | |
| Balance at beginning of year | 2,522,105,615 | | 2,522,105,615 | | 2,522,105,615 |
| Issuances | - | | - | | - |
| | 2,522,105,615 | P | 2,522,105,615 | P | 2,522,105,615 |
| Subscribed | | | | | |
| Balance at beginning of year | 25,475,814 | | 25,475,814 | | 25,475,814 |
| Subscribed during the | 952,418,571 | | 952,418,571 | | 952,418,571 |

| | | | | |
|--------------------------|----------------------|------------------------|----------------------|------------------------|
| period/year | | | | |
| Subscription Receivables | | (714,313,928) | | (714,313,928) |
| (75%) | 977,894,385 | 263,580,457 | 977,894,385 | 263,580,457 |
| | 3,500,000,000 | P 2,785,686,072 | 3,500,000,000 | P 2,785,686,072 |

On May 6, 2011, the Board of Directors of Geograce Resources Phils., Inc. approved the issuance, via private placement investment, of Nine Hundred Fifty Two Million Four Hundred Eighteen Thousand Five Hundred Seventy One (952,418,571) shares (the "Shares") of the Company at One Peso (PHP1.00) per share. The subscription price of One Peso (PHP1.00) per share represents a premium over the PHP0.63 closing price of the Company's shares as of 5 May 2011. The payment terms are as follows: (a) twenty-five percent (25%) of the subscription price shall be paid upon the execution of the Subscription Agreements; and (b) the balance of the subscription price shall be paid upon call by the Board.

17. General and Administrative Expenses

| | | June 30, 2012 | | December 31, 2011 |
|---|----------|------------------|----------|----------------------|
| Research and development and exploration cost | ₱ | - | P | 26,635,063 |
| Taxes and licenses | | 275,000 | | 5,252,603 |
| Professional fees | | 1,160,654 | | 3,954,109 |
| Provision for impairment loss on receivables | | | | 2,506,699 |
| Entertainment, amusement and recreation | | 131,424 | | 1,893,489 |
| Depreciation and amortization | | 698,804 | | 1,485,909 |
| Salaries and employee benefits | | 323,917 | | 939,133 |
| Communication and utilities | | 172,133 | | 817,252 |
| Management Fees | | | | 563,549 |
| Repairs and maintenance | | 98,812 | | 418,095 |
| Membership, association and dues | | 220,419 | | 363,479 |
| Outside services | | 170,720 | | 359,891 |
| Travel and transportation | | 18,328 | | 289,794 |
| Office supplies | | 79,659 | | 284,138 |
| Rent | | 416,837 | | 194,523 |
| Insurance | | 3,670 | | 81,151 |
| Others | | 44,765 | | 963,390 |
| | ₱ | 3,815,143 | P | 47,002,267 |

18. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as receivables, advances to related parties and accrued expenses and other current liabilities, which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk and credit risk. The Group has no significant financial instruments that are exposed to interest rate risk and foreign

currency rate risk as of June 30, 2012 and December 31, 2011. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Liquidity Risk

The Group's exposure to liquidity risk relate to raising funds. The Group manages its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

The table below summarizes the maturity profile of the Company's financial liabilities as of June 30, 2012 and December 31, 2011, based on undiscounted payments:

| | 30-Jun-12 | | | | | | Total |
|---------------------------------------|-------------|---------|---------|---------|-------------------|-------------|-------|
| | On Demand | 30 Days | 60 Days | 90 Days | 120 Days and More | | |
| Accrued expenses | ₱ 849,830 | ₱ - | ₱ - | ₱ - | ₱ - | ₱ 849,830 | |
| Professional fees payable | 166,380 | - | - | - | - | 166,380 | |
| Advances to officers and stockholders | 510,000 | - | - | - | - | 510,000 | |
| Others | 104,294 | - | - | - | - | 104,294 | |
| | ₱ 1,630,504 | ₱ - | ₱ - | ₱ - | ₱ - | ₱ 1,630,504 | |

| | 31-Dec-11 | | | | | | Total |
|--|-------------|---------|---------|---------|-------------------|-------------|-------|
| | On Demand | 30 Days | 60 Days | 90 Days | 120 Days and More | | |
| Accrued expenses and other current liabilities | ₱ 636,344 | ₱ - | ₱ - | ₱ - | ₱ - | ₱ 636,344 | |
| Professional fees payable | 166,380 | - | - | - | - | 166,380 | |
| Advances from officers and stockholders | 510,000 | - | - | - | - | 510,000 | |
| Others | 405,150 | - | - | - | - | 405,150 | |
| | ₱ 1,717,874 | ₱ - | ₱ - | ₱ - | ₱ - | ₱ 1,717,874 | |

Credit Risk

The Group's credit risk relates to other financial assets of the Group, which comprise cash in banks and cash equivalents, receivable, advances to related parties and rental deposits. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as stated in the following table. Given that the Group had no significant outstanding trade receivables, it was not exposed to large concentrations of credit risk.

| | June 30, 2012 | December 31, 2011 |
|------------------------------------|------------------|----------------------|
| Cash in banks and cash equivalents | 18,578,952 | 23,169,902 |
| Receivables | 23,594,206 | 18,841,259 |
| Advances to related parties | 25,153,288 | 24,869,127 |
| Rental deposits | 1,602,085 | 1,602,085 |

The Group's advances to related parties and receivables are neither past due nor impaired. There were no provisions for impairment as of June 30, 2012 and December 31, 2011.

Cash and cash equivalents are considered good quality as these pertain to deposits in reputable banks. Receivables pertain to advances to employees and suppliers which can be offset directly against their claims and thus, these are also considered good quality. Advances to related parties are fully guaranteed by the owners of the parties involved who have sufficient assets to back up settlement in case of default, which make them good quality.

The Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure.

Capital Management

The primary objective of the Group's management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Company monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total debt divided by equity. Total debt is the sum of accounts payable and other current liabilities and finance lease obligations. Equity comprises all components of equity.

The Group's debt-to-equity ratio as of June 30, 2012 and December 31, 2011 are as follows:

| | June 30, 2012 | | December 31, 2011 |
|--|----------------------|----------|----------------------|
| Accrued expenses and other current liabilities | P 3,799,504 | P | 3,421,874 |
| Advances | 4,103,501 | | 4,019,501 |
| Finance lease obligation | 6,537 | | 287,376 |
| Total Liabilities | P 7,909,543 | P | 7,728,751 |
| Equity | P 393,233,127 | P | 392,922,857 |
| Debt to Equity Ratio | 0.02:1 | | 0.02:1 |

19. Liquidity and Capital Resources

Operating Activities

Cash used in operating activities amounted to P4.43million in June, 2012, compared to P5.47million in June, 2011. Decrease in receivables account for the decrease in cash used in operating activities.

Investing Activities

Cash used in investing activities amounted to P0.17million in June 2012, compared to P4.35million in June, 2011. Acquisition of shares of Abeilles Assets, Inc. accounts for the major portion of investing activities.

Key Performance Indicators:

| | June 30, 2012 | | June 30, 2011 | |
|---|------------------------|-----------|------------------------|-----------|
| Current Ratio: | - | - | - | - |
| Current Assets | <u>₱ 120,177,373</u> | ≡ 15.1940 | <u>₱ 382,882,005</u> | ≡ 99.8713 |
| Current Liabilities | <u>₱ 7,909,543</u> | | <u>₱ 3,833,753</u> | |
| Debt to Equity: | - | - | - | - |
| Total Liabilities | <u>₱ 7,909,543</u> | ≡ 0.0201 | <u>₱ 3,873,061</u> | ≡ 0.0101 |
| Stockholders' Equity | <u>₱ 393,233,127</u> | | <u>₱ 382,972,595</u> | |
| Asset-to-Equity Ratio: | - | - | - | - |
| Total Assets | <u>₱ 401,142,669</u> | ≡ 1.0201 | <u>₱ 386,845,657</u> | ≡ 1.0101 |
| Stockholders' Equity | <u>₱ 393,233,127</u> | | <u>₱ 382,972,595</u> | |
| Interest coverage ratio: | - | - | - | - |
| Earnings before interest & taxes (EBIT) | <u>₱ 361,149</u> | ≡ 38.4471 | <u>₱ 1,044,453</u> | ≡ 26.4670 |
| Interest Expense | <u>₱ 9,393</u> | | <u>₱ 39,462</u> | |
| Earnings Per Share: | - | - | - | - |
| Net Income | <u>₱ 351,756</u> | ≡ 0.0001 | <u>₱ 1,004,991</u> | ≡ 0.0004 |
| Weighted Average Number of Shares | <u>₱ 3,500,000,000</u> | | <u>₱ 2,522,105,615</u> | |

20. Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements as of June 30, 2012 and December 31, 2011:

| | 30-Jun-12 | | 31-Dec-11 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Loans and receivables: | | | | |
| Cash and cash equivalents | ₱ 18,578,952 | ₱ 18,578,952 | ₱ 23,169,902 | ₱ 23,169,902 |
| Receivables | 23,594,206 | 23,594,206 | 18,841,259 | 18,841,259 |
| Advances to related parties | 25,153,288 | 25,153,288 | 24,869,127 | 24,869,127 |
| Refundable rental deposits | 1,602,085 | 1,602,085 | 1,602,085 | 1,602,085 |
| | <u>₱ 68,928,531</u> | <u>₱ 68,928,531</u> | <u>₱ 68,482,373</u> | <u>₱ 68,482,373</u> |
| Other financial liabilities: | | | | |
| Accrued expenses and other current liabilities (excluding withholding tax) | ₱ 1,624,948 | ₱ 1,624,948 | ₱ 1,662,006 | ₱ 1,662,006 |
| Advances from related parties | 4,103,501 | 4,103,501 | 4,019,501 | 4,019,501 |
| | <u>₱ 5,728,449</u> | <u>₱ 5,728,449</u> | <u>₱ 5,681,507</u> | <u>₱ 5,681,507</u> |

Cash and Cash Equivalents, Receivables, Advances to Related Parties and Accrued Expenses and Other Current Liabilities. Due to the short-term nature of the transactions the carrying values of these financial assets and liabilities approximate their fair values as of balance sheet date.

Rental Deposit and Finance Lease Obligation. The fair values are determined based on discounted cash flows using the risk free rates of 5.7% for rental deposits and 4.2% to 6.0% for finance lease obligation.

Fair Value Hierarchy

As of June 30, 2012 and 2011, the Group had no financial instruments carried at fair value, thus the three-level fair value hierarchy was not applicable.

21. Segment Information

The Group has a single reporting segment, which is the mining activity. Financial information with respect to the Group's reporting segment follows:

| | <u>June 30,</u> <u>2012</u> | <u>June 30,</u> <u>2011</u> |
|----------------------------|--------------------------------|--------------------------------|
| <u>Net Income</u> | <u>P 351,756</u> | <u>P 1,004,991</u> |
| <u>Other Information</u> | | |
| <u>Segment Assets</u> | <u>401,142,669</u> | <u>386,845,657</u> |
| <u>Segment Liabilities</u> | <u>7,909,543</u> | <u>3,873,061</u> |

GEOGRACE RESOURCES PHILIPPINES, INC. AND SUBSIDIARIES

SCHEDULE OF THE EFFECTIVE STANDARDS AND INTERPRETATIONS

I. List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2011

| <u>PFRSs</u> | <u>Adopted/Not adopted/Not applicable</u> |
|---|--|
| <u>PFRS 1, First-time Adoption of Philippine Financial Reporting Standards</u> | <u>Not applicable</u> |
| <u>PFRS 2, Share-based Payment</u> | <u>Not applicable</u> |
| <u>PFRS 3, Business Combinations</u> | <u>Adopted</u> |
| <u>PFRS 4, Insurance Contracts</u> | <u>Not applicable</u> |
| <u>PFRS 5, Non-current Assets Held for Sale and Discontinued Operations</u> | <u>Not applicable</u> |
| <u>PFRS 6, Exploration for and Evaluation of Mineral Resources</u> | <u>Adopted</u> |
| <u>PFRS 7, Financial Instruments: Disclosures</u> | <u>Adopted</u> |
| <u>PFRS 8, Operating Segments</u> | <u>Not applicable</u> |
| <u>PAS 1, Presentation of Financial Statements</u> | <u>Adopted</u> |
| <u>PAS 2, Inventories</u> | <u>Adopted</u> |
| <u>PAS 7, Statement of Cash Flows</u> | <u>Adopted</u> |
| <u>PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors</u> | <u>Adopted</u> |
| <u>PAS 10, Events after the Reporting Period</u> | <u>Adopted</u> |
| <u>PAS 11, Construction Contracts</u> | <u>Not applicable</u> |
| <u>PAS 12, Income Taxes</u> | <u>Adopted</u> |
| <u>PAS 16, Property, Plant and Equipment</u> | <u>Adopted</u> |
| <u>PAS 17, Leases</u> | <u>Adopted</u> |
| <u>PAS 18, Revenue</u> | <u>Adopted</u> |
| <u>PAS 19, Employee Benefits</u> | <u>Adopted</u> |
| <u>PAS 20, Accounting for Government Grants and Disclosure of Government Assistance</u> | <u>Not applicable</u> |
| <u>PAS 21, The Effects of Changes in Foreign Exchange Rates</u> | <u>Adopted</u> |
| <u>PAS 23, Borrowing Costs</u> | <u>Not applicable</u> |
| <u>PAS 24, Related Party Disclosures</u> | <u>Adopted</u> |
| <u>PAS 26, Accounting and Reporting by Retirement Benefit Plans</u> | <u>Not applicable</u> |
| <u>PAS 27, Consolidated and Separate Financial Statements</u> | <u>Adopted</u> |
| <u>PAS 28, Investments in Associates</u> | <u>Adopted</u> |
| <u>PAS 29, Financial Reporting in Hyperinflationary Economies</u> | <u>Not applicable</u> |
| <u>PAS 31, Interests in Joint Ventures</u> | <u>Not applicable</u> |

| <u>PFRSs</u> | <u>Adopted/Not adopted/Not applicable</u> |
|---|--|
| <u>PAS 32, Financial Instruments: Presentation</u> | <u>Adopted</u> |
| <u>PAS 33, Earnings per Share</u> | <u>Adopted</u> |
| <u>PAS 34, Interim Financial Reporting</u> | <u>Not applicable</u> |
| <u>PAS 36, Impairment of Assets</u> | <u>Adopted</u> |
| <u>PAS 37, Provisions, Contingent Liabilities and Contingent Assets</u> | <u>Adopted</u> |
| <u>PAS 38, Intangible Assets</u> | <u>Adopted</u> |
| <u>PAS 39, Financial Instruments: Recognition and Measurement</u> | <u>Adopted</u> |
| <u>PAS 40, Investment Property</u> | <u>Not applicable</u> |
| <u>PAS 41, Agriculture</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-1, Changes in Existing Decommissioning, Restoration and Similar Liabilities</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-2, Members' Shares in Co-operative Entities and Similar Instruments</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-4, Determining whether an Arrangement contains a Lease</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-7, Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-9, Reassessment of Embedded Derivatives</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-10, Interim Financial Reporting and Impairment</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-12, Service Concession Arrangements</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-13, Customer Loyalty Programmes</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-14, PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-16, Hedges of a Net Investment in a Foreign Operation</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC-17, Distributions of Non-cash Assets to Owners</u> | <u>Not applicable</u> |

| <u>PFRSs</u> | <u>Adopted/Not adopted/Not applicable</u> |
|--|---|
| <u>Philippine Interpretation IFRIC-18, <i>Transfers of Assets from Customers</i></u> | <u>Not applicable</u> |

| <u>PFRSs</u> | <u>Adopted/Not adopted/Not applicable</u> |
|--|---|
| <u>Philippine Interpretation IFRIC-19, <i>Extinguishing Financial Liabilities with Equity Instruments</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-7, <i>Introduction of the Euro</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-10, <i>Government Assistance - No Specific Relation to Operating Activities</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-12, <i>Consolidation - Special Purpose Entities</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-15, <i>Operating Leases – Incentives</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-29, <i>Service Concession Arrangements: Disclosures</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-31, <i>Revenue - Barter Transactions Involving Advertising Services</i></u> | <u>Not applicable</u> |
| <u>Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i></u> | <u>Not applicable</u> |

II. List of New and Amended Standards and Interpretations and Improvements to PFRS that became effective as at January 1, 2011

| <u>PFRSs</u> | <u>Adopted/Not adopted/Not applicable</u> |
|--|---|
| <u><i>New and Amended Standards and Interpretations</i></u> | |
| <u>PAS 24 (Amended), <i>Related Party Disclosures</i></u> | <u>Adopted</u> |
| <u>PAS 32, <i>Financial Instruments: Presentation (Amendment) – Classification of Rights Issues</i></u> | <u>Adopted</u> |
| <u>Philippine Interpretation IFRIC 14 (Amendment), <i>Prepayments of a Minimum Funding Requirement</i></u> | <u>Not Applicable</u> |
| <u>PFRS 1, <i>First-time Adoption of IFRS – Limited</i></u> | <u>Not Applicable</u> |

| <u>PFRSs</u> | <u>Adopted/Not adopted/Not applicable</u> |
|--|---|
| <u>Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</u> | |
| <u>Improvements to PFRS</u> | |
| <u>PFRS 1, First-time Adoption of IFRS:</u> <ul style="list-style-type: none"> • <u>Accounting policy changes in the year of adoption</u> • <u>Revaluation basis as ‘deemed cost’</u> • <u>Use of ‘deemed cost’ for operations subject to rate regulation</u> | <u>Not Applicable</u> |
| <u>PFRS 3, Business Combinations:</u> <ul style="list-style-type: none"> • <u>Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS.</u> • <u>Measurement of non-controlling interests</u> • <u>Un-replaced and voluntarily replaced share-based payment rewards</u> | <u>Adopted</u> |
| <u>PFRS 7, Financial Instruments: Disclosures – Clarification of disclosures</u> | <u>Adopted</u> |
| <u>PAS 1, Presentation of Financial Statements – Clarification of statement of changes in equity</u> | <u>Adopted</u> |
| <u>PAS 27, Consolidated and Separate Financial Statements – Transition requirements for amendments made as a result of IAS 27 Consolidated and Separate Financial Statements</u> | <u>Adopted</u> |
| <u>PAS 34, Interim Financial Reporting – Significant events and transactions</u> | <u>Adopted</u> |
| <u>Philippine Interpretation IFRIC 13, Customer Loyalty Programmes – Fair value of award credits</u> | <u>Not applicable</u> |
| <u>Philippine Interpretation IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments</u> | <u>Not applicable</u> |