SEC Registration Number

4	1	0	0	4						

Company Name

GEOGRACE RESOURCES PHILIPPINES, INC. AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

7/F PEAKSUN BUILDING, 1505 PRINCETON STREET, corner SHAW BOULEVARD, BRGY. WACK-WACK, GREEN HILLS EAST MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q1	CRM	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
Not Applicable	**(632)705-7196**	**Not Applicable**

No. of Stockholders	Annual Meeting Month/Day	Year/Month/Day
521	**12/16**	**2015/03/31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Delfin Castro, Jr.	**castrojun@yahoo.com**	**(632)705-7196**	**Not Applicable**

Contact Person's Address

1A Boni Avenue, San Francisco Gardens, Mandaluyong City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2015**

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

   7F Peaksun Bldg. Shaw Blvd. cor. Princeton Street, Bgy. Wack-Wack, Greenhills East, Mandaluyong City

8. Issuer's telephone number, including area code **(632) 705-7196**

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 RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common stock, ₱0.40 par value	**3,500,000,000**

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

    Yes [**X**] 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 11of 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 [**X**] No [ ]

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

    Yes [ ] No [**X**]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements for the first quarter ending March 31, 2015 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

Plan of Operations

The Company amended its Articles of Incorporation to change its primary purpose from a mining company to a holding company on February 20, 2014. The Company will be exploring new avenues to expand its investments and at the same time supplement its current business. The company will maintain the most prospective of its existing mining tenements.

The Company, as part of its model for the mineral resource business, will still continue to identify joint venture partners to co-finance the exploration of its existing mining 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 of mining tenements or other areas of interest.

The Company is currently setting-up parameters to identify businesses in other areas of interest that it may possibly venture into. Once a potential business or opportunity has been identified, it will be subjected to due diligence and a comprehensive analysis of its business model, prospects, management, financial performance and risks. Once it has passed the parameters set by the management, it will be presented to the Board for approval. The Board and management will venture into new businesses and or opportunities bearing in mind its main objective of improving shareholder value.

Last May 6, 2011, the Company raised Php 238,104,642.75 from various investors representing 25% of the total amount of subscriptions of Php 952,418,571.00. Proceeds from these various private placement transactions will cover the capital requirements for the Company's expansion and development programs. The Company's cash requirement is sufficient for the next twelve months.

Currently, there are no plans to conduct any research and development for a particular project, but the Company may conduct research and development for new projects and or businesses.

The Company does not expect to purchase or sell a plant or any significant equipment and does not expect to have significant changes in the number of its employees.

On 6 November 2013 and 20 December 2013, the Company's Board of Directors and stockholders, respectively, approved the following amendments to the Company's articles of Incorporation:

(1) the amendment of Article II in order to change its primary purpose from a mining company into a holding company in order to enable the Company to make investments in areas of other interest; and

(2) the amendment of Article IV in order to reduce the number of directors from eleven (11) to seven (7).

On February 20, 2014, SEC approved the amendments of the Company's Articles of Incorporation.

Management's Discussion and Analysis

Financial Performance
In Thousand Pesos

Key Financial Indicators	March 31, 2015	%	March 31, 2014	%
Gross Revenues	0	0%	0	0%
Cost and Expenses	(828)	100%	(1,115)	100%
Net Income (Loss)	(828)	-100%	(1,115)	-100%
Current Assets	32,023		77,500	
Unallocated Current Assets	2,600		13,373	
Total Current Assets	34,623	60%	90,873	25%
Assets	53,448		355,762	
Unallocated Assets	2,600		13,373	
Total Assets	57,534	100%	369,135	100%
Current Liabilities	10,530	18%	9,972	3%
Liabilities	10,530		9,972	
Unallocated Liabilities	-		-	
Total Liabilities	10,530	18%	9,972	3%
Total Stockholders' Equity	47,004	82%	359,163	97%
Current Ratio	3.2880		9.1128	
Debt to Equity	0.224		0.028	
Gross Profit Margin	NA		NA	
Net Operating Margin	NA		NA	
Return on Assets	(0.01)		(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 March 31, 2015 versus December 31, 2014:

During the three-month period ending March 31, 2015, the Company incurred ₱0.828million in operating expenses. Operating expenses comprised mainly of general and administrative expenses.

Total Current Assets was decreased by 3% or ₱0.01 million from December 31, 2014 to March 31, 2015. Similarly, total Stockholders' Equity stood at ₱47million, decreased from ₱48 million in December 2014. These decreases in the assets and equity of the Company were due to the decrease in cash and cash equivalent used in operating activities..

For the period ended March 31, 2015 versus March 31, 2014:

Financial results showed ₱0.011million in total revenues were generated from interest income earned for the first quarter of 2015. The total general and administrative expenses decreased by 637% or to ₱0.771million from ₱0.915million during the previous year. As a result, net loss for the quarter ending March 31, 2015 amounted to ₱ 0.827million as compared to net loss of ₱1.125million during the previous year.

Total Current Assets for the twelve-month period of ending March 31, 2014 was decreased by 62% or by ₱56.25million as compared to the same period last year due to the impairment of nickel inventory and input VAT. Total Non-Current Assets decreased by 81.34 %or Php255350million primarily due to provision set up on impairment of mining rights.

Total Liabilities increased by 0.06% or ₱ 0.558 million as compared to previous year's total liabilities. This

increase was due to increase in accrued expenses and other current liabilities.

Total Stockholders' Equity decreased by 1.15% or ₱32.159 million due to decrease in net income.

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. 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 .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, 2015, the Company has received a total of ₱238,104,642.75 from the aforementioned investors representing 25% of their total subscriptions.

b. 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.

c. 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.

d. Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources and uses of funds for such expenditures. None.

e. 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.

f. Any significant elements of income or loss that did not arise from the Company's operations. None.

g. The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

Balance Sheet items (March 31, 2015 versus December 31, 2014)

33% decrease in Cash and Cash Equivalents
Due to increase in cash disbursement.

52% increase in Receivables
Due to increase in receivable to employees subject for liquidation.

10% increase in Advances to Related Parties
Due to increase in advances to related parties.

02% increase in Other Current Assets
Input tax on purchases.

89% decrease in Property and Equipment
Primarily due to amortization of various equipments.

Income Statement items (three months ended March 31, 2015 versus March 2014)

250% increase in Interest Income
Due to increase in cash in bank & on hand from payments of related parties.

15.7% decrease in General and Administrative Expenses
Primarily due to the decrease in various administrative and operating expenses.

h. 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. 15.

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. 15.

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. 15.

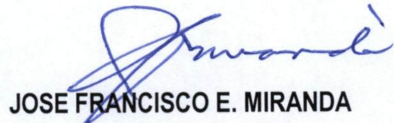
d. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities. Please refer to Notes to Financial Statements No. 15.

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. 15.

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.

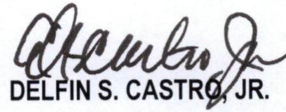
SIGNATURES

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

Date 5/13/2015



DELFIN S. CASTRO, JR.

Date 5/13/2015

GEOGRACE RESOURCES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	03/31/15	12/31/2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱7,771,93**	**₱11,687,778**
Receivables (Note 5)	**1,723,970**	**1,133,574**
Advances to related parties (Note 12)	**22,522,188**	**20,503,250**
Inventories (Notes 6 and 16)	–	–
Other current assets (Note 7)	**2,599,634**	**2,548,682**
Total Current Assets	**34,622,985**	**35,873,284**
Noncurrent Assets		
Property and equipment (Note 8)	**499,813**	**504,690**
Investment in an associate (Notes 9 and 10)	**22,411,426**	**22,477,436**
Mining rights (Note 10)	–	–
Total Noncurrent Assets	**22,911,239**	**22,982,126**
TOTAL ASSETS	**₱57,534,224**	**₱58,855,410**
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Note 11)	**₱5,904,667**	**₱6,270,661**
Advances from related parties (Note 12)	**4,625,202**	**4,625,202**
Total Liabilities	**10,529,869**	**10,895,863**
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 13)	**2,785,686,072**	**2,785,686,072**
Deficit (Note 1)	**(2,739,443,467)**	**(2,738,613,797)**
	46,242,605	**47,072,275**
Non-controlling Interests (NCI)	**761,750**	**887,272**
Total Equity	**47,004,355**	**47,959,547**
TOTAL LIABILITIES AND EQUITY	**₱57,534,224**	**₱58,855,410**

See accompanying Notes to Consolidated Financial Statements.

GEOGRACE RESOURCES PHILIPPINES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	03/31/2015	03/31/2014
SERVICE INCOME (Note 1)	**₱–**	₱–
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	**(771,784)**	(915,474)
OTHER INCOME (EXPENSE) - Net		
Provisions for:		
Impairment loss on mining rights (Note 10)		
Impairment loss on input value-added tax (VAT) (Note 7)		
Decline in value of inventories (Note 6)		
Loss on inventories written-off (Note 6)		
Share in net loss of an associate (Note 9)	**(66,010)**	(263,700)
Interest income (Note 4)	**11,132**	3,104
Gain on reversal of:		
Accrued expenses and other current liabilities (Note 11)	**3,211**	–
Impairment loss on receivables (Note 5)	**–**	53,304
Foreign exchange losses - net	**(600)**	1.297
Gain on sale of property and equipment (Note 8)	**–**	
Interest expense	**–**	–
Others	**–**	49,180–
	(55,992)	(210,119)
INCOME (LOSS) BEFORE INCOME TAX	**(827,776)**	(1,125,592)
PROVISION FOR CURRENT INCOME TAX		
NET INCOME (LOSS)	**(827,776)**	(1,125,592)
OTHER COMPREHENSIVE INCOME, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**(827,776)**	(1,125,592)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO		
Equity holders of the Parent Company	**(₱702,254)**	(₱1,115,343)
Non-controlling interests	**(125,522)**	(10248)
	(₱827,776)	(₱1,125,592)
BASIC EARNINGS (LOSS) PER SHARE (Note 17)	**(₱0.0002)**	(₱0.0003)

See accompanying Notes to Consolidated Financial Statements.

GEOGRACE RESOURCES PHILIPPINES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(in Philippine Pesos)

	Unaudited March 31, 2015	**Audited December 31, 2015**	**Unaudited March 31, 2014**	**Audited December 31, 2014**
CAPITAL STOCK - P 1 par value				
Authorized - 3,500,000,000 shares				
Issued - 2,547,581,429 shares	2,547,581,429	2,547,581,429.00	2,547,581,429	2,547,581,429
Subscribed - 952,418,571 shares	952,418,571	952,418,571.00	952,418,571	952,418,571
Subscription Receivable	(714,313,928)	(714,313,928.25)	(714,313,928)	(714,313,928)
	2,785,686,072	**2,785,686,072**	**2,785,686,072**	**2,785,686,072**
DEFICIT				
Balance at beginning of period	(2,738,615,691)	(2,426,550,859)	(2,433,950,743)	(2,400,872,520)
Non-controlling interests of the acquired subsidiary	761,750	887,272	8,542,940	8,545,208
Net Income/loss	(827,776)	(312,062,938)	(1,115,344)	(33,336,275)
Balance at end of period	**(2,738,681,717)**	**(2,737,726,525)**	**(2,426,523,147)**	**(2,425,663,587)**
STOCKHOLDERS' EQUITY, END	**47,004,355**	**47,959,547**	**359,162,925**	**360,022,485**

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

	2015 Jan 1 to Mar 31	2014 Jan 1 to Mar 31
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	(827,776.00)	(1,115,343)
Adjustment to reconcile net loss to net cash provided		
Interest Income	(10,018.00)	(3,104)
Interest paid		0
Changes in operating assets and liabilities		
Decrease (increase) in :		
Receivables	(590,396.00)	(91,312)
Other current assets	(42,584.00)	(35,434)
Increase (decrease) in :		
Accounts payable and accrued expenses	(365,994.00)	(7,036)
Due to related parties	-	228,737
Finance lease obligation		0
Net cash used for operations	(1,836,768.00)	(1,023,492)
Interest received	11,132.00	3,104
Net cash used in operating activities	**(1,825,636.00)**	**(1,020,388)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Due from related parties	(2,018,938.00)	9,764
Disposals (acquisitions) of property and equipment		155,347
Decrease (increase) in other assets	(66,010.00)	0
Net cash used in investing activities	**(2,084,948.00)**	**165,111**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	0	0
Net cash provided by (used in) financing activities	**0**	**0**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,910,585)**	**(855,278)**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,687,778.00	4,929,041
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,777,193**	**4,073,763**

1. Corporate Information and Status of Operations

Corporate Information
Geograce Resources Philippines, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Philippines on April 20, 1974. The Parent Company and its subsidiaries namely; Abeilles Assets, 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 Parent Company's shares are publicly traded in the Philippine Stock Exchange (PSE).

The registered office address of the Group is at 6/F NiHAO Sun Plaza, Shaw Boulevard, Princeton Street Barangay Wack-Wack, Greenhills East, Mandaluyong City. On October 18, 2013, the Parent Company changed its office address and principal place of business to 7th Floor, Peaksun Building, 1505 Princeton Street, corner Shaw Boulevard, Brgy. Wack-Wack Greenhills East, Mandaluyong City.

Furthermore, on December 20, 2013, the shareholders approved the following amendments to the Parent Company's Articles of Incorporation:

- Amendment of Article II changing the Parent Company's primary purpose from a mining company into a holding company.
- Amendment of Article VI reducing the number of directors from eleven (11) directors to seven (7) directors.

The amendments in the Parent Company's Articles of Incorporation were approved by the Securities and Exchange Commission (SEC) on February 7, 2014.

Status of Operations
The operation of the Parent Company in prior years was affected by the downturn in the real estate sector (a previous business of the Parent Company until October 2006 when the stockholders approved the change in business to mining exploration and development), resulting in losses and the accumulated deficit.

The Parent Company seeks to acquire mining claims/tenements from third parties in various locations under certain agreed terms and conditions. The acquisitions are intended to enable the Parent Company to obtain exclusive rights to explore, develop and operate various mining claims throughout the country. Under certain agreements, the Parent Company has the option to purchase the shares of the mining companies or the mining tenements owned by said companies, subject to the requisite due diligence on the companies and their respective mining tenements, fair valuation of the mining tenements and the approval of the appropriate regulatory agencies. This arrangement allows the Parent Company to expand its potential mineral resource base and mitigates the risks inherent in exploration by diversifying the areas available to it.

The following are the developments in the Group:

a. The Parent Company entered into Heads of Agreement (HOA) with 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) and Oregalore, Inc. (Oregalore; collectively known as the "Mining Tenements").

Mina Tierra, Bountiful and Oregalore are all wholly-owned subsidiaries of NiHAO and have valid and subsisting exploration permit (EPs) 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 the Parent Company and the Mining Tenements;
ii. Satisfactory legal and technical due diligence on Mina Tierra, Bountiful 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 EPs and/or Small Scale Mining Permit 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.

In 2014 up to present, the parties are in the process of assessing the validity of the agreement due to the change in the nature of business of the Parent Company from being a mining entity into a holding entity.

b. 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 nil in 2014 and 2013 and ₱8.5 million in 2012. In 2014 up to present, the parties are in the process of assessing the validity of the agreement due to the change in the nature of business of the Parent Company from being a mining entity into a holding entity.

c. 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 Parent Company at ₱1.00 per share. The subscription reflects a premium over the closing price of the Parent Company's shares as at May 5, 2011, which was quoted at ₱0.63.

d. On November 3, 2011, the Board of Directors (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 amounting to ₱2,450,000,000 that will arise from the quasi-reorganization of the Parent Company's capital structure shall be used to eliminate the accumulated deficit of the Parent Company.

As at April 7, 2015, the Parent Company has deferred the implementation of the quasi-reorganization and has not filed the application with the SEC.

Executive Order (EO) 79
On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. The EO could potentially delay the processing of some of the Group's application for EP given the provision of the EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect. At any rate, management believes that EO 79 will not have a major impact on the Group's current operations considering the extent of investment and activities they have made on their mining areas that the government will take into account favorably and considering also that one of the mines is already covered by an existing EP with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant.

2. Basis of Preparation and Consolidation and Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS), and Standard Interpretation Committee (SIC)/International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC, including SEC pronouncements.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at March 31, 2015. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting principles.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

NCI
Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences (if any), recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

The following were the subsidiaries of the Parent Company as at March 31, 2015:

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

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

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

Subsidiaries (acquired in 2011, see Note 10) are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2014.

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosures of Interest in Other Entities* and PAS 27, *Separate Financial Statements*)
  They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). These amendments are not relevant to the Group since it has no subsidiaries or interests in other entities that qualify as investment entities.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" 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. The amendments affect presentation only and have no impact on the Group's financial position or performance. The Group continues to present financial assets and financial liabilities, mostly due to related parties and advances from stockholders, at gross amounts since the management has assessed that offsetting arrangements are not automatic.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)

These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement,* on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has no derivatives designated as a hedging instrument for novation. Thus, these amendments had no impact on the Group's financial position or performance.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required. The interpretation is not relevant to the Group since it has no activity that triggers payment of levies. Thus, adoption of this interpretation does not have any impact on the Group's financial statements.

Annual Improvements to PFRSs (2010-2012 cycle)
The annual improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This improvement had no impact on the Group's financial statements.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of PFRS - Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is has no impact to the Group as it is not a first-time adopter of PFRS.

New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2014

The Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its financial statements.

Effective date to be determined:

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will potentially have no impact on the classification and measurement of financial assets and liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 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 the 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.

  Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group since it has no agreements for the construction of real estate.

Effective January 1, 2015:

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. The amendments affect disclosure only and will have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle)
The annual improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same Company
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment does not apply to the Group as it has no share-based payment.

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

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

These amendments will have no impact on the Group's future financial statements as the Company is not required to present segment reporting.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The amendment is expected to have no impact on the Group's future financial position or performance since the Group does not use the revaluation method in accounting for its property and equipment items and has no intangible assets for revaluation.

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

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

  The amendment is not expected to be relevant to the Group since it has no joint arrangements.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The amendment will affect disclosures only and has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is expected not to have any impact on the Group's financial position or performance since it has no investment property.

Effective January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016. Management will consider the application of the rule in future transactions with its associate through its subsidiary.

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

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group since it has no joint arrangements.

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

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

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

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

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The Group shall consider this amendment for future disposal, if there are any.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any impact to the Group since it currently has no service contracts. The Group will consider the amendment should there be future service contracts entered into by the Group.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. This is not expected to be relevant to the Group since is not preparing condensed interim financial statements.

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

- PAS 34, *Interim Financial Reporting - Disclosure Of Information 'Elsewhere in the Interim Financial Report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). This is not expected to be relevant to the Group since is not preparing interim financial reports.

Effective January 1, 2018:

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2014 version)
  PFRS 9 (2014 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2014 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The adoption of PFRS 9 (2014 version) is not expected to have any significant impact on the Group's financial statements as they do not have financial instruments covered by hedge accounting.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.
  The adoption of PFRS 9 (2014 version) is not expected to have any significant impact on the Group's financial statements as they do not have financial instruments covered by hedge accounting.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting.

Effective date to be determined:

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

  The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

  The Group does not expect any significant impact in the financial statements when it adopts the above standards and interpretations. The revised and additional disclosures provided by the standards and interpretations will be included in the financial statements when these are adopted in the future, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

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

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.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate standards. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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.

Financial Instruments

Date of Recognition

The Group recognizes a financial instrument in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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 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, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVPL, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification at initial recognition and, where allowed and appropriate, reevaluates such designation at each reporting period.

Financial instruments are classified as liabilities 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.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19 to the Group financial statements.

The Group's financial assets are in the nature of loans and receivables. As at December 31, 2014 and 2013, the Group had no financial assets at FVPL, HTM investments, AFS financial assets and derivatives designated as hedging instruments in an effective hedge.

The Group's financial liabilities as at December 31, 2014 and 2013 are in the nature of other financial liabilities. The Group had no financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

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

- In the principal market for the asset or liability, or

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

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

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

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

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

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

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19.

<u>Subsequent Measurement</u>
The subsequent measurement of financial instruments depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve months from the reporting period. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, receivables and advances to 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 noninterest-bearing loans and borrowings.

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 accrued expenses and other liabilities.

Offsetting 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

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

Financial Assets Carried at Amortized Cost
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If 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 use of an allowance account. The amount of the loss shall be recognized in consolidated statement of comprehensive income. Impaired receivables are derecognized when they are assessed as uncollectible.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.
If, 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 profit or loss, 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 through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Derecognition of Financial Assets and 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 where:

- 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 or cancelled or has expired.

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

Inventories

Nickel 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.

VAT

Input VAT

Input VAT represents taxes imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

The amount of VAT recoverable from the taxation authority is included as part of "Other Current Assets" in the consolidated statement of financial position.

Deferred Input VAT

Deferred input VAT arises from acquisition of services on account and will be recognized as input VAT upon payment.

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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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 period 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. The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. 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:

Type of asset	Estimated useful life in years
Project site equipment	3 to 10 years
Office equipment, furniture and fixtures	2 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 the end of the reporting period.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use, and no further depreciation is charged to profit or loss. Idle property, plant and equipment are kept in the books and continually depreciated since they can still be used in the Group's operations.

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 commences at the start of commercial production based on units of production. It ceases at the earlier of the date that the intangible assets is classified as held for sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* 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

Property and Equipment

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognized in the consolidated statement of comprehensive income.

Inventories and Other Current Assets

The Group provides allowance for impairment losses on inventories and other current and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase

in allowance for impairment losses would increase recorded expenses and decrease inventories and other current assets.

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

Investment in an Associate
After application of the equity method for investment in an associate, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investment in an associate. The Group determines at the end of the reporting period whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognizes the amount in the consolidated statements of comprehensive income. Recoverable amount is determined as the higher between fair value less cost to sell and value in use.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value of shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Deficit
Deficit represents the cumulative balance of the results of the Group's operations. A deficit is not an asset but a deduction from equity.

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 are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. 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.

When a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

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 end of the reporting period.

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences at the reporting period 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, except:

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

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward benefits of unused net operating loss carryover (NOLCO), allowance for impairment losses on receivables and minimum corporate income tax (MCIT), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carry-forward benefits of unused NOLCO, allowance for impairment losses on receivables and MCIT can be utilized, except:

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

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

In respect of deductible temporary differences associated with investment in associates, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 end of the reporting period.

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 (loss) per common share, if applicable, is calculated by dividing the net income for the year attributable to the ordinary equity holders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for outstanding common stock equivalents.

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 End of the Reporting Period

Post year-end events that provide additional information on the consolidated financial position at the end of the reporting period (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.

3. 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, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. However, actual outcome can differ from these estimates.

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:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to each of the entities in the Group, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the revenue and costs of each of the entities in the Group.

Determining 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.

Assessing Existence of Significant Influence

In assessing whether significant influence still exists, the Group considered not only its percentage of ownership but other factors such as the board seat representation it has in the associate's governing body and its interchange of managerial personnel with the associate, among others. As March 31, 2014, the Group assessed that it has significant influence over Masbate10, and has accounted for the investment as an associate (see Note 9).

Operating Lease Commitments - Group as a Lessee

The Group has entered into commercial property leases related to their office spaces. 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.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Estimating Allowance for Impairment Loss on Receivables and Advances to Related Parties
A provision for impairment of receivables is established when there is objective evidence that the Group 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 amounted to
₱1.7 million and ₱1.1 million as at March 31, 2015 and December 31, 2014, respectively (see Note 5). Advances to related parties amounted to ₱22.5 million and ₱20.5 million as at March 31, 2015 and December 31, 2014, respectively (see Note 12).

Estimating Allowance for Inventory Losses
The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV tests are performed at least annually and represent the estimated future sales price of the product based on prevailing spot metals prices at the reporting period, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tons added and removed from the stockpile and the number of contained ore based on assay data. Stockpile tonnages are verified by periodic surveys.

Increase in the NRV of inventories will increase the cost of inventories but only to the extent of their original acquisition costs. As at March 31, 2015 and December 31, 2014, the carrying values of inventories amounted to nil (see Note 6).

Estimating 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.

There were no changes in the estimated useful lives of property and equipment in 2014, 2013 and 2012. The carrying values of the Group's property and equipment as at March 31, 20145 and December 31, 2014 amounted to ₱0.499 million and ₱0.504 million, respectively (see Note 8).

Estimating Allowance for Impairment Losses on Nonfinancial Other Current Assets
The Group provides allowance for impairment losses on nonfinancial other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates.
The carrying values of nonfinancial other current assets amounted to ₱2.599 million and ₱2.548 million as at March 31, 2015 and December 31, 2014, respectively (see Note 7).

Estimating Impairment on Property and Equipment and Mining Rights
Property and equipment and other nonfinancial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount is not recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;

- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The net book values of property and equipment amounted to ₱0.499 million and ₱0.504 million as at March 31, 2015 and December 31, 2014, respectively (see Note 8).

The carrying values of mining rights amounted to nil
(see Note 10).

Estimating Impairment of Investment in an Associate
The Group assesses whether there are any indicators of impairment for investments in associates at the end of the reporting period. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount.

The carrying values of investment in an associate amounted to ₱22.4 million and ₱22.5 million as at March 31, 2015 and December 31, 2014, respectively (see Note 9).

Estimating Recoverability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. As at March 31, 2015 and December 31, 2014, no deferred income tax asset was recognized on the Group's deductible temporary differences as management believes that the Group will not be able to generate sufficient future taxable profits to allow all or part of its deferred income tax assets to be utilized.

Estimating Fair Values of Financial Instruments
PFRS requires that financial assets and financial liabilities (including derivative financial instruments) be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ using a different valuation methodology. When *Level 2* of the fair value hierarchy is used to determine the fair value of financial instruments, inputs and assumptions are based on market observable data and conditions, and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing for each of the periods indicated. Any change in the fair values of financial assets and financial liabilities (including derivative instruments) directly affects the consolidated statement of comprehensive income and equity and related disclosure.

The fair value of financial assets amounted to ₱61.9 million and ₱63.2 million as at
March 31, 2015 and December 31, 2014, respectively. The fair value of financial liabilities amounted to ₱10.5 million and ₱10.9 million as at March 31, 2015 and December 31, 2014, respectively.

4. Cash and Cash Equivalents

	3/31/2015	12/31/2014
Cash on hand	**₱10,000**	**₱657**
Cash in banks	**7,767,193**	**11,687,121**
Short-term investments	**–**	**–**
	₱7,777,193	**₱11,687,778**

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Interest income amounted to ₱11,132 and ₱ 3,104 as of March 2015,and March 2014, respectively.

5. Receivables

	3/31/2015	12/31/2014
Trade	**₱26,434,000**	**₱26,434,000**
Advances to:		
Employees	**334,562**	**1,518,964**
Others	**1,397,500**	**1,311,753**
Other receivables	**3,472,565-**	**1,783,514**
	31,638,627	**31,048,231**
Less allowance for impairment loss	**29,914,657**	**29,914,657**
	₱1,723,970	**₱1,133,574**

Trade receivables generally have a thirty (30) day term.

Advances to employees represent the revolving funds given to the employees for the expenses incurred in relation to operations such as travel and representation.

Other advances represent funds lent to related parties (companies with under common directors as the Group) for their working capital requirements. These receivables are non-interest bearing and generally due and demandable.

Other receivables mainly pertain to rental deposit on terminated lease agreements to be refunded to the Group.

Movements in allowance for impairment loss were as follows:

	3/31/2015	12/31/2014
Beginning balance	**₱28,733,073**	**₱28,733,073**
Provisions (Note 14)	**2,135,543**	**2,135,543**
Write-off	**(953,959)**	**(953,959)**
Reversals	**–**	**–**
	₱29,914,657	**₱29,914,657**

Reversals of allowance for impairment loss were due to collections of receivables, which the Company previously assessed to be impaired. Write-offs of receivables pertain to advances made by the Company to its resigned employees and which are deemed to be no longer collectible.

6. **Inventories**

	3/31/2015	12/31/2014
At cost:		
Chemicals	**₱160,255**	**₱160,255**
Nickel ore	**–**	**–**
	160,255	**160,255**
Less allowance for decline in value	**160,255**	**160,255**
	₱–	**₱–**

7. **Other Current Assets**

	3/31/2015	12/31/2014
Input VAT	**₱10,748,641**	**₱10,697,699**
Creditable withholding tax (CWT)	**2,493,807**	**2,493,807**
Deferred input VAT	**313,026**	**313,026**
Prepaid expenses	**–**	**–**
	13,555,484	**13,504,532**
Less allowance for impairment loss	**10,955,850**	**10,955,850**
	₱2,599,634	**₱2,548,682**

Input VAT represents taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future output tax liability of the Group.

Deferred input VAT pertains to the VAT imposed on services rendered but are still unpaid. These are expected to be realized in the following year.

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Prepaid expenses mainly pertain to the advance payments on miscellaneous expenses. These expenses are to be realized in the following year.

8. **Property and Equipment**

	3/31/2015				
	Project Site Equipment	**Office Equipment, Furniture, and Fixtures**	**Transportation Equipment**	**Leasehold Improvements**	**Total**
Cost:					
Balances at beginning and end of year	**₱2,147,904**	**₱4,910,031**	**₱3,765,080**	**₱1,471,175**	**₱12,294,190**
Less accumulated depreciation and amortization:					
Balances at beginning of year	**1,650,146**	**4,906,756**	**3,765,075**	**1,467,523**	**11,789,500**
Depreciation and amortization	**0**	**3,275**	**0**	**1,602**	**41,007**

(Note 14)					
Balances at end of year	**1,650,146**	**4,910,031**	**3,765,075**	**1,469,125**	**11,794,377**
Net book value	**₱497,758**	**₱-**	**₱5**	**₱2,050**	**₱499,813**

	12/31/2014				
	Project Site Equipment	Office Equipment, Furniture, and Fixtures	Transportation Equipment	Leasehold Improvements	Total
Cost:					
Balances at the end of year	₱2,147,904	₱4,910,031	₱3,765,080	₱1,471,175	₱12,294,175
Less accumulated depreciation and amortization:					
Balances at beginning of year	1,453,992	4,753,625	3,729,393	1,453,530	11,390,540
Depreciation and amortization (Note 14)	196,154	153,131	35,682	13,393	398,960
Balances at end of year	1,650,146	4,906,756	3,765,075	1,467,523	11,789,500
Net book value	₱497,758	₱3,275	₱5	₱3,652	₱504,690

Cost of fully depreciated property and equipment still used in operations amounted to ₱9.5 million

9. **Investment in an Associate**

	3/31/2015	**12/31/2014**
Acquisition cost	**₱22,998,876**	**₱22,998,876**
Accumulated equity in net losses:		
Balance at beginning of year	**(521,440)**	**(253,936)**
Share in net loss for the year	**(66,010)**	**(267,504)**
Balance at end of year	**(578,450)**	**(521,440)**
	₱22,411,426	**₱22,477,436**

On December 21, 2011, the Group acquired from various shareholders 375,000 shares representing fifteen percent (15%) equity interest in Masbate10, a company engaged in the exploration and development of mineral resources. As at March 31, 2015 and December 31, 2014, the subscribed capital stock of Masbate10 amounted to ₱2,500,000, divided into 2,500,000 shares with a par value of ₱ 1 per share.

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

The investment in associate is accounted for using the equity method. Share in the associate's net loss amounted to ₱66,010, and ₱267,504 as of March 31, 2015and December 31, 2014 respectively.

The following table presents information on financial position and performance of Masbate10 as at and for the years ended December 31:

	3/31/2015	**12/31/2014**
Total Assets	**₱7,284,180**	**₱6,844,111**

Total Liabilities	**6,746,764**	**6,306,695**
Total Equity	**537,416**	**537,416**
Total Net Loss	**440,069**	**1,783,360**

10. **Business Combination**

Acquisition of Abeilles
On December 28, 2011, the Parent Company acquired ninety-seven percent (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 ₱264.6 million covered the assignment of 97% of the outstanding shares of Abeilles and assignment of advances made by the previous stockholders to Abeilles aggregating ₱276.4 million. The Abeilles account includes the one hundred percent (100%) ownership of outstanding shares of Richground, Geo8, Minevault and Masbate109 and fifteen percent (15%) ownership of outstanding shares of Masbate10.

The NCI in the acquiree was measured at the proportionate share of the acquiree's identifiable net assets.

Assets acquired and liabilities assumed
The fair value of the identifiable assets and liabilities of Abeilles as at the date of acquisition were:

	Fair value recognized on acquisition
Assets:	
Cash in banks	₱105,000
Mining rights	254,777,996
Investment in an associate	22,998,876
Other current assets	12,377,506
	290,259,378
Liabilities:	
Accrued expenses	55,000
Advances from related parties	4,661,637
	4,716,637
Total identifiable net assets at fair value	285,542,741
NCI	(8,566,282)
Negative goodwill arising on acquisition	(38,976,459)
Purchase consideration	₱238,000,000

The excess of the fair value of the net assets acquired over the purchase price is presented as "Income from acquisition of a subsidiary" account in the consolidated statements of comprehensive income.

The fair value of the mining rights was based on the Mine Valuation Report dated April 30, 2011 which covered the mining claims in Masbate and was prepared by independent appraisers.

However , this mining rights of the Group were assessed to be impaired, due to the denial of the exploration permit applications of the Group. As at March 31, 2015, the amount of mining rights amount to nil.

11. **Accrued Expenses and Other Current Liabilities**

	3/31/2015	12/31/2014
Deferred output VAT	**₱2,724,000**	**₱2,724,000**
Accrued expenses:		
Professional fees and others	**3,087,044**	**2,391,265**
Rent and utilities (Note 12)	**0**	**917,912**
Others		**139,793**
Withholding taxes payable	**4,115**	**8,183**
Others	**89,508**	**89,508**
	₱5,904,667	**₱6,270,661**

Accrued expenses and other current liabilities are non-interest bearing and have an average term of thirty (30) days, but may go beyond depending on the agreement of the involved parties. Withholding taxes are payable fifteen (15) days after the end of each month.

Deferred output VAT arises from rendering of services on account and will be recognized as output VAT upon collection.

12. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The outstanding balances of these related party transactions as of March 31, 2015 and December 31, 2014.

	3/31/2014	12/31/2015
Advances to related parties:		
Associate	**₱6,775,033**	**₱4,725,711**
Stockholders	**9,100,000**	**9,100,000**
Affiliates through common shareholders and directors	**6,647,155**	**6,677,539**
	₱22,522,188	**₱20,503,250**
Advances from related parties:		
Affiliates through common shareholders and directors	**₱4,625,202**	**₱4,625,202**

The Parent Company did not provide or receive guarantees from its related parties.

Equity

Movements in the authorized and issued number of shares were as follows:

	Shares	03/31/2015	Shares	12/31/2014
Common shares - ₱1 par value				
Authorized				
Balance at beginning and end of year	**3,500,000,000**	₱3,500,000,000	**₱3,500,000,000**	₱3,500,000,000
Issued				
Balance at beginning and end of year	**2,522,105,615**	₱2,522,105,615	**₱2,522,105,615**	₱2,522,105,615
Subscribed				
Balance at the beginning and end of year	**977,894,385**	₱263,580,457	**₱977,894,385**	₱263,580,457
	3,500,000,000	₱2,785,686,072	**3,500,000,000**	₱2,785,686,072

13. **General and Administrative Expenses**

	3/31/2015	12/31/2014
Bank Charges	**₱1,049**	**₱2,135,543**
Legal & Audit Fees	**148,653**	**2,050,313**
Permits & Licenses	**2,000**	
Taxes and licenses	**56,237**	**486,412**
Depreciation and amortization (Note 8)	**4,878**	**398,960**
Salaries and employee benefits	**52,160**	**330,135**
Penalties	**105,700**	
Office Supplies & Printing	**17,425**	
Notarial Fee	**400**	
Misc. Exp.	**14,326**	
Meals	**2,100**	
Listing, Filing, & Reg Fee	**275,607**	
HDMF, Philhealth, SSS Cont.	**5,424**	
Professional Fee	**73,397**	**238,769**
Representation	**2,779**	**115,209**
Office & Equipment	**6,200**	**66,725**
Supplies Field	**750**	**44,647**
Transportation & Travel	**700**	**–**
Repairs & Maintenance	**2,000**	**220,717**
	₱771,784	**₱6,087,430**

14. **Basic Earnings (Loss) Per Share**

The following table presents information necessary to calculate basic earnings (loss) per share:

	3/31/2015	12/31/2014
Net income (loss) (a)	**(₱827,777)**	**(₱312,062,938)**
Weighted average number of common shares (b)	**3,500,000,000**	**3,500,000,000**
Basic income (loss) per share (a/b)	**(₱0.0002)**	**(₱0.0892)**

15. **Financial Risk Management Objectives and Policies and Capital Management**

Financial Risk
The Group's principal financial instruments comprise cash and cash equivalents. 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/from 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 at March 31, 2015 and December 31, 2014. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

Liquidity Risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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 Group's financial assets and liabilities as at December 31, 2014 and 2013 based on undiscounted payments.

3/31/2015	**On Demand**	**1 to 12 months**	**More than 12 months**	**Total**
Financial Assets:				
Cash	**₱7,777,193**	**₱–**	**₱–**	**₱7,777,193**
Receivables	**–**	**334,562**	**31,304,065**	**31,638,627**
Advances to related parties	**22,522,188**	**–**	**–**	**22,522,188**
	₱30,299,381	**₱334,562**	**₱31,304,065**	**₱61,938,008**
Financial Liabilities:				
Accrued expenses and other payables	**₱–**	**₱2,319,352**	**₱3,585,315**	**₱5,904,667**
Advances from related parties	**4,625,202**	**–**	**–**	**4,625,202**
	₱4,625,202	**₱2,319,352**	**₱3,585,315**	**₱10,529,869**

2014	**On Demand**	**1 to 12 months**	**More than 12 months**	**Total**
Financial Assets:				
Cash	**₱11,687,778**	**₱–**	**₱–**	**₱11,687,778**
Receivables	**–**	**892,687**	**30,155,544**	**31,048,231**
Advances to related parties	**20,503,250**	**–**	**–**	**20,503,250**
	₱32,191,028	**₱892,687**	**₱30,155,544**	**₱63,239,259**

Financial Liabilities:

2014	On Demand	1 to 12 months	More than 12 months	Total
Accrued expenses and other payables	**₱–**	**₱2,319,352**	**₱1,646,379**	**₱3,965,731**
Advances from related parties	**4,625,202**	**–**	**–**	**4,625,202**
	₱4,625,202	**₱2,319,352**	**₱1,646,379**	**₱8,590,933**

Credit Risk

Credit risk is the risk that a counterparty will not meet be able to meet its obligations under a financial instrument or customer contract which would lead to a financial loss. The Group's credit risk relates to other financial assets of the Group, which comprise receivables and advances to related parties.

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.

	3/31/2015	12/31/2014
Cash and cash equivalents*	**₱7,777,193**	**₱11,687,121**
Receivables	**31,638,627**	**31,048,231**
Advances to related parties	**22,522,188**	**20,503,250**
	₱61,938,008	**₱63,238,602**

**excluding cash on hand*

The credit quality of a financial asset is being managed by the Group by grouping its financial assets into two: (a) High grade financial assets are those that are current and collectible; (b) Standard grade financial assets need to be consistently followed up but are still collectible.

The table below shows the credit quality and aging analysis by class of financial assets based on the company's credit system.

3/31/2015

	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past due but not Impaired	Individually Impaired	Total
Cash	**₱7,777,193**	**₱–**	**₱–**	**₱–**	**₱17,777,193**
Receivables	**–**	**–**	**1,723,970**	**29,914,657**	**31,638,627**
Advances to related parties	**–**	**1,224,832**	**21,297,356**	**–**	**22,522,188**
	₱7,777,193	**₱1,224,832**	**₱23,021,326**	**₱29,914,657**	**₱61,938,008**

12/31/2014

	Neither Past Due nor Impaired High Grade	Past due but not Impaired Standard Grade	Individually Impaired	Total	
Cash	**₱11,687,121**	**₱–**	**₱–**	**₱–**	**₱11,687,121**
Receivables	**–**	**–**	**1,133,574**	**29,914,657**	**31,048,231**
Advances to related parties	**–**	**598,042**	**19,905,208**	**–**	**20,503,250**
	₱11,687,121	**₱598,042**	**₱21,038,782**	**₱29,914,657**	**₱63,238,602**

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 Group manages its capital structure and makes appropriate adjustments in light of changes in economic conditions.

The Group 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 accrued expense and other current liabilities and advances from related parties. Equity comprises all components of equity.

The table below summarizes the total capital considered by the Group:

	3/31/2015	12/31/2014
Capital stock	**₱2,785,686,072**	**₱2,785,686,072**
Deficit	**(2,739,443,467)**	**(2,738,613,797)**
	₱46,997,783	**₱47,072,275**

The Group's debt-to-equity ratio as at March 31, 2015 and December 31, 2014 were as follows:

	3/31/2015	12/31/2014
Accrued expenses and other liabilities	**₱5,904,667**	**₱6,270,661**
Advances from related parties	**4,625,202**	**4,625,202**
Total Liabilities (a)	**₱10,529,869**	**₱10,895,863**
Equity (b)	**₱47,004,355**	**₱47,959,547**
Debt to Equity Ratio (a/b)	**0.22:1**	**0.23:1**

16. **Financial Instruments**

Financial instruments of the Group include cash, trade receivables, advances to related parties, accrued expenses and other current liabilities, and advances from related parties. As at March 31, 2015 and December 31, 2014, the fair value of financial instruments approximates their carrying amounts due to the relatively short maturities of these financial instruments.

17. **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:

	3/31/2015	12/31/2014
Net income (loss)	**(₱827,777)**	**(₱312,062,938)**
Other information:		
Segment assets	**57,534,224**	**58,855,410**
Segment liabilities	**10,529,869**	**10,895,863**