SEC Registration Number

0	0	0	0	0	4	1	0	0	4	

Company Name

GEOGRACE RESOURCES PHILIPPINES INC AND SUBSIDIARIES

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

1505 PRINCETON STREET CORNER SHAW BOULEVARD BRGY WACK-WACK GREENHILLS EAST MANDALUYONG CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q2	CRM	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
g.geograce@yahoo.com	**(632)856-2013**	**Not Applicable**

No. of Stockholders	Annual Meeting Month/Day	Year/Month/Day
519	**Every last Friday of April**	**2017/12/31**

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 S. Castro, Jr.	**g.geograce@yahoo.com**	**(632)856-2013**	**Not Applicable**

Contact Person's Address

1505 Princeton St. Brgy., Wack-Wack, Greenhills East, 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 June 30, 2018

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) 856-2013

9. Former name, former address and former fiscal year, if changed since last report: Not Applicable

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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 [X] No [ ]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial Statements for the secondquarter ending June 30, 2018 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. In line with its new primary purpose, the Company will be on the continuous look out for possible investments in other areas of interest while continuously maintaining some of its existing mining tenements.

The Company, as part of its mining business model, 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 Php238,104,642.75 from various investors representing 25% of the total amount of subscriptions of Php952,418,571.00. 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.

B. Management's Discussion and Analysis

Financial Performance
In Thousand Pesos

Key Financial Indicators	June 30, 2018	%	June 30, 2017	%
Gross Revenues	0	0%	0	0%
Cost and Expenses	(453)	100%	(722)	100%
Net Income (Loss)	(453)	-100%	(722)	-100%
Current Assets	44,447		45,303	
Unallocated Current Assets	3,101		3,078	
Total Current Assets	47,548	95%	48,381	95%
Assets	44,447		45,304	
Unallocated Assets	5,669		5,697	
Total Assets	50,116	100%	51,001	100%
Current Liabilities	7,938	16%	7,533	15%
Liabilities	7,938		7,533	
Unallocated Liabilities	-		-	
Total Liabilities	7,938	16%	7,533	15%
Total Stockholders' Equity	42,178	84%	43,468	85%
Current Ratio	5.9899		6.4225	
Debt to Equity	0.188		0.173	
Gross Profit Margin	NA		NA	
Net Operating Margin	NA		NA	
Return on Assets	(0.01)		(0.01)	
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.

<u>For the period ended June 30, 2018 versus December 31, 2017:</u>

During the second quarter period ending June 30, 2018, the Company incurred ₱0.115million in general and administrative expenses.

Total Current Assets was decreased by 0.87% or ₱0.415million from ₱47.963 million in December 31, 2017 to ₱47.548 million in June 30, 2018.

Total Liabilities increased by 0.39% or ₱0.031 million to ₱7.938 million in June 30, 2018 as compared to last year's total liabilities of ₱7.907 million. The increase was mainly due to accrual of expenses during the period.

Similarly, total Stockholders' Equity stood at ₱42.178 million, a decrease of 1% or ₱0.446 million from ₱42.624 million in December 31, 2017. The decrease was to due operating expenses incurred during the period.

<u>For the period ended June 30, 2018 versus June 30, 2017:</u>

The total general and administrative expenses decreased by 44% or to ₱0.116 million from ₱0.209 million during the previous year (2nd Quarter). Said expenses also pertains to the company's loss for the same period since the company only derived a minimal income from bank interests of its cash.

Total Current Assets for the second quarter period ending June 30, 2018 was decreased by 1.72% or by ₱0.834 million as compared to the same period last year. Total Non-Current Assets on the other hand, decreased by 1.93% or ₱0.051 million due to share in net loss of an associate.

Total Liabilities increased by 5.39% or P0.406 million as compared to previous year's total liabilities. This increase was due to advances from related parties and accrued expenses.

Total Stockholders' Equity decreased by 3% or ₱1.290 million due to adjustments made in decreasing its assets on its investment on associates and losses incurred.

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

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

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

1. February 25, 2009 - the Company and the shareholders of GMI and SMI executed a Cancellation Agreement to formalize the termination of the Share Swap Agreements dated September 17, 2007. The parties agreed to cancel the Share Swap Agreements in view of the prevailing market conditions and the drop in the market price of the Company's shares. As of 23 February 2009, the average market price for the last thirty (30) trading days dropped at P0.46 per share which is lower than the issue price of P1.00 per share

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

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

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

3. 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 CalixtroTaboso	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.

4. On 22 October 2013, the Company, Vale Exploration Philippines, Inc. ("Vale"), Masbate 10 Phils. Inc., Masbate 2145 Phils. Inc., Masbate 109 Phils. Inc., Richground Philippines, Inc., Minevault, Inc., Ecogeo Mineral Resources, Inc., and GEO8 Resources Inc., (collectively the "Tenement Holders" executed a Mutual Termination Deed. Pursuant to the Deed, the Company, Vale and the Tenement Holders mutually agreed to terminate the following agreements:

   (1) the Exploration and Option Agreement dated 24 June 2008 and amended on 6 May 2011, and;
   (2) the Service Agreement dated 6 May 2011 executed on the same date of the Amendment to the Exploration and Option Agreement.

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 (June 30, 2018 versus December 31, 2017)

   0.87*% decrease in Current Assets*
   Decrease in Receivables and increase in creditable withholding tax.

   0.39 % increase in Total liabilities
   Increase in Advances from Related Parties.

   Balance Sheet items (June 30, 2018 versus June 30, 2017)

   1.72% decrease in Current Assets

Decrease in Receivables and increase in creditable withholding tax.

1.93 % decrease in Non-Current Assets
Decrease in Investment in Associate due to share in its loss.

5.39 % increase in Total Liabilities
Increase in advances and accrued expenses

Income Statement items (second quarter (6 months) ended June 30, 2018 versus June 30, 2017)

37.21 *% decrease in General and Administrative Expenses*
*D*ue to decrease in salaries and wages.

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. 13.

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. 13.

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. 13.

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. 13.

e. 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.

DELFIN S. CASTRO, JR.
PRESIDENT

Date August 8, 2018

RAMONCITO B. CABALU
TREASURER

Date August 8, 2018

GEOGRACE RESOURCES PHILIPPINES, INC.
INDEX TO FINANCIAL STATEMENTS

FORM 17-Q, Item 1

Financial Statements

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited June 30, 2018		Audited December 31, 2017
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4)	₱	27,688,614	₱	27,670,199
Receivables (Notes 5)		16,758,235		17,221,488
Creditable Witholding Taxes		3,100,704		3,070,983
		47,547,553		47,962,670
Non current Assets				
Investment in an associate (Note 7)		2,568,606		2,568,606
		2,568,606		2,568,606
	₱	50,116,159	₱	50,531,276
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Advances from related parties (Note 9)	₱	1,923,701	₱	1,893,258
Accrued Expenses & other liabilities		6,014,763		6,014,228
Total Liabilities		7,938,464		7,907,486
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock		2,785,686,072		2,785,686,072
Deficit		(2,743,769,453)		(2,743,334,741)
		41,916,619		42,351,331
Non- Controlling Interest		261,076		272,459
Total Equity		42,177,695		42,623,790
Total Liabilities & Equity	₱	50,116,159	₱	50,531,276

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited June 30, 2018		Unaudited June 30, 2017
ASSETS				
Current Assets				
Cash and cash equivalents	₱	27,688,614	₱	27,706,790
Receivables		16,758,235		17,596,325
Creditable Witholding Taxes		3,100,704		3,078,308
		47,547,553		48,381,423
Non current Assets				
Investment in an associate		2,568,606		2,619,133
		2,568,606		2,619,133
	₱	50,116,159	₱	51,000,556
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Advances from related parties	₱	1,923,701	₱	1,893,258
Accrued Expenses & other liabilities		6,014,763		5,639,134
Total Liabilities		7,938,464		7,532,392
Equity Attributable to Equity Holders of the Parent Company				
Capital Stock		2,785,686,072		2,785,686,072
Deficit		(2,743,769,453)		(2,743,071,110)
		41,916,619		42,614,962
Non- Controlling Interest		261,076		853,202
Total Equity		42,177,695		43,468,164
Total Liabilities & Equity	₱	50,116,159	₱	51,000,556

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

		April 1 to June 30, 2018	January 1 to June 30, 2018		April 1 to June 30, 2017	January 1 to June 30, 2017
REVENUES	₱			₱		
GENERAL & ADMINISTRATIVE EXPENSES		(115,964)	(453,125)		(208,530)	(721,661)
OTHER INCOME						
Provision for impairment loss:						
Advances to Related Parties						
Input VAT						
Interest Income (Note 4)		212	5,092		5,207	5,449
Share in Net Loss of an associate						
Gain on reversal of:						
Impairment loss on receivable						
Foreign Exchange losses-net		1,938	1,938			
INCOME (LOSS) BEFORE INCOME TAX		(113,814)	(446,095)		(203,323)	(716,212)
PROVISION FOR INCOME TAX						
NET INCOME (LOSS)	₱	(113,814)	(446,095)	₱	(203,323)	(716,212)
NET INCOME/(LOSS) ATTRIBUTABLE TO:						
Equity Holders of the Parent Company		(110,400)	(434,712)		(212,564)	(738,486)
Non-controlling interest		(3,414)	(11,383)		9,241	22,274
TOTAL COMPREHENSIVE LOSS		(113,814)	(446,095)		(203,323)	(716,212)
WEIGHTED AVERAGE NUMBER OF COMMON SHARE		3,500,000,000	3,500,000,000		3,500,000,000	3,500,000,000
Net Income (Loss) Per Share		(0)	(0)		(0)	(0)

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		January 1 to June 30, 2018		January 1 to December 31, 2017		January 1 to June 30, 2017		January 1 to December 31, 2016
CAPITAL STOCK - ₱ 1 par value								
ISSUED								
Balance at the beginning of the year	₱	2,522,105,615	₱	2,522,105,615	₱	2,522,105,615	₱	2,522,105,615
Issuance		-		-		-		-
Effect of Restructuring		-		-		-		-
		2,522,105,615		2,522,105,615		2,522,105,615		2,522,105,615
SUBSCRIBED								
Balance at the beginning of the year		977,894,385		977,894,385		977,894,385		977,894,385
Effect of restructuring		-		-		-		-
		977,894,385		977,894,385		977,894,385		977,894,385
Balance at the end of year		3,500,000,000		3,500,000,000		3,500,000,000		3,500,000,000
SUBSCRIPTION RECEIVABLE								
Balance at the beginning of the year		(714,313,928)		(714,313,928)		(714,313,928)		(714,313,928)
Effect of restructuring								
		(714,313,928)		(714,313,928)		(714,313,928)		(714,313,928)
DEFICIT								
Balance at the beginning of the year		(2,743,334,741)		(2,741,612,051)		(2,741,612,051)		(2,735,888,954)
Effect of restructuring								
Total Comprehensive Income/ (Loss)		(434,712)		(1,722,690)		(716,212)		(5,723,097)
Balance at the end of year		(2,743,769,453)		(2,743,334,741)		(2,742,328,263)		(2,741,612,051)
NON-CONTROLLING INTEREST								
Balance at the beginning		272,459		276,422		276,422		271,488
Minority Interest		(11,383)		(3,963)		22,274		4,934
		261,076		272,459		298,696		276,422
	₱	42,177,695	₱	42,623,790	₱	43,656,505	₱	44,350,443

GEOGRACE RESOURCES PHILS. INC and SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

	April 1 to June 30, 2018	Jan 1 to June 30, 2018	April 1 to June 30, 2017	Jan 1 to June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (Loss) before income tax	₱ (113,814)	₱ (446,095)	₱ (203,323)	₱ (742,487)
Adjustments for:				
Depreciation & amortization				
Input value-added tax				
Adjustment for Interest Income	(212)	(5,092)	(5,207)	(5,449)
Gain on reversal:				
Receivables				
Other current assets				
Accrued Expenses & other payables				
Foreign exchange losses- net	1,938	1,938		
Share in net profit/loss of an associate				
Operating income before working capital changes	(112,088)	(449,249)	(208,530)	(747,936)
(Increase) Decrease				
Receivables	463,253	463,253		
Other Current Assets	999	(29,721)	52,006	14,406
Increase (Decrease)				
Accounts & other payables	6,635	535	(2,742,295)	(2,755,684)
Cash required by operations	358,799	(15,182)	(2,898,819)	(3,489,214)
Interest Income	212	5,092	5,207	5,449
Final Tax Paid on Interest	-	-	-	-
Net Cash Provided by operating activities	359,011	(10,090)	(2,893,612)	(3,483,765)
CASH FLOWS FROM INVESTING ACTIVITIES				
Advances to related parties	(366,455)	30,443	2,852,958	1,033,447
Decrease in investment in associate				
Net Cash Provided (Used) in Investing Activities	(366,455)	30,443	2,852,958	1,033,447
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,444)	20,353	(40,654)	(2,450,318)
EFFECT OF EXCHANGE RATE CHANGES IN CASH	(1,938)	(1,938)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,697,996	27,670,199	27,747,444	30,157,108
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 27,688,614	₱ 27,688,614	₱ 27,706,790	₱ 27,706,790

Note 1 – Corporate Information

GEOGRACE RESOURCES PHILIPPINES, INC. (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission as La Suerte Gold Mining Corporation on April 20,1970 with SEC Registration no. 000041004 primarily to engage in the exploration, exploitation and development of mineral resources. The name of the corporation was changed in May 1995 to Global Equities Inc. and its main business activities from that of a mining company to that of an investment holding company. In 2006, the Company shifted its primary purpose back to mining and exploration of mineral resources and changed its corporate name to its present name.

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

- Amendment of Article II changing the 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 amended Articles of Incorporation were approved by the SEC on February 7, 2014.

The registered office address of the Company is at 1505 Princeton Street corner Shaw Boulevard, Barangay Wack-Wack Greenhills East, Mandaluyong City. The Company's shares are listed and traded in the Philippine Stock Exchange (PSE).

<u>Status of Operations</u>
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) On February 7, 2014 the SEC approved the Parent Company's application for the amendment of its Articles of Incorporation, converting its main purpose from that of a mining company to a holding company. In line with its new primary purpose, the Parent Company will be on the continuous lookout for possible investments in other areas of interest.

   As part of its business model, the Parent Company will continue to identify joint venture partners that can co-finance the exploration of the mining claims of its subsidiaries.

   The Parent Company is currently setting up parameters to identify other areas of interest. Once a potential business opportunity has been identified, it will be subjected to due diligence and a comprehensive analysis of its business model, prospects, management, financial performance, and other potential risks. Once it has passed the parameters set by management, it will be presented to the Parent Company's BOD for approval. The BOD members, with its experience in various fields of industries, together with management, will venture into new business or opportunities bearing in mind the main objective of improving shareholder value.

Note 2 – Summary of Significant Accounting and Reporting Policies

The following significant accounting policies and practices are set forth to facilitate the understanding of data presented in the consolidated financial statements.

2.1 Basis of Preparation of Consolidated Financial Statements

Statement of Compliance
The Group's consolidated financial statements, which are prepared for submission to the Securities and Exchange Commission and the Bureau of Internal Revenue, have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

Basis of Preparation
The accompanying consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These consolidated financial statements have been prepared on a historical cost basis. The measurement bases are more fully described in the accounting policies that follow.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These consolidated financial statements are the separate financial statements of the company. The Company has also prepared consolidated financial statements in accordance with PFRS for the Group. In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated. The consolidated financial statements can be obtained from the Securities and Exchange Commission, Manila, Philippines.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of June 30,2018 and December 31,2017. The separate financial statements of subsidiaries are prepared for the same reporting year as the Group, using consistent accounting policies. The Parent Company has also prepared consolidated financial statements in accordance with Philippine Financial Reporting Standards for the Group.

In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - have been fully consolidated.

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

All intergroup balances, transactions, income and expenses and profit and losses resulting from intergroup transactions that are recognized in assets are eliminated in full. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Parent Company holds investments in subsidiaries that are all incorporated in the Philippines (see Note 9).

The Parent Company also provided significant amount of advances to its subsidiaries. These subsidiaries are still in their pre-operating stages and have incurred substantial amounts of pre-operating expenses that resulted in significant deficits. The recoverability of the Parent Company's investments in and advances to subsidiaries is dependent upon the ability of these entities to successfully execute and implement their projects, and, ultimately, to attain profitable operations.

The following are the subsidiaries and associate of the Parent Company as at June 30, 2018 and December 31, 2017:

Company	**Industry**	**Ownership**	**Percentage of Ownership**
Subsidiaries:			
Abeilles Assets, Inc. (Abeilles)	Holding	Direct	97%
Richground Philippines, Inc. (Richground)*	Mining	Indirect	97%
Geo8 Resources, Inc. (Geo8)*	Mining	Indirect	97%
Minevault Inc. (Minevault)*	Mining	Indirect	97%
Masbate1 09 Philippines, Inc. (Masbate1 09)*	Mining	Indirect	97%
Associate:			
Masbate10 Philippines, Inc. (Masbate10)*	Mining	Indirect	1.5%

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

Functional and Presentation Currency

These consolidated financial statements are presented in Philippine Peso, the Group's functional currency, and all values represent absolute amounts except when otherwise indicated.

Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity of PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are discussed in Note 3 to the financial statements.

2.2 Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures

Principal accounting policies applied by the Group in preparation of its consolidated financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

New and amended PFRS adopted by the Group:

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2018:

- Amendments to PAS 7, Statement of Cash Flows - Disclosure Initiative – The amendments require entities to provide information that enable the users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods.

- Amendments to PAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealized
  Losses – The amendments clarify that an entity need to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

- Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of the equity, as appropriate), without allocating the change between opening retained earnings and other components of the equity. Entities applying this relief must disclose that fact.

- Amendments to PFRS 12, Disclosures of Interests in Other Entities – Clarification of the Scope of the Standard – The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the disclosure requirements in PFRS 12 apply to interests in entities within the scope of PFRS 5, Non-current Assets Held for Sale and Discontinued Operations except for summarized financial information for those interests (i.e. paragraphs B10-B16 of PFRS 12).

The adoption of the foregoing new and amended PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

Financial Instruments Disclosure

Financial assets include cash, trade receivable and other financial instruments.

Financial Assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

As of June 30, 2018 and December 31, 2017, the Group has no financial assets at fair value through profit or loss.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivable comprise "trade receivables, advances to officers and employees, advances to affiliates and other receivables" in the consolidated statements of financial position.

<u>Available-for-sale financial assets</u>
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

As of June 30, 2018 and December 31, 2017, the Group has no available-for-sale financial assets.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand, deposits held at call with banks. Cash equivalents refer to other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

<u>Trade and Other Receivables</u>
Sales are made as the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

As of June 30, 2018 and December 31, 2017, the Group's cash, receivables and due from related parties are classified under this category.

<u>Recognition and measurement</u>
Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit of loss are initially recognized at fair value, transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "other (losses)/gains – net" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the statements of comprehensive income as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity in the income statement as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Company’s right to receive payments is established.

Financial Liabilities
Financial liabilities within the scope of PAS 39 are classified as either financial liabilities at FVPL and other financial liabilities. The Company has no financial liabilities at FVPL as of June 30, 2018 and December 31, 2017.

Trade payables represent liabilities for goods and services provided to the Group, prior to the end of the financial year, which are still unpaid. The amounts are unsecured and usually paid within 30 days after recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using effective interest method.

Accruals are liabilities to pay for goods and services that have been received or supplied but have not been paid, invoiced or formally agreed upon by the supplier including amounts due to employees. It is necessary to estimate the amount of timing of accruals, however the uncertainty is generally much less than for provisions.

Other payables are measured initially at their face value and subsequently recognized at amortized costs less settlement payments.

Other financial liabilities pertain 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 non-interest bearing loans and borrowings.

The Group’s loans payable and due to related parties is under this category.

Recognition and Measurement
Trade and other payables are recognized in the consolidated financial statements when the Group becomes a party to the contractual provisions of the instrument, normally in the period in which the related money, goals or services are received or when legally enforceable claims against the Group is established. These are initially recognized at their fair value, which is represented by their invoice amount. When the impact of the time value of money is significant, these are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortizing at a discount rate that reflects current market assessments of similar financial instruments.

This category includes accounts payable and advances from related parties.

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

Impairment of Financial Assets and Liabilities

(a) Assets carried at amortized cost

The Group assesses at the end of 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 impaired and impairment losses are incurred 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 (a “loss event’’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the assets 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 effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement. If loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instruments’ fair value using an observable market price.

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 (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its costs is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition costs and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in profit of loss. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statements of comprehensive income.

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 statements of comprehensive income.

Derecognition of Financial Assets and Liabilities

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

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

Where the 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 statements of comprehensive income.

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is 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 at gross amounts in the statement of financial position.

Fair Value of Measurement

The Group measures financial instruments, such as AFS investments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost.

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 assumption 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 assumption 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 consolidated financial statements are categorized within the fair value hierarchy, describe as follows, and 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by remeasurement as a whole at the end of each reporting period.

Creditable Withholding Tax (CWT)

CWTs are withheld from sale of services which the Group can utilize as payment for income taxes provided that they are properly supported by certificates of creditable withholding withheld at source subject to the rules in Philippines income taxation.

Input Value Added Tax (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. Input VAT is classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, this is classified as noncurrent assets.

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

Investment in Associate

An associate is an entity over 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 controls are similar to those necessary to determine control over subsidiaries.

The Groups' investment in associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

The consolidated statements of comprehensive income reflects the Group's share of the results of Group's OCI. In addition, when there has been a changed recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements 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.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Mining Rights

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

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

- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area continuing, or planned for the future.

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

Impairment of Non-Financial Assets

CWT and Input VAT

The Group provides allowance for impairment losses on CWT and Input VT when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgements or utilized different estimates. An increase in allowance for impairment losses would increase recorded expense and decrease CWT and Input VAT.

Investment in Subsidiaries

The Group determines at the end of each reporting period whether there is objective evidence that the investment in subsidiaries is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investment and the acquisition cost, and recognizes the amount in the Parent Company statements of comprehensive income. Fair value is determines with reference to its market price at the end of each financial reporting date.

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

Accrued Expenses

Accrued expenses are recognized in the period when a legally enforceable claim against the Group is established or when the corresponding assets or expenses are recognized. These are recognized at fair value that is expected to be settled within one year from year end.

Related Parties and Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Group and close members of the family of any individuals owning directly or indirectly a significant voting power of the Group that gives them significant influence in the financial and operating policy decisions of the Group are also considered to be related parties.

An entity is related to the Group if any of the following conditions apply:

- The entity and the Group are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others)
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
- Both entities are joint ventures of the same third party
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- The entity is a post-employment benefit plan for the benefit of employees of either the Group of an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group
- The entity is controlled or jointly controlled by a person identified above
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity)

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner, children of that person's spouse or domestic partner, and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Group when it directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with the Group. Transactions between related parties are accounted for at arm's-length prices or on terms similarly offered to non-related entities in an economically comparable market.

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, regardless of when the payment is made.

Management Fee

Revenue is recognized when the services have been substantially rendered.

Interest income is recognized when the interest accrues, taking into account the effective yield on the asset.

Others

Revenue is recognized in the Parent Company statements of comprehensive income as they are earned.

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 distribution to equity participants. Cost and expenses are generally recognized when they are incurred. Expenses constitute cost of administering the business and are recognized as incurred.

General and administrative expenses are generally recognized when the services are used or the expenses arises.

Income Taxes

Current Income Tax
Current tax assets or liabilities comprise of claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statements of comprehensive income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income.

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

Provision
Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the financial position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resource as a result of present obligations is considered probable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

Contingencies
Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. They are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in consolidated the financial statements but disclosed when an inflow of economic benefits is probable.

Stockholders' Equity

Common stocks are classified as equity. Equity instruments are measured at the fair value of the consideration received, net of direct costs of issuing the equity instruments. If the payment is deferred and time value of money is material, the initial measurement is on a present value basis.

Retained Earnings and Dividend on Capital Stock. The amount included in retained earnings includes profit attributable to the shareholders' equity and reduced by dividends on capital stock and loss from operations.

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

Earnings (Loss) Per Share

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

Events after the End of Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are adjusting events, if any, are disclosed in the notes to the financial statements, when material.

Estimates and Judgments

The preparation of the consolidated financial statement in conformity with PFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Note 3 – Critical Accounting Estimates, Assumptions and Judgments

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect amounts reported in the consolidated 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 consolidated 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.

3.1 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 Group's consolidated financial statements. The judgments are based upon management's evaluation of relevant facts and circumstances as at the date of the Group's consolidated financial statements.

Assessing Existence of Control

In assessing whether control exists, the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee (see Note 7).

Going Concern
The consolidated financial statements have been prepared assuming the Group will continue as a going concern. The Group incurred accumulated deficit of P2.744 million and P2.743 million as of June 30, 2018 and December 31, 2017, respectively.

Non-recognition of Deferred Tax Asset from NOLCO
Deferred tax asset as of June 30, 2018 and December 31, 2017 arising from NOLCO amounted to P570,776. The realization of deferred tax is dependent on many factors including the Group's ability to generate future taxable income over the next three (3) years. Management has considered this factor in reaching a conclusion that no deferred tax asset shall be recognized.

Functional Currency
The Group has determined that its functional currency is the Philippine peso. Functional currency is the currency of the primary economic environment in which the Group operates.

3.2 Estimates

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty as 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 period are discussed below:

Assessing Impairment of Investment in Subsidiaries
An impairment review is performed when certain impairment indictors are present. Determining the value in use of nonfinancial assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets and requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the investment in subsidiaries is impaired. Any resulting additional impairment loss could have a material adverse impact on the Group's consolidated financial condition and results of operations. The preparation of the estimated future cash flows involves significant judgment and estimations.

As at June 30, 2018 and December 31, 2017, the carrying amount of the Group's investment in a subsidiary amounted to P238 million.

Estimating Allowances for Impairment Loss on Receivables and Advances to Related Parties
The level of allowance is evaluated by management based on experience and other factors that may affect the recoverability of these assets. The allowance for impairment loss is estimated using two methods namely, the specific and collective assessment. The total of the amounts calculated using the two methods determines total allowance to be maintained as of the reporting date. Under the specific assessment, is there is an objective evidence that an impairment loss on receivable 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 effective interest rate. In collective assessment, the Group groups the receivables according to the credit risk profile of counterparties and provides allowance based on historical loss experience. The carrying amount of the asset shall be reduced directly or through the use of allowance account. The allowance is established by charges to income in the form of provision for impairment loss. The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made. An increase in provision for impairment loss would increase the Group's recorded expenses and decrease current assets.

The carrying value of cash and cash equivalents amounted to P27.69 million and P27.67 million as at June 30, 2018 and December 31, 2017, respectively (see Note 4).

Provisions for impairment loss on receivables amounted to nil in June 30, 2018 and December 31, 2017. The carrying value of receivables amounted to P16.76 million and P17.22 million as at June 30, 2018 and December 31, 2017, respectively. Allowance for impairment loss of receivables amounted to P27.75 million as at June 30, 2018 and December 31, 2017. (see Note 5).

Advances to related parties amounted to P16.74 million and P17.20 million as at June 30, 2018 and December 31, 2017, respectively.

Estimating Allowance for Impairment Losses on CWT and Input VAT
The Group provides allowance for impairment losses on CWT and Input VAT 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 CWT and Input VAT.

CWT amounted to P2.99 million as at June 30, 2018 and December 31, 2017. There was no allowance for impairment losses on CWT as at June 30, 2018 and December 31, 2017.

The carrying value of Input VAT amounted to P0.11 million and P0.08 million as at June 30, 2018 and December 31, 2017. Allowance for impairment losses on Input VAT amounted to P8.57 million as at June 30, 2018 and December 31, 2017 (see Note 6).

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 December 31, 2017 and 2016, 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.

Asset impairment
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the Parent Company financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

Financial Assets and Liabilities
The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. Significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates). However, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in the fair value of these financial assets and liabilities would affect profit and loss and equity.

Note 4 – Cash and Cash Equivalents

This account consists of:

	06/30/2018	12/31/2017
Cash on hand	**-**	657
Cash in bank	**27,688,614**	27,669,542
Total	**27,688,614**	27,670,199

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

Interest income earned in June 30, 2018 and December 31, 2017 amounted to P5,092 and P302,120, respectively.

Note 5 – Receivables

This account consists of:

	06/30/2018	12/31/2017
Trade receivables	**26,434,000**	26,434,000
Advances to related parties (Note 9)	**16,738,235**	17,201,488
Advances to others	**1,311,249**	1,311,249
Advances to officers and employees (Note 9)	**-**	
Other receivables	**20,000**	20,000
Total receivables	**44,503,484**	44,966,737
Less: Allowance for impairment loss	**27,745,249**	27,745,249
Total	**16,758,235**	17,221,488

Trade receivables generally have a thirty (30)-day term. However, the trade receivable above had been outstanding since 2012 and had been subjected to 100% allowance for impairment.

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 fund 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. These are also covered with 100% allowance for impairment.

Other receivables pertain to advances paid to an outside party subject to liquidation.

The movement of allowance for impairment loss follows:

	06/30/2018	12/31/2017
Beginning balance	**27,745,249**	27,891,132
Write-off	**-**	(145,883)
Reversal	**-**	-
Ending balance	**27,745,249**	27,745,249

Reversal of allowance for impairment losses was due to collection of receivables which the Company assessed to be impaired while write-off pertains to unliquidated advances of employees previously impaired.

Note 6 – Other Current Assets

This account consists of:

	06/30/2018	12/31/2017
Creditable withholding tax	**2,986,383**	**2,986,383**
Input VAT	**8,336,636**	**8,306,915**

Deferred input VAT	**350,444**	**350,444**
Total receivables	**11,673,463**	**11,643,742**
Less: Allowance for impairment loss	**8,572,759**	**8,572,759**
Net Realizable	**3,100,704**	**3,070,983**

Creditable withholding taxes are amounts withheld from income subject to expanded withholding taxes. Creditable withholding taxes 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.

Input VAT represents taxes paid on purchases of applicable goods and services which can be recovered as tax credit against future vat liability of the Group. Deferred input VAT pertains to the VAT imposed on services rendered but are still unpaid.

Movements in allowance for impairment were as follows:

	06/30/2018	12/31/2017
Beginning balance	**8,572,759**	8,439,662
Provisions	**-**	133,097
Ending balance	**8,572,759**	8,572,759

Provision was recognized to set up full allowance of its input VAT. This is due to management's assessment of its recoverability since the Group is not expecting to recognize any revenue in the near future.

Note 7 – Investment in an Associate

The movement of investment in associate is as follows:

	06/30/2018	12/31/2017
Acquisition cost	**22,998,876**	22,998,876
Dilution loss	**(20,357,469)**	(20,357,469)
	2,641,407	2,641,407
Accumulated equity in net losses:		
Beginning balance	**(72,801)**	(63,773)
Share in loss of an associate	**-**	(9,028)
Ending balance	**(72,801)**	(72,801)
	2,568,606	2,568,606

On December 2011, the Group acquired from various shareholders 375,000 shares in Masbate10, a Company engaged in the exploration and development of mineral resources. As at December 31, 2017 and 2016, the subscribed capital stock of Masbated10 amounted to P25,000,000 divided into 25,000,000 shares with par value of P1.00 per share.

As at June 30, 2018 and December 31, 2017, the Group has 1.5% equity interest in Masbate10.

The Group exercises significant influence over Masbate10 through common key management personnel, representation in the BOD of two (2) out of five (5) board seats of forty-percent (40%) and management agreement with the associate.

The investment in associate is accounted for using the equity method. Share in the associate's net profit or loss amounted to nil and P9,028 in June 30, 2018 and December 31, 2017, respectively.

The following table presents information on financial position and performance of Masbate10 as at June 30, 2018 and for the year ended December 31, 2017:

	06/30/2018	12/31/2017
Total Assets	**1,369,737**	1,369,737
Total Liabilities	**1,381,799**	1,369,711
Total Equity	**(12,062)**	26
Total Net Loss	**(12,088)**	30,095

Note 8 – Accrued and Other Current Liabilities

This account consists of:

	06/30/2018	12/31/2017
Deferred output VAT	**2,724,000**	2,724,000
Accruals	**3,277,945**	3,277,410
Withholding taxes payable	**7,900**	7,900
SSS, Philhealth and Pag-ibig payable	**4,918**	4,918
Other payables	**-**	-
Total	**6,014,763**	6,014,228

Deferred output VAT arises from rendering services on account and it becomes due and payable only upon collection of the income receivable.

Accrued expenses and other payables 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. Accrued expenses include professional fees and rental.

Withholding taxes and SSS, Philhealth and Pag-ibig payable are payable fifteen (15) days after the end of each month.

Note 9 – Related Party Transactions

Enterprises and individuals that are 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.

Terms and Conditions of Transactions with Related Parties
Settlements of balances of transactions with related parties are made in cash and payable on demand. Advances to/from related parties are non-interest bearing. For the interim period ended June 30, 2018 and year ended December 31, 2017, the Group has not impaired amounts owed by related parties. This assessment is undertaken each end of the reporting period through examining the financial position of the related party and the market in which the related party operates.
In the normal course of business, transactions with related parties include the following:

Advances to related parties

	Amount/Volume		Outstanding Receivables		Terms	Conditions
	06/30/2018	12/31/2017	**06/30/2018**	12/31/2017		
Subsidiaries and An Associate						
Cash Advances:						
Masbate 10 Philippines Inc.	**-**	152,357	**5,088,161**	5,088,161	Collectible on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
Officers and stockholders	**463,253**	239,443	**9,573,798**	10,037,051	Collectible on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
Dizon Copper Silver Mines Inc.	**-**	1,496,168	**2,074,776**	2,074,776	Collectible on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
AC and D Corporate Partners, Inc.	**-**	2,319,156	**500**	500	Collectible on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
Redridge Resources Corp.	**-**	-	**500**	500	Collectible on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
AU 197 Philippines, Inc.	**-**	100	**100**	100	Collectible on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
Masbate 2145, Philippines Inc.	**-**	400	**400**	400	Collectible on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
	463,253	4,207,624	**16,738,235**	17,201,488		

	Amount/Volume		Outstanding Payables		Terms	Conditions
	06/30/2018	12/31/2017	**06/30/2018**	12/31/2017		
Subsidiaries and Associate						
Cash Advances:						
AU 197 Philippines, Inc.	-	2,492,215	**-**	-	Payable on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
AC and D Corporate Partners, Inc.	-	1,396,282	**-**	-	Payable on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
Masbate 2145, Philippines Inc.	-	49,760	**-**	-	Payable on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
Officers and stockholders	**30,443**	1,496,188	**1,923,701**	1,893,258	Payable on demand; noninterest bearing	Unsecured; no impairment and unguaranteed
	30,443	5,434,445	**1,923,701**	1,893,258		

Advances from related parties

Key Management Personnel

The Group has no key management personnel. In June 30, 2018 and December 31, 2017, the administrative functions of the Group were being handled by officers and employees of a related party at no cost to the Group.

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

Note 10 – Stockholders' Equity

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

	06/30/2018	12/31/2017
Common shares - P1 par value		
Authorized - 3,500,000,000 shares		
Issued shares - 2,522,105,615 shares	**2,522,105,615**	2,522,105,615
Subscribed shares - 977,894,385 shares	**977,894,385**	977,894,385
Total	**3,500,000,000**	3,500,000,000
Subscription receivable - 977,894,385 shares	**(714,313,928)**	(714,313,928)
Net	**2,785,686,072**	2,785,686,072

Issuances of shares of stock of the Group approved by the SEC were as follows:

Date of SEC Approval	Type of Issuance	No. of Issued Shares	Issue/Offer Price
February 07, 1972	Initial Public Offering	1,961,637,701	P1.00
April 11, 2007	Stock Rights	560,467,914	P1.00

The Company, upon approval by the Securities and Exchange Commission on October 14, 2008, issued 25,475,814 shares with par value of P1.00 per share to J. P. Morgan Securities limited as payment for the latter's services. Subsequently, the Company submitted to PSE its application for the listing of shares to be issued to J.P. Morgan. On January 30, 2009, the PSE considered the shares as abandoned until the Company has submitted a valid Mineral Production Sharing Agreement (MPSA). As at March 24, 2017, the Company has not yet submitted a valid MPSA.

On May 5, 2011, the Company's BOD approved the issuance, via private placement investment from various shareholders, of 952,418,571 shares of the Company at P1 per share. The subscription price of P1 per share reflects a premium over the P0.63 closing price of the Company's shares as at May 5, 2011. The payment terms were as follows: (a) twenty-five (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 BOD.

Funds raised from private placement of shares were intended to be used for the acquisition of mining tenements where the Company can already exercise its option to purchase.

As at June 30, 2018 and December 31, 2017, the total number of shareholders of the Company was 519 and 521, respectively.

Note 11 – General and Administrative Expenses

This account consists of:

	06/30/2018	12/31/2017
Professional fees	**96,842**	1,149,721
Listing fee	**256,000**	258,000
Directors fee	**-**	161,111
Salaries and employee benefits	**-**	127,627
Taxes and licenses	**53,690**	71,979
Entertainment, amusement and recreation	**-**	49,265
Travel and transportation	**-**	25,140
Office supplies	**-**	19,642
Communication	**-**	19,000
SSS, Philhealth and HDMF contribution	**-**	12,125
Repairs and maintenance		5,225
Miscellaneous	**46,593**	75,259
Total	**453,125**	1,974,094

Note 12 – Basic/Diluted Earnings (Loss) Per Share

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

	06/30/2018	12/31/2017
Net income (loss) (a)	**(446,095)**	(1,726,653)

Weighted average number of common shares (b)	**3,500,000,000**	3,500,000,000
Basic earnings (loss) per share (a/b)	**(0.0001)**	(0.0005)

Note 13 – Financial Risk Management

The Company's principal financial instruments comprise of cash, receivables and advances which arise directly from its operations. The main purpose of these financial instruments is to raise fund for the Company's operations.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The Company's overall risk management program however, is not focused on minimizing potential adverse effects by use of derivative instruments for hedging activities.

Market Risk

Interest Rate Risk. The Company's exposure to changes in interest rates relates primarily to the Company's cash in banks. The other financial instruments of the Company are non-interest bearing and, therefore, not subject to interest rate risk.

The Company analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions.

Credit Risk. Credit risk arises from cash for its deposits with banks, as well as credit exposure to trade customers, including other outstanding receivables. For banks, the Company only has existing deposit arrangement with either universal or commercial banks, which are considered the first and second top tier banks, respectively, in terms of capitalization as categorized by the Bangko Sentral ng Pilipinas. Receivable balances are monitored on an ongoing basis with the result that its exposure to bad debts is not significant. Below is the aging analysis of accounts receivables:

June 30, 2018:

	Less than 1 Year	More than 1 Year	Impaired	Total
Trade receivables		26,434,000	(26,434,000)	-
Advances to related parties		16,738,235	-	16,738,235
Advances to others		1,311,249	(1,311,249)	-
Other receivables	20,000	-	-	20,000

December 31, 2017:

	Less than 1 Year	More than 1 Year	Impaired	Total
Trade receivables		26,434,000	(26,434,000)	-
Advances to related parties		17,201,488	-	17,201,488
Advances to others		1,311,249	(1,311,249)	-
Other receivables	20,000	-	-	20,000

As at June 30, 2018 and December 31, 2017, the carrying value of the Group's financial assets approximates their maximum exposure to credit risk.

	06/30/2018			
	Neither Past Due Nor Impaired	**Past Due but not Impaired**	**Impaired Financial Assets**	**Total**
Cash and cash equivalents	**27,688,614**	**-**	**-**	**27,688,614**
Receivables	**-**	**-**	**27,745,249**	**27,745,249**
Advances to related parties	**16,738,235**	**-**	**-**	**16,738,235**
	44,871,687	**-**	**27,745,249**	**72,172,098**

	12/31/2017			
	Neither Past Due Nor Impaired	Past Due but not Impaired	Impaired Financial Assets	Total
Cash and cash equivalents	27,670,199	-	-	27,670,199
Receivables	-	-	27,745,249	27,745,249
Advances to related parties	17,201,488	-	-	17,201,488
	44,871,687	-	27,745,249	72,616,936

The aging analyses of financial assets are as follows:

The following tables summarize the credit quality of the Company's neither past due nor impaired financial assets.

	06/30/2018		
	Neither Past Due nor Impaired		
	High Grade	**Standard Grade**	**Total**
Cash and cash equivalents	**27,688,614**	**-**	**27,688,614**
Advances to related parties	**-**	**16,738,235**	**16,738,235**
	27,688,614	**16,738,235**	**44,426,849**

	12/31/2017		
	Neither Past Due nor Impaired		
	High Grade	Standard Grade	Total
Cash and cash equivalents	27,670,199	-	27,670,199
Advances to related parties	-	17,201,488	17,201,488
	27,670,199	17,201,488	44,871,687

Based on the Company's collection history and the assessment of credibility of counterparties, neither past due nor impaired receivables nor advances to related parties are classified into 'high grade'. Neither past due nor impaired due from related parties are normally 'high grade' in nature. The Company sets 'high grade' based on the Company's positive collection experience. On the other hand, 'standard grade' are those which have history of default in payments.

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

As part of its liquidity risk management, the Company 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 tables summarize the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted obligations at June 30, 2018 and December 31, 2017.

06/30/2018

	On Demand	**Due after 3 months**	**Due after 2 years**	**Total**
Advances from related parties	**1,923,701**	**-**	**-**	**1,923,701**

12/31/2017

	On Demand	Due after 3 months	Due after 2 years	Total
Advances from related parties	1,893,258	-	-	1,893,258

Capital Risk Management

The Company's objectives when managing capital are:

a) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

b) to provide an adequate return to shareholders by pricing services commensurately with the level of risk; and

c) to maintain an optimal capital structure to reduce cost of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company is not subject to externally imposed capital requirements.

No changes were made in the objectives, policies or processes of the capital risk management for the interim period ended June 30, 2018 and for the year December 31, 2017.

Fair Value of Financial Assets and Liabilities

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of June 30, 2018 and December 31, 2017.

	06/30/2018		12/31/2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**27,688,614**	**27,688,614**	27,670,199	27,670,199
Advances to related parties	**16,738,235**	**16,738,235**	17,201,488	17,201,488
Other receivables	**20,000**	**20,000**	20,000	20,000
Financial Liabilities:				
Advances from related parties	**1,923,701**	**1,923,701**	1,893,258	1,893,258

Carrying values of cash, receivables, and advances from related parties approximate their fair values due to the short-term nature of the transactions.

Note 14 – Capital Management

	06/30/2018	12/31/2017
Capital stock	**2,785,686,072**	2,785,686,072
Deficit	**(2,743,769,453)**	(2,743,334,741)
Net Stockholders' Equity	**41,916,619**	42,351,331

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to maintain its deficit or capital deficiency at a low level and in the long run, to eliminate it in full.

The Company has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry. Capital comprises all components of equity which comprise capital stock, additional paid in capital and retained earnings.

The debt to equity ratio rate at the end of the reporting period follows:

	06/30/2018	12/31/2017
Total liabilities	**7,938,464**	7,907,486
Total equity	**42,177,695**	42,623,790
Debt to equity ratio	**19%**	19%

Debts are defined as short-term and long-term borrowings, while equity includes all capital and retained earnings of the Company.