

**MINERALES INDUSTRIAS CORPORATION**

Room 322 LRI Design Plaza  
210 N. Garcia Street  
Makati City, Philippines

February 14, 2011

**Philippine Stock Exchange Inc.**  
3/F Philippine Stock Exchange Plaza  
Ayala Triangle, Ayal Avenue  
Makati City

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

Re: **Minerales Industrias Corporation ("MIC")**

Gentlemen:

We submit a copy of MIC's Amended 2010 Third Quarter Report. For your reference, attached as Annex A hereof is a summary of the comments of the Securities and Exchange Commission ("SEC") on the original 2010 Third Quarter Report, and the corresponding remarks of MIC addressing the SEC comments.

Very truly yours,

  
**ANA MARIA KATIGBAK**  
Corporate Secretary  
and Compliance Officer

Annex "A"

**Minerales Industrias Corporation**  
 Amended SEC Form 17-Q  
 For the Quarter Ended: September 30, 2010

SEC SUMMARY OF COMMENTS	MIC REMARKS
<p>1. Not complied with - Interim Statements of Comprehensive Income for the current interim period and cumulatively for the current financial year to date, with comparative Income Statements for the comparable interim periods (current year-to-date) of the immediately preceding financial year.</p>	<p>Please refer to pages 11 and 12 of the attached copy of the amended quarterly report for September 2010.</p>
<p>2. Not complied with PAS 34: Interim Financial Reporting. A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or if those policies or methods have been changed, a description of the nature and effect of the change.</p>	<p>Please refer to page 17                      The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The company has followed the same accounting policies and methods of computation used in the preparation of the most recent annual financial statements. No new accounting policy has been adopted for this interim report.</p>
<p>3. Comparable discussion that will enable the reader to assess material changes in financial condition and results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year.</p>	<p>Please refer to page 5 of the attached amended quarterly report for September 2010.</p>
<p>4. Not complied with the discussion of the company's and its majority owned subsidiaries' top five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.</p>	<p>Please refer to pages 5 and 6 of the attached amended quarterly report for September 2010.                       The company has complied with the required five (5) key financial indicators.</p>
<p>5. FINANCIAL RISK DISCLOSURE                      a. Assess the financial risk exposures of the company and its subsidiaries particularly on currency, interest, credit, market and liquidity risks. If any change thereof would materially affect the financial condition and results of the operation of the company, provide a discussion in the report on the qualitative and quantitative impact of such risks and include a description of any enhancement in the company's risk management policies to address the same;</p>	<p>Please refer to pages 33 to 35 of the attached amended quarterly report for September 2010.</p>

SEC SUMMARY OF COMMENTS	MIC REMARKS
<p>b. Evaluate whether the company could provide clearer and more transparent disclosure regarding its financial instruments including but not limited to the following information:</p>	<p>Please refer to pages 33 to 35 of the attached amended quarterly report for September 2010.</p>
<p>1. A description of the financial instruments of the company and the classification and measurements 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;</p>	
<p>2. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy;</p>	
<p>3. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities;</p>	
<p>4. A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period, and the amount of gain/loss recognized for each of the said periods; and</p>	
<p>5. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39-Financial Instruments.</p>	

COVER SHEET

ASO95008557  
SEC Registration Number

MINERALES INDUSTRIAS CORPORATION

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(Company's Full Name)

Room 322 3rd Floor LRI Design,

Plaza 210 Nicanor Garcia St.,

Makati City

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

Atty. Ana Maria A. Katigbak  
Contact Person

817-6791  
Company Telephone Number

1 2      3 1  
Month      Day  
Fiscal Year

SEC FORM 17-Q  
September 30, 2010 - Amended  
FORM TYPE

[ ] [ ]      [ ] [ ]  
Month      Day  
Annual Meeting

N.A.  
Secondary License Type, If Applicable

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Dept Requiring this Doc

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Amended Articles Number / Section

[Empty box]  
Total No. of Stockholders

Total Amount of Borrowings  
Domestic      Foreign

To be accomplished by SEC Personnel concerned

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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 September 30, 2010-Amended

2. Commission identification number AS095-008557

3. BIR Tax Identification No : 049-004-636-077

4. MINERALES INDUSTRIAS CORPORATION

Exact name of issuer as specified in its charter

5. Makati City, Philippines

Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

7. Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia St., Makati City

Address of issuer's principal office

1200  
Postal Code

8. (632) 817-6791 & 897-5257

Issuer's telephone number, including area code

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

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

Title of each Class

Number of shares of common stock outstanding  
and amount of debt outstanding

Common

190,000,000 shares

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

Yes [  ] No [  ]

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

Philippine Stock Exchange

Common

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 Section 11 of the RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [  ] No [  ]

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

Yes [  ] No [  ]

## PART I – FINANCIAL INFORMATION

### **Item 1. Financial Statements**

Please see attached.

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations; Plan of Operations**

#### **Plan of Operations**

Sustained improvements in various economic indicators have further buoyed up investor sentiment in the third and fourth quarters of 2010, with the PSEi breaching the 4,000-level in mid-September and reaching new all-time highs from early October. Recognizing the stronger investment inflows, the marked increase in export revenues and private consumption, as interest and inflation rates continued to ease, the World Bank and the Asian Development have revised their growth forecasts to 6.2% for 2010 from their original figures of 4.4% and 4.6%, respectively. Meanwhile, the International Monetary Fund has further increased its GDP growth forecast for 2010 from 6.0% to 7.0%, taking into account the robust growth of 7.9% posted in the first half of the year.

Under current market conditions, management is more optimistic about its ability to forge favorable strategic linkages for the Company, both within and outside the mining sectors. As in the past, priority will be given to investors who can provide the requisite financial resources and business platform from which to grow the Company.

#### **Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009**

##### **Income**

There is no significant income earned for the first nine months of 2010, as compared to the Php0.28 million recognized for same period last year, representing gain on sale of marketable securities.

##### **Operating Expenses**

Operating expenses for the first nine months of 2010 amounted to Php0.98 million, 44% higher than the Php0.68 million recorded for the same period of 2009. This is basically due to legal service fees incurred and documentary stamp tax paid in connection with the Php10 million additional shares issued by the Company earlier this year.

##### **Net Income**

The first nine months of 2010 and 2009 resulted into a net loss of Php0.97 million and Php0.4 million, respectively.

### **Liquidity and Capital Resources**

For the nine-month period ending September 30, 2010, net cash used in operations totaled Php3.03 million, including a net loss before tax of Php0.96 million. Prepaid and other current assets went up by Php0.14 million due to increases in input tax and the monthly set-up of the annual listing fee. Accrued expenses and other payables decreased by Php0.39 million due to the settlement of outstanding liabilities. The Company acquired additional marketable equity securities in the aggregate amount of Php1.54 million for short term investment of its available funds.

For the same period in 2009, net cash used in operations totaled Php0.64 million, including net loss of Php0.40 million. Accounts receivable went up by a negligible Php0.01 million and prepaid and other current assets also increased by Php0.15 million due to increases in input tax and the monthly set-up of the annual listing fee. Accounts payable and accrued expenses decreased by Php0.08 million due to the settlement of outstanding liabilities.

During the first nine months of 2010, the Company received Php4.955 million representing the balance of subscriptions receivable on the Php10 million private placement shares issued to certain shareholders. The Company also settled advances from shareholders amounting to Php.685 million.

### **Third Quarter Ended September 30, 2010 Compared to Third Quarter Ended September 30, 2009**

#### **Income**

No significant income was recognized for the third quarter of 2010 and 2009.

#### **Operating Expenses**

Operating expenses for the third quarter ended September 30, 2010 amounted to Php0.40 million. This is 74% higher than the Php0.23 million incurred for the same period last year due largely to the issuance of the Php10 million private placement shares.

#### **Net Income**

Net loss for the third quarter of 2010 and 2009 amounted to Php0.39 million and Php0.21 million respectively.

### **Liquidity and Capital Resources**

For the third quarter ended September 30, 2010, net cash used in operations amounted to Php0.36 million, including net loss of Php0.39 million. Prepaid and other current assets decreased by Php0.03 million.

For the same quarter in 2009, net cash used in operations amounted to Php0.16 million, including net loss of Php0.21 million. Prepaid and other current assets decreased by Php0.06 million while other accounts posted negligible movements.

**Financial Position as of September 30, 2010 Compared to Financial Position as of December 31, 2009**

Statements of financial position data	September 30, 2010	December 31, 2009	% Inc/ (Dec)
Total Current Assets	7,444,246	4,362,103	71%
Total Assets	7,444,246	4,362,103	71%
Total Current Liabilities	3,568	1,076,023	(99.67%)
Total Stockholders' Equity	7,440,678	3,286,080	126%

The material changes in the statements of financial position are as follows:

- Total assets went up by 71% from Php4.36 million as of December 31, 2009 to Php7.44 million as of September 30, 2010 due to the full settlement of the subscriptions receivable on the Php10 million private placement shares.
- Cash and cash equivalents increased by 59% from Php2.1 million as of December 31, 2009 to Php3.3 million as of September 30, 2010; total liabilities declined by 99.67% from Php1.076 million to Php0.004 million due to the settlement of outstanding liabilities, including shareholders advances.
- Current ratio increased from 4.05x in December 2009 to 2086x in September 2010; Net working capital totaled Php7.44 million in September 2010 as compared to Php3.29 million in December 2009.
- Total stockholders' equity went up by 126% from Php3.29 million in December 2009 to Php7.44 million in September 2010 with the completion of the private placement of shares earlier this year.

The Company has no subsidiaries at present. As of September 30, 2010, the Company holds 350,737 shares in Suntrust Home Development Inc., 5 million shares in Lepanto Consolidated Mining A, 11.25 million shares in Manila Mining Corp. A, and 11.25 million shares in Manila Mining Corp. B. The cost of these investments as of September 30, 2010 and December 31, 2009 amounted to Php2.11 million and Php0.41 million, respectively.

**Key Performance Indicators**

Since the company is not in commercial operations, its key performance indicators are as follows:

KPI	Calculation	September 30, 2010	December 31, 2009
Current Ratio (1)	Current Assets/Current Liabilities	2086x	4.0540x
Quick Ratio (2)	Cash + Marketable Securities /Current Liabilities	1529x	2.3356x
Debt to Equity Ratio (3)	Liabilities/ Stockholders' Equity	.0005x	.3275x
Book Value per share (4)	Total Assets-Total Liabilities/ Outstanding Shares	.039	.0183
Loss per Share (5)	Net Loss/Weighted Average Number of Shares Outstanding	(.005)	(.004)



		<u>September 30, 2010</u>	<u>December 31, 2009</u>
(1) Current Ratio	=	7,444,246/ 3,568	4,362,103/ 1,076,023
(2) Quick Ratio	=	5,454,343/ 3,568	2,513,139/ 1,076,023
(3) Debt to Equity	=	3,568/ 7,440,678	1,076,023/ 3,286,080
(4) Book Value per Share	=	7,440,678/190,000,000	3,286,080/180,000,000
(5) Loss per Share	=	965,681/190,000,000	833,096/180,000,000

The Current Ratio is a general and quick measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is also known as the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company.

Book Value Per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities then divide that total by the number of common shares outstanding.

Loss per Share is computed by dividing the net loss by the weighted average number of common shares outstanding.

#### **Other Matters**

No disclosures nor discussions were made for the following since these did not affect the past and present operations nor the foreseeable future operations of the Company:

- (a) Any known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity other than those discussed in the Plan of Operation, Item 2- Management's Discussion and Plan of Operations.
- (b) Any material commitments for capital expenditures, the general purpose of the commitments and the expected sources of funds for the expenditures.
- (c) Any known trends, events, or uncertainties that have had or that reasonably expected to have a material favorable or unfavorable impact on net sales or income other than what was mentioned in the Plan of Operation, Item 2 – Management's Discussion and Analysis;
- (d) Any significant elements of income or loss that did not arise from the Company's continuing operations;
- (e) Any seasonal aspects that have material effect on the financial condition or results of operation except as mentioned in the Notes to Financial Statements No 5.

## PART II – OTHER INFORMATION


The issuer may, at its option, report under this item any information not previously reported in a report on SEC 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

**NOT APPLICABLE**

## SIGNATURES

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

Issuer : **MINERALES INDUSTRIAS CORPORATION**



**GENER T. MENDOZA**  
President  
February 10, 2011



**ISABELITA P. MERCADO**  
Treasurer  
February 10, 2011

SEC Form 17-Q  
3rd Quarter of 2010 Amended

**MINERALES INDUSTRIAS CORPORATION****STATEMENTS OF FINANCIAL POSITION****(Unaudited)**

	30-Sep-2010		31-Dec-2009
	Unaudited		Audited
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents (Note 4)	P 3,343,210	P	2,104,785
Marketable securities - net (Note 5)	2,111,133		408,354
Prepaid expenses and other current assets - net (Note 6)	1,989,902		1,848,964
<b>Total Current Assets</b>	<b>7,444,246</b>		<b>4,362,103</b>
<b>TOTAL ASSETS</b>	<b>P 7,444,246</b>	<b>P</b>	<b>4,362,103</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current Liabilities			
Accrued expenses and other payables	3,568		391,023
Advances from Shareholders	-		685,000
<b>Total Current Liabilities</b>	<b>3,568</b>		<b>1,076,023</b>
Stockholders' Equity			
Capital Stock - P 1 par value			
Authorized - 240,000,000 shares			
Issued and outstanding - 190,000,000 shares	190,000,000		180,000,000
Subscribed capital stock (net of subscriptions receivable of P4,955,000 in 2009)	-		5,045,000
Deficit	(182,761,764)		(181,796,083)
Reserve for fluctuation in value of available-for-sale equity securities	202,442		37,163
<b>Total Stockholders' Equity</b>	<b>7,440,678</b>		<b>3,286,080</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>P 7,444,246</b>	<b>P</b>	<b>4,362,103</b>

**MINERALES INDUSTRIAS CORPORATION****INTERIM STATEMENTS OF INCOME****(Unaudited)**

	Quarter Ended September 30	
	2010	2009
<b>INCOME</b>		
Interest	4,428	46
Gain on sale of marketable securities		15,154
	<b>P 4,428</b>	<b>P 15,200</b>
<b>EXPENSES</b>		
Salaries and other employees benefits	79,318	75,000
Professional fees	201,222	56,786
Utilities	30,000	30,000
Listing Maintenance Fee	62,500	62,500
Office supplies and printing costs	1,491	2,871
Representation	7,500	-
Transportation	7,500	-
SSS, Philhealth & Pag-ibig contribution	4,320	4,133
Miscellaneous	(540)	-
	<b>393,311</b>	<b>231,290</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(388,883)</b>	<b>(216,089)</b>
Provision for income tax	886	9
<b>NET INCOME (LOSS) AFTER INCOME TAX</b>	<b>P (389,768)</b>	<b>P (216,098)</b>
<b>INCOME (LOSS) PER SHARE (Note 7)</b>	<b>(0.0021)</b>	<b>(0.0012)</b>

**MINERALES INDUSTRIAS CORPORATION****INTERIM STATEMENTS OF INCOME****(Unaudited)**

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>INCOME</b>		
Interest	13,186	229
Gain on sale of marketable securities	-	280,453
	<b>P 13,186</b>	<b>P 280,682</b>
<b>EXPENSES</b>		
Professional fees	314,793	170,357
Salaries and other employees benefits	222,952	210,000
Listing maintenance fee	207,500	156,250
Utilities	90,000	90,000
Office supplies and printing costs	9,633	8,516
Transportation	25,435	15,727
Taxes and licenses	58,912	8,929
Representation	31,858	8,400
Miscellaneous	15,148	12,398
	<b>976,231</b>	<b>680,576</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>P (963,043)</b>	<b>P (399,893)</b>
Provision for income tax	2,637	46
<b>NET INCOME (LOSS) AFTER INCOME TAX</b>	<b>P (965,681)</b>	<b>P (399,939)</b>
<b>NET INCOME (LOSS) PER SHARE (Note 7)</b>	<b>P (0.0051)</b>	<b>P (0.0022)</b>

**MINERALES INDUSTRIAS CORPORATION**  
**INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

	Quarter Ended September 30	
	2010	2009
<b>NET INCOME/ ( LOSS)</b>	(389,768)	(216,098)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Net unrealized gain (loss) on available-for sale financial assets	177,294	3,507
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	<b>P (212,474)</b>	<b>P (212,591)</b>

**MINERALES INDUSTRIAS CORPORATION****INTERIM STATEMENTS OF COMPREHENSIVE INCOME****(Unaudited)**

	<b>Nine Months Ended September 30</b>	
	<b>2010</b>	<b>2009</b>
<b>NET INCOME /(LOSS)</b>	<b>(965,681)</b>	<b>(399,939)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Net unrealized gain (loss) on available-for sale financial assets	165,279	98,206
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS)</b>	<b>P (800,402)</b>	<b>P (301,733)</b>

# MINERALES INDUSTRIAS CORPORATION

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

	Quarter Ended September 30	
	2010	2009
<b>CAPITAL STOCK - P 1 par value</b>		
Authorized - 240,000,000 shares		
Issued - 190,000,000 shares	P 190,000,000	P 180,000,000
Deposit for future stock subscription	-	1,100,000
<b>DEFICIT:</b>		
Balance at beginning of period	(182,384,011)	(181,052,128)
Net loss for the quarter	(389,768)	(216,098)
Balance at end of period	(182,773,779)	(181,268,226)
Reserve for fluctuation in value of available-for-sale equity securities	214,457	(35,073)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	P 7,440,678	P (203,299)



**MINERALES INDUSTRIAS CORPORATION****STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****(Unaudited)**

	Nine Months Ended September 30	
	2010	2009
<b>CAPITAL STOCK - P 1 par value</b>		
Authorized - 240,000,000 shares		
Issued - 190,000,000 shares	P 190,000,000	P 180,000,000
Deposit for future stock subscription	-	1,100,000
DEFICIT:		
Balance at beginning of period	(181,796,083)	(180,962,986)
Net loss for the 6 months period	(965,681)	(399,939)
Balance at end of period	(182,761,764)	(181,362,925)
Reserve for fluctuation in value of available-for-sale equity securities	202,442	59,626
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>P 7,440,678</b>	<b>P (203,299)</b>

# MINERALES INDUSTRIAS CORPORATION

## STATEMENTS OF CASH FLOWS

(Unaudted)

	Quarter Ended September 30	
	2010	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income (Loss) before income tax	P (388,883)	P (216,089)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income	(4,428)	(46)
Gain on sale of marketable securities	-	(15,154)
Operating income (loss) before working capital changes	(393,311)	(231,289)
Decrease (Increase) in receivables	-	(8,652)
Decrease (Increase) in prepaid and other current assets	28,686	59,286
Increase (Decrease) in accounts payable and accrued expenses	-	10,067
Cash generated from (used in) operations	(364,625)	(170,589)
Interest received	4,428	46
Income taxes paid	(886)	(9)
Proceeds from sale of marketable securities		15,154
Net cash provided by (used in) operating activities	(361,082)	(155,398)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Increase in advances from shareholders	-	180,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(361,082)</b>	<b>24,602</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>3,704,292</b>	<b>24,863</b>
<b>CASH AND EQUIVALENTS AT END OF PERIOD</b>	<b>P 3,343,210</b>	<b>P 49,466</b>

# MINERALES INDUSTRIAS CORPORATION

## STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine Months Ended September 30	
	2010	2009
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Income (Loss) before income tax	P (963,043)	P (399,893)
Adjustments to reconcile net loss to net cash used in operating activities:		
Interest income	(13,186)	(229)
Gain on sale of marketable securities	-	(280,453)
Operating income (loss) before working capital changes	(976,230)	(680,576)
Decrease (Increase) in receivables		(8,652)
Decrease (Increase) in prepaid and other current assets	(140,938)	(146,629)
Increase (Decrease) in accounts payable and accrued expenses	(387,455)	(80,731)
Cash generated from (used in) operations	(1,504,624)	(916,586)
Interest received	13,186	229
Income taxes paid	(2,637)	(46)
Purchase of available-for-sale financial assets	(1,537,500)	
Proceeds from sale of marketable securities		280,453
Net cash provided by (used in) operating activities	(3,031,575)	(635,950)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Proceeds from stock subscriptions	4,955,000	-
Increase (Decrease) in advances from shareholders	(685,000)	640,000
Net cash provided by (used in) financial activities	4,270,000	640,000
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,238,425</b>	<b>4,050</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>2,104,785</b>	<b>45,416</b>
<b>CASH AND EQUIVALENTS AT END OF PERIOD</b>	<b>P 3,343,210</b>	<b>P 49,466</b>

## **MINERALES INDUSTRIAS CORPORATION**

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### **NOTES TO FINANCIAL STATEMENTS**

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#### **1. Corporate Information**

Minerales Industrias Corporation (the Company) is incorporated and organized in the Republic of the Philippines to engage in the business of exploration, exploitation and development of the country's various mineral resources. The registered office address of the Company is at Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City.

On July 26, 2007 and August 31, 2007, the Board of Director (BOD) and stockholders of the Company, respectively, approved the following amendments to the Company's Articles of Incorporation:

- a) Change in company name from Multitech Investments Corp. to Minerales Industrias Corporation;
- b) Change in primary purpose from holding to mining; and
- c) Change in registered address from 22nd Floor, Unit E-2005 A East, Philippine Stock Exchange Center, Exchange Road, Ortigas Center, Pasig City to Room 322, 3rd Floor, LRI Design Plaza, 210 Nicanor Garcia Street, Barangay Sta. Cruz, Makati City.

The Securities and Exchange Commission (SEC) approved the change in company name and primary purpose on September 24, 2007 and the change in registered address on January 14, 2008.

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#### **2. Summary of Significant Accounting Policies**

##### Basis of Preparation

The accompanying interim financial statements have been prepared on a historical basis, except for available-for-sale (AFS) investments that have been measured at fair value, and these financial statements are presented in Philippine Peso (₱), the Company's functional currency.

##### Statement of Compliance

The interim financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Company has followed the same accounting policies and methods of computation used in the preparation of the most recent annual financial statements. No new accounting policy has been adopted for this interim report.

##### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) Interpretations which became effective on January 1, 2009. Except as otherwise indicated, the adoption of the new and amended Standards and Philippine Interpretations did not have a significant impact on the Company's financial statements.

- **PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate***  
 The amendment allows an entity, in its separate financial statements, to determine the cost of investments in subsidiaries, jointly controlled entities or associates (in its opening PFRS financial statements) as one of the following amounts: (a) cost determined in accordance with PAS 27, *Consolidated and Separate Financial Statements*; (b) at the fair value of the investment at the date of transition to PFRS, determined in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*; or (c) previous carrying amount (as determined under generally accepted accounting principles) of the investment at the date of transition to PFRS.
- **PFRS 2, *Share-based Payment - Vesting Condition and Cancellations***  
 This Standard has been revised to clarify the definition of a vesting condition and prescribes the treatment for an award that is effectively cancelled. It defines a vesting condition as a condition that includes an explicit or implicit requirement to provide services. It further requires nonvesting conditions to be treated in a similar fashion to market conditions. Failure to satisfy a nonvesting condition that is within the control of either the entity or the counterparty is accounted for as cancellation. However, failure to satisfy a nonvesting condition that is beyond the control of either party does not give rise to a cancellation.
- **PFRS 8, *Operating Segments***  
 It replaces PAS 14, *Segment Reporting*, and adopts a full management approach to identifying, measuring and disclosing the results of an entity's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. Such information may be different from that reported in the statement of financial position and statement of income and the company will provide explanations and reconciliations of the differences. This Standard is only applicable to an entity that has debt or equity instruments that are traded in a public market or that files (or is in the process of filing) its financial statements with a securities commission or similar party.
- **Amendments to PAS 1, *Presentation of Financial Statements***  
 In accordance with the amendments to PAS 1, the statement of changes in equity shall include only transaction with owners, while non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity.

In addition, the amendments to PAS 1 provides for the introduction of a new statements of comprehensive income that combines all items of income and expenses recognized in the profit or loss together with 'other comprehensive income'. Entities may choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. These amendments also require additional requirements in the presentation of the statements of financial position and owner's equity as well as additional disclosures to be included in the financial statements. Adoption of these amendments resulted in the following: (a) change in the title from balance sheet to statement of financial position; and (b) change in the presentation of changes in equity and other comprehensive income - non-owner changes in equity are now presented in a separate statement of comprehensive income.

- Amendments to PFRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*

The amendments to PFRS 7 introduce enhanced disclosures about fair value measurement and liquidity risk. The amendments to PFRS 7 require fair value measurements for each class of financial instruments to be disclosed by the source of inputs, using the following three-level hierarchy: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The level within which the fair value measurement is categorized must be based on the lowest level of input to the instrument's valuation that is significant to the fair value measurement in its entirety.

Additional disclosures required in the amendments to PFRS 7 are shown in *Note 11 – Financial Instruments*. The amendments to PFRS 7 also introduce two major changes in liquidity risk disclosures as follows: (a) exclusion of derivative liabilities from maturity analysis unless the contractual maturities are essential for an understanding of the timing of the cash flows and (b) inclusion of financial guarantee contracts in the contractual maturity analysis based on the maximum amount guaranteed.

- Amendment to PAS 23, *Borrowing Costs*  
The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
- Amendments to PAS 32, *Financial Instruments: Presentation*, and PAS 1, *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*  
These amendments specify, among others, that puttable financial instruments will be classified as equity if they have all of the following specified features: (a) the instrument entitles the holder to require the entity to repurchase or redeem the instrument (either on an ongoing basis or on liquidation) for a pro rata share of the entity's net assets; (b) the instrument is in the most subordinate class of instruments, with no priority over other claims to the assets of the entity on liquidation; (c) all instruments in the subordinate class have identical features; (d) the instrument does not include any contractual obligation to pay cash or financial assets other than the holder's right to a pro rata share of the entity's net assets; and (e) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, a change in recognized net assets, or a change in the fair value of the recognized and unrecognized net assets of the entity over the life of the instrument.
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*  
This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and realized in income over the period that the award credits are redeemed or has expired.
- Philippine Interpretation IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

This Interpretation provides guidance on identifying foreign currency risks that qualify for hedge accounting in the hedge of net investment; where within the group the hedging instrument can be held in the hedge of a net investment; and how an entity should determine the amount of foreign currency gains or losses, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

*Improvements to PFRS effective in 2009*

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to certain Standards, primarily with a view to removing inconsistencies and clarifying wording. These are the separate transitional provisions for each standard. Except as otherwise indicated, the adoption of these new Standards did not have a significant impact on the Company's financial statements:

- *PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*  
When a subsidiary is held for sale, all of its assets and liabilities will be classified as held for sale under PFRS 5, even when the entity retains a noncontrolling interest in the subsidiary after the sale.
- *PAS 1, Presentation of Financial Statements*  
Assets and liabilities classified as held-for-trading are not automatically classified as current in the statement of financial position.
- *PAS 16, Property, Plant and Equipment*  
This Amendment replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5 and PAS 36, *Impairment of Asset*. Items of property and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds of such sales are subsequently shown as revenue. Cash payments on initial recognition of such items, the cash receipts from rents, and subsequent sales are all shown as cash flows from operating activities.
- *PAS 18, Revenue*  
The IASB has added guidance (which accompanies the Standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity (a) has primary responsibility for providing the goods or service; (b) has inventory risk; (c) has discretion in establishing prices; and (d) bears the credit risk.
- *PAS 19, Employee Benefits*  
This revises the definition of 'past service cost' to include reduction in benefits related to past services ('negative past service cost') and to exclude reduction in benefits related to future services that arise from plan amendments. Amendments to plans that results in a reduction in benefits related to future services are accounted for as a curtailment.

It revises the definition of 'return on plan assets' to exclude plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. It also revises the definition of 'short-term' and 'other long-term' employee benefits to focus on the point in time at which the liability is due to be settled and it deletes the reference to the recognition of contingent liabilities to ensure consistency with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*  
Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discount amount is accounted for as government grant. Also, revised various terms used to be consistent with other PFRS.
- PAS 23, *Borrowing Costs*  
The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method.
- PAS 28, *Investments in Associates*  
If an associate is accounted for at fair value in accordance with PAS 39, only the requirement of PAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- PAS 29, *Financial Reporting in Hyperinflationary Economies*  
This revises the reference to the exception that assets and liabilities should be measured at historical cost, such that it notes property and equipment as being an example, rather than implying that it is a definitive list.
- PAS 31, *Interests in Joint Ventures*  
If a joint venture is accounted for at fair value, in accordance with PAS 39, only the requirements of PAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.
- PAS 36, *Impairment of Assets*  
When discounted cash flows are used to estimate 'fair value less costs to sell', additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.
- PAS 38, *Intangible Assets*  
Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the services. Advertising and promotional activities now specifically include mail order catalogues.

It deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for intangible assets with finite lives that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit-of-production method.

- PAS 39, *Financial Instruments: Recognition and Measurement*  
Changes in circumstances relating to derivatives, specifically derivatives designated or de-designated as hedging instruments after initial recognition, are not reclassifications.



When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with paragraph 45 of PFRS 4, *Insurance Contracts*, this is a change in circumstance, not a reclassification.

It removes the reference to a 'segment' when determining whether an instrument qualifies as a hedge. Requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- PAS 40, *Investment Property*  
It revises the scope (and the scope of PAS 16) to include property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete.

#### Future Changes in Accounting Policies

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

#### *Effective in 2010*

- Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*  
The revised PFRS 3 will become effective for annual periods beginning on or after July 1, 2009. It introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The revised PAS 27 requires, among others, that (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'); even if the losses exceed the noncontrolling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 and PAS 27 must be applied prospectively and will affect future acquisitions and transactions with noncontrolling interests.
- Amendments to PAS 27, *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*  
Amendments to PAS 27 will be effective for annual periods beginning on or after July 1, 2009 which has changes in respect of the holding companies' separate financial statements, including, (a) the deletion of 'cost method', making the distinction between pre- and post-acquisition profits no longer required; and (b) in cases of reorganizations where a new parent is inserted above an existing parent of the group (subject to meeting specific requirements), the cost of the subsidiary is the

previous carrying amount of its share of equity items in the subsidiary rather than its fair value. All dividends will be recognized in the statement of financial performance. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

- **Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible hedged items***  
This Amendment, which will be effective for annual periods beginning on or after July 1, 2009, addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.
- **Amendment to PFRS 2, *Share-based Payments - Group Cash-settled Share-based Payment Transactions***  
The Amendments to PFRS 2, effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions.
- **Philippine Interpretation IFRIC 17, *Distribution of Non-Cash Assets to Owners***  
This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The Interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability.
- **Philippine Interpretation IFRIC 18, *Transfer of Assets to Customers***  
This Interpretation provides guidance to all entities that receive from customers an item of property, plant and equipment or cash for the acquisition or construction of such item and such item is used to connect the customer to a network or to provide ongoing access to a supply of goods or services, or both. The Interpretation requires an assessment of whether an item of property, plant and equipment or cash for the acquisition or construction of such item meets the definition of an asset. If the terms of the agreement are within the scope of this interpretation, a transfer of an item of property, plant and equipment would be an exchange for dissimilar goods or services. Consequently, the exchange is regarded as a transaction which generates revenue. This interpretation is to be applied prospectively to transfer of assets from customers received in periods beginning on or after July 1, 2009. Entities may however choose to apply this interpretation to earlier periods, provided valuations can be obtained at the time the transfer occurred.

#### *Improvements to PFRS effective 2010*

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The following amendments are effective for annual periods financial years January 1, 2010 except otherwise stated. The Company has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- **PFRS 2, *Share-based Payment***

It clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3. The amendment is effective for financial years on or after July 1, 2009.

- **PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations***  
It clarifies that the disclosures required in respect of noncurrent assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRS only apply if specifically required for such noncurrent assets or discontinued operations.
- **PFRS 8, *Operating Segment Information***  
It clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- **PAS 1, *Presentation of Financial Statements***  
It clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- **PAS 7, *Statement of Cash Flows***  
It explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- **PAS 17, *Leases***  
It removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of PAS 17. The amendment will be applied retrospectively.
- **PAS 36, *Impairment of Assets***  
It clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- **PAS 38, *Intangible Assets***  
It clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also, it clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- **PAS 39, *Financial Instruments: Recognition and Measurement***  
It clarifies the following:
  - (a) That a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the

approximate present value of lost interest for the remaining term of the host contract.

- (b) That the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
  - (c) That gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.
- **Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives***  
It clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.
  - **Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation***  
It states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

#### *Effective in 2012*

- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate***  
This Interpretation, which will be effective January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

#### Cash and Cash Equivalents

Cash includes cash on hand and deposits held on demand with banks.

#### Financial Instruments

##### *Date of recognition*

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

##### *Initial recognition of financial instruments*

All financial assets and financial liabilities, including trading and investment securities and loans and receivables, are initially recognized at fair value. Except for financial assets at fair

value through profit and loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Company classifies its financial liabilities into financial assets at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as other financial assets held for trading, designated as AFS or financial assets designated at FVPL. This accounting policy relates to the current portion of the statement of financial position caption "Cash".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in the interest income in the statement of financial performance. The losses arising from impairment of such loans and receivables are recognized in provision for market decline in the statement of financial performance.

#### *AFS financial assets*

AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets include equity securities.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Net unrealized gain (loss) AFS financial assets" in other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss. Where the Company holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in the statement of financial performance when the right of payment has been established. The losses arising from impairment of such investments are recognized in the statement of financial performance.

#### *Other financial liabilities*

Other financial liabilities pertains to issued financial instruments that are not classified or designated as at FVPL and contains contractual obligations to deliver cash or another financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash. After initial measurement, other financial liabilities are subsequently

measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

This accounting policy applies primarily to the Company's accrued expenses and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting Standards, such as income tax payable).

#### Derecognition of Financial Assets and Liabilities

##### *Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

##### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of financial performance.

#### Impairment of Financial Assets

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

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

#### *Loans and receivables*

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged against the statement of financial performance. Interest income is continued to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to the current operations. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

#### *AFS financial assets*

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

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest is recognized as it accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset). Dividend income is recognized when the Company's right to receive the payment is established.

### Income tax

#### *Current tax*

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

#### *Deferred tax*

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

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

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

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

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

### Basic/Diluted Earnings Per Share

Basic/diluted earnings per share (EPS) is computed based on the weighted average number of common shares outstanding after giving retroactive effect to stock dividends declared and stock rights exercised during the year.



#### Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### Contingencies

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

#### Subsequent events

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

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### 3. **Significant Accounting Judgments and Estimates**

The preparation of the accompanying interim financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. The estimates and assumptions used in the accompanying interim financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Company as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the company's statement of financial performance on a straight-line basis over the lease term.

#### Use of Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed as follows.

#### *Estimating allowance for impairment losses on receivables*

The Company maintains allowance for credit losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the

receivables, carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

As of September 30, 2010, accounts receivables amounted to ₱1,066,172 of which ₱ 1,066,172 have been provided with allowance.

*Estimating allowance for probable losses*

The Company reviews the carrying amounts of its creditable withholding taxes (CWT) at each balance sheet date and sets up allowance for probable losses to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the CWT assets to be used.

As of September 30, 2010, allowance for probable losses amounted to ₱1,976,300.

*Impairment of AFS financial assets*

The Company treats AFS equity securities as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 3 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

As of September 30, 2010, the AFS financial assets amounted to ₱2,111,133.

*Recognition of deferred assets*

Deferred tax assets are recognized for all unused tax losses to the extent that is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits.

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4. **Cash**

This account consists of:

	September 30, 2010	December 31, 2009
Cash on hand	₱5,000	₱5,000
Cash in Bank	3,338,210	2,099,785
	<b>₱3,343,210</b>	<b>₱2,104,785</b>

Cash in banks earns interest at the respective bank deposit rates. Interest earned on cash in bank amounted to ₱13,186 and ₱318 in September 30, 2010 and December 31, 2009, respectively.

#### 5. AFS Equity Securities

This account represents 350,737 shares in Suntrust Home Development, Inc. (formerly Fairmont Holdings, Inc.), 5,000,000 shares in Lepanto Consolidated Mining A, 11,250,000 shares in Manila Mining Corp. A and 11,250,000 shares in Manila Mining Corp. B. The cost of these investments as of September 30, 2010 and December 31, 2009 amounted to ₱2,111,133 and ₱408,354 respectively.

#### 6. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2010	December 31, 2009
Creditable withholding tax - net of allowance for impairment losses of ₱1,976,300 in 2010 and 2009	₱1,137,429	₱1,137,429
Maintenance Fee	62,500	-
Prepaid expense (employee benefits)	19,318	12,952
Input taxes	770,655	698,583
	<b>₱1,989,902</b>	<b>₱1,848,964</b>

#### 7. Seasonality

The business operations of the Company are not materially affected by any seasonal or cyclical factors. Rather, the results of the operations for this interim period are more affected by the market condition rather than the seasonality.

#### 8. Capital Stock

On December 29, 2009, the BOD approved a resolution authorizing the Company to issue a total of 10,000,000 common shares out of the existing authorized capital stock at a subscription price of ₱1.00 per share, or a total price value of ₱10,000,000. Out of the ₱10,000,000 capital stock subscribed, an amount equal to ₱5,045,000 was paid by the stockholders on the same date.

On January 29, 2010 and February 1, 2010, the Company's shareholders paid for the outstanding subscriptions receivable amounting to ₱3,655,000 and ₱1,300,000, respectively.

#### 9. Basic/Diluted Loss per Share

Basic/diluted loss per share was computed as follows:

	Nine Months Ended September 30	
	2010	2009
Net loss (a)	(₱ 965,681)	(₱ 399,939)
Weighted average number of outstanding common shares (b)	190,000,000	180,000,000
Basic/diluted loss per share (a/b)	(₱0.0051)	(₱0.0022)

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Weighted average number of outstanding common shares (b)	190,000,000	180,000,000
Basic/diluted loss per share (a/b)	(₱0.0051)	(₱0.0022)

	Quarter Ended September 30	
	2010	2009
Net loss (a)	(₱ 389,768)	(₱ 216,098)
Weighted average number of outstanding common shares (b)	190,000,000	180,000,000
Basic/diluted loss per share (a/b)	(₱0.0021)	(₱0.0012)

## 10. Financial Instruments

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of September 30, 2010 and December 31, 2009.

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Loans and Receivables</b>				
Cash	₱3,343,210	₱3,343,210	₱2,104,785	₱2,104,785
<b>AFS financial assets</b>	2,111,133	2,111,133	408,354	408,354
<b>Total financial assets</b>	<b>₱5,454,343</b>	<b>₱5,454,343</b>	<b>₱2,513,139</b>	<b>₱2,513,139</b>

	September 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Other Financial Liabilities</b>				
Advances from shareholders	₱-	₱-	₱685,000	₱685,000
Accrued expenses and other payables	3,568	3,568	391,023	391,023
<b>Total financial liabilities</b>	<b>₱3,568</b>	<b>₱3,568</b>	<b>₱1,076,023</b>	<b>₱1,076,023</b>

Due to the short-term nature of these transactions, the fair values of cash and accrued expenses and other payables and advances from shareholders approximate their carrying values. For AFS financial assets, the fair values are based on quoted prices published in markets.

### Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Company considers its AFS equity securities amounting to ₱2,111,133 as of September 30, 2010 under Level 1 classification (see Note 5). During the reporting period ending September 30, 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements

### Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash and AFS financial assets, advances from shareholders and accrued expenses and other payables. The main purpose of the Company's financial instruments is to fund the operational and capital expenditures

Exposure to credit, liquidity and market price risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

### *Interest Rate Risk*

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash in bank with fixed interest rates.

### *Credit Risk*

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash exposes the Company to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations, and the Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing.

The maximum exposure to credit risk of the statements of financial position pertains only to cash amounting to ₱3,343,210 and ₱2,104,785 as of September 30, 2010 and December 31, 2009 respectively.

The Company's cash have high grade credit quality.

The credit quality of the financial assets was determined based on the nature of the counterparty and the Company's historical experience with them.

### *Liquidity Risk*

The Company seeks to manage its liquidity profile to be able to finance capital expenditures and working capital requirements. To cover its financing requirements, the Company intends to use the proceeds from its private placement of 10 million common shares.

### *Price Risk*

The Company's price risk exposure relates to its AFS financial assets where values will fluctuate as a result of changes in market prices.

Such investment securities are subject to price risk due to changes in market values arising from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

### *Capital Management*

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

As of September 30, 2010 and December 31, 2009, the Company has a deficit of P182.8 million and P181.8 million, respectively. In order to strengthen capital position and address the deficit incurred due to non operation, the Company has issued additional stock subscriptions amounting to ₱10 million in December 2009. These subscriptions were fully paid by February 2010.

The Company is not subject to externally imposed capital requirements.

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## 12. **Operating Segments**

As of September 30, 2010 and December 31, 2009, the Company has no operating segment since it is not engaged in any investing and operating activity. The Management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

The Company has no revenue outside the Philippines, hence, the Company did not present geographical information required by PFRS 8.

### **Other Matters**

No disclosures nor discussions were made for the following since these did not arise or occur during the interim operations of the Company:

- a. The nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidents;
- b. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amount reported in prior financial years, if those changes have a material effect in the current interim period;
- c. Issuances, repurchases, and repayments of debt and equity securities;
- d. Dividends paid (aggregate or per share) separately for ordinary shares and other shares;
- e. Segments revenue and segment results for business segments or geographical segments, whichever is the Company's primary basis of segment reporting. (This shall be provided only if the Company is required to disclose segment information in its annual financial statements);

- f. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the period;
- g. The effect of changes in the composition of the Company during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operation;
- h. Changes in contingent liabilities or contingent assets since the last annual balance sheet date; and
- i. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.