

# **ASIABEST GROUP INTERNATIONAL INC.**

20<sup>th</sup> Floor The Peak Tower, 107 LP Leviste St., Makati City

3 December 2012

## **THE PHILIPPINE STOCK EXCHANGE, INC.**

Philippine Stock Exchange Plaza,  
Ayala Triangle, Ayala Ave., Makati City

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

Gentlemen:

In compliance with the Revised Disclosure Rules of the Philippine Stock Exchange, Inc., (the 'Exchange'), Asiabest Group International Inc. ( the 'Company') hereby furnishes the Exchange with a copy of Amended SEC Form 17Q3 for 2012 with changes on the Key Performance Indicators on page 4 and Statement of Financial Position labels.

Thank you very much.

Very truly yours,



**Atty. Venus L. Gregorio**  
Corporate Secretary &  
Corporate Information Officer



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2012
2. SEC Identification Number 000042543      3. BIR Tax Identification No. 000-196-724
4. Exact name of issuer as specified in its charter ASIABEST GROUP INTERNATIONAL INC.
5. **Republic of the Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC use only)  
Industry Classification Code
7. 20<sup>TH</sup> Floor, The Peak Tower,  
107 LP Leviste St., Salcedo Village, Makati City      1227  
Address of principal office      Postal Code
8. (632) 9289246  
Issuer's telephone number, including are code
9. N/A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA
- | Title of Each Class | Number of Shares of Common Stock<br>Issued and Outstanding |
|---------------------|--|
| <b>Common stock</b> | <b>200,000,000</b>   |
- Amount of debt outstanding as of September 30, 2012:**      **PNIL**
11. Are any or all of these securities listed on a Stock Exchange.  
Yes [  ]      No [  ]
- If yes, state the name of such stock exchange and the classes of securities listed therein:
- |  |                     |
|--|---------------------|
| <u>Philippine Stock Exchange, Inc.</u> | <u>Common stock</u> |
|--|---------------------|
12. Check whether the issuer:
- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such report);  
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

The Company's consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

This 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

**September 30, 2012 and December 31, 2011 and  
Nine Months Ended September 30, 2012 and 2011**

#### Financial Performance and Results of Operation

|                     | <b>September 30, 2012<br/>(Unaudited)</b> | <b>December 31, 2011<br/>(Audited)</b> |
|---------------------|---|--|
| Current Assets      | <b>₱67,974,946</b>                        | ₱66,766,179                            |
| Total Assets        | <b>67,988,891</b>                         | 66,780,125                             |
| Current Liabilities | <b>2,642,288</b>                          | 2,883,833                              |
| Equity              | <b>65,346,603</b>                         | 63,896,292                             |

  

|                   | <b>Nine Months Ended September 30<br/>(Unaudited)</b> |             |
|-------------------|---|-------------|
|                   | <b>2012</b>   | <b>2011</b> |
| Revenue           | <b>₱2,206,177</b>                                     | ₱ -         |
| Interest Income   | <b>1,313,173</b>                                      | 398,207     |
| Expenses          | <b>1,806,405</b>                                      | 6,335,685   |
| Net Income (Loss) | <b>1,450,311</b>                                      | (6,012,706) |

Before the company made investments after its reorganization and restructuring, it had no activities since 1998, thus there have been no revenues from operations. As shown in the accompanying financial statement, the Company thru its Management Agreement with Option to Buy with Geogen Corporation covering the Dinapigue Nickel Project located at Dinapigue, Isabela, has generated a management income of ₱2.21 million. Net income/(loss) for the nine months ended September 30, 2012 and 2011 amounted to ₱1.45 million and (₱6.01) million, respectively, which resulted to an accumulated deficit of ₱32.97 and ₱33.07 million as of September 30, 2012 and 2011, respectively. As of September 30, 2012 and December 31, 2011, the Company's equity amounted to ₱65.35 million and ₱63.90 million respectively.

The Company's quasi-reorganization and equity restructuring were approved by the Securities and Exchange Commission (SEC) on May 3, 2011. The capital increase was undertaken using the Fifteen Million Pesos (₱ 15,000,000.00) deposited for future subscriptions by certain investors as partial payment for subscriptions to Forty Five Million (45,000,000) Shares at the price of One Peso (₱1.00) per share, which was the reduced par value of the shares upon the approval by the SEC of its quasi-reorganization plan. Upon approval of the capital increase, the Company's issued and outstanding shares stood at Sixty two million one hundred seventy thousand two hundred ninety three (62,170,293). The corresponding Subscription Agreements with the subscribers were executed by the Company on 16 May 2011 and the balances on the subscription price from the individual investors were received by the Company on 23 June 2011.

On 17 June 2011, the Board of Directors approved the sale and issuance, via private placement, of 136,678,651 shares of the Company at ₱1 par value a share to various investors. They also approved the creation of several subsidiaries via investment in various corporations where the Company will own 100% of the outstanding capital stock of the said subsidiaries. Moreover, the BOD approved the change of corporate

name of the Parent Company which consequently approved by the Securities and Exchange Commission on 26 March 2012. The approved name was Asiabest Group International Inc.

On 22 June 2011, the Philippine Stock Exchange (PSE) lifted the trading suspension of the Company due its full compliance with the PSE's requirements, submission of structured reports and payment of the Company's obligations.

On 22 September 2011, the Board of Directors authorized the Chairman to evaluate, negotiate and enter on behalf of the Company into contracts, agreements, joint-venture, partnership, co-development and co-investment with any third party for the Company's business expansion. As a result, last 27 September 2011, the Company together with NiHao Mineral Resources Inc. (NiHao) executed a Heads of Agreement with Glencore International AG (Glencore) in Hong Kong. The Heads of Agreement was executed to allow the Company, NiHao and Glencore to enter into a joint venture and technical partnership whereby each party shall utilize its expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of Direct Shipping / Selling Ore and other nickel mining businesses. On 28 October 2011, the Company together with NiHao Mineral Resources, Inc. (NiHao) signed, in counterpart, the Addendum to the Heads of Agreement with Glencore International AG (Glencore). The Addendum provides that the Joint Venture Corporation to be formed in Hong Kong shall have an initial authorized share capital of One Hundred Thousand Hong Kong Dollars (HK\$100,000.00) with a par value of One Hong Kong Dollar (HK\$1.00) per share with issued and paid up capital of Ten Thousand Hong Kong Dollars (HK\$10,000.00) equivalent to Ten thousand shares of the JVC. On 10 December 2011, the Certificate of Incorporation of GNA Resources International Limited (GNA) was approved under the Companies Ordinance of the Laws of Hong Kong.

On 7 October 2011, the stockholders during its annual meeting ratified all acts of the Board of Directors and management from the last annual stockholders meeting of the corporation held on 28 October 2008 up to the date of the meeting. They also approved the proposed change of name of the corporation and the delegation to the Board of Directors of the power to issue shares to various investors.

On 14 October 2011, the company entered into a Management Agreement with Option to Buy with Geogen Corporation (GEOGEN). GEOGEN is a mining company and is registered holder of a valid and existing mining claim in Dinapigue, Isabela (the "Mining Area"). GEOGEN is in the process of undertaking exploration, development and mining operations in the said mining area and desires to retain the services of AGP for the management of the exploration, development and mining operations of the mining area. AGP thus undertakes to provide Management Services to GEOGEN including management control and property administration over the daily and medium term operations of the Mining Area for a period of five (5) years.

On 5 March 2012, the Company gave its conformity to the execution of a General Contractor Agreement between Geogen Corporation and NiHao Mineral Resources International, Inc. The agreement provides for the terms and conditions of the contracting relationship between Geogen, as the MPSA Holder of MPSA No. 258-2007-II dated 30 July 2007 and NiHao as contractor for the mining and other services over the areas covered by the MPSA, located in Dinapigue Isabela.

The accompanying financial statements have been prepared assuming the Company will continue operating as a going concern, and do not include any adjustments relating to the recoverability of asset carrying amounts and the amounts of liabilities that might result should the Company be unable to continue as going concern. The Company's management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

The Company's revenue for the nine months ended September 30, 2012 totaled to about ₱2.21 million which was earned from Management Agreement with Geogen Corporation, and the its interest income of ₱1.31 an increase of ₱0.915 million when compared to September 30, 2011 due mainly to increase in the Company's average short-term placements. The increase was due to payments of subscriptions receivable by the stockholders which was invested into short term placements.

Total expenses for September 30, 2012 totaled about ₱1.81 million, a decrease of about ₱4.53 million when compared to September 30, 2011. The decrease was attributed mainly to lower professional and legal fees for the period.

Cash and cash equivalents amounted to P64.82 million as of September 30, 2012 as compared to P52.79 million as of December 31, 2011 or an increase of P12.03 million. The increase in cash and cash equivalents was due to the collection of receivables of the Company.

Other current assets increased by P0.056 million due mainly to additional input value-added tax and deferred input value added tax on professional fees and PSE annual maintenance fees incurred for the period ended September 30, 2012.

Accounts and other payables decreased by about P0.242 million when compared to September 30, 2011 due mainly to payment of accrued professional fees.

**Key Performance Factors:**

|                                | <b>September 2012</b> | <b>September 2011</b> |
|--------------------------------|-----------------------|-----------------------|
| Net Income (Loss)              | P1,450,311            | (P6,012,706)          |
| Total Current Assets           | P67,974,946           | P67,608,231           |
| Total Assets                   | P67,988,891           | P67,608,231           |
| Current Liabilities            | P2,642,288            | P2,357,687            |
| Total Liabilities              | P2,642,288            | P2,357,687            |
| Stockholders' Equity           | P65,346,603           | P65,250,544           |
| <b>Current Ratio</b>           |                       |                       |
| P67,974,946/P2,642,288         | 25.73                 |                       |
| P67,608,231/P2,357,687         |                       | 28.68                 |
| <b>Interest Coverage Ratio</b> |                       |                       |
| P399,773/P-0-                  | NA                    |                       |
| P(6,335,685)/P-0-              |                       | NA                    |
| <b>Debt Ratio</b>              |                       |                       |
| P2,642,288/P67,988,891         | 0.039                 |                       |
| P2,357,687/P67,608,231         |                       | 0.035                 |
| <b>Debt to Equity Ratio</b>    |                       |                       |
| P2,642,288/P65,346,603         | 0.040                 |                       |
| P2,477,731/P66,007,158         |                       | 0.038                 |
| <b>Asset to Equity Ratio</b>   |                       |                       |
| P67,988,891/P65,346,603        | 1.040                 |                       |
| P67,608,231/P65,250,544        |                       | 1.036                 |
| <b>Return on Asset</b>         |                       |                       |
| P1,450,311/P67,988,891         | 0.021                 |                       |
| (P6,012,706)/P67,608,231       |                       | (0.089)               |
| <b>Return on Equity</b>        |                       |                       |
| P1,450,311/P65,346,603         | 0.022                 |                       |
| (P6,012,706)/P65,250,544       |                       | (0.092)               |
| <b>Net Profit Margin</b>       |                       |                       |
| P1,450,311/P2,206,177          | 0.657                 |                       |
| *(P6,012,706)/P398,207         |                       | *(15.099)             |
| <b>Income (Loss) per share</b> |                       |                       |
| P1,450,311/63,321,349          | P0.023                |                       |
| (P6,012,706)/38,321,349        |                       | (P0.157)              |

*\*The reported revenues for 2011 are purely interests earned from bank deposits and short term placements.*

**Current Ratio:**

This ratio is computed by dividing the current assets into the current liabilities. The ratio measures the company's ability to pay maturing obligations.

**Interest Coverage Ratio**

This ratio is computed by dividing earnings before interest and taxes into interest expense. The ratio measures how easily a company can pay interest on outstanding debt. The Company did not incur any interest on its advances.

#### Debt Ratio

This ratio is determined by dividing the total liabilities into the total assets.

This ratio indicates the percentage of a company's assets that are provided via debt.

#### Debt to Equity Ratio:

This ratio is determined by dividing the total liabilities into the total stockholders' equity.

This ratio measures the leverage on borrowed capital.

#### Asset to Equity Ratio

This ratio is determined by dividing the total assets into the total stockholders' equity.

This ratio measures the riskiness of the company.

#### Return on Asset

This ratio is determined by dividing the net income (loss) by the total assets.

This ratio indicates how profitable a company's assets are in generating revenue.

#### Return on Equity

This ratio is determined by dividing the net income (loss) by the total stockholder's equity.

This ratio indicates a company's efficiency at generating profits from every unit of shareholders' equity

#### Net Profit Margin

This ratio is determined by dividing net income by the total sales.

This ratio indicates the rate of profit from sales and other revenues.

#### Income (Loss) Per Share:

Income (Loss) per share is computed by dividing the net income (loss) by weighted average number of common shares outstanding.

### **Investment in Shares of Stock**

#### **100% ownership in various companies**

On 17 June 2011, the Board of Directors approved the creation of several subsidiaries via investment in various corporations where the Company will own 100% of the outstanding capital stock of the said subsidiaries.

On 2 September 2011, the Security and Exchange Commission approved of Alta Minera Inc.'s ('Alta Minera') Certificate of Registration. Alta Minera was incorporated as a mining company.

On 5 September 2011, the Security and Exchange Commission approved the Certificate of Registration of Millionaire's Offices and Properties Inc. ('Millionaire's'). Millionaire's was incorporated as a realty company.

On 23 September 2011, the Security and Exchange Commission approved the Certificate of Registration of Breccia Resources Inc. ('Breccia') which was also incorporated as a mining company.

#### **Investment in Joint Venture**

On 27 September 2011, the Company, NiHAO and Glencore executed a HOA in Hong Kong. Under the HOA, the parties agreed to utilize their respective expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping or selling of ore and other related nickel mining business. Glencore shall contribute its expertise in marketing of nickel ores in the world market as well as its network of various institutions internationally. On the other hand, the Company and NiHAO shall utilize their expertise in mining, contracting and developing mines in the Philippines and their knowledge of relevant Philippine laws, rules and regulations and issues.

In order to accomplish the said purpose, the parties agreed to form within a period of two months from the signing of the HOA, a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated 28 October 2011, the JVC will have an initial authorized capital of HK\$100,000 with a par value

of HK\$1/share. The JVC should have an initial issued and paid-in capital of HK\$10,000 to be contributed by the parties as follows: (1) 50% from Glencore; and (2) 25% each for the Parent Company and NiHAO.

Moreover, the parties agreed to execute the following implementing agreements of the HOA:

- Marketing agreement whereby Glencore will act as the exclusive marketing agent for the JVC and market and sell all material produced by the JVC;
- Management agreement;
- Contractor(s) agreement; and,
- Any other agreements agreed by the parties as being necessary or useful to facilitate the implementation and operation of the JVC.

The JVC under the name of GNA Resources International Limited was incorporated in Hong Kong on November 23, 2011. As of September 30, 2012, the JVC has not started its main business operation.

In this interim period:

- (a) There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.
- (b) There are no known events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- (c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligation), and other relationships of the Company with unconsolidated entities or other persons created during the year.
- (d) There are no 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.
- (e) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (f) There are no seasonal aspects that had a material effect on the Company's financial condition or results of operations.
- (g) There are no material events and uncertainties known to management that would address the past and would have an impact on future operations of the Company.

## **PART II – OTHER INFORMATION**

There are no contingent liabilities or contingent assets or known trend and events that may materially affect the company's operation nor are there estimates of amounts reported in prior periods that may have material effect on the attached financial statements.



**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized on December 3, 2012.

By:



**ANTONIO VICTORIANO F. GREGORIO III**  
Chairman & President



**DELFIN S. CASTRO JR.**  
Treasurer & Chief Financial Officer

**ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES****AGING OF RECEIVABLES****AS OF SEPTEMBER 30, 2012**

(Based on Unaudited Figures)

|  | <b>Up to 3<br/>months</b> | <b>Over 3 Months<br/>to One Year</b> | <b>Over One<br/>Year</b> | <b>Past Due</b> | <b>Total</b> |
|--|---------------------------|--------------------------------------|--------------------------|-----------------|--------------|
| Other Receivables                        | ₱ 2,470,918               | ₱ -                                  | ₱ -                      | ₱ -             | ₱ 2,470,918  |
| Interest Receivables                     | 6,826                     |                                      |                          |                 | 6,826        |
|  | ₱ 2,477,744               | ₱ -                                  | ₱ -                      | ₱ -             | ₱ 2,477,744  |
| Less: Allowance for doubtful<br>accounts |                           |                                      |                          |                 |              |
| Net Receivables                          | ₱ 2,477,744               | ₱ -                                  | ₱ -                      | ₱ -             | ₱ 2,477,744  |

ASIABEST GROUP INTERNATIONAL INC. & SUBSIDIARIES

FINANCIAL STATEMENTS  
AS AT SEPTEMBER 30, 2012(UNAUDITED) AND  
DECEMBER 31, 2011 (AUDITED)

AND

FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2012 AND 2011 (UNAUDITED)

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   | Unaudited<br>Consolidated<br>September 30, 2012 | Audited<br>Consolidated<br>December 31, 2011 |
|---|---|--|
| <b>ASSETS</b>                                 |   |  |
| Current Assets                                |   |  |
| Cash and cash equivalents (Notes 6, 16 & 17)  | P 64,820,212                                    | P 52,789,990                                 |
| Receivables (Notes 7,16 & 17)                 | 2,477,744                                       | 13,355,787                                   |
| Other current assets (Note 8)                 | 676,990   | 620,402                                      |
| <b>Total Current Assets</b>                   | <b>67,974,946</b>                               | <b>66,766,179</b>                            |
| Non-current Assets                            |   |  |
| Investment in Joint Venture (Note 9)          | P 13,946  | 13,946                                       |
| <b>Total Non-Current Assets</b>               | <b>13,946</b>                                   | <b>13,946</b>                                |
|   | <b>P 67,988,891</b>                             | <b>P 66,780,125</b>                          |
| <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b> |   |  |
| Current Liabilities                           |   |  |
| Accounts & other payables (Notes 10, 16 & 17) | P 2,642,288                                     | P 2,883,833                                  |
| <b>Total Liabilities</b>                      | <b>2,642,288</b>                                | <b>2,883,833</b>                             |
| Stockholders' Equity                          |   |  |
| Capital Stock (Note 11 & 12)                  | 98,321,349                                      | 98,321,349                                   |
| Deficit                                       | (32,974,746)                                    | (34,425,057)                                 |
| <b>Total Stockholders' Equity</b>             | <b>65,346,603</b>                               | <b>63,896,292</b>                            |
|   | <b>P 67,988,891</b>                             | <b>P 66,780,125</b>                          |

*See accompanying Notes to Consolidated Financial Statements*

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF INCOME  
(Unaudited)

|  | Three Months                    |                                 | Nine Months                        |                                    |
|--|---------------------------------|---------------------------------|------------------------------------|------------------------------------|
|  | CONSOLIDATED                    |                                 |                                    |                                    |
|  | July 1 to<br>September 30, 2012 | July 1 to<br>September 30, 2011 | January 1 to<br>September 30, 2012 | January 1 to<br>September 30, 2011 |
| REVENUES                                   | ₱ 2,206,177                     | ₱                               | ₱ 2,206,177                        | ₱                                  |
| EXPENSES                                   | (129,364)                       | (956,448)                       | (1,806,405)                        | (6,335,685)                        |
| OTHER INCOME                               |                                 |                                 |                                    |                                    |
| Interest Income                            | 433,738                         | 244,276                         | 1,313,173                          | 398,207                            |
| INCOME (LOSS) BEFORE INCOME TAX            | 2,510,551                       | (712,172)                       | 1,712,945                          | (5,937,478)                        |
| PROVISION FOR INCOME TAX                   | (86,748)                        | (44,441)                        | (262,635)                          | (75,227)                           |
| NET INCOME (LOSS)                          | ₱ 2,423,803                     | ₱ (756,614)                     | ₱ 1,450,311                        | ₱ (6,012,706)                      |
| WEIGHTED AVERAGE NUMBER<br>OF COMMON SHARE | 63,321,349                      | 63,321,349                      | 63,321,349                         | 38,321,349                         |
| Net Income (Loss) Per Share                | 0.038                           | (0.012)                         | 0.023                              | (0.157)                            |

See accompanying Notes to Consolidated Financial Statements

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

|   | Consolidated                       |                                   |                                    |                                   |
|---|------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
|   | Unaudited                          | Audited                           | Unaudited                          | Audited                           |
|   | January 1 to<br>September 30, 2012 | January 1 to<br>December 31, 2011 | January 1 to<br>September 30, 2011 | January 1 to<br>December 31, 2010 |
| (Notes 11 &12)  |                                    |                                   |                                    |                                   |
| <b>CAPITAL STOCK</b> - P 1 par value in 2012<br>and P 6 par value in 2011 |                                    |                                   |                                    |                                   |
| <b>ISSUED</b>   |                                    |                                   |                                    |                                   |
| Balance at the beginning of the year                                      | P 63,321,349                       | P 109,928,094                     | P 109,928,094                      | P 109,928,094                     |
| Issuance  | -                                  | 45,000,000                        | 45,000,000                         | -                                 |
| Effect of Restructuring   | -                                  | (91,606,745)                      | (91,606,745)                       | -                                 |
|   | 63,321,349                         | 63,321,349                        | 63,321,349                         | 109,928,094                       |
| <b>SUBSCRIBED</b>   |                                    |                                   |                                    |                                   |
| Balance at the beginning of the year                                      | 35,000,000                         |                                   | -                                  | -                                 |
| Issuance  | -                                  | 136,678,651                       | 136,678,651                        | -                                 |
| Subscription Receivable   | -                                  | (101,678,651)                     | (101,678,651)                      | -                                 |
|   | 35,000,000                         | 35,000,000                        | 35,000,000                         |                                   |
|   | 98,321,349                         | 98,321,349                        | 98,321,349                         | 109,928,094                       |
| <b>ADDITIONAL PAID IN CAPITAL</b>   |                                    |                                   |                                    |                                   |
| Balance at the beginning of the year                                      | -                                  | 396,291,984                       | 396,291,984                        | 396,291,984                       |
| Effect of restructuring   | -                                  | (396,291,984)                     | (396,291,984)                      |                                   |
| Balance at the end of year  |                                    | 0                                 | 0                                  | 396,291,984                       |
| <b>DEPOSIT ON SUBSCRIPTIONS</b>   |                                    |                                   |                                    |                                   |
| Balance at the beginning of the year                                      | -                                  | 15,000,000                        | 15,000,000                         | 15,000,000                        |
| Issuance  | -                                  | (15,000,000)                      | (15,000,000)                       |                                   |
| Balance at the end of year  |                                    | 0                                 | 0                                  | 15,000,000                        |
| <b>DEFICIT</b>  |                                    |                                   |                                    |                                   |
| Balance at the beginning of the year                                      | (34,425,057)                       | (514,956,828)                     | (514,956,828)                      | (511,862,483)                     |
| Effect of restructuring   |                                    | 487,898,729                       | 487,898,729                        |                                   |
| Total Comprehensive Loss  | 1,450,311                          | (7,366,958)                       | (6,012,706)                        | (3,094,345)                       |
| Balance at the end of year  | (32,974,746)                       | (34,425,057)                      | (33,070,805)                       | (514,956,828)                     |
|   | P 65,346,603                       | P 63,896,292                      | P 65,250,544                       | P 6,263,250                       |

See accompanying Notes to Consolidated Financial Statements

ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited)

|   | Three Months                    |                                 | Nine Months                        |                                    |
|---|---------------------------------|---------------------------------|------------------------------------|------------------------------------|
|   | CONSOLIDATED                    |                                 |                                    |                                    |
|   | July 1 to<br>September 30, 2012 | July 1 to<br>September 30, 2011 | January 1 to<br>September 30, 2012 | January 1 to<br>September 30, 2011 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                                 |                                 |                                    |                                    |
| Income (Loss) before income tax                                 | ₱ 2,510,551                     | ₱ (712,172)                     | ₱ 1,712,945                        | ₱ (5,937,478)                      |
| Adjustment for Interest Income                                  | (433,738)                       | (244,276)                       | (1,313,173)                        | (398,207)                          |
| Operating income before working capital changes                 | 2,076,813                       | (956,448)                       | 399,773                            | (6,335,685)                        |
| (Increase) Decrease in Receivables                              | (2,471,334)                     | (13,570)                        | 10,878,043                         | (13,570)                           |
| (Increase) Decrease in Other Current Assets                     | (7,200)                         | 4,392                           | (56,588)                           | (66,000)                           |
| Increase (Decrease) in accounts & other payables                | 309,755                         | (120,044)                       | (241,544)                          | (2,230,900)                        |
| Cash required by operations                                     | (91,966)                        | (1,085,671)                     | 10,979,684                         | (8,646,155)                        |
| Interest Income   | 433,738                         | 244,276                         | 1,313,173                          | 398,207                            |
| Final Tax Paid on Interest                                      | (86,748)                        | (44,441)                        | (262,635)                          | (75,227)                           |
| Net Cash Provided by operating activities                       | 255,024                         | (885,836)                       | 12,030,222                         | (8,323,176)                        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                                 |                                 |                                    |                                    |
| Proceeds from issuance of capital stock                         |                                 |                                 |                                    | 65,000,000                         |
| Net Cash Provided (Used) in Investing Activities                | 0                               | 0                               | 0                                  | 65,000,000                         |
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b> | 255,024                         | (885,836)                       | 12,030,222                         | 56,676,824                         |
| <b>CASH AND CASH EQUIVALENTS AT<br/>BEGINNING OF PERIOD</b>     | 64,565,188                      | 67,915,910                      | 52,789,990                         | 10,353,249                         |
| <b>CASH AND CASH EQUIVALENTS AT<br/>END OF PERIOD</b>           | ₱ 64,820,212                    | ₱ 67,030,073                    | ₱ 64,820,212                       | ₱ 67,030,073                       |

See accompanying Notes to Consolidated Financial Statements

**ASIABEST GROUP INTERNATIONAL INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Corporate Information and Status of Operations**

Corporate Information

Asiabest Group International Inc. (the "Company" or "ABG" or "Parent Company") is incorporated in the Republic of the Philippines on October 23, 1970, with the following primary purpose:

"to invest in, purchase, or otherwise acquire and own, hold, manage, use, sell, operate, assign, transfer, mortgage, pledge, encumber, exchange or otherwise dispose of, or deal in real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts of obligations of any person, corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized to pay therefor, in money or by exchanging therefor stocks, bonds or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including all voting powers as any stock so owned."

The Parent Company has investments in the following subsidiaries, which are all incorporated in the Philippines:

| Subsidiaries                              | Nature of Business | Date of Incorporation | Percentage of Ownership |
|---|--------------------|-----------------------|-------------------------|
| Alta Minera Inc.                          | Mining             | 2 September 2011      | 100                     |
| Breccia Resources Inc.                    | Mining             | 23 September 2011     | 100                     |
| Millionaire's Offices and Properties Inc. | Real Estate        | 5 September 2011      | 100                     |

The Parent Company funded the incorporation of the above subsidiaries in 2011. The Parent Company has its principal place of business at The Peak Tower, 107 LP Leviste St., Makati City, while the subsidiaries have their principal place of business at the Sunplaza Centre, Shaw Blvd., Wack wack, Mandaluyong City.

Status of Operations

The Company's management is assessing and identifying investment opportunities and various options for the Company. Currently, as shown in the accompanying financial statements, the Company thru its Management Agreement with Option to Buy with Geogen Corporation covering the Dinapigue Nickel Project located at Dinapigue, Isabela has generated a management income of ₱2.21 million. The Project consists of 2,391.8041 hectares of nickel property with an approved MPSA and it is already in the development and operating stage. As of September 30, 2012 and 2011 the company's net income/(loss) amounts to ₱1.45 million and( ₱6.01) million, respectively resulting into an accumulated deficit amounting to ₱32.97 and ₱34.42 for the period ended September 30, 2012 and 2011.

On August 4, 2008, the Board of Directors of the Company approved the following:

- Quasi-reorganization consisting of the following:
  - Reduction in par value from Six Pesos (₱6.00) per share to One Peso (₱1.00) per share.
  - Decrease in the authorized capital stock of the Corporation from One Hundred Thirty Two Million Pesos (₱132,000,000.00) divided into Twenty Two Million (22,000,000) shares at Six Pesos (₱6.00) per share to Twenty Two Million Pesos (₱22,000,000.00) divided into Twenty Two Million (22,000,000) shares at One Peso (₱1.00) per share.
  - Resulting surplus from the reduction in par value to be credited to additional paid-in capital.
  - Offset of the Company's additional paid-in capital against the Company's deficit.
  - Reclassification of the Company's Class A common shares and Class B common shares into one class of common shares.
- Increase in the Company's authorized capital stock (after reduction in par value of the shares) from ₱22 million [divided into 22 million shares at One Peso (₱1.00) par value a share] to ₱200 million [divided into 200 million shares at One Peso (₱1.00) par value a share].



- Delegation to the Board of Directors the authority to look for new investors.

Together with the Board of Directors of ABG, minority shareholders took the initiative of reviving the Company's status as a listed company. They assessed and identified investment opportunities and weighed various options geared towards finding a new investor. In 2008, through HDI Securities, Inc. (HDI), a group of investors who are clients of HDI pooled together a fund to invest in the Company. Initial investments of Fifteen Million Pesos (₱15,000,000.00) from the investors provided the Company with funds needed to pay off regulatory and statutory penalties that accumulated during its period of non-operations.

To carry out the plan to revive and re-instate ABG, on 4 August 2008, the Board of Directors of the Company accepted the subscription by HDI, on behalf of its investors, amounting to ₱45 million [consisting of 45 million shares at One Peso (₱1.00) par value a share] out of the Company's increase in authorized capital stock.

On 14 August 2008 and 9 September 2008, the Company received a total amount of ₱15 million from HDI, on behalf of its investors, as partial payment for subscriptions to the increase in the Company's authorized capital stock and is shown as "Deposits on subscriptions" account in the statements of financial position and statements of changes in equity.

On 28 October 2008, the Stockholders, representing 75% of the issued and outstanding shares of the Company, approved and ratified the following:

- Quasi-reorganization plan consisting of the following:
  - Reduction in par value from Six Pesos (₱6.00) per share to One Peso (₱1.00) per share.
  - Decrease in the authorized capital stock of the Corporation from One Hundred Thirty Two Million Pesos (₱132,000,000.00) divided into Twenty Two Million (22,000,000) shares at Six Pesos (₱6.00) per share to Twenty Two Million Pesos (₱22,000,000.00) divided into Twenty Two Million (22,000,000) shares at One Peso (₱1.00) per share.
  - Resulting surplus from the reduction in par value to be credited to additional paid-in capital.
  - Offset of the Company's additional paid-in capital against the Company's deficit.
  - Reclassification of the Company's Class A common shares and Class B common shares into one class of common shares.
- After the reduction in par value of the shares, amendment of the Company's Articles of Incorporation, as follows:
  - Increase in the Company's authorized capital stock (after reduction in par value of the shares) from ₱ 22 million [divided into 22 million shares at One Peso (₱1.00) par value a share] to ₱200 million (divided into 200 million shares at One Peso (₱1.00) par value a share).
  - Denial of pre-emptive rights.

In the said 28 October 2008 Stockholders' Meeting, stockholders representing 75% of the issued and outstanding shares of the Company, approved and ratified the plan of the Company, to be implemented through the Board of Directors, to issue subscriptions to investors, represented by HDI, via private placement. Stockholders representing the majority of the minority likewise approved the same.

The above quasi-reorganization and equity restructuring of the Company were approved by the Securities and Exchange Commission (SEC) on May 3, 2011. The capital increase was undertaken using the Fifteen Million Pesos (P 15,000,000.00) deposited for future subscriptions by the Investors as partial payment for subscriptions to Forty Five Million (45,000,000) Shares at the price of One Peso (P1.00) per share, which was the reduced par value of the shares upon the approval by the SEC of its quasi-reorganization plan. Upon approval of the capital increase, the Company's issued and outstanding shares stood at Sixty two million one hundred seventy thousand two hundred ninety three (62,170,293). The corresponding Subscription Agreements with the subscribers were executed by the Company on 16 May 2011 and the balances on the subscription price from the individual investors were received by the Company on 23 June 2011.

On 17 June 2011, the Board of Directors approved the sale and issuance, via private placement, of 136,678,651 shares of the Company at ₱1 par value a share to various investors. They also approved the creation of several subsidiaries via investment in various corporations where the Company will own 100% of the outstanding capital stock of the said subsidiaries. Moreover, the BOD approved the change of name of the Parent Company

and was also approved by the Securities and Exchange Commission last 26 March 2012. The approved name was Asiabest Group International Inc.

On 22 June 2011, the Philippine Stock Exchange (PSE) lifted the trading suspension of the Company due its full compliance with the Exchange's requirements, submission of structured reports and payment of the Company's obligations.

On 22 September 2011, the Board of Directors authorized the Chairman to evaluate, negotiate and enter on behalf of the Company into contracts, agreements, joint-venture, partnership, co-development and co-investment with any third party for the Company's business expansion. As a result, last 27 September 2011, the Company together with NiHao Mineral Resources Inc. (NiHao) executed a Heads of Agreement with Glencore International AG (Glencore) which was signed in Hong Kong. The Heads of Agreement was executed to allow the Company, NiHao and Glencore to enter into a joint venture and technical partnership whereby each party shall utilize its expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of Direct Shipping / Selling Ore and other nickel mining businesses. On 28 October 2011, the Company together with NiHao Mineral Resources, Inc. (NiHao) signed, in counterpart, the Addendum to the Heads of Agreement with Glencore International AG (Glencore). The Addendum provides that the Joint Venture Corporation to be formed in Hong Kong shall have an initial authorized share capital of One Hundred Thousand Hong Kong Dollars (HK\$100,000.00) with a par value of One Hong Kong Dollar (HK\$1.00) per share with issued and paid up capital of Ten Thousand Hong Kong Dollars (HK\$10,000.00) equivalent to Ten thousand shares of the JVC. On 10 December 2011, the Certificate of Incorporation of GNA Resources International Limited (GNA) has been approved under the Companies Ordinance of the Laws of Hong Kong.

On 7 October 2011, the stockholders during its annual meeting ratified all acts of the Board of Directors and management from the last annual stockholders meeting of the corporation held on 28 October 2008 up to the present meeting. They also approved the proposed change of name of the corporation and the delegation to the Board of Directors of the power to issue shares to various investors.

On 14 October 2011, the company entered into a Management Agreement with Option to Buy with Geogen Corporation (GEOGEN). GEOGEN is a mining company and is registered holder of a valid and existing mining claim in Dinapigue, Isabela (the "Mining Area"). GEOGEN is in the process of undertaking exploration, development and mining operations in the said mining area and desires to retain the services of ABG for the management of the exploration, development and mining operations of the mining area. ABG thus undertakes to provide Management Services to GEOGEN including management control and property administration over the daily and medium term operations of the Mining Area for a period of five (5) years.

On 5 March 2012, the Company gave its conformity to the execution of a General Contractor Agreement between Geogen Corporation and NiHao Mineral Resources International, Inc. The agreement provides for the terms and conditions of the contracting relationship between Geogen, as the MPSA Holder of MPSA No. 258-2007-II dated 30 July 2007 and NiHao as contractor for the mining and other services over the areas covered by the MPSA, located in Dinapigue Isabela.

The accompanying financial statements have been prepared assuming the Company will continue operating as a going concern, and do not include any adjustments relating to the recoverability of asset carrying amounts and the amounts of liabilities that might result should the Company be unable to continue as going concern. The Company's management continues to assess investment opportunities and various options regarding operations that the Company may undertake in the future.

#### Authorization for the Issuance of the Financial Statements

The accompanying financial statements of the Company as of and for the nine months ended September 30, 2012 and 2011 were authorized for issue by the Audit Committee on December 3, 2012.

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## **2. Basis of Preparation and Consolidation and Statement of Compliance**

### Basis of Preparation

The accompanying financial statements of the Group have been prepared using the historical cost basis. The consolidated financial statements are presented in Philippine peso (Peso), which is the parent company's

functional currency under Philippine Financial Reporting standards (PFRS). Amounts are rounded off to the nearest Peso unit, except when otherwise indicated.

#### Statement of Compliance

The accompanying consolidated financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), issued by the Financial Reporting Standards Council, and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council and adopted by SEC, including SEC pronouncements.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as of September 30, 2012.

The Subsidiaries are all incorporated in the Philippines for the primary purposes of engaging in the businesses of real estate and mining.

The latest available financial statements of the subsidiaries are obtained and used for consolidation of balances. Alta Minera Inc., Breccia Resources Inc., Millionaire's Offices and Properties Inc and the parent company uses the same reporting year, and all companies use consistent accounting policies. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in full. Unrealized losses are eliminated unless cost cannot be recovered.

Subsidiaries are fully consolidated from the date when control is transferred to the parent company. Control is achieved when the parent company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Consolidation of subsidiaries ceases when control is transferred out of the parent company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

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### 3. **Summary of Significant Changes in Accounting Policies and Disclosures**

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

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

The adoption of these standards or interpretations is described below:

*PAS 24, Related Party Transactions (Amendment)*

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

*PAS 32, Financial Instruments: Presentation (Amendment)*

The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Group because it does not have these types of instruments.

*Philippine Interpretation IFRIC 14, Prepayments of a Minimum Funding Requirement (Amendment)*

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

*Improvements to PFRSs (issued 2010)*

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

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

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

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

Standards Issued but not yet Effective

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

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

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

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

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

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

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaces the portion of PAS 27, Consolidated and Separate Financial Statements, that addresses the accounting for consolidated financial statements. It also includes the issues raised in Standing Interpretations Committee (SIC)-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 11, *Joint Arrangements*. PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.
- PFRS 9, *Financial Instruments - Classification and Measurement*. PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The Group is currently assessing the impact that this standard will have on the financial position and performance. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*. These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to offset" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group is currently assessing the impact of the amendments to PAS 32.
- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*. This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of

production stripping costs as an asset and measurement of the stripping activity asset. The subsidiaries involved in mining activity have not yet started its business operations therefore; the interpretation will have no impact to its financial statements. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

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#### 4. Summary of Significant Accounting and Financial Reporting Policies

##### Cash and Cash Equivalents

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

##### Financial Instruments

*Initial recognition and measurement.* Financial instruments within the scope of PAS 39 are classified as financial assets or financial liabilities at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity investments, available-for-sale (AFS) investments and other financial liabilities. The Group determines the classification of its financial instruments at initial recognition.

All financial instruments are recognized initially at fair value plus transaction costs, except in the case of financial assets and financial liabilities at FVPL.

Purchases or sales of financial instruments that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

*Subsequent Measurement.* The subsequent measurement of the Group's financial instruments depends on their classification as described below.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortization, if any, is included in the "interest income" account in the consolidated statement of comprehensive income. The losses arising from impairment of receivables, if any, are recognized in the "expenses" account in the consolidated statement of comprehensive income.

This category includes the Group's cash and cash equivalents and interest receivable.

- Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations and non-interest bearing loans and borrowings.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process. Amortized cost is calculated by taking into account any premium or discount on acquisition and fees and costs that are an integral part of the effective interest rate. The effective interest rate amortization, if any, is included in "interest income" account in the consolidated statement of comprehensive income.

This classification includes the Group's accounts payable and other liabilities.

*Determination of Fair Value.* The fair value for financial instruments traded in active markets at reporting date is based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17.

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

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

#### Derecognition of Financial Instruments

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, 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. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

#### Impairment of Financial Assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or 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 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 when 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.

*Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, the Group 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 Group determines that no objective evidence of impairment exists for an 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 them for impairment. Assets that are individually or assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, 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 expected credit losses that are not yet incurred). The present value of the estimated future cash flows is discounted at the financial assets' 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.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded under interest income account in the consolidated statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the other income account in the consolidated statement of comprehensive income.

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

#### Offsetting of Financial Instruments

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

#### Investment in a Joint Venture

The Parent Company has an interest in joint venture, which is a jointly controlled entity, whereby the venturers have a contractual agreement that establishes joint control over the economic activities of the entity. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment

of the time value of money and the risks specific to the asset. In determining the fair value less cost to sell, an appropriate valuation model is used. Any impairment loss is recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

#### Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The revenue on interest income is recognized when the interest accrues taking into account the effective yield on the asset.

#### General and Administrative Expenses

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

#### Income Tax

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

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

Deferred income tax liabilities are recognized for all taxable temporary difference, except:

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

Deferred income tax assets are recognized for deductible temporary differences and carry forward benefits of net operating loss carry over (NOLCO) to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward benefits of NOLCO can be utilized, except:

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

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

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

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

#### Earnings (Loss) Per Share

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

Basic earnings (loss) per share is calculated by dividing the net income attributable to equity holders of the Group for the year by the weighted average number of common shares outstanding during the year.

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

When the effect of the potential shares is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

#### Segment Reporting

An operating segment is a component of an entity:

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

#### Provisions

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

#### Contingencies

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

#### Events after the Reporting Date

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

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## 5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and related notes at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- Classification of Financial Instruments

The Group classifies a financial instrument, or its component, on initial recognition as a financial asset, financial liability, or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument. The substance of a financial

instrument, rather than its legal form, governs its classification in the consolidated statement of financial position. Financial assets are classified as loans and receivables, as appropriate. Financial liabilities, on the other hand, are classified as other financial liabilities, as appropriate.

The classification of financial instruments is presented in Note 17 of the consolidated financial statements.

- Legal Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results.

#### Estimates and Assumptions

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

- Fair Value of Financial Instruments

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

The fair values of financial assets and liabilities by category and the fair value hierarchy are set out in Note 17 of the consolidated financial statements.

- Impairment of Nonfinancial Assets

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

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

As of September 30, 2012 and 2011, the carrying values of the Group's other current assets amounted to ₱ 0.677 million and ₱0.564 million, respectively (see Note 8). The carrying value of the Group's investment in joint venture amounted to ₱13,946 and nil as of September 30, 2012 and 2011 (see Note 9 and 13).

- Recognition of Deferred Income Tax Assets

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

Deferred income tax assets were not recognized because the Group does not expect to have sufficient future taxable profit in which these can be applied.

## 6. Cash and Cash Equivalents

Cash and cash equivalents consist of:

|                  | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
|------------------|-----------------------------------|--------------------------------|
| Cash in bank     | P3,387,233                        | P2,789,990                     |
| Cash equivalents | 61,432,979                        | 50,000,000                     |
|                  | <b>P64,820,212</b>                | <b>P52,789,990</b>             |

Cash in bank earns interest at the respective bank deposit rates. Cash equivalents are made for varying period of up to three months depending on the Group's immediate cash requirements and earn interest at the respective short-term deposit rates. Interest Income amounted to P1,313,173 and P398,207 for the period ended September 30, 2012 and 2011, respectively.

## 7. Receivables

|   | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
|---|-----------------------------------|--------------------------------|
| Other Receivables                       | P 2,470,918                       | P13,330,241                    |
| Interest Receivable                     | 6,826                             | 25,546                         |
| Receivables from officers and employees | -                                 | 265,916                        |
|   | <b>2,477,744</b>                  | <b>13,621,703</b>              |
| Less: Allowance for doubtful accounts   | -                                 | 265,916                        |
|   | <b>P 2,477,744</b>                | <b>P13,355,787</b>             |

The Other receivables were the management income realized from the Management Agreement with Option to Buy with Geogen Corporation.

As of September 30, 2012, the Group has collected all its outstanding receivables from AC&D Corporate Partners and deposited the same as short term investment to a local bank. The deposits earn interest at the prevailing short term deposit rates.

Interest receivable pertains to amount of interest accrued on the Group's short term investments in the bank.

The Receivables from the previous officers and employees of the Group was written off for the Group believes that it can no longer be collected.

## 8. Other Current Assets

Other current assets consist of:

|                                     | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
|-------------------------------------|-----------------------------------|--------------------------------|
| Creditable withholding tax          | P976,601                          | P976,601                       |
| Input value-added tax               | 658,382                           | 543,594                        |
| Deferred Input value-added tax      | 50,400                            | 108,600                        |
|                                     | <b>1,685,383</b>                  | <b>1,628,795</b>               |
| Less: Allowance for probable losses | 1,008,393                         | 1,008,393                      |
|                                     | <b>P676,990</b>                   | <b>P620,402</b>                |

Input value-added tax is to be deducted against future output value-added tax.

There was no movement in the allowance for impairment losses for the periods ended September 30, 2012 and December 31, 2011.

The allowance for impairment losses as of September 30, 2012 and December 31, 2011 consists of:

|  | Creditable<br>Withholding<br>Tax | Input<br>Value-Added<br>Tax | Total |
|--|----------------------------------|-----------------------------|-------|
|  |                                  |                             |       |

|   |          |         |            |
|---|----------|---------|------------|
| Balances, September 30, 2012 and<br>December 31, 2011 | ₱976,601 | ₱31,792 | ₱1,008,393 |
|---|----------|---------|------------|

## 9. Investment in Joint Venture

On 27 September 2011, the Company, NiHAO Mineral Resources International Inc. and Glencore International AG executed a Heads of Agreement (HOA) in Hong Kong. Under the HOA, the parties agreed to utilize their respective expertise in the mining industry for purposes of investigating, identifying, acquiring, developing and operating mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping or selling of ore and other related nickel mining business. Glencore shall contribute its expertise in marketing of nickel ores in the world market as well as its network of various institutions internationally. On the other hand, the Company and NiHAO shall utilize their expertise in mining, contracting and developing mines in the Philippines and their knowledge of relevant Philippine laws, rules and regulations and issues.

In order to accomplish the said purpose, the parties agreed to form within a period of two months from the signing of the HOA, a joint venture company (JVC) under the laws of Hong Kong. Pursuant to the Addendum to HOA dated October 28, 2011, the JVC will have an initial authorized capital of HK\$100,000 with a par value of HK\$1/share. The JVC should have an initial issued and paid-in capital of HK\$10,000 to be contributed by the parties as follows: (1) 50% from Glencore; and (2) 25% each for the Parent Company and NiHAO.

Moreover, the parties agreed to execute the following implementing agreements of the HOA:

- Marketing agreement whereby Glencore will act as the exclusive marketing agent for the JVC and market and sell all material produced by the JVC;
- Management agreement;
- Contractor(s) agreement; and,
- Any other agreements agreed by the parties as being necessary or useful to facilitate the implementation and operation of the JVC.

The JVC under the name of GNA Resources International Limited was incorporated in Hong Kong on November 23, 2011. The Parent Company's contribution of ₱13,946 to the JVC was advanced by a stockholder. As of September 30, 2012, the JVC has not started its main business operation.

## 10. Accounts and other payables

Accounts and other payables consist of:

|                           | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
|---------------------------|-----------------------------------|--------------------------------|
| Accrued professional fees | ₱1,990,700                        | ₱2,531,900                     |
| Others                    | 386,847                           | 351,933                        |
| Deferred Output Vat       | 264,741                           |                                |
|                           | <b>₱2,642,288</b>                 | <b>₱2,883,833</b>              |

Accounts and other liabilities are noninterest bearing and have an average term of 30-60 days but may go beyond depending on the agreement of the involved parties. This represents accruals of professional fees for administrative, audit and other services, and are payable on demand

## 11. Capital Stock

The details of the number of shares follow:

|                              | Number of Shares                  |                                |
|------------------------------|-----------------------------------|--------------------------------|
|                              | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
| Common stock - ₱1 par value  |                                   |                                |
| Authorized                   |                                   |                                |
| Balance at beginning of year | 200,000,000                       |                                |
| Effect of restructuring      |                                   | 200,000,000                    |
|                              | <b>200,000,000</b>                | <b>200,000,000</b>             |

|                                 |             |             |
|---------------------------------|-------------|-------------|
| Issued                          |             |             |
| Balance at beginning of year    | 63,321,349  |             |
| Issuance of shares of stocks    |             | 45,000,000  |
| Effect of Restructuring         |             | 18,321,349  |
|                                 | 63,321,349  | 63,321,349  |
| Subscribed (net of Subscription |             |             |
| Receivable of 101,678,651)      | 136,678,651 | 136,678,651 |
|                                 | 200,000,000 | 200,000,000 |

On May 3, 2011, the Securities and Exchange Commission (SEC) approved the decrease in the Company's authorized capital stock from ₱132,000,000 (divided into 16,500,000 Class A and 5,500,000 Class B common shares both with par value of ₱6 a share) to ₱22,000,000 (divided into 22,000,000 common shares with a par value of ₱1 a share). On the same date, the SEC also approved the increase in the Company's authorized capital stock from ₱22,000,000 (divided into 22,000,000 shares with a par value of ₱1 a share) to ₱200,000,000 (divided into 200,000,000 shares with par value of ₱1 a share). The capital increase was undertaken using the Fifteen Million Pesos (P 15,000,000.00) deposited for future subscriptions by the Investors as partial payment for subscriptions to Forty Five Million (45,000,000) Shares at the price of One Peso (₱1.00) per share, which was the reduced par value of the shares upon the approval by the SEC of its quasi-reorganization plan. Upon approval of the capital increase, the Company's issued and outstanding shares stood at Sixty two million one hundred seventy thousand two hundred ninety three (62,170,293). The corresponding Subscription Agreements with the subscribers were executed by the Company on 16 May 2011 and the balances on the subscription price from the individual investors were received by the Company on 23 June 2011.

On 17 June 2011, the Board of Directors approved the sale and issuance, via private placement, of 136,678,651 shares of the Company at ₱1 par value a share to various investors.

## 12. Quasi-Reorganization/Increase in Authorized Capital Stock

On August 4, 2008, the Board of Directors of the Company approved the following:

- Quasi-reorganization consisting of the following:
  - Reduction in par value from Six Pesos (₱6.00) per share to One Peso (₱1.00) per share.
  - Decrease in the authorized capital stock of the Corporation from One Hundred Thirty Two Million Pesos (₱132,000,000.00) divided into Twenty Two Million (22,000,000) shares at Six Pesos (₱6.00) per share to Twenty Two Million Pesos (₱22,000,000.00) divided into Twenty Two Million (22,000,000) shares at One Peso (₱1.00) per share.
  - Resulting surplus from the reduction in par value to be credited to additional paid-in capital.
  - Offset of the Company's additional paid-in capital against the Company's deficit.
  - Reclassification of the Company's Class A common shares and Class B common shares into one class of common shares.
- Increase in the Company's authorized capital stock (after reduction in par value of the shares) from ₱22 million [divided into 22 million shares at One Peso (₱1.00) par value a share] to ₱200 million [divided into 200 million shares at One Peso (₱1.00) par value a share].
- Delegation to the Board of Directors the authority to look for new investors.

Together with the Board of Directors of ABG, minority shareholders took the initiative of reviving the Company's status as a listed company. They assessed and identified investment opportunities and weighed various options geared towards finding a new investor. In 2008, through HDI Securities, Inc. (HDI), a group of investors who are clients of HDI pooled together a fund to invest in the Company. Initial investments of Fifteen Million Pesos (₱15,000,000.00) from the investors provided the Company with funds needed to pay off regulatory and statutory penalties that accumulated during its period of non-operations.

To carry out the plan to revive and re-instate ABG, on 4 August 2008, the Board of Directors of the Company accepted the subscription by HDI, on behalf of its investors, amounting to ₱45 million [consisting of 45 million shares at One Peso (₱1.00) par value a share] out of the Company's increase in authorized capital stock.

On 14 August 2008 and 9 September 2008, the Company received a total amount of ₱15 million from HDI, on behalf of its investors, as partial payment for subscriptions to the increase in the Company's authorized capital stock and is shown as "Deposits on subscriptions" account in the statements of financial position and statements of changes in equity.

On 28 October 2008, the Stockholders, representing 75% of the issued and outstanding shares of the Company, approved and ratified the following:

- Quasi-reorganization plan consisting of the following:
  - Reduction in par value from Six Pesos (₱6.00) per share to One Peso (₱1.00) per share.
  - Decrease in the authorized capital stock of the Corporation from One Hundred Thirty Two Million Pesos (₱132,000,000.00) divided into Twenty Two Million (22,000,000) shares at Six Pesos (₱6.00) per share to Twenty Two Million Pesos (₱22,000,000.00) divided into Twenty Two Million (22,000,000) shares at One Peso (₱1.00) per share.
  - Resulting surplus from the reduction in par value to be credited to additional paid-in capital.
  - Offset of the Company's additional paid-in capital against the Company's deficit.
  - Reclassification of the Company's Class A common shares and Class B common shares into one class of common shares.
- After the reduction in par value of the shares, amendment of the Company's Articles of Incorporation, as follows:
  - Increase in the Company's authorized capital stock (after reduction in par value of the shares) from ₱ 22 million [divided into 22 million shares at One Peso (₱1.00) par value a share] to ₱200 million (divided into 200 million shares at One Peso (₱1.00) par value a share].
  - Denial of pre-emptive rights.

In the said 28 October 2008 Stockholders' Meeting, stockholders representing 75% of the issued and outstanding shares of the Company, approved and ratified the plan of the Company, to be implemented through the Board of Directors, to issue subscriptions to investors, represented by HDI, via private placement. Stockholders representing the majority of the minority likewise approved the same.

The above quasi-reorganization and equity restructuring of the Company were approved by the Securities and Exchange Commission on May 3, 2011. The capital increase was undertaken using the Fifteen Million Pesos (P 15,000,000.00) deposited for future subscriptions by the Investors as partial payment for subscriptions to Forty Five Million (45,000,000) Shares at the price of One Peso (P1.00) per share, which was the reduced par value of the shares upon the approval by the SEC of its quasi-reorganization plan. Upon approval of the capital increase, the Company's issued and outstanding shares stood at Sixty two million one hundred seventy thousand two hundred ninety three (62,170,293). The corresponding Subscription Agreements with the subscribers were executed by the Company on 16 May 2011 and the balances on the subscription price from the individual investors were received by the Company on 23 June 2011.

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### 13. Related Party Transactions

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

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

#### Terms and Conditions of Transactions with Related Parties

Outstanding balances of transactions with related parties are unsecured, noninterest bearing, payable on demand and settlements are made in cash. There have been no guarantees provided or received for any related party receivables or payables.

#### Transactions with Related Parties



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

*Company with Interlocking Director*

- On September 27, 2011, the Parent Company, NiHAO and Glencore executed a HOA in Hong Kong to develop and operate mining claims of economically feasible nickel deposits in the Philippines for purposes of direct shipping or selling of ore and other related nickel mining business (see Note 9). In order to accomplish the said purpose, the parties agreed to form within a period of two months from the signing of the HOA, a JVC under the laws of Hong Kong. The JVC was incorporated in Hong Kong on November 23, 2011. As of June 30, 2012, the JVC has not started its main business operation.

*Stockholder*

- The Parent Company's contribution of ₱13,946 to the JVC was advanced by a stockholder (see Note 9).

*Transaction with Key Management Personnel*

- Services were rendered by lawyers of Gregorio Law Offices which primarily consisted of legal and accounting work. One of the key management personnel of the Company is also a partner of this law firm. The related professional fees for this transaction amounted to ₱1.1 million as of September 30, 2012.

#### 14. Commitments

On October 14, 2011, the Parent Company executed a Management Agreement with Option to Buy with Geogen Corporation (Geogen). Due to this agreement the Company earned ₱2.21 million for the period ended September 30, 2012 as management income.

Geogen is a mining company and is the registered holder of a valid and existing mining claim in Dinapigue, Isabela (the Mining Area) covered by Mineral Production Sharing Agreement (MPSA) No. 258-2007-11, duly approved on July 30, 2007. Geogen is in the process of undertaking exploration, development and mining operations in the said Mining Area and desires to retain the services of the Parent Company for the management of the exploration, development and mining operations of the Mining Area. The Parent Company undertakes to provide management services to Geogen including management control and property administration over the daily and medium term operations of the Mining Area for a period of five (5) years.

The Parent Company's management fees shall include (1) reimbursement of all salaries and benefits of the officers and employees plus all direct costs related to the services; (2) management/administration fees equivalent to 20% of salaries and benefits paid to employees including all direct costs; and (3) management commission/profit share of 5% of gross income from the operations of the Mining Area.

Under the agreement, Geogen likewise grants the Parent Company the First and Exclusive Option (Option), at the election of the Parent Company, to do any of the following acts:

- a. Acquire up to 100% of the shares of stock of Geogen
- b. Purchase its mining rights
- c. Secure participation interests
- d. Create a joint venture vehicle or consortium of investors-operators and/or
- e. Negotiate the acquisition of the entire or partial rights or participation of interests over the project on behalf of local and foreign investors

The Option shall be for a period of one year upon signing the agreement, renewable for another period of one year upon mutual agreement of the parties.

#### 15. Loss Per Share

|   | Nine Months Ended September 30<br>(Unaudited) |                     |
|---|---|---------------------|
|   | 2012  | 2011                |
| <b>Net Income (Loss)</b>                        | <b>₱1,450,311</b>                             | <b>(₱5,256,092)</b> |
| <b>Weighted Average Number of Common Shares</b> | <b>63,321,349</b>                             | <b>44,711,237</b>   |
| <b>Income (Loss) Per Share</b>                  | <b>₱0.023</b>                                 | <b>(₱0.118)</b>     |

## 16. Financial Risk Management, Objectives and Policies and Capital Management

The Group's principal financial instruments comprise cash and cash equivalents, receivables and accounts payable and other liabilities. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below:

### Credit Risk

The Group's credit risk is the risk that counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Group is exposed to credit risk from its deposits with banks. The Group's maximum exposure to credit risk is equal to the carrying amount of these instruments as summarized below:

|                           | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
|---------------------------|-----------------------------------|--------------------------------|
| Cash and cash equivalents | ₱64,820,212                       | ₱52,789,990                    |
| Receivables               | 2,477,744                         | 13,355,787                     |
|                           | <b>₱67,297,956</b>                | <b>₱66,145,777</b>             |

Cash and cash equivalents are classified as high grade since these are deposited and invested with a reputable bank and can be withdrawn anytime.

Receivables are also classified as high grade since these consisted of interest receivable related to cash deposits and receivables to a related party which pertained to cash deposited to a local bank on behalf of the Group.

### Liquidity Risk

Liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price.

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

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

|                            | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
|----------------------------|-----------------------------------|--------------------------------|
| Accrued Professional Fees  | ₱1,990,700                        | ₱2,531,900                     |
| Accrual and other payables | 651,588                           | 351,933                        |
|                            | <b>₱2,642,288</b>                 | <b>₱2,883,833</b>              |

Accounts and other payables are normally settled within 30-60 days. As of September 30, 2012 and December 31, 2011, the Group's financial assets amounting to ₱67,297,956 and ₱66,145,777, respectively, were determined by management to be realizable within one year.

### Capital Management

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

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as total debt divided by equity. Total debt is equal to accounts payable and other liabilities. Equity comprises all components of equity.

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

|  | September 30, 2012<br>(Unaudited) | December 31, 2011<br>(Audited) |
|--|-----------------------------------|--------------------------------|
| Accounts payable and other liabilities (a) | ₱2,642,288                        | ₱2,883,833                     |
| Total equity (b)                           | 65,346,603                        | 63,896,292                     |
| Debt to Equity Ratio (a/b)                 | 0.04:1                            | 0.05:1                         |

## 17. Financial Instruments

### Fair Value

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of September 30, 2012 and December 31, 2011:

|   | September 30, 2012<br>(Audited) |                    | December 31, 2011<br>(Audited) |                    |
|---|---------------------------------|--------------------|--------------------------------|--------------------|
|   | Carrying<br>Value               | Fair Value         | Carrying<br>Value              | Fair Value         |
| <b>Financial Assets -</b>               |                                 |                    |                                |                    |
| Loans and receivables:                  |                                 |                    |                                |                    |
| Cash and cash equivalents               | ₱64,820,212                     | ₱64,820,212        | ₱52,789,990                    | ₱52,789,990        |
| Receivables                             | 2,477,744                       | 2,477,744          | 13,355,787                     | 13,355,787         |
| <b>Total Financial Assets</b>           | <b>₱67,297,956</b>              | <b>₱67,297,956</b> | <b>₱66,145,777</b>             | <b>₱66,145,777</b> |
| <b>Financial Liabilities -</b>          |                                 |                    |                                |                    |
| Other financial liabilities-            |                                 |                    |                                |                    |
| Accounts payable and other liabilities* | ₱2,612,477                      | ₱2,612,477         | ₱2,821,142                     | ₱2,821,142         |

\*excluding statutory liabilities

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash and cash equivalents, Interest receivable and Accounts payable and other liabilities*

The fair values of these financial instruments approximate their carrying amounts due to the relatively short-term maturities of these financial instruments.

### Fair Value Hierarchy

As of September 30, 2012 and 2011, the Group has no financial instruments carried at fair value using the three-level fair value hierarchy.

## 18. Segment Information

As of September 30, 2012 and 2011, the Group has a single reporting segment, which is the investment holding activity. Financial information with regards to the Group's reporting segment is as follows:

|                     | 2012       | 2011         |
|---------------------|------------|--------------|
| Net Income (Loss)   | ₱1,450,311 | (₱6,012,706) |
| Other information:  |            |              |
| Segment assets      | 67,988,891 | 67,608,231   |
| Segment liabilities | 2,642,288  | 2,357,687    |