

COVER SHEET

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SEC Registration Number

V U L C A N I N D U S T R I A L & M I N I N G

C O R P O R A T I O N

(Company's Full Name)

7 t h / F Q U A D A L P H A C E N T R U M ,

1 2 5 P I O N E E R S T M A N D A L U Y O N C I T Y

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

Iris Marie U. Carpio-Duque
(Compliance Officer, Asst. Corp.
Secretary & Deputy CIO)

Contact Person

631-8078
631-5139
636-5133

Company Telephone Number

SEC 17-Q

VULCAN QUARTERLY REPORT JUNE 30, 2013

1 2 3 1

Mont Day

h
Fiscal Year

FORM TYPE

Month Day

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 - Q

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

1. For the quarterly period ended JUNE 30, 2013

2. Commission identification number

7443

3. BIR Tax Identification No.

000 - 062 - 736

4. Exact name of issuer as specified in its charter

VULCAN INDUSTRIAL & MINING CORPORATION

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office

Postal Code

125 Pioneer Street Mandaluyong City

1550

8. Issuer's telephone number, including area code

Tel (632) 631 - 80 - 78

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

10. Securities registered pursuant to Sections 8 and 12 of the RSA

Title of each class

Number of shares of common stock outstanding

Common

600,000,000

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

Yes [X]

No []

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and RSC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 28 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or such shorter period the registrant was required to file such reports)

Yes No

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

Yes No

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements are filed as part of this Form 17-Q.

The interim financial reports of the Company are in compliance with the generally accepted accounting principles applied on a basis consistent with that of the preceding quarters/period.

The financial statements are prepared in conformity with the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

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

The gross income for the six months ended June 30, 2013 amounted to P9.11 million compared to P62.99 million for the six months ended June 30, 2012, resulting to total comprehensive income of P6.17 million compared to total comprehensive income of P55.91 million in June 30, 2012. There was a net loss from discontinued operation during the first half of 2012 amounting to P1.62 million and the total comprehensive income was a result of gain on the sale of available-for-sale (AFS) financial assets during the first half of 2012. The Company's operating revenue during the previous year was mainly derived from the sales of aggregates of its wholly owned subsidiary, Vulcan Materials Corporation. Vulcan Industrial & Mining Corporation is concentrating on exploration activities and has no active mine at the moment.

Total cost and expenses decrease to P2.92 million as of June 30, 2013 from P5.46 million as of June 30, 2012.

Total assets were P1.022 billion as of June 30, 2013, 3.90% higher than the P984.16 million as of December 31, 2012. Cash increased due to the proceeds on the sale of available-for-sale (AFS) investments. Accounts receivable decreased due to liquidations and deductions made on outstanding advances of retired employees as of June 30, 2013. Property and equipment decreased due to the depreciation during the period. Deferred charges increased because of various expenses incurred in several projects of the Company.

Liabilities were P424.52 million as of June 30, 2013, increased by 7.44% compared to P395.12 million on December 31, 2012. Accrued expenses and other payable decreased due to payments to some creditors. Payable to related parties increased due to accrual of interest on advances during the period.

Deficit showed P29.16 million as of June 30, 2013 compared to P35.33 million on December 31, 2012.

The top five (5) key performance indicators of the Company and its wholly owned subsidiary are as follows:

	<u>June 30, 2013</u>	<u>Dec.31,2012</u>
Current Ratio	0.08 : 1	0.06 : 1
<u>Current Assets</u>	<u>33,247,654</u>	<u>24,002,213</u>
Current Liabilities	419,434,527	387,845,665
Debt to Equity Ratio	0.71 : 1	0.67 : 1
<u>Total Liabilities</u>	<u>424,516,272</u>	<u>395,116,449</u>
Stockholders Equity	598,023,425	589,040,214
Equity to Debt Ratio	1.41 : 1	1.49 : 1
<u>Stockholders Equity</u>	<u>598,023,425</u>	<u>589,040,214</u>
Total Liabilities	424,516,272	395,116,449
Book Value per Share	P 0.99	P 0.99
<u>Stockholders Equity</u>	<u>598,023,425</u>	<u>589,040,214</u>
Total # of Shares	600,000,000	592,271,739
Earnings per Share	P 0.0102	P 0.099
<u>Net Income (Loss)</u>	<u>6,166,813</u>	<u>58,812,091</u>
Total # of Shares	600,000,000	592,271,739

Management is not aware of any material event/s and uncertainties that would address the past nor would have material impact on future operations of the Company.

VIMC intends to undertake programs in 2013 to raise additional funds thru increase in capital and sale of Available-for-sale (AFS) financial assets to finance the various projects. As a means to raise additional funds, the Company has sold all its treasury shares and some of its Philodrill shares during the first half of 2013. The Company is also considering prospective investors for its various projects.

The standards mentioned in SEC Memorandum Circular No. 6 Series of 2013 are not applicable to the Company's interim financial statements as of June 30, 2013.

There will be no purchase /sale of significant equipment on the next twelve months.

The number of employees will have significant change in number for the next twelve (12) months due to the change in management during the fourth quarter of 2012.

Any material commitments for capital expenditures- the Company has NO material commitments for capital expenditures EXCEPT for the Company's exploration and development costs in mineral projects.

Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations is not applicable

Any significant elements of income or loss that did not arise from the issuer's continuing operations is not applicable

Any seasonal aspects that had material effect on the financial condition or results of operations is not applicable

The Company activities expose it to a variety of financial risks. The Board of Directors reviews and approves on policies for managing each of these risks namely:

Credit Risk

Credit risk is the risk that the Company will incur losses if its counterparties fail to discharge their contractual obligations.

The Company manages and controls credit risk by doing business mostly only with affiliates and recognized, reputable and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit procedures. Receivables are monitored on an ongoing basis bringing the Company's exposure to bad debts to a minimum level. Since the Company trades only with related parties and recognized third

parties there is no requirement for collateral. The Company's maximum exposure to credit risk equals the carrying amount of this receivables/financial instrument.

Liquidity Risk

Liquidity risk is defined as the risk the Company would not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management. The Company's objective is to maintain a balance between continuity of funding and flexibility by availing credit facilities from various suppliers. The Company mainly sources its funds from bank loans and payable to related parties.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows of the fair value of financial instruments. The Company's exposure to the risk of changes in market interest relates primarily to the Company's bank loan with floating interest in 2010. The Company has no interest rate risk for 2012.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to equity price risk because of quoted financial assets held by the Company, which are classified on the financial statements of consolidated balance sheets as AFS financial assets.

Financial instruments

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

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of asset) or received (in case of a liability). The initial measurement of financial instruments, except for those financial assets and financial liabilities at fair value through profit or loss (FVPL), includes transaction cost.

On initial recognition, the Company classifies its financial assets in the following categories: Held-for-Maturity (HTM) investments, AFS financial assets, and loans and receivables. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Under PAS 39, all financial liabilities are recognized initially at fair value and in case of loans and borrowings, plus directly attributable transaction costs. Financial liabilities are classified as FVPL, loans and borrowings and derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial assets consist of loans and receivables and AFS investments. The Company's financial liabilities are classified as loans and borrowings. The Company has no financial assets and liabilities at FVPL and HTM investment.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments and all other financial instruments where there is no active market, fair value is determined by using generally accepted valuation techniques. Such techniques include using arm's length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

Financial Soundness Indicators

	June 30, 2013	June 30, 2012
<i>Current Liquidity Ratios</i>		
Current Ratios	0.08:1	0.15:1
Quick Ratios	0.008:1	0.07:1
<i>Solvency Ratios</i>	<i>0.014:1</i>	<i>0.14:1</i>
<i>Debt-to-equity Ratios</i>	<i>0.71:1</i>	<i>0.68:1</i>
<i>Asset-to-equity Ratios</i>	<i>1.71:1</i>	<i>1.68:1</i>
<i>Interest Rate Coverage Ratios</i>	<i>314.53:1</i>	<i>6,446.01:1</i>
<i>Profitability Ratios</i>		
Gross Profit Margin	0%	0%
Net Profit Margin	0%	0%

PART II - OTHER INFORMATION

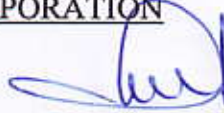
Reports on Form 17- C (Current Report) had been filed during the second quarter of 2013.

- a) SEC 17-C 2013 Annual Stockholders' and Organization Meeting (May 29, 2013)

SIGNATURES

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

Issuer VULCAN INDUSTRIAL & MINING CORPORATION



Principal Financial/Accounting Officer/Controller **CHRISTOPHER M. GOTANCO**
Vice-Chairman/COO and Chief
Corporate Information Officer

Date 08.12.13

VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<u>JUNE 30, 2013</u>	<u>AUDITED 2012 DECEMBER 31</u>
ASSETS		
Current Assets		
Cash and cash equivalents	2,043,868	748,345
Accounts receivable – net	1,362,899	1,513,008
Due from related parties	29,512,160	21,732,860
Other current assets-net	328,727	8,000
Total current assets	<u>33,247,654</u>	<u>24,002,213</u>
Non-current Assets		
Available-for-sale (AFS) financial assets	10,116,297	14,015,297
Property, plant and equipment	131,434	135,522
Deferred exploration cost and other charges	979,044,312	946,003,631
Total non-current Assets	<u>989,292,043</u>	<u>960,154,450</u>
	1,022,539,697	984,156,663
TOTAL ASSETS	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	14,832,999	15,769,728
Payable to related parties	398,071,670	365,546,079
Subscriptions payable	6,529,858	6,529,858
Total current liabilities	<u>419,434,527</u>	<u>387,845,665</u>
Non-current Liabilities		
Retirement benefit obligation	5,081,745	7,270,784
TOTAL LIABILITIES	<u>424,516,272</u>	<u>395,116,449</u>
Stockholder' Equity		
Capital Stock	600,000,000	600,000,000
Additional paid-in capital	531,737	531,737
Net unrealized valuation gain (loss) on AFS		
Financial assets	26,652,093	29,673,093
Deficit	(29,160,405)	(35,327,218)
	<u>598,023,425</u>	<u>594,877,612</u>
Treasury Stock	0	(5,837,398)
	<u>598,023,425</u>	<u>589,040,214</u>
	1,022,539,697	984,156,663
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	=====	=====

VULCAN INDUSTRIAL & MINING CORPORATION AND SUSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	2013 <u>JAN-JUNE</u>	2012 <u>JAN-JUNE</u> (Restated)	2013 <u>APR-JUNE</u>	2012 <u>APR-JUNE</u> (Restated)
DIVIDEND INCOME	115,238	2,600	115,238	-0-
GENERAL AND ADMINISTRATIVE EXPENSES	2,916,471	5,456,543	909,259	2,104,179
OTHER INCOME (CHARGES) - net				
Gain on sale of AFS	2,980,053	62,985,625	2,980,053	-0-
Gain on sale of treasury stock	6,011,875		-0-	
Interest expense	(19,606)	(8,673)	(19,606)	(1,173)
Loss on forex	(4,276)		(4,276)	
	<u>8,968,046</u>	<u>62,976,952</u>	<u>2,956,161</u>	<u>(1,173)</u>
INCOME (LOSS) FROM CONTINUING OPERATION BEFORE INCOME TAX	6,166,813	57,523,009	2,152,140	(2,105,3452)
PROVISION FOR CURRENT INCOME TAX	0	0		-0-
INCOME (LOSS) FROM CONTINUING OPERATIONS AFTER TAX	6,166,813	57,523,009	2,152,140	(2,105,352)
LOSS FROM DISCONTINUED OPERATIONS AFTER TAX	0	1,616,758	2,152,140	(346,295)
NET INCOME (LOSS)	6,166,813	55,906,251	2,152,140	(2,451,647)
OTHER COMPREHENSIVE INCOME (LOSS)	-	-		
TOTAL COMPREHENSIVE INCOME (LOSS)	<u>6,166,813</u>	<u>55,906,251</u>	<u>2,152,140</u>	<u>(2,451,647)</u>
	=====	=====	=====	=====
Earnings (Loss) per share was computed as follows:				
Net Income (Loss) Attributable to Equity	6,166,813	55,906,251		
Weighted average number of shares	600,000,000	592,271,739		
EARNINGS (LOSS) PER SHARE	<u>₱0.0102</u>	<u>₱0.0943</u>		

VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	2013 <u>JAN-JUNE</u>	2012 <u>JAN-JUNE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss) from continuing operations before income tax	6,166,813	57,523,009
Loss from discontinued operations before income tax		(1,616,758)
Adjustment to reconcile net income to net cash provided by (used in) operating activities:		
Depletion, depreciation and amortization	4,088	1,883,844
Equity in earnings (loss) of Affiliates		-
Changes in operating assets & liabilities:		
Decrease (increase) in:		
Accounts receivable – net	150,109	(1,544,095)
Due from related parties	(7,779,300)	0
Inventories		(241,265)
Prepaid expenses & other current assets	(320,727)	(4,308,514)
Increase (decrease) in:		
Accounts payable & accrued expenses	(936,729)	4,020,008
Payable to related parties	32,525,592	(111,669,450)
Income tax payable	0	(40,606)
Retirement benefits	<u>(2,189,039)</u>	<u>(178,030)</u>
Net cash provided by (used in) operating activities	<u>27,620,807</u>	<u>(56,171,857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of:		
Property, plant and equipment		
Increase in:		
Deferred exploration cost and other charges	(33,040,681)	(610,314)
Decrease in available-for-sale (AFS) financial assets	3,899,000	140,180,496
Additions to:		
Property, plant and equipment	-	-
Decrease (increase) in other assets		
Net cash in investing activities	<u>(29,141,681)</u>	<u>139,570,182</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of treasury shares	5,837,397	
Changes in unrealized valuation gain (loss) on AFS	(3,021,000)	(76,280,271)
Availments (payments) of short /long term loans	0	(3,306,053)
Net cash provided by financing activities	<u>2,816,397</u>	<u>(79,586,324)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,295,523</u>	<u>3,812,001</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER	748,345	1,280,097
CASH AND CASH EQUIVALENT AT END OF QUARTER	<u>2,043,868</u>	<u>5,092,098</u>

VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY
 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 FOR THE PERIOD ENDED JAN TO JUNE, 2013 & 2012

	<u>JAN TO JUNE</u> <u>2013</u>	<u>JAN TO JUNE</u> <u>2012</u>
Balances January 1		
Capital stock	600,000,000	600,000,000
Treasury stock	(5,837,398)	(5,837,398)
Capital in excess of par value	531,737	27,504,207
Net unrealized valuation gain (loss) on available for sale (AFS) financial assets	29,673,093	103,547,118
Deficit	(35,327,218)	(94,139,309)
Net income (loss)	6,166,813	55,906,521
Net realized valuation gain (loss) on available-for-sale (AFS) financial assets	(3,021,000)	(76,280,259)
Sale of Treasury Shares	<u>5,837,398</u>	<u>0</u>
Balances June	598,023,425	610,700,598
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

Vulcan Industrial & Mining Corporation (The Company) was registered with the Securities and Exchange Commission (SEC) on January 13, 1953. The Company was listed in the Philippine Stock Exchange on 1970.

The Company is involved in finding, developing and producing mineral properties.

The registered office address of the Company is at 7th Floor QUAD Alpha Centrum Bldg., 125 Pioneer Street, Mandaluyong City.

The Company has no operating activities. The operation is carried out by its subsidiary, Vulcan Materials Corporation, a wholly-owned subsidiary, registered with SEC on September 12, 1991 and is involved in mining exploration and sale of aggregates with business address at Sitio Tabak, San Rafael, Rodriguez, Rizal. On December 18, 2012, the Company sold all its shares in Vulcan Materials Corporation to Anglo Philippine Holdings Corporation, a related party.

Status of operations

The group has a number of mineral properties that are in various stages of exploration and has participation in several petroleum projects in the Philippines. The ability of the Company to realize its deferred exploration cost depends on the success of its exploration activities and future development work proving the viability of its mining properties that can produce minerals in commercial quantities and the discovery of oil and gas that can be produced in commercial quantities, which cannot be determined at this stage.

The Company has incurred cumulative losses from operations resulting in a deficit amounting to P29.16 million as of June 30, 2013. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. However, Management is confident that with the renewed interest in mining and oil and gas industry and the continuing support of related parties, the going concern issue will be resolved favorably.

On January 15, 2013, the Board of Directors (BOD) approved the retirement of all its employees under its former policies as a result of the Company's change in management.

Basis of preparation

The consolidated financial statements of the Company have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine Peso, which is the Company's functional currency.

Statement of compliance

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

Basis of consolidation

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All inter-company balances are eliminated in full.

Subsidiary is fully consolidated from the date of acquisition, being the date which control is transferred to the Parent Company and continues to be consolidated until the date that such control ceases. When the Parent Company loses its control of the Subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Parent Company has control.

Discontinued Operations

Discontinued operations represent component of the Group that has either been disposed of or is classified as held for sale. Income and expenses of discontinued operations are presented as a single amount in the consolidated statement of comprehensive income, separate from the continuing operations, comprising the total of the income after tax and after gain or loss recognized in the measurement of the fair values less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation.

PFRS 9

This standard is effective for annual periods beginning on or after January 2015. It introduces new requirements on the classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing many different rules in PAS 39, Financial Instruments: Recognition and Measurement. The approach in the new standard is based on how entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many⁶ different methods in PAS 39. The company expects significant impact on its financial statements when it adopts this standard.

The company has decided not to early adopt either PFRS 9(2009) or PFRS 9 (2010) for its financial reporting. The company continues to assess the impact of the new and amended accounting standard and interpretation effective subsequent to 2011 on its financial statements in the period of initial application. Additional disclosures required by the amendments will be included in the financial statements when the amendments are adopted.

Accounting Estimates and Assumptions

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

Impairment of loans and receivables

The Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered in determining the amount of impairment that will be recorded relating to trade and other receivables account. The allowance is re-evaluated and adjusted as additional information is received.

In addition to specific allowances against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration the credit risk characteristics such as customer type, geographical location, payment history, past due status and term.

Impairment of AFS financial assets

The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” required judgment. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities.

Impairment of other current assets

The Company estimates the allowance for impairment of inventories included under the “Other current assets” account, based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in the decline in value of inventories would increase recorded expenses and decrease current assets.

Estimating useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property and equipment is based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Recoverability of deferred exploration costs

The Company assesses impairment on deferred exploration cost when facts and circumstances suggest that the carrying amount of the assets may exceed its recoverable amount.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Reserves*, are as follows:

- the period for which the Company has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially variable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development of by sale.

The Company reviews the carrying values of its mineral property interests whenever events of changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts.

Impairment of non-financial assets

The Company performs asset impairment review on its other current assets, investments and advances, property and equipment, and other noncurrent assets when certain impairment indicators are present. This requires the estimation of the asset's recoverable amount. Impairment losses, if any, are recognized in the statement of operations in those expense categories consistent with the function of the impaired asset. Changes in estimates and assumptions may result to additional provision for impairment.

Valuation of financial assets and financial liabilities

The Company carries certain financial assets and financial liabilities at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable evidence, the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the profit or loss and equity.

Estimating retirement benefits cost

The determination of the Company's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the balance sheet dates. The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. In accordance with PAS 16, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are the assumptions may materially affect the Company's pension and other retirement obligations.

Cash and Cash Equivalents

	June 30, 2013	December 31, 2012
Cash on hand and in bank	2,043,868	748,345
Cash equivalents	-	-
	<u>2,043,868</u>	<u>748,345</u>

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

Receivables

	June 30, 2013	December 31, 2012
Unimpaired	1,362,899	1,513,008
Impaired	<u>3,948,300</u>	<u>3,948,300</u>
	5,311,199	5,461,308
Less: allowance for impairment losses	<u>3,948,300</u>	<u>3,948,300</u>
	<u>1,362,899</u>	<u>1,513,008</u>

Trade receivables are non-interest bearing and generally have due within 30 days. Other receivables consist of advances to officers and employees and Social Security System maternity and sickness benefits, among others.

Other Current Assets

	June 30, 2013	December 31, 2012
Advances to suppliers	1,020,829	745,829
Input VAT	45,727	-
Prepaid expenses	-	-
	1,066,556	745,829
Less: allowance for impairment losses	<u>737,829</u>	<u>737,829</u>
	<u>328,727</u>	<u>8,000</u>

Advances against royalties are deposits made to owners of mining area wherein the Company operates/conducts exploration activities. The advances are deductible from future royalty obligations of the Company and will be refunded in case exploration activities in the related area are unsuccessful.

AFS Financial Assets

	June 30, 2013	December 31, 2012
Investment in quoted shares of stocks of:		
Philodrill	5,150,177	9,049,177
United Paragon Mining Corporation	-0-	-0-
Other quoted equity securities	<u>4,891,835</u>	<u>4,891,835</u>
	10,042,012	13,941,012
Investment in unquoted shares of stocks of:		
Other unquoted equity investments	<u>74,285</u>	<u>74,285</u>
	<u>10,116,297</u>	<u>14,015,297</u>

Quoted shares consist of equity securities that are traded at the Philippine Stock Exchange. The fair values of these listed shares are based on their bid market as of the last trading day of the year.

Unquoted equity securities include unlisted shares of stocks in various mining companies which the Company will continue to carry as part of its investments.

Deferred Exploration Cost

	June 30, 2013	December 31, 2012
Deferred Exploration Costs:		
Petroleum exploration	904,671,964	872,146,374
Mineral exploration projects	<u>78,564,030</u>	<u>78,048,939</u>
	983,235,994	950,195,313
Allowance for impairment losses	<u>4,191,682</u>	<u>4,191,682</u>
	<u>979,044,312</u>	<u>946,003,631</u>

The Company is participant in several SCs and GSECs entered into the Philippine government through the DOE to conduct exploration, exploitation and development activities in the contract areas designated in the SCs and GSECs. These SCs and GSECs provide for certain minimum work

expenditure obligations and the drilling of a specific number of wells and are covered by operating agreements which set forth the participating interest rights and obligations.

Trade and other Payables

	June 30, 2012	December 31, 2012
Accrued expenses	7,591,023	8,559,856
Statutory liabilities	3,327,189	3,295,085
Others	<u>3,914,787</u>	<u>3,914,787</u>
	<u>14,832,999</u>	<u>15,769,728</u>

Advances to related parties

The amounts due from related parties are as follows:

	June 30, 2013	December 31, 2012
VMC	28,287,068	20,507,768
APHC	685,919	685,919
UPMC	<u>539,173</u>	<u>539,173</u>
	<u>29,512,160</u>	<u>21,732,860</u>

The amounts payable to related parties consist of the following:

	June 30, 2013	December 31, 2012
Alakor Corporation	157,759,502	138,222,852
National Bookstore Inc.	238,710,428	225,721,486
Palawan Granite	709,242	709,242
San Jose (SJ)	<u>892,499</u>	<u>892,499</u>
	<u>398,071,671</u>	<u>365,546,079</u>

Retirement Benefits

On January 15, 2013, the BOD approved the retirement of all its employees under its former policies as a result of the Group's change in management.

Prior to the payment of retirement benefits, the Company has unfunded defined benefit retirement plan covering all its regular full-time employees. The benefits are computed equivalent to one-half month's salary for every year of service with six months or more of service considered one year.

Capital Stock

As of June 30, 2013 and December 31, 2012 there is a total of 600,000,000 issued shares, of which 7,728,261 shares are held in treasury as of December 31, 2012. The treasury shares were sold during the first quarter of 2013.

VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY
 Consolidated Accounts Receivable
 June 30, 2013

	<u>Total</u>	<u>Head Office</u>	<u>Isabela/Explo</u>	<u>Palawan</u>
Accounts Receivable – Trade	388,832			388,832
Accounts Receivable – Others	2,440,899	1,994,423	60,072	386,404
Advances for Liquidation	192,386	192,386		
Advances to Officers & Employees	419,984	419,984		
Advances Against SSS Benefits	3,713	3,713		
Advances Against Royalty	1,750,147	1,745,147		5,000
Dividend Receivable	115,237	115,237		
Sub-total	<u>5,311,198</u>	<u>4,470,890</u>	<u>60,072</u>	<u>780,236</u>
Less: Allowance for doubtful accounts	(3,948,299)	=====	=====	=====
Total	<u>1,362,899</u>	=====	=====	=====

VULCAN INDUSTRIAL & MINING CORPORATION AND SUBSIDIARY
AGING OF ACCOUNTS RECEIVABLE – OTHERS
AS OF JUNE 30, 2013

<u>PARTICULARS</u>	<u>NO. OF DAYS</u>			<u>OVER 120</u>	<u>TOTAL</u>
	<u>1-60</u>	<u>61-90</u>	<u>90-120</u>		
ALAKOR SECURITIES					-0-
ALER, HECTOR				2,793.00	2,793.00
AZARCON, BETTY				80,818.74	80,818.74
AZARCON, PAUL				4,915.55	4,915.55
CALUB, ALFREDO				126,406.55	126,406.55
CAPHEALTH				849.40	849.40
CARRANCEJA, JOSE				18.20	18.20
DHARMALA SEC.				100,000.00	100,000.00
MATOS, NIMFA				23,533.78	23,533.78
MINAS, PACIFICO				37,370.95	37,370.95
OCEAN COMPOSITE				147,525.44	147,525.44
OSTREA MINERAL LABORATORY				2,704.80	2,704.80
PALLADIAN LAND DEVELOPMENT				1,700.00	1,700.00
PHILODRILL CORP.				122,799.45	122,799.45
RAFAEL, ROWENA				4,616.04	4,616.04
SICCION MKTG.				150.00	150.00
SORAK MINING				1,315,605.47	1,315,605.47
UNITED PARAGON				10,000.00	10,000.00
VALERIANO, NESTOR				1,150.00	1,150.00
VULCAN MATERIALS				1,481.96	1,481.96
W. BROWN				9,983.21	9,983.21
TOTAL				1,994,422.54	1,994,422.54