APEX MINING CO., INC.

April 23, 2013

PHILIPPINE STOCK EXCHANGE, INC.
Disclosure Department
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: Ms. Janet Encarnacion
Head, Disclosure Dept.

Dear Ms. Encarnacion:

We are submitting herewith SEC Form 17-A for the year ended December 31, 2012 with Audited Financial Statements as of December 31, 2012.

Very truly yours,

ROSANNA A. PARICA
Corporate Information Officer

Head Office: Unit 1704 17th Floor, Prestige Tower Condominium, F. Ortigas Jr. Road, Ortigas Center , Pasig City 1605
Tel. Nos.: 706-2805/706-2806 * Fax No.: 706-2804 Minesite: Maco, Compostela Valley

COVER SHEET

4 0 6 2 1
S.E.C. Registration Number

A P E X M I N I N G C O . I N C .

(Company's Full Name)

1 7 T H F L O O R P R E S T I G E T O W E R

F. O R T I G A S J R R D O R T I G A S P A S I G C I T Y

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

ROSANNA A. PARICA
Contact Person

706-2805
Company Telephone Number

1 2 | 3 1
Month | Day
Fiscal Year

SEC Form 17-A
FORM TYPE

0 6 | 2 9
Month | Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OFTHE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

SEC Central Receiving and Records Division
H R A D
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BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

1. For the calendar year ended **December 31, 2012**

2. SEC Identification Number **40621**

3. BIR Tax Identification No. **000-284-138**

4. Exact Name of issuer as specified in its charter: **Apex Mining Co., Inc.**

5. **Philippines**

   Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only) Industry Classification Code

7. **Unit 1704 17th Floor, Prestige Tower Cond., F. Ortigas Jr. Road, Ortigas Center, Pasig City 1605**
   Address of principal office : Postal Code

8. **(632) 7062805/7062806**
   Issuer's telephone number, including area code

9. **Not Applicable**
   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 Sec. 4 & 8 of the RSA :

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Class A	**920,758,198**
Class B	**545,758,228**

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

    Yes [X] No [ ] Philippine Stock Exchange 756,918,238 shares (Php1.00 per share par value)

12. Check whether the issuer:

    a.) has filed all reports to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports.)

    Yes [X] No [ ]

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

    Yes [ ] No [X]

13. Not Applicable

14. Not Applicable

PART 1 BUSINESS AND GENERAL INFORMATION

Item 1. Business

Corporate Profile

Apex Mining Co., Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 26, 1970 primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead, zinc brass, iron, steel and all kinds of ores, metals and minerals.

On March 7, 1974, the Company listed its shares in the Philippine Stock Exchange (PSE) and attained status of being a public company on the same date. The Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least P50 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As of December 31, 2009, the Company has 2,883 shareholders (2008 - 2,900) each holding at least 100 shares.

On August 24, 2005, Crew Gold Corporation (Crew Gold), an entity incorporated and doing business in Canada, and its associated Philippine company, Mapula Creek Gold Corporation (Mapula), acquired 28.03% and 44.88% of the Company's shares, respectively, by virtue of the Share Purchase Agreement (SPA) entered into by both Crew Gold and Mapula with the previous majority shareholder (Puyat Group). The SPA involved the sale and transfer of a total of 549,966,524 shares (including 459,524,591 of the unlisted shares) for $6.6 million. Pursuant to the SPA, the Puyat Group divested fully its shareholdings in the Company. The SPA also provides, among others, the termination of all existing mine operating agreements of the Company. In relation thereof, on December 23, 2005, Crew Gold and PJS Investment Corporation, an entity owned by the Puyat Group, agreed that certain liabilities as of December 31, 2005 amounting to P83.2 million be assigned to the latter in order to facilitate the investment of Crew Gold into the Company.

In October 2009, Crew Gold completed its divestment in the local mining industry and sold its equity share in the Company, as well as to local affiliates including Teresa Crew Gold (Philippines), Inc. (Teresa) and Mapula to Mindanao Gold Ltd. (Mindanao Gold), an entity incorporated and registered in Malaysia.

As of December 31, 2009, the Company's majority shareholder is Mapula Creek Gold Corporation (Mapula), a Philippine incorporated company.

On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Company's Mineral Production Sharing Agreement (MPSA) covering 679.02 hectares situated in Maco, Compostela Valley. On June 25, 2007, MGB approved the Company's second MPSA covering an additional 1,558.5 hectares near the same area.

On December 17, 2008, the Company entered into a service contract with local cooperatives composed of the indigenous people and local government units of Masara lines to explore the Sagaysagay vein discovered within the area of its second MPSA.

The Company was registered with the Board of Investments (BOI) on July 11, 2008 as a new producer of gold, silver bullion, copper concentrates with gold, silver, zinc and lead values on a non-pioneer status under the 1987 Omnibus Investment Code. Under this registration, the Company is entitled to certain fiscal and non-fiscal incentives including four (4) year income tax holiday from start of commercial operations, which can be further extended for another three (3) years subject to compliance with certain conditions, simplified customs procedures, additional deduction for labor expense, and unrestricted use of consigned equipment for a period of ten (10) years. The Company is required to maintain a base equity of at least 25% upon start of commercial operations as one of the conditions of the registration.

On January 1, 2009, the Company commenced commercial operations after achieving target production volume requirements. As of December 31, 2009, the Company is compliant with the provisions specified in its registration.

The Company's registered business address is at Unit 1704 17th Flr. Prestige Tower Cond., F. Ortigas Jr. Rd., Ortigas Center, Pasig City. The Company currently operates the Maco Mines in Maco, Compostela Valley with 1,023 and 1,052 employees as at December 31, 2012 and 2011 respectively.

Since 1988, the Company has exercised various restructuring as mentioned above. Todate, Mindanao Gold owns 40% of Mapula, while Abracadabra Speculative Ventures Inc., the ultimate parent company organized and incorporated in Malaysia and prepares its financial statements in compliance with International Financial Reporting Standards, owns 100% of Mindanao Gold.

Pursuant to Sections 76 to 80 of the Corporation Code of the Philippines, the Board of Directors and stockholders of the Company and Teresa convened a meeting on September 1, 2011 and August 1, 2011, respectively, and subsequently held a stockholders meeting on October 6, 2011 for the Company and September 15 for Teresa to approve the Plan of Merger. In this merger, the Company became the surviving corporation and Teresa was the absorbed corporation.

On December 1, 2011, the SEC approved the Articles and Plan of Merger. As indicated in the Articles and Plan of Merger, the merger will be effective on the first day of the month immediately following the month in which approval of the merger is obtained from the SEC, thus the merger will be effective on January 1, 2012.

The merger is considered a business reorganization since the transaction involved companies under common control. Accordingly, the merger was accounted for at historical cost in a manner similar to the pooling of interests method and will be effected prospectively in the financial statements of the Company, as elected by the management.

Products/Sales

The Company's mine produces bullion containing gold and silver. All of the mine's production is smelted in Metalor refinery in Switzerland.

The Company's 100% sales revenues for the year 2012 were from gold bullion shipments made to Metalor.

Competition

The Company's sales from gold bullion were based on internationally accepted pricing in the world market available from the London Metal Exchange. Philippine mining companies do not affect international metal prices, hence, competition among mining companies is imaginary.

Development Activities

The development activities spent by the Company for the last three fiscal years and its percentage to revenue are the following:

Year	Development Cost	Revenue	Percentage
2009		1,018,250,407	0%
2010	90,062,001	1,546,629,952	6%
2011	216,830,130	2,038,572,699	11%

Sources of Materials and Supplies

The Company's ore production comes primarily from the Company's mineral properties in Maco

Equipment and maintenance parts and operating supplies are provided by a number of suppliers both domestic and foreign on competitive basis.

Energy is primarily sourced from the Power Sector Assets and Liabilities Management Corporation under a long-term contract for the supply of electricity

Employees

The total manpower of the Company as of December 31, 2012 consists of 1,457 employees, as follows:

Regular	
Contractors	
Total	**1,457**

Regular employees are broken down to 28-clerical, 854-operations and 95- administrative. The Company as of present has no employees' union.

Mining Properties / Royalty Agreements

On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Company's Mineral Production Sharing Agreement (MPSA) covering 679.02 hectares situated in Maco, Compostela Valley. On June 25, 2007, MGB approved the Company's second MPSA covering an additional 1,558.5 hectares near the same area where the existing operations are located.

The company has already complied with the requirements for the MPSA which included the endorsement by the local government units in the locality of the mine, which endorsements Apex obtained. Also required was the free and prior informed consent (FPIC) of the indigenous peoples and indigenous communities (IPs/ICs) within the area covered by the application. With such IPs/ICs giving their FPIC to the Company's application for the MPSA and to the continued operation and development, as well as to all related, collateral, incident and indirect projects/activities of the Company.

In the area covered by the application, the Company executed in June 2005 a Memorandum of Agreement (MOA) with the IPs/ICs and the National Commission on Indigenous Peoples, agreeing to a royalty payment of 1.0% of gross output as required under the Philippine Mining Act of 1995.

The company has been compliant relative to its obligations to the Maco Ancestral Domain Inc. for its various projects under the approved Ancestral Domain Sustainable Development Plan which the company assisted them to draft.

Mineral Production Sharing Agreements (MPSA)

1) MPSA 225-2005-XI – Apex operations is concentrated in this mining license which allows the development and extraction of gold/silver bearing veins.

2) MPSA 234-2007-XI – This allows the exploration of gold, copper and associated metals. Apex first venture during the 1970's was a small scale copper mining via a number of minor open pit operations. With the collapse of global copper market at the end of 1970's. A full exploration program of the porphyry will commence in 2012.

Government Regulations and Approvals

Compliance with existing governmental regulations entails costs to the Company which are appropriately reflected either as expense or as capital asset based on the related financial reporting standards. Future and probable government regulations are considered but the effects cannot be determined until the specific implementing guidelines are known.

Executive Order (EO) 79

On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the operating subsidiaries and mines are covered by existing MPSA with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay or adversely affect the conversion of the Company's mineral properties covered by Exploration permits, Exploration Permit Application or Application for Production Sharing Agreements given the provision of the EO on the memorandum on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

Other than the usual business licenses or permits, there are no government approvals needed on the sale of the Company's products.

Exploration and Development

Exploration and development are undertaken in-house, in close consultation with the Abracadabra Speculative Ventures Inc. Technical Services Group.

OPERATIONS

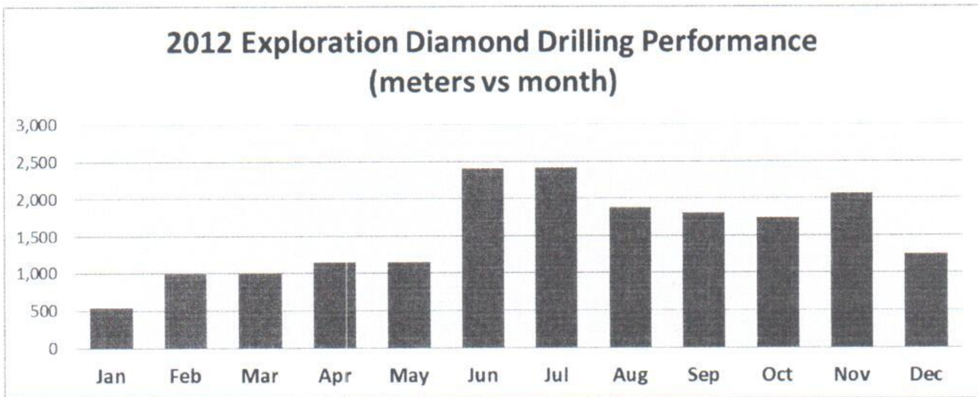
GEOLOGY AND EXPLORATION

The exploration program in 2012 was a continuation of the activities in 2011 which is surface detailed geological mapping of the Dons, Saints, Masarita, Wagas epithermal Au-Ag quartz vein system to generate sites for trenching and subsequent diamond drilling exploration in order to delineate and prove the west extent of the said veins inside tenement MPSA-234-XI-2007 and MPSA-225-XI-2005.

Reconnaissance to semi-detailed to detailed geological mapping at parcel IV were carried out along old and new rehabilitated roads, creeks, tributaries and old mine pits covering an aggregate total of 28,086 linear meters during the year.

Surface geological mapping (Porphyry Copper System) was conducted in Parcel I, II, III, IV and V. A Hanjin 6000 drill rig, owned by the company, is being utilized in the drilling operation. The rig can drill up to a maximum depth of 1,200 meters and is fully equipped with all it accessories. Drilling is carried out on a twenty four (24) hours per day basis and divided into two (2) shifts or 12 hours of works in each shift. Drilling activities were boosted with the arrival of another Hanjin 6000SD rig on site in late May. This rig was positioned at Mapula. Further scaling up of exploration drilling was done with the arrival of the Hanjin 6000RC rig. This rig collared off the first RC hole in Pagasa last 25 June 2012. Show below is the summary of surface and underground drilling accomplishment during the year covering MPSA 234 and MPSA 225

2012 Exploration Diamond Drilling Accomplishment														
Rig	No. of Holes	Meterage												
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total Meters Per Rig
Hanjin 4000SD	10	173	83	270	381	376	282	139	134	306	188	36	316	2,685
Hanjin 6000SD	5	230	426	233	135	0	256	292	249	301	353	305	132	2,911
Hanjin 6000SD # 2	2					62	416	288	240	304	475	118		1,902
Hanjin 6000 RC	31						940	1,230	821	630	86	991	630	5,328
LM 55	10	65	163	267	385	372	199	153	226	0	193	496	167	2,685
LM 55 # 2	7	0	188	128	187	226	289	315	201	179	324	26		2,063
Kempe 1	18	77	131	99	58	107	21	0	10	92	118	102	4	818
Total	83	544	991	997	1,145	1,143	2,403	2,416	1,881	1,812	1,737	2,074	1,248	18,392



A total of two (2) trenches were done during the reporting period, designed and projected to expose the surface lateral extent of the Maria Inez vein and Amethy vein and in Sagaysagay, at Parcel IV. Both trenches were systematically mapped and sampled in detail.

All core samples are being dispatched to MAS Laboratory in Thailand for multi-element assaying.

A total of 7, 729 sample were collected where 2, 816 are Diamond Drilling; 3,000 are RC Drilling; 389 are channel samples; 34 from trenching samples; 1,171 from QAQC; 302 were rock chips and 17 were grab samples.

Structural and lithological analyses were also carried out during the year. This provides insights on the controls or its effects on the mineralization in the area and suggests possible areas to be explored.

Plans for 2013

Ongoing surface mapping and definition of along-strike extensions to the known Au-Ag epithermal vein system will continue throughout 2013.

Work will focus on surface mapping of extensions to Bonanza North, as well as the recently identified Kasapa Vein inside MPSA-234. Detailed mapping, trenching and rockchip sampling of the Kasapa Vein system is to be completed, leading to the definition of potential drill targets by year's end.

Interpretation of 2012 airborne geophysical survey will result in a review of previously done mapping and sampling campaigns. This should result in preparation and implementation of a 2013 surficial mapping, trenching, sampling and related studies.

Geologic and structural data of the different parcels that compose the MPSA-234 will still be conducted in a more aggressive exploration of the areas. These areas will continuously be assessed for their epithermal and porphyry potential.

Continued geological data interpretation, synthesis and modeling in both epithermal and porphyry targets will still be conducted to reinforce the geological ideas and to provide a clearer understanding of the deposits within the tenement. Modernized technologies (use of 3D modeling) will be utilized to provide higher resolution in targeting ore bodies and vein.

MINE

Production and Development

The total mine production is 157,554 tonnes of gold ores with an average grade of 4.52 grams per tonne. These ores are sourced from active vein systems, such as Bonanza, Masara, Bibak located at Mine East (Maligaya Area) and Sandy & Maria Inez located at Mine Others (Malumon). In addition to the production from the mines, 68,627 tonnes with a grade of 2.00 grams per tonne marginal ores located at the old mill yard "coarse ore stockpile" (COS) was used as source of materials for blending to improve ore physical characteristics prior to the delivery of the ore to the mill plant for processing.

Mine development on waste access drives, achieved a total advance of 3,940 meters. Meanwhile, mine development on ore (on vein drives) attained a total of 2,142 meters.

During the 1st quarter of 2012, the mine operations successfully implemented the reopening and rehabilitated 30% of the old access drainage tunnel of Don Fernando, Don Mario, Don Joaquin and Wagas veins (at Mine West). In the Don Calixto vein, a new access drive was established and continued to be developed up to the present. The Don Calixto vein is projected to contribute in terms of development ores by the 2nd half of 2013. As of end of 2012, Don Fernando, Masarita and Wagas veins are all set for on-vein drive reopening at the start of 3rd quarter of 2013, pending completion of the required infrastructures such as power supply, equipment and other services (water, compressed air, underground facilities).

Starting from the 3rd quarter of 2012, the Sandy-Maria Inez veins mine underground operations were temporarily suspended to implement safety measures or mitigating activities such as surface slope stabilization, restoration and repairs of surface subsidence. Furthermore, at Sandy-Maria Inez veins, a continuing slope stabilization is being implemented and to be completed at the end of the 2nd quarter of 2013. Meanwhile, Don Fernando surface restoration was completed before the end of the year.

Also, during the 3rd quarter, the mine operations was successful in the undertaking of work cycle modifications from the former eight (8) hour - three (3) shift to twelve (12) hour - two (2) shift. Mine employees are given twelve (12) hour work schedule to cover the required work hours within the period of seven (7) days and given a rest day for the ensuing seven (7) days. With this set-up, underground workers are given adequate time and space to attend to their family's needs and return to work fully reinvigorated.

The required trackless equipment for the mine expansion was partially delivered by the suppliers (Atlas Copco and Sanvik) in batches during the year. Out of the 36 units on requisition, 18 units are delivered by the suppliers and commissioned to be utilized before the end of the year. Services and supports equipment such as Arkbro Raise Climber, Shotcrete Machines and underground transport service trucks were all scheduled to be delivered by the 2nd quarter of 2013. As of the end of the year 2012, 50% of the total units are commissioned and currently used in the Maligaya (Mine East) development and production headings.

In December 4-11, 2012, the mine operations was temporarily suspended for one (1) week due to shortage of power supply brought about by the typhoon Pablo and as a result, the mine was flooded. However, the mine was able to recover in one (1) week time with the timely arrival of pumps.

The mine management, in close coordination with the company training department and the technical team of the equipment suppliers, successfully implemented skill's training program for qualified mine underground employees. As of December 31, 2012, the newly commissioned equipment are operated by the newly trained and certified mine underground personnel.

Plans for 2013

For 2013, ore production will be maintained at 850 tonnes per day rate from January up to September 2013. However, by November 2013, the mine will commence a gradual increase of ore delivery to the Mill Plant from 850 tonnes per day to 1,500 tonnes per day to be able to feed the newly constructed 3,000 tonnes per day Mill Plant.

The mine will continue to expand and develop all the necessary infrastructures such as access ramps, cross cuts, underground maintenance shops, ventilation exhaust raises and dewatering facilities that were launched in 2012. The three (3) areas such as Mine East, Mine West and Mine Others will undergo a concurrent development for the year 2013.

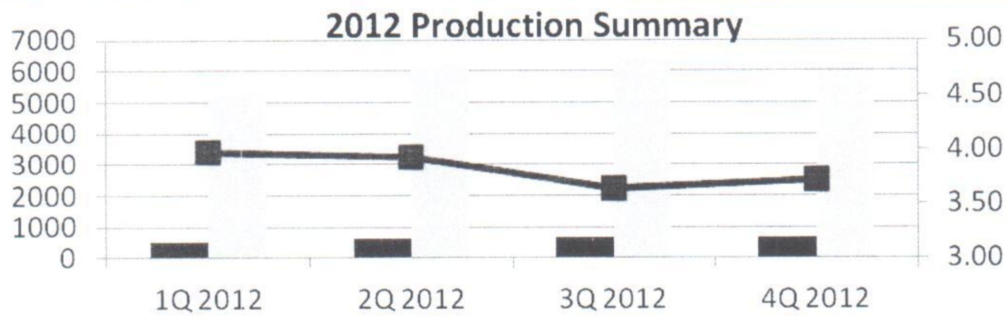
These infrastructures are to be in placed ahead of time to support the next stage of expansion of ore production to 2,000 to 2,500 tonnes per day rate to be able to sustain the newly constructed mill plant capacity in year 2014 to 2015.

MILL

2012 Review – Mill Production Data

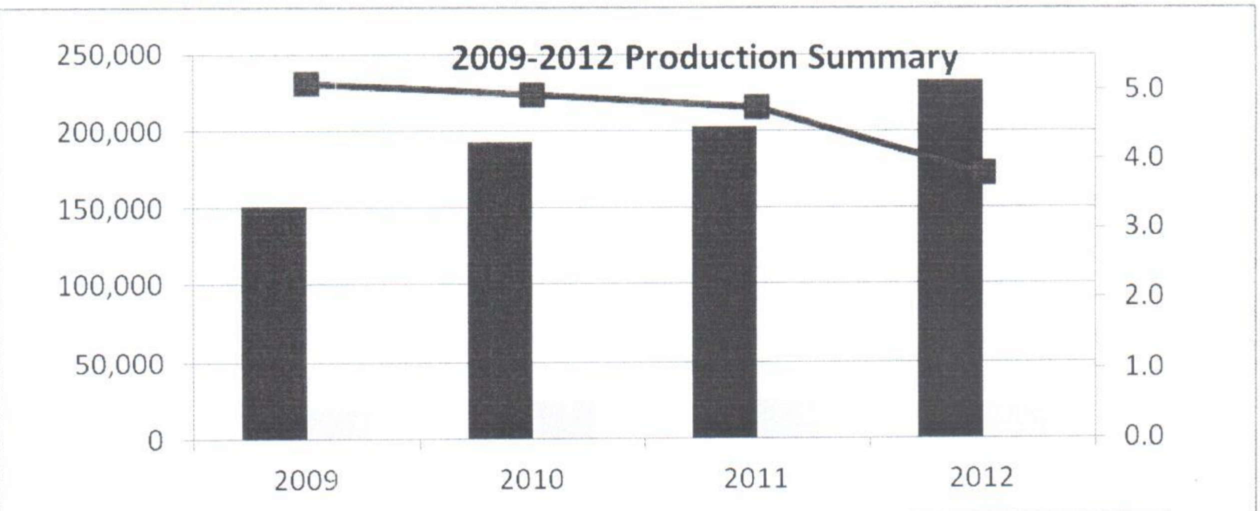
Period	Tonnes		Grade, g/t		% Recovery		Metals Produced (oz)	
	Milled	per Cal. Day	Au	Ag	Au	Ag	Au	Ag
1Q 2012	**48,467**	**533**	**3.97**	**22.86**	**85.01%**	**66.64%**	**5,283**	**24,230**
2Q 2012	**59,273**	**651**	**3.92**	**24.09**	**85.60%**	**72.68%**	**6,242**	**32,733**
3Q 2012	**63,336**	**688**	**3.63**	**22.01**	**84.53%**	**71.39%**	**6,380**	**32,502**
4Q 2012	**62,021**	**674**	**3.72**	**20.73**	**83.03%**	**65.28%**	**5,984**	**26,405**
TOTAL 2012	**233,097**	**637**	**3.79**	**22.32**	**84.50%**	**68.83%**	**23,889**	**115,871**
2011	202,581	555	4.73	31.99	85.16%	69.88%	26,256	146,294
2010	192,586	529	4.92	28.35	84.54%	59.18%	25,659	113,007
2009	151,320	414	5.09	31.58	83.46%	49.20%	20,727	79,968

Table 1. Mill Production Data 2009-2012



	1Q 2012	2Q 2012	3Q 2012	4Q 2012
tons per day	533	651	688	674
oz Au	5,283	6,242	6,380	5,984
Grade, gpt Au	3.97	3.92	3.63	3.72

Figure 1. Gold Production 2012



	2009	2010	2011	2012
Total tonnes	151,320	192,586	202,581	233,097
oz Au	20,727	25,659	26,256	23,889
Grade, gpt Au	5.09	4.92	4.73	3.79

Figure 2. Gold Production 2009-2012

The production in 2012 was reduced by 9% relative to 2011 total gold ounces produced. Tonnage milled significantly improved by 15% compared to the previous year but gold grade in feed dropped by 20%. The Mine has been ongoing development in new ore sources in preparation for feeding the new 3000 tonnes per day (TPD) plant in the last quarter of 2013. Ore production from Malumon (Sandy) source was stopped in the second half and ore was sourced from Maligaya and blended with marginal ore from coarse ore bin (COB) stockpiles. Increase in Mill tonnage was mainly attributed to installation and operation of tertiary crusher, a refurbished 3-foot shorthead Symons cone crusher. As seen on figure 3 below, throughput based on operating days significantly increased from 700 to 820-850 TPD by the second half of 2012.

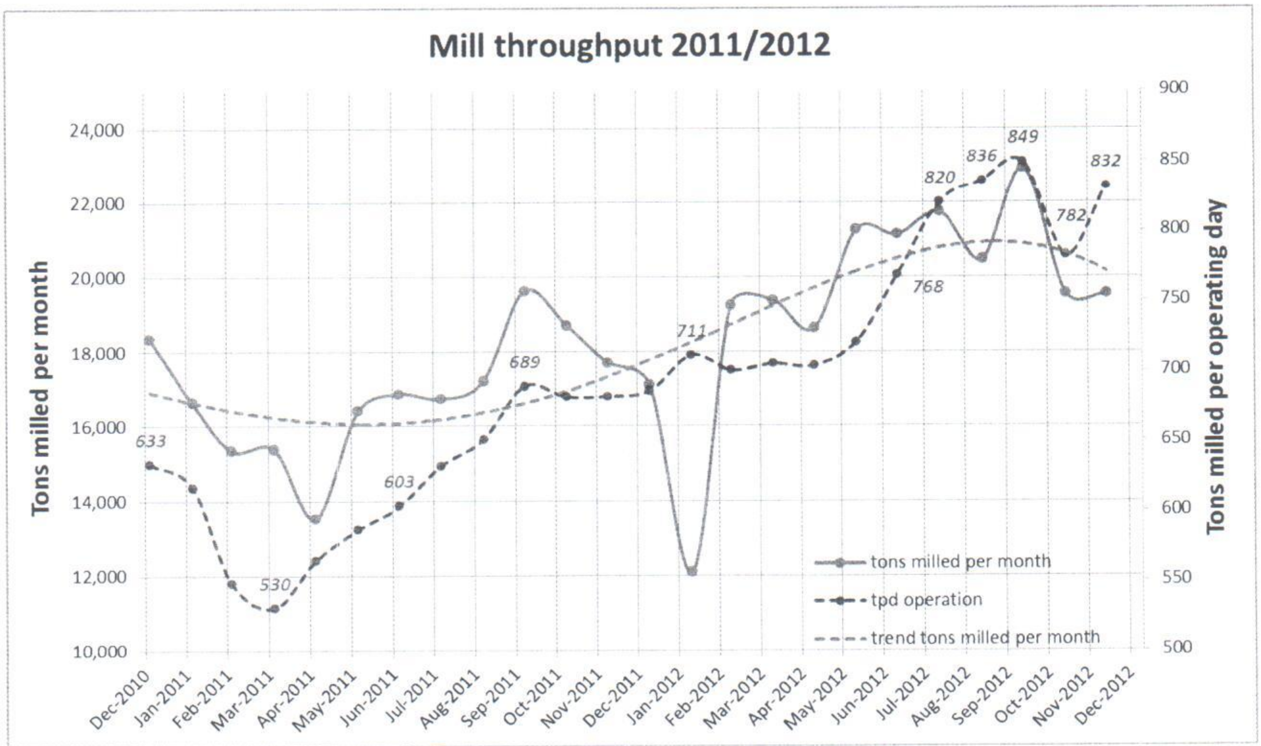


Figure 3. Mill Throughput (TPD based on operating days)

During the first quarter, major downtimes were mostly due to the breakdown of the Ball Mill gear reducer which occurred intermittently (Jan 18-21; Feb 7-19). Some other downtimes were caused by Rod Mill relining (58.5 h) and replacement of cone crusher shaft assembly (Dec. 29 - Jan. 02, 94.67 h). To prevent recurrence of the incident on ball mill gear reducer, insurance spares of gears, motor and gear box assembly have been placed for rush order and fabrication.

Meanwhile, some process plant improvements on the 1st quarter are as follows: (1) Commissioning of new CIL transfer pumps and pipeline and cyanide dosing box, (2) Revision of scrubber feed spout, (3) Revision of Tailings hopper flooring to increase capacity and (4) Construction of bundwall partitions for lime and cyanide at reagent area.

The project team consolidated testwork data (with laboratories of APEX, ALS Ammtec, Outotec), finalized the scope of work and started front-end engineering design (FEED) with Lycopodium Australia. FEED aimed to perform process engineering, equipment selection, process plant layout and infrastructure design within existing mill site, specification and tendering on process critical long lead items (SAG Mill, primary crusher, apron feeders, carbon regeneration kiln, electrowinning cells, elution / acid wash columns, slurry agitators).

For 2Q 2012, average throughput significantly increased from an average of 533 tonnes per day (TPD) in 1Q to 651 TPD due to improved mechanical availability.

Critical spares supply were on site such as drum scrubber and rod mill bearings, ball mill gear reducer and tailings pump spares. Site preparation for the construction of new plant commenced. Rehabilitation on Stripping and Gold Room sections were partially completed. Tertiary crusher installation and fine ore bin expansion were still ongoing to cope up with target production of 700-850 TPD in the 3rd quarter.

Major operating cost cut was the reduction in cyanide consumption from 2.5 to 2.0 kg/t corresponding to annual economy of 400,000 USD due to better process control.

The FEED was ongoing generating specifications of major equipment and bills of quantities. The tendering on process critical long lead items was finalised with considerable attention to sourcing opportunity countries (China, in particular). The qualification process and preliminary tendering on construction works started allowing getting market feedback to capital cost estimate finalization. The tender of detailed engineering services was completed by choice of Philippines licensed company – 360 Global, Inc.

For 3Q 2012, average throughput increased from an average of 651 tonnes per day (TPD) in 2Q to 688 TPD due to improved mechanical availability and commissioning of tertiary crusher in July 2012 but due to already worn-out liners, its operation was intermittent and only resumed continuously starting September 8, 2012. Tertiary crusher operation allows finer product feed to rod mill, thereby increasing Grinding capacity.

Crushing circuit was limited due to sticky ore and presence of metallic and other tramp objects in the ore, which caused crushing section downtimes. Fine Ore Bin (FOB) new compartment and belt feeder was commissioned in August 20, 2012. Rectification of old FOB compartments had been started. Rehabilitation on Stripping and Gold Room sections were completed but was still under troubleshooting and fine-tuning, especially on elution pipelines are ongoing. Parallel stripping was tested in September 2012. Cyanide consumption was maintained at level of no more than 2.0 kg/t, which was a significant cost control measure.

The final project "go" decision obtained on July 20 after capital raise and equipment sourcing started based on tenders performed in 2Q. The longest lead item SAG Mill contract was signed on July 31. Construction schedule wise, two areas of risk were identified – CIL tanks (tight construction site, impossibility to place mobile lifting equipment) and crushing plant earthworks (due to competent rock presence and prohibition of blasting in geotechnical sensitive area next to existing processing line). Consequently, the detailed design, materials and equipment sourcing and construction works were prioritized there.

Site preparation for the construction of new plant continued, significant excavation works had been done on new Crushing and CIL areas. Chemical store had already been relocated and process water lines have been rerouted. Old flotation cells and structures have been demolished to give way for new SAG Mill.

For 4Q 2012, average throughput decreased from an average of 688 tonnes per day (TPD) in third quarter to 674 TPD due to 1-week shutdown (December 4-11, 2012) affected by typhoon Pablo, wherein grid power was cut-off due to fallen electrical structures. This lower throughput affected overall gold production and there was a decrease from 6,380 oz Au from third quarter to 5,984 oz Au during the fourth quarter.

In parallel to December shutdown, ball mill relining and other maintenance jobs were done. In November, throughput was also affected by rod mill relining and repairs on tailings pumps.

To increase the availability of tailings pumps, recommendations from Lycopodium Australia were implemented in the plant starting October 19, 2012. Addition of dilution water to tailings hopper allowed for continuous pumping since premature wearing of pump parts was brought about by frequent start-stop operation of the pumps. From 83% availability in September, tailings line availability increased to 92% in October.

Fine Ore Bin Expansion was completed on October 15, 2012, increasing the total capacity from 200 to 500 tons and allows repairs on Crushing section up to 8 hours without stopping Grinding operation. Cyanide detoxification using sodium metabisulfite (SMBS) was recommissioned on November 23, 2012 and process optimization and troubleshooting is still ongoing. Modifications at the Stripping section have been completed and parallel stripping allowed continuous carbon movement and metal recovery.

By the end of 2012, the overall project progress is at 25%. The overall design progress is at 87% with completion of all specifications for procurement and only electrical, instrumentation and control design pending. 37% of the project budget is engaged and the project is on-track with commissioning by October 2013.

Plans for 2013

From 1st up to 3rd quarter of the year, the existing plant will be operated at an average of 850 TPD while construction of new plant is underway. Mechanical installations for the 3000 TPD line are expected to be completed by September 2013. Commissioning of the new plant at a minimum of 2200 TPD will be done in parallel with operation of the existing plant in order not to stop metal production. The Mine will gradually ramp up production from 1500 up to 3000 TPD until 2015. Layouts and project timeline are shown in figures 14 and 15, respectively.

CORPORATE SOCIAL RESPONSIBILITY

The primary role of the Community Relations Department is to bring the company closer to the people by constantly addressing the basic needs of the communities surrounding the mine site.

Human Resource/Administration

The first quarter of the year 2012 opened news and opportunities to all Apex employees. Management's main objective is to increase its production while lowering the cost. All employees were encouraged to continue upholding the essence of reducing cost, being safety conscious and environmentally friendly while the mine operations group continued its effort to achieve a good production.

Although manpower went down compared to the last quarter of 2011 due to some resignations, employees were still inspired especially the management has implemented the increase of minimum wage as mandated by the RTWPB not only to the minimum wage earners but to employees whose salary is 15,000.00 and below. The RTWPB had implemented a wage increase of 5.00 effective January 1, 2012 and another 10.00 which will be added on May 1, 2012.

Cash bonus was given for the months of January and March which was between 31%-18.61% and 7.39% to 14.78% of the employee's basic wage, respectively. In February, where there was a decrease in production, no cash bonus was given. Despite all that, employees continued to work productively

Employees' representatives still continue to hold its monthly meeting where safety concerns are being brought up and answered. Search for the Model employee and supervisor remains while recognition to some employees for honesty was appreciated and recognized during flag ceremony.

Supervisors' forum every month is scheduled; a venue where supervisors bring their concerns and suggestions for the improvement and betterment of the company. Trainings were likewise conducted to enhance employees' skills.

The second quarter of 2012 continues to be a very challenging for everyone. The Human Resource Department is on its way to the full implementation of Salary Standardization. Job Validations were done to determine whether job description matches the job holder. Everyone was busy in its every role aiming to accomplish what has been its goal right from the very first quarter.

Manpower went down compared to last quarter due to some resignations. Freeze hiring is still implemented while hiring of significant positions is taken into consideration.

Benefits are continued to be availed of by employees, increasing at least a 30% of our hospitalization cases and outpatient cases. While dental benefit is still catered by the dentist in the Medical department.

Among other major accomplishments were the execution of the salary standardization in June 26, 2012 and the cascading of the new work schedule which took effect last July.

Furthermore, in view of motivating the Apex employees to become more productive and effective in their areas of responsibilities, series of employees activities were conducted monthly. This is to encourage employees to participate in these activities of which they have something to look forward in the next few weeks. Team and Event Coordinators are selected to represent their departments and monthly meetings are conducted to discuss the events to be launched.

The 8 Employee Representatives, who were elected last year, were very active in the monthly meeting and had presented arising issues and concerns of employees. They were able to present it during the Central Safety and Health Council meeting which was attended by all Managers. A Field Exposure was organized for them, and had a site visit at PHILSAGA Mining Corporation in Bunawan, Agusan Sur. It was an enriching experience for all the representatives as they could see the difference of working conditions and benefits of employees.

Priorities for this quarter include maintaining peace and harmony among HR personnel and its clientele and going on with the review of salaries and recommend adjustments for employees' affected.

The third quarter of the year 2012 evolves into a more challenging role for HR. Major changes were implemented as the management pushed through with its long been planned new work schedule for all APEX employees.

On July 16, 2012, management pursued the implementation of its new work schedule. Employees under the Mine Division and some of the Mill Division now work on a 7am – 7pm work schedule where they work for 7 continuous days and will have a 7 straight rest days. Others work on a 5-2 scheme where an employee is required to work for 9 hours a day for 5 days with 2 days off. Employees were required to sign a contract in support to this new schedule. Apart from that, Salary Standardization was implemented too which was incorporated in each of the employees contract. Majority were given increases. Such increases are to re align the new pay grade.

Another major activity that was held last July was the launching of APEX 3000 .The launching was one of the greatest events of the company. Aside from its employees, barangay officials of the impact barangays, IP chieftains, as well as the municipal mayor and LGU officials were also invited and present during the program.

Manpower for the 3rd quarter had reduced to 4.85%. Freeze hiring is still implemented although critical positions are being posted as a project employment only.

Benefits were maintained, employee programs were continuously done to inspire and motivate employees despite the major changes. A major event was held on October, 2012 which was the 5-year Service Awarding Ceremony. Roughly around 174 employees received an award on that day.

While some changes in the organizational structure has been set up, employees continue to be committed in each of their job.

On the other hand, for its employees' welfare, the annual sportsfest is on its constant momentum where employees are cheering of their team and vying for the championship. Selection of Model Employee and Supervisor was likewise awarded to the Mill and Admin Division employees, respectively. Mine tour for the employees' representatives was also done. This would give them better understanding about the issues raised during the CSHC meeting and to familiarize other work areas and their working conditions. Counselling sessions was also observed. This is an approach to address issues concerning employees' behaviour and attitude towards work and subordinates.

Side by side with the efforts of HR department are various initiatives implemented by the Training, Education, and Development Department (TEDD). For the quarter, the department followed through with its launching of APEX Mines Academy that aims to develop and enhance training programs for various competencies, particularly for the Mine and Mill Divisions, in support of the Apex 3000 project.

Previously, the department conducted a Training of Trainers for key functions at the mine. About 10 selected miners and supervisors were trained on basic facilitation and presentation skills who later served as resource persons in the Refresher Courses for the 243 miners, blasters and underground equipment operators. On the other hand, for the Mill Division, the department has started the Mill Operator Training Program for 18 existing operators for the crushing, grinding, CIL, stripping, gold room, control room operations. This is essential to ensure that the numbers of operators are enough to support the operations once the new shifting of work is implemented.

As part of the company's corporate social responsibility, the department also spearheaded the Student Summer Training Program (SSTP) and On-the-Job Training (OJT) Program. SSTP is a two-month training program for selected Engineering students taking up metallurgy and mining as well as Geology students. A total of 21 senior students have availed of the summer program. They came from the University of the Philippines, Marawi of State University, Bicol State University, and University of Southeastern Philippines. On the other hand, 11 vocational students from Tagum Trade School, Magugpo Institute of Technology and Agriculture School were able to undergo the OJT program.

Moreover, to ensure that all drivers are re-oriented with the principles of defensive driving and duty of care, the department conducted a Defensive Driving Assessment for 132 participants. This assessment is an essential part in the issuance of the authorization to drive.

Apart from the in-house training, the company also sent participants to external training such as Negotiation Seminar, IT Training, Ergonomics Training, Effective Performance Coaching, among others.

Finally, in preparation for the arrival of new equipment, a series of operators' assessments were conducted. At least 100 Jumbo Drill, LPT, and LHD operators were evaluated in three areas namely, safety, maintenance and operations/training. The top performers were recommended to undergo the technical training for the new equipment to ensure optimum productivity and equipment efficiency.

On the other hand, the following activities spearheaded by the Human Resource took over the fourth quarter:

- The conduct of Awarding Ceremony to all 5 years in service employees
- Election and oath-taking of new employees' representative and later inducting them as members of the Central Safety and Health Council.
- Championship Games of Sports fest and Awarding of Prizes and Trophies
- Christmas Party was cancelled due to the typhoon Pablo, and employees were given additional Christmas grocery packs. Raffle draws was conducted and assorted items of electrical gadgets and appliances were the prizes, courtesy of the company and not from any donations.
- Organized relief distribution to the affected barangays within Masara lines. Total of 2,323 families received the relief goods including Apex employees who were affected. There were 205 Apex employees whose houses were totally and partially damaged. COMREL organized relief distribution to typhoon victims in Andap, New Bataan and other affected areas in ComVal Province

Environmental Management

It is the goal of the company to demonstrate world standard environmental practices by minimizing the environmental impact of our mining operations by safeguarding the environment, for the present and for future generations. The company believes that environmental stewardship is based on planning, implementation, evaluation of programs and a strong desire to improve and achieve excellence in what we do.

Safety and Health

It is the mission of the company's Safety and Health Department to promote the well-being of all the stakeholders by embracing safety as a way of life by achieving world class standards and by upholding a holistic approach to wellness. This is done with care and sincere commitment to realize a sustainable, responsible and globally recognized mining company.

The department is committed to a safe and healthy work environment and ensuring that all employees, contractors and visitors to go home to their families safe and sound. The commitment is underpinned by the newly formulated Company's Annual Occupational Health and Safety Plan.

In the past year, the department undertook a range of initiative to facilitate and increase the health and well-being of its staff, encourage a work-life balance and reduce the rate of illness and injury. Key officers and senior managers actively supported and promoted healthy and active lifestyle choices. These values can increase employee productivity and a positive work culture, as well as decrease stress and minimize the impact of illness and injury. Activities ranged from encouraging physical activity and good nutrition, to empowering staff to self-manage their health.

The following are the milestones achieved for 2012:

First Quarter

- Bureau of Fire Protection Inspection
- Mines and Geosciences Bureau Quarterly Inspection
- Submission of Annual Safety and Health Inspection report during the Annual Inspection dated November 22-23, 2012
- Renewed permits: electrical, pressure vessel, internal combustion engines and steam boilers
- Conducted departmental monthly meetings, pep-talks per shift and CSHC meeting every 2nd Friday of the month.
- Responded the Search and Retrieval Operation at Negros Oriental during the Earthquake incident in the area.

- Induction of newly hired employees, contract workers, suppliers and visitors in different agencies (CAFIU,SMC, DMSI, Chinese dignitaries with the Provincial and Municipal Government Officials, RCBC
- Presentation of OSH 2012 Program at MGB XI-Davao City
- Attended Incident Command System Training and Seminar
- Attended Supervisor Development Program Seminar
- Attended DOTS Modular Training (Management of Tuberculosis) at Davao City
- Attended training in Ergonomics at Davao City

Second Quarter

- Conducted Central Safety and Health Council Meeting every second Friday of the month and then held Departmental Safety Meetings.
- Conducted regular underground and surface safety inspections.
- Conducted water sampling at water purifier and source/reservoir.
- Conducted audit and inspection of surface Fire Hydrant.
- Monthly audit of fire extinguishers and first aid medicines at respective areas.
- Conducted safety orientation of OJT's, visitors, suppliers and contractors
- Escorted BIR Manila during their mine site visit
- Conducted inspection and evaluation at Durian access road, PJAC, Dizon Land owner's small scale mining association and Bunlang area
- Fabricate and installed safety signages at respective underground
- Audited and pull-out defective W-65 self-rescuer at L-590 & L870 underground
- Escorted and assisted basic safety during the U/G familiarization of OJT *BSEM* student from USEP Davao and Bicol Univ.
- Conducted geo-hazard inspection at former Masara Landslide
- Issued 6 units oxygen and acetylene carrier
- Inspection/audit of fire alarm, Emergency lights, Exit sign and fire hydrant.
- Translation Company Safety Handbook
- Updated company authorization to drive and operate ID's
- Attended MDRRMC meeting at Maco municipal hall
- Conducted Goe-hazard assessment at L+920 to L+1000 PJAC together with the concerned departments
- Cascading and selection of delegates for PMSIA activities
- Complied the recommendation of Maco Bureau of Fire inspection in the previous inspection
- Conducted and assisted fire safety inspection of the Maco Bureau of Fire regarding the acted recommendation
- Accompanied the inspection of MGB XI inspection team at surface area
- Ongoing finishing of Maligaya underground refuge chamber

Third Quarter

- Conducted Monthly CSHC and Departmental Safety Meetings
- Conducted routine inspection at underground and surface working area
- Conducted inspection and audit of fire extinguisher and first aid paraphernalia's at respective underground and surface working areas and equipment & vehicles
- Conducted audit of underground tools at underground working areas
- Installed safety signages (exit, underground location and blasting sign) at respective underground areas
- Conducted Safety orientation to visitors and newly hired Project engineer for CCW
- Conducted exploration and removal of brattice at Masarita underground to determine the air flow using the BG4 breathing apparatus
- Conducted inspection with Masara Brgy.officials and Apex technical team at Masara landslide

- Conducted risk assessment at the proposed hauling of ore from underground to Mill ore yard using Low Profile Truck (LPT)
- Daily Monitoring and inspection at the 3000 tpd project
- Installed 2 sets of convex mirror at blind curves access road going to Maligaya area
- Follow-up the MGB inspection report at respective departments and working areas
- Ongoing training for PMSEA competition

Fourth Quarter

- Conducted Monthly CSHC and Departmental Safety Meetings
- Conducted routine inspection at underground and surface working area
- Conducted inspection and audit of fire extinguisher and first aid paraphernalia's at respective underground and surface working areas and equipment & vehicles
- Conducted audit of underground tools at underground working areas
- Installed safety signage's (exit, underground location and blasting sign) at respective underground areas
- Conducted Safety orientation to visitors and newly hired Project engineer for CCW
- Daily Monitoring and inspection at the 3000 tpd project
- Participated at the 2012 PMSIA competition at Baguio City last November
- Conducted monitoring and energizing fans/blowers at underground by ERT personnel using BG4 breathing apparatus during the power failure caused by the typhoon Pablo
- Assisted in restoration and clearing of access roads from Apex tenement to Masara line during the typhoon Pablo
- Responded and assisted rescue and retrieval operation at New Bataan after the typhoon Pablo
- Conducted inspection with Masara Bagy. officials and Apex technical team at Masara landslide and Lake Leonard with PMDC and MGB
- Submitted the Apex Occupational Safety and Health Program 2013 (OSHP 2013) and Emergency Response and Preparedness Program 2013 (ERPP 2013) to the MGB Davao City R-XI last December 14, 2012
- Assisted and escorted MGB personnel during the Annual Inspection and mine tour at underground last December 12-14, 2012

Health Awareness Programs

Lastly but not the least, the following Health Awareness Programs were implemented during the year:

First quarter

- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension and Heart diseases.
- Re-evaluation of all PTB diagnosed employees who finish their treatment to confirm that they are already treated and PTB-free.
- Conducted lecture and presentation about Hypertension during the scheduled department monthly safety meeting.
- Conducted dental check-up, tooth extraction and cleaning.
- Conducted lectures and presentations on the Importance of Drinking Enough Water regularly and the prevention and management of heat stress/heat stroke.
- Conducted lectures and presentations regarding Healthy Lungs and How to Prevent Occupational and Community Acquired Lung diseases.
- Conduct lectures and presentation on Prevention and Management of Cardiac diseases.

Second Quarter

- Conducted Blood Letting Program(Blood Donation) for Apex employees

- Conducted Blood Lead Level Testing to Mill employees exposed to lead
- Conducted Free Hemoglobin and Oxygen pulse Oximetry determination for Employees.
- Conduct Lecture and Presentation about Safety and Health specifically the importance of vaccination (Pneumonia, Flu, Hepatitis and Cervical) during the scheduled departmental monthly Safety Meeting
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.
- Conducted OPERATION TULI to employees dependents and community residents of four impact Barangays
- Evaluation and interpretation of Blood Lead Level testing result of Mill employees
- Finalize the dissemination of the Importance of vaccination for upcoming Apex Vaccination program
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.
- Conducted APEX VACCINATION PROGRAM (Influenza "Flu" , Pneumonia) to employees and dependents.
- Regular company physician Underground inspection during the Mine tour to identify Occupational health hazards and follow up on the improvements and corrections of the previously identified hazards
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.

Third Quarter

- Conducted survey and identification of malnourished children of nearby barangays.
- Started nutrition program, lectures and presentations regarding proper nutrition and provided multivitamins to malnourished children of 4 impact barangays and dependents.
- On-going vaccination program (Influenza "Flu", Pneumonia) to employees and dependents.
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Attended Lung Month Celebration coordination with Municipal Health Office (MHO) at Mawab, Compostela Valley
- Attended Family Health Fair coordination with Provincial Health Office (PHO) at New Bataan, Maco, Compostela Valley
- Conducted monitoring and giving of multivitamins to identified malnourished children.
- Prepared employees medical records and their laboratory examinations to undertake for the coming Annual PE
- Conducted Annual Physical and Dental Examinations to all regular employees
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.

Fourth Quarter

- Conducted Evaluation and Interpretation of Annual Physical Examination result.
- Conducted monitoring and giving of multivitamins to identified malnourished children.
- Close follow-up on the status of employees diagnosed with Diabetes, Hypercholesterolemia, Hypertension, Heart Diseases and PTB.
- Routine Medical, Dental Consultations and treatments of employees, contractors, dependents and community residents.
- Routine consultation and evaluation of surgical mass or cyst and perform minor surgical procedures.
- Re-assessment to all employees having abnormal lung findings.
- Re-evaluation on the status of employees who are light jobbers.
- Regular company physician Underground inspection during the Mine tour to identify Occupational health hazards and follow up on the improvements and corrections of the previously identified hazards

Human Resource/Administration

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On the other hand, the following activities spearheaded by the Human Resource took over the fourth quarter:

- The conduct of Awarding Ceremony to all 5 years in service employees
- Election and oath-taking of new employees' representative and later inducting them as members of the Central Safety and Health Council.
- Championship Games of Sports fest and Awarding of Prizes and Trophies
- Christmas Party was cancelled due to the typhoon Pablo, and employees were given additional Christmas grocery packs. Raffle draws was conducted and assorted items of electrical gadgets and appliances were the prizes, courtesy of the company and not from any donations.
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Compliance with Environmental Laws

The Company is committed to its environmental and policy statement of protecting and enhancing the environment and has spent total environmental expenses for the year 2012 of about P489 million.

Related Party Transactions

Part III, Item 12 discusses related party transactions.

Major Business Risks

Risk Factors and Uncertainties

1. We will not be able to insure against all possible risks: Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The Company's business is subject to a number of
2. risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays, monetary losses and possible legal liability. If any such catastrophic event occurs, investors could lose their entire investment. Obtained insurance will not cover all the potential risks associated with the activities of the Company. Moreover, the Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations. Should a catastrophic event arise, investors could lose their entire investment.

3. Commodity Price Fluctuations - If the price of gold declines, our properties may not be economically viable: The Company's revenues are expected to be, in large part, derived from the extraction and sale of base and precious metals such as gold. The price of those commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new or improved mining and production methods. The effect of these factors on the price of base and precious metals cannot be predicted and the combination of these factors may result in us not receiving adequate returns on invested capital or the investments retaining their respective values. If the price of gold (including other base and precious metals) is below our cost to produce gold, our properties will not be mined at a profit. Fluctuations in the gold price affect the Company's reserve estimates, its ability to obtain financing and its financial condition as well as requiring reassessments of feasibility and operational requirements of a project. Reassessments may cause substantial delays or interrupt operations until the reassessment is finished.

4. Non-compliance with environmental regulation may hurt our ability to perform our business activities: The Company's operations are subject to environmental regulation in the jurisdiction in which it operates. Environmental legislation is still evolving in this jurisdiction and it is expected to evolve in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. If there are future changes in environmental regulation, they could impede the Company's current and future business activities and negatively impact the profitability of operations.

5. Exchange rate changes may increase the Company's costs: The profitability of the Company may decrease when affected by fluctuations in the foreign currency exchange rates between US Dollars and Philippine Pesos because its sales proceeds and advances from affiliates are denominated in dollars.. The Company does not currently take any steps to hedge against currency fluctuations.

6. Our stock price could be volatile: The market price of our common shares, like that of the common shares of many other natural resource companies, has been and is likely to remain volatile. Results of exploration activities, the price of gold and silver, future operating results, changes in estimates of the Company's performance by securities analysts, market

conditions for natural resource shares in general, and other factors beyond the control of the Company, could cause a significant decline on the market price of common shares.

Item 2. Properties

The Company owns mining facilities and administrative support facilities in its Maco mine site.

The principal office of the Company in Pasig City is being leased and renewed every two years with a monthly rental fee of P84,903.97.

Machinery and equipment are acquired month to month as needed usually through direct purchase or through letters of credit, if imported, under supplier's credit terms.

Item 3. Legal Proceedings

The Company is involved in various legal proceedings, claims and liabilities incidental to its normal business activities. The Company's management and legal counsel are of the opinion that the amount of the ultimate liability, if any, with respect to these, including the following matters will not have a material adverse effect on the financial position and performance of the Company:

a) The Company has two (2) MPSA applications pending approval by the MGB. These claims are subject of dispute over the Financial and Technical Assistance Agreement application of another mining company and are pending resolution under the Regional Panel of Arbitrators (the Panel). The Company has filed an Adverse Claim/Protest against the other mining company with the MGB regional office.

   On September 4, 1998, the Panel issued a decision dismissing the adverse claim of the Company. On July 21, 2006, the Company's legal counsel filed a motion for reconsideration and on July 28, 2006, the Panel issued an Order requiring the other mining company to file its comment/opposition to the motion filed by the Company. On March 31, 2007, the Panel conducted a clarificatory hearing between both parties. As of todate, the case is still subject of appellate proceedings and for resolution of the Panel.

Item 4. Submission of Matters to a Vote of the Security Holders

There were no matters covered under this item submitted to the security holders for a vote.

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant Common Equity and Related Stockholders Matters

Market Information

The Company's common shares are traded at the Philippine Stock Exchange. The high and low sales prices for each quarter within the last two (2) years and the interim period of January to March 2011 are, as follows:

	A Shares	A Shares	B Shares	B Shares
	High	Low	High	Low
2011 Jan – Mar	3.50	3.50	3.40	3.40
Apr – Jun	3.80	3.50	3.75	3.70
Jul – Sep	3.80	3.60	2.90	3.70
Oct – Dec	4.16	4.02	4.15	4.15
2012 Jan - Mar	5.84	5.30	6.02	5.30
Apr - Jun	5.28	5.14	5.30	5.04

Jul- Sep	4.85	4,81	4.90	4.77
Oct - Dec	4.57	4.54	No trans	No trans
2013 Jan - Mar	4.45	4.45	4.47	4.47

The price information as of the close of latest practicable date March 31, 2013, is P4.29 for Class A and P4.50 for Class B.

Holders

As of 31 March 2013, the Company has 2,807 shareholders with One Billion Six Hundred Sixty Four Million Five Hundred Sixty Five Thousand Two Hundred Ninety (1,664,565,290) common shares divided into One Billion Seventy Million Seven Hundred Fifty Eight Thousand One Hundred Ninety Eight (1,070,758,198) Class A shares and Five Hundred Ninety Three Million Eight Hundred Seven Thousand Ninety Two (593,807,092) Class B shares.

As of 31 March 2013, the top twenty (20) stockholders of Apex are as follows:

Name of Stockholder	Total Number of Shares	Percentage of Ownership
1) Mapula Creek Gold Corporation	725,201,190	43.57%
2) Mindanao Gold Ltd.	509,608,703	30.62%
3) PCD Nominee Corp.	210,844,131	12.67%
4) Monte Oro Resources and Energy, Inc.	193,337,625	11.61%
5) PCD Nominee Corporation (Non-Filipino)	2,744,715	0.16%
6) Rexlon Industrial Corporation	1,006,525	0.06%
7) Lucio W. Yan &/or Clara Yan	485,525	0.03%
8) Jalandoni, Jayme, Adams & Co., Inc.	484,892	0.03%
9) Northwest Insurance and Surety Co., Inc.	400,000	0.02%
10) Ignacio Ortigas	311,665	0.02%
11) Ansaldo, Godinez & Co., Inc.	304,448	0.02%
12) Prudential Sec., Inc.	295,385	0.02%
13) F. Yap Sec., Inc.	281,509	0.02%
14) JRT Sec. Corp.	233,749	0.01%
15) David Go Securities	219,094	0.01%
16) Cualoping Sec. Corp.	212,662	0.01%
17) First Integrated Cap., Sec. (201204)	200,000	0.01%
18) Golden Tower Sec. and Holdings, Inc.	200,000	0.01%
19) Lippo Sec., Inc. A/C 112011076	200,000	0.01%
20) Solar Sec., Inc.	200,000	0.01%

Dividends

The Company did not declare any cash dividends on each class of its common equity for 2011, 2012 and the interim period of January to March 2013.

The Company has not established any restriction that would limit the ability to pay dividends on common equity. The Company does not have any plans of setting any restrictions on the matter in the immediate future.

Recent Sales of Unregistered or Exempt Securities

No securities were sold by the Company within the past three years which were not registered under the Code. There was no sale of reacquired securities during the same period.

Item 6. Management Discussion and Analysis of Financial Condition and Results of Operations

For the years ended December 31, 2012, 2011 and 2010

Information on the Company's results of operations and financial condition are presented in the 2012 Audited Financial Statements and accompanying notes. Financial Statements are incorporated hereto by reference.

Other income included net foreign exchange gains amounting to ₱31.5 million principally arising from the translation of the foreign currency-denominated advances from related parties at ₱41.05:$1 as of December 31, 2012 from ₱43.84:$1 last year. In 2011, the Company also wrote off ₱73.0 million input VAT incurred in 2009 and ₱37.1 million of deferred exploration and mine development costs from veins considered as mined out.

Financial position

At December 31, 2012, the Company was able to generate funds and maintained a cash balance of ₱52.9 million from its previous cash balance of ₱53.6 million last year's cash on hand and in banks. Cash inflows were primarily sourced from new share subscriptions from Monte Oro Resources & Energy Inc., Solar Securities, Inc., Vicsal Development Corporation and Mindanao Gold Ltd. ₱40.0 million of cash balance was placed under short-term, interest earning deposit.

Receivables which included transaction from uncollected sales of metals as of December 31, 2012 increased to ₱617.7 million from ₱407.4 million in 2011. The material increase was due to advance payments to suppliers amounting to ₱242.3 million in 2012.) for equipment to be used in expansion of mine and mill operations. In 2011, advances to suppliers amounted to P76.2 million.

Inventories were higher at ₱598.5 compared to last year's amount of ₱350.1 million due to increased requirements of mill consumables arising from increased capacity from 500 tpd to 850 tpd starting September 30, 2012.

The increase in Prepayments and Other Current Assets in December 2012 was mainly due to the consolidation of Other Current Assets of Teresa, the merged entity, to the Company. The increase was also brought about by Input taxes amounting to ₱41.0 million accumulated during the year.

Property, plant and equipment (PPE), net, as December 31, 2012 increased to ₱915.2 million in from ₱579.3 in 2011. The increase was mainly due to various acquisitions of mine and mill equipment in line with the Company's on-going expansion.

Deferred exploration and development costs continued to increase to ₱915.2 million as of December 31, 2012 from ₱530.2 million in 2011 due to opening of various portals for the exploration activities. The Company has been developing new ore sources in preparation for the new 3000 tons per day plant.
A decline in mine and mine properties to ₱662.2 million in 2012 from ₱774.4 million last year was due to periodic amortization of costs and write-off of mined out areas.

Other assets increased to ₱57.9 million from ₱49.9 million in December 2011 due to transfer of machineries from Teresa with a net book value of P21.9 million.

Current liabilities at December 31, 2012 amounted to ₱1.471 million as compared to ₱1.510 billion in 2011 due to lower trade and other payables and advances to related parties. During the year, the Company applied for a conversion of related party debts to equity. Registration for such conversion is still subject to approval by the Securities and Exchange Commission.

The slight decrease in Accounts Payable and Accrued Liabilities to ₱637.5 million from 654.7 million in 2011 were mainly due to timing of payments.

Advances from shareholders and affiliates dropped due to payments made to related parties during the year. Liabilities of its related party, Teresa Crew Gold Corporation, have been assigned to and offset with balances of Mindanao Gold and Mapula Creek Gold Corporation during the Merger. Refer to Note 1 of the audited financial statements for the details.

As of December 31, 2012, non-current Liabilities amounted to ₱164.5 million, greater than the than the figure in 2011 of ₱134.1 million. The significant factor that contributed to the increase was the increase in accrual for retirement benefits and provision for mine rehabilitation costs, as well as increase in deferred income tax liabilities arising from translation of monetary liabilities.

In compliance with PAS no. 19, Accounting for Employees Benefits, the Company's accrual at December 30, 2012 amounted to 43.9 million compared to December 31, 2011 accrual of P31.3 million. The December 31, 2010 accrual was ₱19.6 million.

The Provision for Mine Rehabilitation Cost was estimated at ₱82.8 million as at December 31, 2012 while the accrual amount in December 31, 2011 is ₱66.8 million only. This amount is based on estimated cost for reforestation, dismantling and decommissioning of property and equipment as included in the Final Mine Rehabilitation and Development Plan.

Deferred income tax liabilities amounted to ₱37.8 million in 2012 and 36.0 million at December 31, 2011.

On December 1, 2011, the SEC approved the Articles and Plan of Merger of the Company and Teresa. As indicated in the Articles and Plan of Merger, the Merger will be effective on the first day of the month immediately following the month in which approval for the Merger is obtained from the SEC (the "Effective Date of Merger"), thus the Merger became effective on January 1, 2012.

On July 20, 2012, additional subscription to the share capital of the Company was placed by Monte Oro Resource and Energy Inc. (120,000,000 Class A common shares), Vicsal Development Corp (18,000,000 Class A common shares), Solar Securities, Inc. (12,000,000 Class A common shares), Mindanao Gold Ltd (48,048,864 Class B Common shares) and Mapula Crew Gold Corporation (37,292,725 Class A common shares).

The December 31, 2012 share capital amounted to ₱1.665 billion and ₱1.391 billion respectively.

With the net income of ₱56.8 million, the deficit at December 31, 2012 improved to P1.886 billion as compared to ₱1.967.4 million in 2011.

Net cash provided by operating activities amounted to ₱311.2 million for the year ended December 31, 2012 as compared to ₱79.8 million in 2011 mainly due to higher net income earned.

Net cash used in investing activities, comprising of additions to sale of property, plant and equipment, non-current assets and exploration expenditures, was ₱978.7 million in 2012 as compared to the net amount used in investing activities during the same period last year of P637.6 million.

Net cash generated from financing activities amounted to ₱674.0 million due additional subscriptions as described in stockholders' equity section. In 2011 of the same period, cash provided by financing activities amounted to ₱601.1 million.

FREE CASH FLOW (FCF)

The company generated a positive FCF of ₱6.6 million for the year-ended December 31, 2012.

FCF is an indication of the Company's ability to generate cash from its operations, less its capital expenditures, to support its working capital requirements.

KEY PERFORMANCE AND FINANCIAL SOUNDNESS INDICATORS

The key performance indicators below are not based on Generally Accepted Accounting Principles (GAAP) financial measures and are therefore not audited. Similar data may be interpreted and presented differently when compared to other entities' data.

Tons Milled and Ore Grade

Tonnage, ore grade and metal recovery determine the production and sales volume. The higher the tonnage, grade of ore and recovery, the more metals are produced and sold.

The mill plant processed a total of 233,096 tons with a mill head of 3.79 gpt Gold (Au) and 22.35 gpt Silver (Ag) with average calculated metal recovery of 84.49% and 68.86% for Au and Ag respectively. This is higher than the total tons milled for the year-ended December 31, 2011 of 202,586 tons. The recoveries were however higher in 2011 at mill heads of 4.73 gpt Gold (Au) and 32.01 gpt Silver (Ag).

Tons Mined

The Maco mine production attained 157,555 tons with a grade of 4.5 Au, g/t compared to 254,314 tons with a 4.5 Au, g/t in comparable period last year. The Company has been developing new ore sources in preparation for feeding the new 3000 tonnes per day (TPD) plant in the last quarter of 2013. Ore production from Malumon (Sandy) source was stopped in the second half and ore was sourced from Maligaya and blended with marginal ore from coarse ore bin (COB) stockpiles

Total Production Cost Per Ton and Operating Cost Per Ounce

The Company's average cash operating cost per ton is a key performance indicator. A lower cash cost per ton reflects an improvement in operating efficiency.

At the same cost level, higher production volume results to lower cost per ton. The same essentially applies at the same production volume but lower operating cost.

This is also applicable to cost per ounce gold, but in addition the gold grade is also considered, as it affects metal production, as well as the exchange rate, as it affects the conversion from dollars to pesos.

For the year ended, 2012, total production cost (excluding marketing charges, rentals, excise taxes, royalties depreciation and amortization and other non-cash expenses) of ore milled was ₱5,319.

In 2011, the total production cost per ton of ore milled was ₱6,132 from the total production cost of ₱1.2 billion over ore milled of 202,586 tons.

Total cost per ounce to produced gold before silver revenue credits was ₱52,245 ($1,290) in 2012 and ₱52,187 ($1,188/oz.) in December 31, 2011.

After silver revenue credit, the corresponding cost per ounce was ₱46,332 ($1,144) in 2012 and ₱43,473 ($990/oz.) in December 31, 2011.

FINANCIAL SOUNDNESS INDICATORS

Current and solvency ratio significantly improved to 0.97:1 and 0.29:1, respectively, in 2012 compared to 0.58:1 and .19:1 ratio for the year ended December 31, 2011. Debt to equity jumped from 1.41:1 in 2011 to 0.68:1 this period.

Total asset over equity at December 31, 2012 declined compared to December 31, 2011 primarily due to Merger of Teresa and additional subscriptions obtained during the period.
Return on Assets and Equity shifted to 2% and 3% in December 31, 2012 compared to -3% results in December 31, 2012. The Company reported a net income of ₱56.8 million in 2012.

Financial Ratios		**12/31/2012**	**12/31/2011**
Current Ratio	Current assets / Current liabilities	0.97:1	0.58:1
Solvency Ratio	Net Income plus depreciation / Total liabilities	0.29:1	0.19:1
Debt to equity Ratio	Total liabilities	0.68:1	1.41:1

	Total Equity		
Asset-to-equity Ratio	Total assets / Total equity	1.68:1	2.41:1
Return on Assets	Net Income / Average Total Assets	2%	-3%
Return on Equity	Net Income / Average total Equity	3%	-3%

OTHER QUALITATIVE AND QUANTITATIVE FACTORS

The Corporation has no off-balance sheet transactions, arrangements, obligations, and other relationships of the Company with unconsolidated entities or other persons created during the financial year 2012 and until the first quarter of 2013 (the "interim period").

The Corporation is subject to liquidity risk which represents the risk that difficulty may be encountered in raising funds to meet its commitments associated with financial obligation and daily cash flow requirement. This may arise from the Corporation's inability to quickly convert its non-cash financial assets into cash when needed. As part of its liquidity program, the Corporation conducts regular monitoring of projected and actual cash flow information.

Other than the foregoing, there are no material commitments, events or uncertainties that will have a material impact on the Corporation's liquidity.

Further, the Corporation does not know of any trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

The Corporation did not make any material commitments for capital expenditures that would have and important impact on its liquidity.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. The financial statements have been prepared in accordance with the Philippine accounting standards (PAS) and Philippine Financial Reporting Standards (PFRS) issued by the Accounting Standards Council (ASC) of the Philippines. The 2012 Financial Statement is the Corporation's first annual financial statement prepared in compliance with PFRS.

The ASC approved the issuance of new and revised accounting standards, which are based on the revised International Accounting Standards (IAS) and new International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The ASC has renamed the standards that it issued to correspond better with the issuance of the IASB. PAS correspond to adopted IAS while PFRS correspond to adopted IFRS. Previously, standards issued by the ASC were referred to as Statement of Financial Accounting Standards (SFAS).

The ASC issued new and revised PAS to conform to the IAS issued by the International Accounting Standards Committee. The Corporation adopted the following PAS which became effective on January 2005.

i. PAS 19 – Employees Benefits
ii. PAS 32 – Financial Instruments: Disclosure and Presentation
iii. PAS 39 – Financial Instruments: Recognition and Measurement

The Corporation has no significant seasonality or cyclicality in its business operations that would have a material effect on the financial condition or results of operations.

There are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

Segment reporting is not applicable to the Corporation.

There are no material events subsequent to the end of the interim period that have not been reflected in the unaudited financial statements for the interim period.

There are no changes in the composition of the Corporation during the interim period, including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discounting operations.

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet.

The Corporation is not aware of any event that may trigger direct contingent financial obligations that is material to the Corporation including any default or acceleration of an obligation.

There are no material contingencies and any other events or transactions that are material to an understanding of the interim period.

Item 7. Financial Statements

The audited financial statements are presented in Part IV, Exhibits and Schedules.

Item 8. Information on Independent Accountants and other Related Matters

External Audit Fees and Services

Audit and Audit-Related Fees

For 2012 and 2011, the audit was basically engaged to express an opinion on the financial statements of the Company. In addition, the audit included providing assistance to the Company in the preparation of its income tax return in as far as agreement of the reported income and costs and expenses with the recorded amounts in the books. The procedures conducted include those that are necessary under auditing standards generally accepted in the Philippines. This, however, did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services were ₱2.5 million for 2012 and ₱2.05 million for 2011.

A special audit was engaged with Isla Lipana & Co. for the debt to equity conversion exercise. The total fees amounted to P700,000.00.

Tax Fees

There are no related services or tax fees paid for the year 2012.

All Other Fees

There are no other services rendered by the external auditors other than the usual audit services as mentioned above.

Audit Committee's Approval Policies and Procedures

Prior to the commencement of audit work, the external auditors present their program and schedule to the Company's Board Audit Committee which include discussion of issues and concerns regarding the audit work to be done.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and/or disagreements with independent accountants on accounting and financial disclosure and no change in the Company's independent accountants during the two most recent fiscal years or any subsequent interim period.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

As of 31 March 2013, the positions, names, ages and citizenship of all directors and executive officers of the Company are, as follows:

Position	Name	Age	Citizenship
Directors:			
Chairman of the Board	Benoit de Galbert	53	French
Director/President	Baiverth M. Diabo	41	Filipino
Director	Javier del Ser	47	Spanish
Director	Reynato S. Puno	72	Filipino
Director	Graciano P. Yumul, Jr.	53	Filipino
Independent Director	Richard Benedict S. So	47	Filipino
Independent Director	Dennis Uy	39	Filipino
Officers:			
VP-Operations/Resident Mgr	Jesus C. Anin	64	Filipino
VP-CFO/Treasurer	Rodolfo G. Bravo	45	Filipino
Corporate Secretary	Rosanna A. Parica	46	Filipino

Directors

The following are the present directors of the Company whose terms of office are for one (1) year or until their successors are elected and qualified:

BENOIT DE GALBERT

Mr. de Galbert, Chairman of the Board and Chief Executive Vice President, was elected as director of the Company on April 17, 2012 and February 13, 2012 respectively. He became Chairman of the Board last May 31, 2012. Benoit is an experienced manager who began his career with Arthur Andersen & Co in the early 1980's before moving to roles with a number of French financial institutions, Elf Aquitaine between 1991 and 1988 and Legris Industries between 1998 and 2000. In 2000, Benoit joined COGEMA (which was to become AREVA in 2003 following its merger with FRAMATONE). In 2003 he was appointed as General Manager of KATCO, Areva's joint venture in uranium production with Kazatomprom in Kazakhstan. In 2008, he became Area Vice President incharge of the Bioenergies Business Unit, a network of engineering companies in Brazil, USA, Germany and India with over 600 engineers specialized in green energy generation.

BAIVERTH M. DIABO

Mr. Diabo, President of the Company, was elected as Independent Director of the Company since October 2006. Also, he currently holds multiple position with the Chiongbian group since 1999, primarily as the Business Controller of the group's Agribusiness Division. He is also Assistant to the President of Eastern Shipping Lines, Inc., Managing Director of Caliber Logistics Corp., and Head of the Business Development of Allah Copper Phorphyry, Inc., outside of Chiongbian group. Mr. Diabo is a director of NiCu Gold Resources, Inc. and the First Stronghouse Mining Corp. He is also an Independent Director of Sarangani Securities Corp., an accredited brokerage house with the Phil. Stock Exchange.

REYNATO S. PUNO

Mr. Reynato S. Puno was elected as member of the Board of Directors of the Company last May 31, 2012. Mr. Puno was the 22nd Chief Justice of the Supreme Court of the Philippines, from December 2006 to May 17, 2010. He earned his degree in law from the University of the Philippines and finished post graduate studies at the Southern Methodist University, Dallas, Texas (Master of Comparative Laws), University of California, Berkeley (Master of Laws) and University of Illinois (finished all academic requirements of the degree of Doctor of Judicial Science). As a member of the Judiciary, he has received honorary doctorates from the Phil. Wesleyan University, Angeles University Foundation, Bulacan State University, Hannan University of South Korea, University of the East, Polytechnic University of the Philippines, University of the Philippines and Siliman University. In 1996, he was chosen as the Outstanding Alumnus by the University of the Philippines College of Law.He is the Director of the Company since January 2006. He is also a Consultant of US AID, Consultant of FF Cruz Project Dev't, Director of RAC, Director of San Dominico Minerals.

GRACIANO P. YUMUL, JR.

Dr. Graciano P. Yumul, Jr. became a director of the Company last July 20, 2012. Dr. Yumul is a multi-awarded researcher and administrator. He earned His BS degree in Geology from UP. He earned his master's and doctoral degrees in Geology majoring in Igneous Petrology at the University of Tokyo. He also took postdoctoral degrees as a Fellow at the University of Bretagne Occidentale in France.

RICHARD BENEDICT S. SO

Mr. Richard S. So was elected as director last July 20, 2012. Mr. So is currently the Senior Vice President and Head-Int'l Office and Subsidiaries Group Metropolitan Bank and Trust Co. (Metrobank). Previously, he was the Senior Vice President and Head-International Operation Division of BDO-EPCI, Inc., Senior Vice President and Head-Express Padala Center of Equitable PCI Bank, Vice President and Head-Remittance Center of Equitable Banking Corp., Business Manager for Asia and the Middle East of Far East Bank and Trust Co., Sr. Staff Assistant. He has various affiliations and directorships in different international group areas of Metrobank. He took his Bachelor of Arts major in Political Science and Bachelor of Arts Major in Management of Financial Institutions in De La Salle University.

JAVIER DEL SER

Mr. Javier del Ser was elected as director last July 20, 2012. Mr. Del Ser is a Civil Engineer by profession. He has master degrees in Structural Engineering and Finance. He was a Director/CEO of Steppe Cement in 1998, Director/Member of Audit Committee of Chagala Group in 1999, Director of Opera Holding in 1999, Director of Maxam Kazakhstan in 2002, Director of Tulpar Talgo Kazakhstan in 2010, Director of Kazahkstan Asset Management from 1997-2001, Managing Director of Crescat Developments Asian Hotels from 1994-1997, Assistant to the Chairman of Cycleurope from 1993-1996.

BIENVENIDO E. LAGUESMA

Atty. Bienvenido E. Laguesma was elected as an independent director of the Company last May 31, 2012. Atty. Laguesma was a former Secretary of the Department of Labor & Employment (DOLE) from June 1998 to January 2001. Presently, he is a Commissioner of the Social Security Commission. He is also a partner at the Laguesma Magsalin Consulta & Gastardo Law Offices, Member of the Integrated Bar of the Philippines, Director of First Metro Investment Corporation, Chairman of Charter Ping An Insurance Corporation and Member of the Rotary Club of Manila. Atty. Laguesma finished his Bachelor of Laws in Ateneo De Manila College of Law in 1975. For his post graduate studies, he was a Colombo Scholar (British Council) for Public Sector Administration

Course at the Royal Institute of Public Administration in London, United Kingdom of Great Britain from May 3-August 2, 1985. He was also a Participant in the Career Executive Service Development Program conducted by the Development Academy of the Philippines in 1984.

Atty. Laguesma has resigned as member of the Board of Directors effective February 15, 2013.

Significant Employees

Apex is not aware of any employee who is not an executive officer named above but is expected to make a significant contribution to the business of Apex.

Family Relationships

There are no family relationships among the officers of Apex.

Involvement in Certain Legal Proceedings

To the knowledge and information of Apex, none of its present members of the board of directors and its executive officers are presently or during the last five (5) years involved in any material proceeding, affecting, involving themselves and/or their property before any court of law or administrative body in the Philippines or elsewhere. To the knowledge of Apex, none of the members of its board of directors and executive officers has been convicted by final judgment of any offense punishable by laws of the Republic of the Philippines or of the laws of any other country.

Item 10. Executive Compensation

The executive officers of Apex are regular employees of the Company and are remunerated with a compensation package consisting of twelve (12) months base pay. They also receive whatever mid-year and year-end gratuity pay, if any, that the board of directors of the Company may approve and extend to the managerial, supervisory and regular employees.

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid during the ensuing fiscal year to the executive officers, other officers and members of the board of directors of Apex are, as follows:

Summary of Compensation Table
(Annual Compensation)

Compensation of Directors and Executive Officer				
	2013 (Estimated)	2012	2011	2010
	Salary/Fee/Bonus	Salary/Fee/Bonus	Salary/Fee/Bonus	Salary/Fee/Bonus
Directors	560,000	341,700	804,000	260,000

Officers: Benoit de Galbert Executive Vice President Baiverth Diabo President Jesus Anin VP-Operations/Resident Manager Rodolfo Bravo VP- Finance/Treasurer Rosanna Parica Corporate Secretary				
Total Officers	2,288,000	27,464,732	11,786,454	10,557,781
All other officers & directors as a group unnamed	2,848,000	27,806,432	12,590,454	10,817,781

Compensation of Members of the Board of Directors

The members of the board of directors of the Company are paid Philippine Pesos Twenty Thousand (Php20,000.00) for each meeting (whether regular or special) of the board of directors or the stockholders. Apart from the foregoing, there are no arrangements regarding the compensation (whether direct or indirect) of the members of the board of directors for their services.

During the Special Meeting of the Members of the Board of Directors on the November 13, 2012, it was passed and approved that the per diem of directors for every meeting is P80,000 each net of applicable taxes.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

The contractual relationship between the executive officers and Apex are employer-employee in nature. The remuneration they receive from the Company is solely in the form of salaries and bonuses.

Warrants and Options Outstanding: Repricing

The chief executive officer and other executive officers of the Company do not hold any outstanding warrants or options.

Security Ownership of Certain Record and Beneficial Owners

As of 31 March 2013, the following owned at least five percent (5%) of the issued and outstanding shares of the Company:

Title of Class	Name and address of record owner and relationship with issuer	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	%
A	**MAPULA CREEK GOLD CORPORATION** **17F** Prestige Tower, Ortigas Center, Pasig City PHILIPPINES	Mindanao Gold Ltd. See note 1 below	Filipino	725,201,190	43.57

B	**MINDANAO GOLD LTD.** Suite 10.3, 10F Rohas Perkasa West Wing 8 Jalan Perak, 50450, Kuala Lumpur MALAYSIA	Mindanao Gold Ltd. See Note 2 below	Malaysian	509,608,703	30.62
A & B	PCD NOMINEE CORPORATION GF MSE Bldg., Ayala Avenue, Makati City PHILIPPINES	PCD Participants See note 3 below	Filipino	211,565,158	12.71

[1] Mapula Creek Gold ("Mapula) is majority owned by. Mindanao Gold hold 10,000 Class B shares of Mapula thru a Purchase and Sale Agreement with Crew Gold Corporation. Mapula is the majority stockholder of the Company. Mr. Baiverth M. Diabo is the representative on the Mapula's Board of Directors.

[2] Mindanao Gold Ltd. is one of the majority stockholders of the Company as represented by Mr. Benoit de Galbert to exercise the voting power on behalf of Mindanao Gold and decide how all shares in the Corporation are to be voted.

[3] PCD Nominee, Corp. (PCNC) is a wholly owned subsidiary of Philippine Central Depository Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent. The beneficial owner of such shares are PCD's participants who hold the shares on their behalf or in behalf of their clients. As of December 31, 2012, AB Capital Securities Inc. owns on record 80,377,160 Class A shares while Yu and Co. holds 48,389,968 Class B shares but of which does not qualify as beneficial owner owning more than 5% of the Company's stock. No other PCD participant owns on record or beneficially more than five (5%) of the Company's stock. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transaction in the Philippines.

On November 18, 2011, Monte Oro Resources & Energy Corp. subscribed to 73,337,625 primary Class "A" shares of Apex, equivalent to 5.0% of the total outstanding capital stock of the Company. Proceeds will be used by Apex for its capital expenditures for its mine and mill and to start the exploration drilling program of its Maco porphyry copper-gold tenement.

Except for the beneficial owners mentioned above, there is no other person or group who is known to the Corporation to be the beneficial owner of more than 5% of its voting securities. There is also no voting trust agreement involving shares of the Corporation.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of the Members of the Board of Directors and Management

The number of voting shares beneficially owned by the members of the board of directors and named executive officers as of 31 March 2013 are, as follows:

Title of Class	Name of beneficial owner	Amount and nature ofbeneficial ownership	Citizenship	Percent of Class
B	BENOIT DE GALBERT	1,000	French	0.00%
A	BAIVERTH M. DIABO	1	Filipino	0.00%
A	REYNATO S. PUNO	1	Filipino	0.00%
A	GRACIANO P. YUMUL	1,000	Filipino	0.00%
B	JAVIER DEL SER	998	Spanish	0.00%

A	RICHARD BENEDICT S. SO	1,000	Filipino	0.00%
	All officers and directors as a group	4,000		

The Company is not aware of any voting trust agreement or similar agreement in which a stockholder of five (5%) or more of the Company shares is a party to.

Item 12. Certain Relationships and Related Transactions

In the normal course of business, the Company transacted with companies which are considered related parties. A summary of the more significant transactions with related parties is shown on Note 13 of the Audited Financial Statements for the year ended December 31, 2012.

The Company recognized its advances with related parties with an aggregate total of P871 million as of December 31, 2012. The related parties are Mindanao Gold Ltd. (Mindanao Gold) and Mapula Creek Gold Corp. (Mapula), major shareholders of the Company; Teresa Crew Gold Philippines, Inc., an entity under common control; and Abracadabra Speculative Ventures, Inc. (ASVI), which is the ultimate parent.

Purchases and expense from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest-free and settlement occurs either in cash or through offsetting of accounts. There have been no guarantees provided for any related party receivables and payables. For the years ended December 31, 2012 and 2011, the Company has not made any provision for doubtful accounts relating to amounts owed by related parties. This assessment is undertaken at each financial year through examining the financial position of the related parties and the market in which the related parties operate.

On July 20, 2012, Mindanao Gold and Mapula each entered into a Deed of Assignment with the Company for the assignment and conversion of the Company's debt to both related parties to equity amounting to P320.81 million and P164.09 million, respectively, in exchange for the issuance of P72.91 million Class B shares and P37.29 Class A Shares, respectively, which were approved by the BOD of all parties. The documents necessary for the approval of the debt-to-equity transaction were submitted to the SEC on March 15, 2013, and have not yet been approved as at March 21, 2013.

The Corporation or its related parties have no material transaction with parties falling outside the definition "related parties" under Statement of Financial Accounting Standards/International Accounting Standards No. 24 that are not available for other, more clearly independent parties on an arm's length basis.

PART IV CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company has adopted a corporate governance evaluation and self-rating system which was approved by the board of directors. The Corporate Governance Compliance Officer, in coordination with other officers of Apex, measures and determines the level of compliance of Apex, the members of its board of directors, corporate officers, and other employees with the provisions of Apex's Manual of Corporate Governance and other relevant laws, rules and regulations relating to corporate governance.

The Corporate Governance Compliance Officer monitors compliance with Apex's corporate governance standards and, together with the board of directors, reviews other leading practices (both within and outside the industry) which may be adopted by Apex. However, as of 31 December 2012, there were no definite plans to improve Apex's corporate governance.

Item 14 Exhibits and Reports on SEC Form 17-C

(A) Exhibits and Exhibit Index

Statement of Management Responsibility for Financial Statements
Report of Independent Auditors
Audited Consolidated Financial Statements and Notes for the year ended December 31, 2012
Schedule E. Other Assets
Schedule G. Indebtedness to Related Parties
Schedule I. Capital Stock

(B) Reports on SEC Form 17-C

Date	Items Reported
April 18	Resignation of Director Thomas Rodney Percival Jones and election of Mr. Benoit de Galbert Resignation of Director Peregrino S. Resabal effective April 18 Resignations of four (4) Vice Presidents Appointment of Mr. Baiverth Diabo as Interim President
May 10	Resignation of Director/Chairman Colin Patterson
June 1	Election of Director Benoit de Galbert as Chairman of the Board Election of Mr. Reynato S. Puno as Director/Vice Chairman Election of Atty. Bienvenido Laguesma as Independent Director Appointment of Engr. Jesus Anin as Resident Manager Engagement of the services of Mabuhay Capital Corp. Postponement of Annual Stockholders' Meeting to July 16, 2012
July 2	Addendum to Notice and Agenda
July 16	Results of Annual Stockholders' Meeting held on July 16, 2012
July 20	Results of Organizational Meeting; election of new directors
November 19	Election of Richard Benedict So as Independent Director Approval of increase of per diem of BOD

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, in the City of Pasig on April 2013.

By:

BAIVERTH M. DIABO
President

JESUS C. ANIN
VP-Operations/Res. Manager

BILLY G. TORRES
Comptroller

RODOLFO G. BRAVO
VP-Chief Financial Officer/Treasurer

ROSANNA A. PARICA
Corporate Secretary

MANILA APR 19 2013

SUBSCRIBED AND SWORN to before me this _____ day of ________________________, affiant(s) exhibiting to me their respective valid id nos., as follows:

NAMES	**Identification Nos.**
BAIVERTH M. DIABO	155-722-787
JESUS C. ANIN	180-422-704
RODOLFO G. BRAVO	102-082-156
ROSANNA A. PARICA	119-040-615

CESAR C. VIOLA
Notary Public
PTR No.
IBP No.
Roll No.
MCLE Compliance No. III
0019431 12-2-10

Doc. No.: 375
Page No.: 76
Book No.: XIII
Series of 2013.

APEX MINING CO., INC.

SECURITIES AND EXCHAGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **APEX MINING CO., INC**. is responsible for preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders of the company.

SyCip, Gorres, Velayo & Co., the independent auditors and appointed by the stockholders and the Board of Directors, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the Board of Directors and stockholders has expressed its opinion on the fairness of presentation upon completion of such examination.

BENOIT DE GALBERT
Chairman of the Board

BAIVERTH M. DIABO
Chief Executive Officer

RODOLFO G. BRAVO
Chief Financial Officer

Signed this 15th day of March 2013

REPUBLIC OF THE PHILIPPINES)
MANILA **) S.S.**

SUBSCRIBED AND SWORN to before me this _____ day of 17 APR 2013, affiant(s) exhibiting to me their respective TIN Numbers, as follows:

NAMES	Tax Identification No.
BENOIT DE GALBERT	TIN # 421-163-188
BAIVERTH M. DIABO	TIN # 155-722-787
RODOLFO G. BRAVO	TIN # 102-082-156

ATTY. DELFIN R. AGCAOILI, Jr.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
PTR NO. 0285384 / 2012-2013 MLA.
IBP NO. 878892 / 2013 MLA.
ROLL NO. 24685 / TIN - 144-519-066
MCLE III - 0013521
Com. No. 2013 - 023

Notary Public

Doc. No.: 82
Page No.: 9
Book No.: 243
Series of 2013.

COVER SHEET

4 0 6 2 1

SEC Registration Number

APEX MINING CO., INC.

(Company's Full Name)

Unit 1704, 17th Floor, Prestige Tower Condominium, F. Ortigas Jr. Road, Ortigas Center, Pasig City

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

Rosanna A. Parica

(Contact Person)

(02) 706-2805

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

A A F S

(Form Type)

0 6 2 4

Month *Day*

(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

CRM

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

2,816

Total No. of Stockholders

Not Applicable

Domestic

Not Applicable

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Apex Mining Co., Inc.
Unit 1704, 17th Floor, Prestige Tower Condominium
F. Ortigas Jr. Road, Ortigas Center
Pasig City

Report on the Financial Statements

We have audited the accompanying financial statements of Apex Mining Co., Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

SGV & Co
Ernst & Young

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Apex Mining Co., Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 28 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Apex Mining Co., Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 17 2013
EXCISE LT REGULATORY DIVISION

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669674, January 2, 2013, Makati City

March 21, 2013

APEX MINING CO., INC.

STATEMENTS OF FINANCIAL POSITION

SEC Central Receiving and Records Division HRAD APR 19 2013 10 BY: RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

	December 31 2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱52,923,378**	₱53,550,286
Receivables (Note 5)	**617,685,238**	407,376,223
Inventories (Note 6)	**598,511,429**	350,054,504
Advances to a related party (Note 13)	**34,738,559**	–
Prepayments and other current assets (Note 7)	**130,600,582**	68,846,332
Total Current Assets	**1,434,459,186**	879,827,345
Noncurrent Assets		
Property, plant and equipment (Note 8)	**915,175,677**	579,316,307
Deferred exploration and mine development costs (Note 9)	**965,584,745**	530,156,205
Mine and mining properties (Note 10)	**662,204,354**	774,453,464
Other noncurrent assets (Note 11)	**57,861,741**	49,877,351
Total Noncurrent Assets	**2,600,826,517**	1,933,803,327
TOTAL ASSETS	**₱4,035,285,703**	₱2,813,630,672
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱637,499,916**	₱654,759,259
Advances from stockholders and related parties (Note 13)	**837,215,067**	855,047,855
Total Current Liabilities	**1,474,714,983**	1,509,807,114
Noncurrent Liabilities		
Accrued retirement benefits (Note 14)	**43,919,929**	31,313,497
Provision for mine rehabilitation and decommissioning (Note 15)	**82,790,453**	66,811,963
Deferred income tax liabilities (Note 23)	**37,769,623**	35,995,557
Total Noncurrent Liabilities	**164,480,005**	134,121,017
Total Liabilities	**1,639,194,988**	1,643,928,131
Equity		
Capital stock (Notes 1 and 16)	**1,664,565,290**	1,390,955,655
Additional paid-in capital (Note 16)	**2,561,661,966**	1,665,701,307
Revaluation surplus on property, plant and equipment (Note 8)	**55,751,783**	80,514,893
Deficit	**(1,885,888,324)**	(1,967,469,314)
Total Equity	**2,396,090,715**	1,169,702,541
TOTAL LIABILITIES AND EQUITY	**₱4,035,285,703**	₱2,813,630,672

BUREAU OF INTERNAL REVENUE RECEIVED APR 17 2013 EXCISE LT REGULATORY DIVISION

See accompanying Notes to Financial Statements.

APEX MINING CO., INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2012	2011	2010
REVENUE			
Gold	**₱1,657,461,829**	₱1,814,725,479	₱1,441,831,547
Silver	**159,859,735**	223,847,220	104,798,405
	1,817,321,564	2,038,572,699	1,546,629,952
COST OF SALES (Note 18)	**1,199,510,778**	1,514,144,018	1,131,864,328
GROSS PROFIT	**617,810,786**	524,428,681	414,765,624
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	**595,013,284**	509,247,451	561,220,553
INCOME (LOSS) FROM OPERATIONS	**22,797,502**	15,181,230	(146,454,929)
OTHER INCOME (CHARGES) - Net (Note 20)	**18,588,079**	(104,459,989)	60,902,669
INCOME (LOSS) BEFORE INCOME TAX	**41,385,581**	(89,278,759)	(85,552,260)
BENEFIT FROM (PROVISION FOR) DEFERRED INCOME TAX (Note 23)	**15,432,299**	49,492,306	(35,090,477)
NET INCOME (LOSS)	**56,817,880**	(39,786,453)	(120,642,737)
OTHER COMPREHENSIVE INCOME, NET OF TAX	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱56,817,880**	(₱39,786,453)	(₱120,642,737)
Basic Net Income (Loss) Per Share (Note 17)	**₱0.04**	(₱0.03)	(₱0.13)
Diluted Net Income (Loss) Per Share (Note 17)	**₱0.04**	(₱0.03)	(₱0.13)

See accompanying Notes to Financial Statements.

APEX MINING CO., INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock (Note 16)	Additional Paid-in Capital (Note 16)	Revaluation Surplus (Note 8)	Deficit	Total
Balances at December 31, 2009	₱756,682,170	₱4,224,410	₱103,287,388	(₱1,829,812,619)	₱965,618,651
Net loss for the year	–	–	–	(120,642,737)	(120,642,737)
Other comprehensive income, net of tax	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(120,642,737)	(120,642,737)
Transfer of portion of revaluation surplus realized through depreciation and depletion, net of tax	–	–	(11,307,208)	11,307,208	–
Debt-to-equity conversion	560,935,860	1,499,156,545	–	–	2,060,092,405
Balances at December 31, 2010	1,317,618,030	1,503,380,955	91,980,180	(1,939,148,148)	973,831,017
Net loss for the year	–	–	–	(39,786,453)	(39,786,453)
Other comprehensive income, net of tax	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(39,786,453)	(39,786,453)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(11,465,287)	11,465,287	–
Subscriptions during the year	73,337,625	183,273,855	–	–	256,611,480
Transaction costs of stock issuance	–	(20,953,503)	–	–	(20,953,503)
Balances at December 31, 2011	1,390,955,655	1,665,701,307	80,514,893	(1,967,469,314)	1,169,702,541
Net income for the year	–	–	–	56,817,880	56,817,880
Other comprehensive income, net of tax	–	–	–	–	–
Total comprehensive income for the year	–	–	–	56,817,880	56,817,880
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(24,763,110)	24,763,110	–
Subscriptions during the year	273,609,635	924,915,126	–	–	1,198,524,761
Transaction costs of stock issuance	–	(28,954,467)	–	–	(28,954,467)
Balances at December 31, 2012	₱1,664,565,290	₱2,561,661,966	₱55,751,783	(₱1,885,888,324)	₱2,396,090,715

See accompanying Notes to Financial Statements.

APEX MINING CO., INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2012	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱41,385,581**	(₱89,278,759)	(₱85,552,260)
Adjustments for:			
Depreciation, depletion and amortization (Note 21)	**414,410,409**	409,911,851	428,772,457
Unrealized foreign exchange loss (gain) - net	**(42,105,385)**	2,276,217	(65,203,465)
Movement in accrued retirement benefits	**12,541,295**	11,684,928	10,039,698
Loss on disposal of property, plant and equipment (Note 20)	**6,117,866**	–	–
Loss on write off of:			
Property, plant and equipment (Note 20)	**5,446,023**	–	250,894
Deferred exploration and mine development cost (Notes 9 and 20)	**–**	37,196,282	–
Interest and accretion expense (Notes 15 and 20)	**3,803,784**	4,086,989	1,994,965
Interest income (Notes 4 and 20)	**(2,422,908)**	(356,756)	(66,488)
Gain from extinguishment of liability (Note 20)	**–**	(6,058,789)	–
Operating income before working capital changes	**439,176,665**	369,461,963	320,235,801
Decrease (increase) in:			
Receivables	**(210,309,015)**	(166,478,649)	(63,658,784)
Inventories	**(248,456,925)**	(173,685,708)	(207,189,534)
Prepayments and other current assets	**(36,709,331)**	64,912,145	(58,885,069)
Increase (decrease) in trade and other payables	**365,351,281**	(14,792,064)	120,919,772
Cash generated from operations	**309,052,675**	79,417,687	111,422,186
Interest received	**2,422,908**	356,756	66,488
Interest paid	**(232,010)**	–	–
Net cash flows from operating activities	**311,243,573**	79,774,443	111,488,674
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 8)	**(572,428,022)**	(357,950,900)	(184,695,782)
Increase in:			
Deferred exploration and mine development costs (Note 9)	**(435,428,540)**	(245,929,047)	(82,562,572)
Other noncurrent assets (Note 11)	**(12,630,118)**	(33,681,390)	(9,676,803)
Proceeds from sale of property, plant and equipment	**41,806,162**	–	7,504,795
Net cash flows used in investing activities	**(978,680,518)**	(637,561,337)	(269,430,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from subscriptions to capital stock (Note 16)	**840,009,533**	235,657,977	–
Increase (decrease) in advances from stockholders and related parties	**(166,103,243)**	365,438,191	160,800,732
Cash from merger with Teresa Crew Gold (Philippines), Inc.	**134,360**	–	–
Net cash flows from financing activities	**674,040,650**	601,096,168	160,800,732
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,603,705**	43,309,274	2,859,044
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(7,230,613)**	(7,618,650)	(1,835,733)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**53,550,286**	17,859,662	16,836,351
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱52,923,378**	₱53,550,286	₱17,859,662

See accompanying Notes to Financial Statements.

APEX MINING CO., INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Company Background
Apex Mining Co., Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 26, 1970, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead, zinc brass, iron, steel and all kinds of ores, metals and minerals.

The Company currently operates the Maco Mines in Maco, Compostela Valley.

On March 7, 1974, the Company listed its shares in the Philippine Stock Exchange (PSE) and attained status of being a public company on the same date. The Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least ₱50.00 million and having 200 or more stockholders, each of which holds at least 100 shares of its equity securities.

The Company's track record information is shown as follows:

SEC order rendered effective or permitted to sell	Event	Authorized capital stock balance	Issued shares	Issue/offer price
August 4, 1988	Stock dividend declaration	₱150 million	*–	₱0.01
August 31, 1988	Increase in authorized capital stock	300 million	–	–
April 26, 1989	Pre-emptive rights offering	300 million	9.39 billion	0.01
June 28, 2000	Increase in authorized capital stock	800 million	–	–
October 18, 2000	Debt-to-equity conversion transaction	800 million	459.54 million	1.00
September 10, 2010	Increase in authorized capital stock	2.8 billion	–	–
October 13, 2010	Debt-to-equity conversion transaction	2.8 billion	560.94 million	1.00
November 14, 2011	Issuance of additional shares	2.8 billion	73.34 million	3.50
January 26, 2012	Issuance of additional shares	2.8 billion	75.56 million	3.70
July 13, 2012	Issuance of additional shares	2.8 billion	198.05 million	4.40

**The Company has no records on the number of issued shares for the transaction.*

As at December 31, 2012 and 2011, the Company has 2,535 and 2,838 stockholders, respectively, each holding at least 100 shares.

The Company's ownership structure as at December 31, 2012 and 2011 is as follows (in percentage):

	Country of Incorporation	2012	2011
Mapula Creek Gold Corporation (MCGC)	Philippines	**43.57**	49.45
Mindanao Gold Ltd. (MGL)	Malaysia	**30.62**	31.47
Monte Oro Resources & Energy, Inc. (MOREI)	Philippines	**11.61**	5.00
Public ownership	–	**14.20**	14.08

As at December 31, 2012 and 2011, MGL owns 40% of MCGC, while Abracadabra Speculative Ventures, Inc. (ASVI), the ultimate parent company organized and incorporated in Malaysia and prepares its financial statements in compliance with International Financial Reporting Standards, owns 100% of MGL.

The Company's registered business address and principal office is at Unit 1704, 17/F Prestige Tower Condominium F. Ortigas Jr. Road, Ortigas Center, Pasig City. The Company has 1023 and 1,052 employees as at December 31, 2012 and 2011, respectively.

Merger with Teresa Crew Gold (Philippines), Inc. (TCGPI)

Pursuant to Sections 76 to 80 of the Corporation Code of the Philippines, the Board of Directors (BOD) and stockholders of the Company and TCGPI (collectively referred to as "Constituent Corporations") at a meeting held on September 1, 2011 and August 1, 2011 of the BOD of the Company and TCGPI, respectively, and at a meeting held on October 6, 2011 and September 15, 2011 of the stockholders of the Company and TCGPI, respectively, approved the Plan of Merger (the Merger) of the Constituent Corporations, the Company being the surviving corporation and TCGPI being the absorbed Corporation.

On December 1, 2011, the SEC approved the Articles of the Merger. As indicated in the Articles of the Merger, the merger will be effective on the first day of the month immediately following the month in which approval for the Merger is obtained from the SEC, thus the merger will be effective beginning January 1, 2012 (the "Effectivity of the Merger").

The merger is considered a business reorganization since the transaction involved companies under common control. Accordingly, the merger was accounted for at historical cost in a manner similar to the pooling of interests method and will be effected prospectively in the financial statements of the Company, as elected by management.

Below is the proforma statement of financial position of the merged Constituent Corporations as at December 31, 2011:

	Company	TCGPI	Eliminating Entries	Combined
ASSETS				
Current Assets				
Cash	₱53,550,286	₱134,360	₱–	₱53,684,646
Receivables	407,376,223	383,684,277	(383,684,277)	407,376,223
Inventories	350,054,504	–	–	350,054,504
Due from related parties	–	99,158,396	(99,158,396)	–
Prepayments and other current assets	68,846,332	25,044,919	–	93,891,251
Total Current Assets	879,827,345	508,021,952	(482,842,673)	905,006,624
Noncurrent Assets				
Property, plant and equipment	579,316,307	3,325,156	63,294,818	645,936,281
Investment properties	–	63,294,818	(63,294,818)	–
Deferred exploration and mine development costs	530,156,205	–	–	530,156,205
Mine and mining properties	774,453,464	–	–	774,453,464
Other noncurrent assets	49,877,351	35,290,281	–	85,167,632
Total Noncurrent Assets	1,933,803,327	101,910,255	–	2,035,713,582
TOTAL ASSETS	₱2,813,630,672	₱609,932,207	(₱482,842,673)	₱2,940,720,206
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱654,759,259	₱1,138,790	(₱383,684,277)	₱272,213,772
Advances from stockholders and related parties	855,047,855	262,026,291	(99,158,396)	1,017,915,750
Total Current Liabilities	1,509,807,114	263,165,081	(482,842,673)	1,290,129,522
Noncurrent Liabilities				
Accrued retirement benefits	31,313,497	–	–	31,313,497
Provision for mine rehabilitation cost	66,811,963	–	–	66,811,963
Deferred income tax liabilities	35,995,557	17,206,365	–	53,201,922
Total Noncurrent Liabilities	134,121,017	17,206,365	–	151,327,382
Equity				
Capital stock	1,390,955,655	10,620,000	64,940,771	1,466,516,426
Additional paid-in capital	1,665,701,307	1,494,823,448	(1,240,823,458)	1,919,701,297
Revaluation surplus on property, plant and equipment	80,514,893	–	–	80,514,893
Deficit	(1,967,469,314)	(1,175,882,687)	1,175,882,687	(1,967,469,314)
Total Equity	1,169,702,541	329,560,761	–	1,499,263,302
TOTAL LIABILITIES AND EQUITY	₱2,813,630,672	₱609,932,207	(₱482,842,673)	₱2,940,720,206

Following is the proforma statement of income of the Constituent Corporations for the year ended December 31, 2011:

	Company	TCGPI	Eliminating Entries	Combined
Revenue	₱2,038,572,699	₱305,785,905	(₱305,785,905)	₱2,038,572,699
Cost and expenses	2,133,656,367	123,164,121	(305,785,905)	1,951,034,583
Net income (loss)	(39,786,453)	127,837,854	–	88,051,401

Operations

On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Company's Mineral Production Sharing Agreement (MPSA) covering 679.02 hectares situated in Maco, Compostela Valley. On June 25, 2007, MGB approved the Company's second MPSA covering an additional 1,558.50 hectares near the same area.

On July 11, 2008, the Company was registered with the Board of Investments (BOI) as a new producer of gold, silver bullion, copper concentrates with gold, silver, zinc and lead values on a non-pioneer status under the 1987 Omnibus Investment Code. Under this registration, the Company is entitled to certain fiscal and non-fiscal incentives including four (4) year income tax holiday (ITH) from start of commercial operations or registration with the BOI, whichever comes first, which can be further extended for another three (3) years subject to compliance with certain conditions, simplified customs procedures, additional deduction for labor expense, and unrestricted use of consigned equipment for a period of ten (10) years. The Company is required to maintain a base equity of at least 25% upon start of commercial operations as one of the conditions of the registration. On January 1, 2009, the Company commenced commercial operations after achieving target production volume requirements. As at December 31, 2012 and 2011, the Company is compliant with the provisions specified in its registration.

Executive Order (EO) 79

On July 12, 2012, EO 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the operating subsidiaries and mines are covered by existing MPSA with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay or adversely affect the conversion of the Company's mineral properties covered by Exploration Permits, Exploration Permit Application or Application for Production Sharing Agreements given the provision of the EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

Approval of the Financial Statements

The accompanying financial statements as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 were authorized for issuance by the Company's BOD on March 21, 2013.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The financial statements of the Company have been prepared on a historical cost basis, except for property, plant and equipment, which are carried at revalued amounts. The financial statements are presented in Philippine peso, the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations which were adopted as at January 1, 2012.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
  The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment)
  The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a "sale" basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ("use" basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The adoption of the amendments did not have any impact on the Company's financial position or performance.

Standards Issued But Not Yet Effective

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

Effective in 2013:

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments are effective for annual periods beginning on or after July 1, 2012. The amendments to PAS 1 change the grouping of items presented in OCI. Items that would 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 amendments do not change the nature of the items that are currently recognized in OCI, nor do they impact the determination of whether items of OCI are classified through profit or loss in the future periods. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)
  The revised standard is effective for annual periods beginning on or after January 1, 2013. The revised standard includes a number of amendments that range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

  The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard.

  The effects of the revisions to the statements of financial position are presented below:

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Accrued retirement benefits	₱9,468,127	(₱630,075)
Unrecognized deferred income tax asset	2,840,438	(189,023)
Other comprehensive income	(10,372,943)	2,913,867
Retained earnings	274,741	532,146

  The effects of the revisions to the 2012 statement of comprehensive income are presented below:

Increase (decrease) in:	
Retirement benefits costs	(₱274,741)
Net income	274,741

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. As a consequence of the new PFRS 10, *Consolidated Financial Statement* 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.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  The amendment becomes effective for annual periods beginning on or after January 1, 2013. 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.

- PFRS 7, *Financial Instruments: Disclosures - Offsetting of Financial Assets and Financial Liabilities* (Amendments)
  The 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 and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also addresses the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*, resulting to SIC being withdrawn. 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. The new standard will be applied retrospectively.

- PFRS 11, *Joint Arrangements*
  This standard is effective for annual periods beginning on or after January 1, 2013. 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 using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests in Other Entities*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  This standard is effective for annual periods beginning on or after January 1, 2013. PFRS 13 establishes a single source of guidance under PFRSs 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. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

  The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation becomes effective for annual periods beginning on or after January 1, 2013 and applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

Annual Improvements to PFRSs (2009-2011 cycles)

These amendments to the standards are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment will not have any significant impact on the Company's financial position or performance.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting of Financial Assets and Financial Liabilities*
  This standard is effective for annual periods beginning on or after January 1, 2014. The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be applied retrospectively.

Effective in 2015:

- PFRS 9, *Financial Instruments*
  This standard is effective for annual periods beginning on or after January 1, 2015. PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss (FVPL). All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

Deferred Effectivity:

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the affectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Company's financial statements.

The revised, amended and additional disclosure or accounting changes provided by the standards and interpretations will be included in the financial statements of the Company in the year of adoption, if applicable.

Summary of Significant Accounting and Financial Reporting Policies

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

Cash and Cash Equivalents
Cash consists of cash on hand and demandable deposits in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date (i.e., the date that an asset is delivered to or by an entity).

Initial Recognition and Measurement of Financial Instruments

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and loans and borrowings.

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 expenses 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 are in the nature of loans and receivables, while its financial liabilities are in the nature of loans and borrowings. The Company has no financial assets and financial liabilities classified as FVPL, HTM and AFS investments as at December 31, 2012 and 2011.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading or designated as AFS investments or financial assets at FVPL.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization and losses arising from impairment are recognized in other income (charges) in the statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash and cash equivalents, receivables and advances to a related party are classified as loans and receivables (see Note 24).

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. Loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in other income (charges) in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Loans and borrowings are classified as current when it is expected to be settled within twelve (12) months after the end of the reporting period if the Company does not have an unconditional right to defer settlement for at least twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.

The Company's loans and borrowings include trade and other payables (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), and advances from stockholders and related parties (see Note 24).

Impairment of Financial Assets Carried at Amortized Cost
An assessment is made at each reporting period to determine whether there is objective evidence that a specific financial asset may be impaired.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in payments, the probability that they will enter bankruptcy, or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal period.

With respect to receivables, the Company maintains a provision for impairment losses of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If a future write off is later recovered, the recovery is recognized in the statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

In that case, the Company 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 Company 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, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the statement of comprehensive income.

Determination of Fair Values of Financial Instruments

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

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

Financial instruments recognized at fair value are measured based on:

- Level 1 - Quoted prices in active markets for an identical asset or liability
- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs)

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the financial reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 25.

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Accounting for Common Control Business Combinations Using the Pooling of Interest Method
Business combinations involving entities or entities under common control with no consideration transferred are accounted for using the pooling of interest method. The entity has a choice of two approaches for its accounting policy which it must consistently apply.

a. Restate the financial information in the financial statements of the receiving entity, the surviving entity in the business combination, for periods prior to the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination, with due consideration to the period that the entities commenced being under common control.
b. No restatement of financial information in the financial statements of the receiving entity for periods prior to the combination under common control.

The Company's management elected to apply choice (b) as its policy in accounting for the business combination with TCGPI and would involve the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, that would otherwise be done under the purchase method or acquisition method. The only adjustments that are made are to harmonize accounting policies;
- No new goodwill is recognized as a result of the combination; the only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity acquired is reflected within equity; and
- The surviving entity's statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Inventories
Inventories, which consist of gold and silver bullion, metal in circuit, ore stockpile, materials and supplies used in the Company's operations, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). NRV is the estimated future sales price of the product that the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Cost of gold and silver bullion, metal in circuit and ore stockpile are determined using the first-in first-out method while cost of materials and supplies on hand are determined using a moving average.

Any provision for obsolescence is determined by reference to specific items of inventory. A regular review is undertaken to determine the extent of any provision for obsolescence.

Prepayments and Other Current Assets
Prepayments are expenses paid in advance and recorded as asset before they are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expenses either with the passage of time or through use or consumption.

Input taxes, which represent value-added tax (VAT) arising from purchases of goods and services, are carried at cost and included as part of "Prepayment and other current assets" in the statement of financial position. These may either be applied against future output tax liabilities or claimed for tax credit or refund. The Company conducts regular assessment on the recoverability of the account balance depending on how these are to be utilized. The amount of the loss is measured as the difference between the recoverable amount and the carrying amount of the asset. Impairment loss is recognized in the profit or loss as the difference between the asset's carrying amount and estimated recoverable value, and the carrying amount of the asset is reduced through the use of an allowance account.

Property Plant and Equipment
Following initial recognition at cost, property, plant and equipment is carried at revalued amounts, which represent the fair value at date of revaluation less any subsequent accumulated depreciation, depletion and impairment losses, if any.

The initial cost of property, plant and equipment comprises its purchase price or construction cost, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property, plant and equipment when that cost is incurred if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which they are incurred.

Valuations are performed frequently enough to ensure that the fair value of a revalued property, plant and equipment does not significantly differ from its carrying amount. Any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The increase of the carrying amount of an asset as a result of a revaluation is credited directly to other comprehensive income, unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in the profit or loss.

Deferred income tax is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary differences reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the applicable tax rate.

Each year, the Company transfers from revaluation surplus reserve to retained earnings the amount corresponding to the difference, net of tax, between the depreciation charges calculated based on the revalued amounts and the depreciation charge based on the assets' historical costs.

Construction in-progress is stated at cost, which includes cost of construction equipment and other direct costs less any impairment in value. Construction in-progress is not depreciated nor depleted until such time as the relevant assets are completed and put into operational use.

Gains and losses on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss. On disposal of the revalued asset, the relevant revaluation surplus included in the reserve account is transferred directly to retained earnings.

The Company's future retained earnings is restricted to the extent of the revaluation surplus recognized in equity.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Type of Asset	Estimated Useful Life in Years
Building and improvements	5 to 20
Mining and milling equipment	3 to 5
Power equipment	3 to 5
Roads and bridges and land improvements	5 to 10
Exploration equipment and others	3 to 5

The assets' residual values, estimated recoverable reserves and useful lives are reviewed and adjusted if appropriate at each reporting date.

Property, plant and equipment are depreciated or depleted from the moment of the asset's availability for use and after the risks and rewards are transferred to the Company. Depreciation and depletion ceases when the assets are fully depreciated or depleted, or at the earlier of the period that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the period the item is derecognized.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Deferred Exploration and Mine Development Costs

Deferred Exploration Costs

Expenditures for mine exploration work prior to drilling are charged to the statement of comprehensive income. Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mining properties, including acquisition of property rights, are capitalized and stated at cost and are accumulated in respect of each identifiable area of interest, less any impairment in value.

The Company classifies deferred exploration costs as tangible or intangible according to the nature of the asset acquired or cost incurred and applies the classification consistently. Certain deferred exploration costs are treated as intangible (e.g., license and legal fees), whereas others are tangible (e.g., submersible pumps). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Mine Development Costs

When it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), amounts previously carried under deferred exploration costs are tested for impairment and transferred to mine development costs.

Subsequent expenditures incurred to develop a mine on the property prior to the start of mining operations are stated at cost and are capitalized to the extent that these are directly attributable to an area of interest or those that can be reasonably allocated to an area of interest, which may include costs directly related to bringing assets to the location and condition for intended use and costs incurred, net of any revenue generated during the commissioning period, less any impairment in value. These costs are capitalized until assets are already available for use or when the Company has already achieved commercial levels of production at which time, these costs are moved to mine and mining properties.

Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

No depreciation or depletion is charged during the mine exploration or development phase.

Mine and Mining Properties
Upon start of commercial operations, mine development costs are capitalized as part of mine and mining properties and presented as a separate line item in the statement of financial position. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves. Mine and mining properties include the initial estimate of provision for mine and rehabilitation and decommissioning.

Development costs, including construction in-progress incurred on an already operating mine area, are stated at cost and included as part of mine and mining properties. These pertain to expenditures incurred in sourcing new resources and converting them to reserves, which are not depleted or amortized until such time as these are completed and become available for use.

The carrying value of mine and mining properties transferred from mine development costs represents total expenditures incurred to date on the area of interest, net of gross margin from saleable material recognized during the pre-commercial production period, if any.

Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Intangible Assets
Intangible assets, which consist of acquired computer software licenses and other licenses, are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives of three (3) years. These are included as part of "Other noncurrent assets" in the statement of financial position.

Impairment of Nonfinancial Assets
Property, Plant and Equipment and Other Noncurrent Assets
The Company assesses at each reporting date whether there is an indication that property, plant and equipment and other noncurrent assets may be impaired when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred Exploration and Mine Development Costs
An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred exploration and mine development costs are carried forward provided that at least one of the following indicators is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation and development activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Retirement Benefits
The Company has a funded, noncontributory defined benefit retirement plan which is actuarially determined using the projected unit credit actuarial valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Retirement cost comprise of current service cost, interest cost and amortization of actuarial gains and losses less the expected return on plan assets, if any.

The defined benefit obligation is calculated annually by an independent actuary. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefits liability.

Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses of the plan at the end of the previous reporting period exceeded ten percent (10%) of the higher of the present value of the defined benefit obligation and the fair value of plan assets at that period. The excess actuarial gains and losses are recognized over the average remaining working life of employees participating in that plan in the statement of comprehensive income.

Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. 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 a finance expense in the statement of comprehensive income.

Provision for Mine Rehabilitation and Decommissioning

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur.

Foreign Currency Translation

Transactions in foreign currencies are initially recorded using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rate at the end of the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Equity

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Subscriptions receivable pertains to the amount owed from investors. Subscriptions receivable is classified as an asset when payment of the full amount is expected to be made in the near term, normally the Company's normal operating cycle. Otherwise, the amount is presented as a deduction from capital stock.

Deficit represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividends are recognized as a liability and deducted from equity when they are approved by the BOD of the Company. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Earnings (Loss) Per Share

Basic

Basic earnings (loss) per share is calculated by dividing the net loss attributable to ordinary stockholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted

Diluted earnings (loss) per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potential dilutive common shares during the period.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Gold and Silver

Revenue is recognized when the risk and reward of ownership has passed from the Company to an external party and the selling price can be determined with reasonable accuracy. Revenue is measured at the fair value of the consideration received.

Interest Income

Income is recognized as the interest accrues using the EIR method.

Costs and expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized in statement of comprehensive income in the period these are incurred.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

Operating Lease

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease terms.

Income Taxes

Current Income Tax

Current tax liabilities for the current and prior year periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the financial reporting date.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and unused NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that the future taxable income will allow the deferred tax asset to be recovered. Deferred income tax assets are measured at the tax rate that is expected to apply to the period when the asset is realized based on tax rate and tax laws that has been enacted or substantively enacted as at the reporting date.

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

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. Management looks at the Company as one business segment operating in one geographical area.

Contingencies

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

Events after the Reporting Period

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amount recognized in the Company's financial statements.

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates and is the currency in which payments for majority of expenses are made.

Assessment Whether an Agreement is a Finance or Operating Lease

Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Company are retained by the lessor and therefore accounts for such lease as operating lease.

Operating Lease - Company as a Lessee

The Company has entered into several contracts of lease and has determined that the lessors retain all the significant risks and rewards of ownership of these properties. The leases were therefore, accounted for as operating leases. In determining significant risks and rewards of ownership, the Company considered, among others, the significance of the lease term as compared with the estimated life of the related assets.

Operating leases of the Company are related to leases of mining and milling equipment, transportation vehicles and others that are normally accounted for on either on a per usage basis.

Determination of Accounting Policy on Common Control Business Combinations

The Company and TCGPI, companies under common control of ASVI, formed an agreement to enter into a business combination (see Note 1). The Merger, once effective, will result in the continuation of existence of Company and cease for TCGPI. Applying the provisions of IFRS 3, *Business Combinations*, and PAS 27, *Consolidated and Separate Financial Statements*, management determined the pooling of interest method of accounting instead of the acquisition or purchase method is to be applied in the circumstance. Moreover, the business combination is a combination with no substance as it is merely a continuation of the existing subgroup comprising of the Company's and TCGPI's activities.

Based on these facts, management of the Company concluded that it does not have to restate the financial statements of the Company upon effectivity of the Merger and will carry TCGPI's assets and liabilities at carrying amount, and TCGPI's statement of income for the full year, irrespective of when the combination took place.

Assessment of Capitalized Deferred Exploration and Mine Development Costs
The application of the Company's accounting policy for exploration and mine development costs requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and mine development expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Deferred exploration and mine development costs amounted to ₱965.58 million and ₱530.16 million as at December 31, 2012 and 2011, respectively (see Note 9).

Estimates and Assumptions
The key estimates and 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 recognized in the financial statements within the next financial year are discussed below:

Estimation of Allowance for Doubtful Accounts on Receivables and Advances to a Related Party
If the Company assessed that there is objective evidence that an impairment loss has been incurred in the receivables and advances to a related party account, the Company estimates the related allowance for doubtful accounts that are specifically identified as doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. In these cases, the Company uses judgment based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's credit status based on third party credit reports and known market factors, to record specific reserves for customers against amounts due in order to reduce the receivables to amounts that the Company expects to collect. These specific reserves are re-evaluated and adjusted as additional information received affect the amounts estimated.

The allowance for doubtful accounts as at December 31, 2012 and 2011 represents the amounts estimated to be uncollectible from advances to officers and employees carried under receivables amounting to ₱2.33 million in both years (see Note 5). No provision for impairment losses were made in 2012 and 2011 on trade and other receivables and advances to a related party as management believes that these will be recovered within the terms established with the debtor.

As at December 31, 2012 and 2011, the carrying values of receivables amounted to ₱617.69 million and ₱407.38 million, respectively (see Note 5), while the carrying values of advances to a related party amounted to ₱34.74 million and nil, respectively (see Note 13).

Estimation of Allowance for Inventory Losses and Obsolescence
The Company maintains allowance for inventory losses and obsolescence at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

Provision for inventory losses and obsolescence amounting to nil, ₱15.17 million and nil in 2012, 2011 and 2010, respectively, was made on material supplies and inventory. As at December 31, 2012 and 2011, the carrying amounts of inventories amounted to ₱598.51 million and ₱350.05 million, respectively, net of allowance for inventory losses and obsolescence of ₱15.17 million in both years (see Note 6).

Assessment of the Realizability of Input VAT
The Company assesses the realizability of input VAT based on the Company's ability to utilize the input VAT. A review to determine the realizability of the asset is made by the Company on a continuing basis year on year.

The carrying value of input VAT amounted to ₱94.66 million and ₱53.70 million as at December 31, 2012 and 2011, respectively, and is included under "Prepayments and other current assets" account in the statement of financial position (see Note 7).

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment
The Company estimates the fair value, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair value and estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Management does not expect carrying amounts of property, plant and equipment as at December 31, 2012 and 2011 to materially vary in the succeeding year as the most recent revaluation adjustment was only recognized in 2010 based on appraisal report dated January 25, 2010 covering all of the Company's property, plant and equipment.

There were no changes in the estimated fair values, useful lives and residual values of property, plant and equipment in 2012 and 2011. Remaining property, plant and equipment as at December 31, 2012 and 2011 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal (see Note 8).

Estimation of Depletion Rate
Depletion rates used to amortize mine and mining properties and are assessed on an annual basis based on the results of latest estimate of recoverable reserves, which are subject to future revisions; hence, render any sensitivity as impracticable. The Company estimates its reserves in accordance with local regulatory guidelines provided under the Philippine Mineral Reporting Code and duly verified and reviewed by a competent person.

Depletion rates used to amortize mine and mining properties in 2012, 2011 and 2010 were 16%, 21% and 16%, respectively. Mine and mining properties, net of accumulated depletion, amounted to ₱662.20 million and ₱774.45 million as at December 31, 2012 and 2011, respectively (see Note 10).

Estimation of Provision for Mine Rehabilitation and Decommissioning
The Company assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect it. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation and other costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability.

As at December 31, 2012 and 2011, the provision for mine rehabilitation and decommissioning amounted to ₱82.79 million and ₱66.81 million, respectively (see Note 15).

Estimation of Recoverable Reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are mineable reserves based on the current market condition. The estimated recoverable reserves are used in the calculation of depreciation, amortization, and testing of impairment, the assessment of life of the mine, stripping ratios and for forecasting the timing of the payment of mine rehabilitation costs. As at December 31, 2012 and 2011, the mine is expected to last until 2030.

Estimation of Retirement Benefits
The determination of the Company's retirement obligation and employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates and salary increase rates.

Actuarial gains and losses comprised of experience adjustments and changes in actuarial assumptions are appropriately considered in determining both present value of retirement obligation and fair value of plan assets. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the retirement benefit obligation estimated at the reporting date may differ significantly from the amount reported.

Retirement benefits costs amounted to ₱12.54 million, ₱11.68 million and ₱10.04 million in 2012, 2011 and 2010, respectively. Accrued retirement benefits amounted to ₱43.92 million and ₱31.31 million as at December 31, 2012 and 2011, respectively (see Note 14).

Estimation of Impairment of Nonfinancial Assets, including Deferred Exploration and Mine Development Costs, Property, Plant and Equipment, Mine and Mining Properties and Other Noncurrent Assets
The Company evaluates whether deferred exploration and mine development costs, property and equipment, mine and mining properties and other noncurrent assets have suffered any impairment either annually or when circumstances indicate that related carrying amounts are no longer recoverable. The recoverable amounts of these assets have been determined based on either value in use or fair value, if said information is readily available.

Estimation of value in use requires the use of estimates on cost projections, gold and silver prices, foreign exchange rates and mineral reserves, which are determined based on approved mine plan, fluctuations in the market and assessment of either internal or third party geologists, who abide by certain methodologies that are generally accepted within the industry. Fair value is based on the results of assessment done by independent appraisers engaged by the Company. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable.

Aggregate net book values of property, plant and equipment, deferred exploration and mine development costs, mine and mining properties and other noncurrent assets amounted to ₱2.60 billion and ₱1.93 billion as at December 31, 2012 and 2011, respectively (see Notes 8, 9, 10 and 11).

These are subjected to impairment testing when impairment indicators are present. The Company wrote-off deferred exploration and mine development cost in 2012, 2011 and 2010 amounting to nil, ₱37.20 million and nil, respectively. No impairment loss was recognized in 2012 and 2011 as there were no impairment indicators identified by management (see Note 20).

Assessment of Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income taxes assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses, which are expected to be realized or expire within the ITH period (see Note 23).

Estimation of Legal Contingencies
The Company evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have material impact on the Company's financial statements. No provision for probable losses arising from these cases was recognized in the financial statements as at December 31, 2012 and 2011 (see Note 26).

Determination of Fair Value of Financial Assets and Liabilities
PFRS requires that certain financial instruments (including derivative instruments) be carried 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, volatility rates), the timing and amount of changes in fair value would differ using a different valuation methodology. Any change in the assumptions that could have an effect on the fair values of financial instruments (including derivative instruments) would directly affect the statement of comprehensive income and statement of changes in equity.

The fair values of financial instruments are disclosed in Note 25.

4. Cash and Cash Equivalents

	2012	2011
Cash on hand	**₱2,550,322**	₱977,228
Cash in banks	**10,373,056**	52,573,058
Cash equivalents	**40,000,000**	–
	₱52,923,378	₱53,550,286

Cash in banks earn interest at the respective bank deposit rates.

Cash equivalents pertain to short-term cash investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at a rate of 4.13% per annum.

Interest income arising from cash in banks and cash equivalents, net of final tax, amounted to ₱2.42 million, ₱0.36 million and ₱0.07 million in 2012, 2011 and 2010, respectively (see Note 20).

The Company has United States (US) dollar-denominated cash and cash equivalents amounting to $0.1 million (equivalent to ₱5.26 million) and $0.1 million (equivalent to ₱5.12 million) as at December 31, 2012 and 2011, respectively (see Note 24).

5. Receivables

	2012	2011
Trade receivables	**₱370,090,931**	₱328,863,296
Advances to suppliers and contractors	**242,388,503**	76,212,707
Others	**570,810**	840,048
	613,050,244	405,916,051
Advances to officers and employees	**6,964,864**	3,790,042
Less allowance for doubtful accounts	**2,329,870**	2,329,870
	4,634,994	1,460,172
	₱617,685,238	₱407,376,223

Trade receivables are noninterest-bearing and are generally on thirty (30) to forty-five (45) days' terms.

Advances to suppliers and contractors comprise mainly of advance payments made by the Company relating to the services, materials and supplies needed for production and construction. These are noninterest-bearing and will be realized through offsetting with future billings from suppliers and contractors.

Advances to officers and employees pertain to business related cash advances that are subject to liquidation within the established terms and policies of the Company.

The Company's receivables consist mainly of individually significant accounts and were therefore subject to the specific impairment approach. Based on management's assessment of the collectibility of the accounts, the Company recognized allowance for impairment losses on advances to officers and employees considered as individually impaired. There were no movements in the allowance for doubtful accounts in 2012 and 2011.

6. Inventories

	2012	2011
At NRV:		
Materials and supplies	**₱561,025,665**	₱311,590,281
Allowance for inventory losses and obsolescence	**(15,172,592)**	(15,172,592)
	545,853,073	296,417,689
At cost:		
Gold and silver in bullion	**39,880,313**	41,698,005
Metal in circuit	**12,778,043**	11,209,009
Ore stockpile	**–**	729,801
	₱598,511,429	₱350,054,504

Cost of inventories recognized as part of cost of sales in 2012, 2011 and 2010 amounted to ₱489.65 million, ₱517.43 million and ₱289.06 million, respectively (see Note 18). There was no movement in the allowance for inventory losses and obsolescence in 2012 and 2011. The Company directly wrote off inventories amounting to nil, ₱0.10 million and ₱2.12 million in 2012, 2011 and 2010, respectively (see Note 20).

7. Prepayments and Other Current Assets

	2012	2011
Input VAT	**₱94,658,359**	₱53,699,432
Creditable withholding taxes (CWT)	**24,933,054**	–
Prepayments	**9,356,823**	13,150,986
Others	**1,652,346**	1,995,914
	₱130,600,582	₱68,846,332

CWT pertain to amounts withheld by the customers which can be applied against income tax payable provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. These pertain to CWT in the books of TCGPI prior to the Merger from amounts withheld by the Company in leasing out TCGPI's property. The Company directly wrote off input VAT amounting to nil, ₱72.97 million and nil in 2012, 2011 and 2010, respectively (see Note 20).

8. Property, Plant and Equipment

	2012						
	Buildings and Improvements	**Mining and Milling Equipment**	**Power Equipment**	**Roads and Bridges and Land Improvements**	**Exploration Equipment, and Others**	**Construction in-Progress**	**Total**
At revalued amounts:							
Balances at beginning of year	₱157,590,940	₱1,587,674,197	₱118,787,395	₱481,289,570	₱70,258,948	₱76,342,550	₱2,491,943,600
Additions	–	306,361,796	7,854,652	1,082,986	21,487,477	235,641,111	572,428,022
Change in estimate of provision for mine rehabilitation (Note 15)	502,711	–	–	–	–	–	502,711
Reclassification/transfer	–	(4,889,732)	5,294,732	–	(405,000)	–	–
Reclassifications to (from) construction in-progress	13,690,896	8,634,059	–	71,394,223	–	(93,719,178)	–
Reclassification from other noncurrent assets (Note 11)	–	30,741,574	–	–	–	–	30,741,574
Transfers from TCGPI	31,209,173	427,944,133	233,776,907	–	137,393,755	–	830,323,968
Disposals and write offs	(11,376,119)	(131,953,380)	–	(37,496,264)	(8,935,774)	–	(189,761,537)
Balances at end of year	191,617,601	2,224,512,647	365,713,686	516,270,515	219,799,406	218,264,483	3,736,178,338
Accumulated depreciation and amortization:							
Balances at beginning of year	97,052,632	1,303,395,488	85,570,823	239,244,988	24,689,151	–	1,749,953,082
Depreciation (Note 21)	17,132,718	176,926,595	20,423,581	20,274,126	28,219,627	–	262,976,647
Reclassification/transfer	–	405,000	–	–	(405,000)	–	–
Reclassification from other noncurrent assets (Note 11)	–	23,532,236	–	–	–	–	23,532,236
Transfers from TCGPI	29,920,625	374,848,832	228,809,685	–	130,124,852	–	763,703,994
Disposal and write offs	(8,692,582)	(124,569,493)	–	(265,172)	(8,310,262)	–	(141,837,509)
Balances at end of year	135,413,393	1,754,538,658	334,804,089	259,253,942	174,318,368	–	2,658,328,450
Accumulated impairment loss:							
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net book values	₱56,078,171	₱466,655,245	₱30,909,597	₱97,787,143	₱45,481,038	₱218,264,483	₱915,175,677

	2011						
	Buildings and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in-Progress	Total
At revalued amounts:							
Balances at beginning of year	₱139,473,619	₱1,379,902,534	₱87,725,759	₱435,185,530	₱30,520,229	₱45,274,918	₱2,118,082,589
Additions	–	152,574,730	26,746,032	–	40,315,400	138,314,739	357,950,901
Change in estimate of provision for mine rehabilitation (Note 15)	(457,810)	–	–	–	–	–	(457,810)
Reclassification/transfer	–	2,115,183	(1,538,502)	–	(576,681)	–	–
Reclassifications to (from) construction in-progress	18,629,448	26,997,551	–	46,104,040	–	(91,731,039)	–
Reclassification to deferred exploration and mine development costs (Note 9)	–	–	–	–	–	(2,371,044)	(2,371,044)
Reclassification from other noncurrent assets	–	32,692,569	–	–	–	–	32,692,569
Reclassification from inventory	–	–	5,854,106	–	–	–	5,854,106
Transfers from TCGPI	–	5,724,928	–	–	–	–	5,724,928
Disposals and write offs	(54,317)	(12,333,298)	–	–	–	(13,145,024)	(25,532,639)
Balances at end of year	157,590,940	1,587,674,197	118,787,395	481,289,570	70,258,948	76,342,550	2,491,943,600
Accumulated depreciation and amortization:							
Balance at beginning of year	83,768,440	1,143,785,782	79,838,118	219,329,962	10,320,267	–	1,537,042,569
Depreciation (Note 21)	13,284,192	136,745,257	5,903,632	19,915,026	14,400,919	–	190,249,026
Reclassification/transfer	–	202,962	(170,927)	–	(32,035)	–	–
Reclassification from other noncurrent assets	–	32,692,569	–	–	–	–	32,692,569
Disposals	–	(10,031,082)	–	–	–	–	(10,031,082)
Balances at end of year	97,052,632	1,303,395,488	85,570,823	239,244,988	24,689,151	–	1,749,953,082
Accumulated impairment loss:							
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net book values	₱60,412,271	₱280,959,965	₱33,216,572	₱82,815,152	₱45,569,797	₱76,342,550	₱579,316,307

In 2009, the Company revalued its property, plant and equipment based on estimated fair values as indicated in the independent appraiser's report dated January 25, 2010. Fair values were determined in terms of money at which the property would exchange in the current real estate market, between willing parties both having knowledge of all relevant facts. The assigned value was estimated using the market data approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as location, size and shape of the properties.

Accordingly, the Company recognized net increase of ₱86.03 million which was directly credited to the revaluation surplus, net of deferred taxes amounting to ₱25.81 million. Correspondingly, the Company recognized impairment loss amounting to ₱162.67 million on certain property and equipment, which represents difference between indicated fair values in the same appraisal report and carrying amounts as at reporting date.

Movement in revaluation surplus in equity is as follows:

	2012	2011
Balances at beginning of year	**₱80,514,893**	₱91,980,180
Realized portion through depreciation, depletion and disposal, net of tax	**24,763,110**	11,465,287
Balance at end of year	**₱55,751,783**	₱80,514,893

Total revaluation surplus is not available for distribution to stockholders.

If the property, plant and equipment were carried at cost less accumulated depreciation and accumulated impairment loss, the amounts would be as follows:

	2012						
	Buildings and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in-Progress	Total
Cost:							
Balances at beginning of year	₱47,222,942	₱645,664,014	₱60,305,183	₱420,215,779	₱70,570,372	₱76,342,549	₱1,320,320,839
Additions	–	306,361,796	7,854,652	1,082,986	21,487,477	235,641,111	572,428,022
Change in estimate of provision for mine rehabilitation (Note 15)	502,711	–	–	–	–	–	502,711
Reclassification/transfer	–	(4,889,732)	5,294,732	–	(405,000)	–	–
Reclassifications from (to) construction in-progress	13,690,896	8,634,059	–	71,394,223	–	(93,719,178)	–
Reclassification from other noncurrent assets (Note 11)	–	30,741,574	–	–	–	–	30,741,574
Transfer from TCGPI	31,209,173	427,944,133	233,776,907	–	137,393,756	–	830,323,969
Disposals and write offs	(11,376,119)	(124,569,493)	–	(37,496,264)	(8,935,775)	–	(182,377,651)
Balances at end of year	81,249,603	1,289,886,351	307,231,474	455,196,724	220,110,830	218,264,482	2,571,939,464
Accumulated Depreciation and Amortization:							
Balances at beginning of year	22,088,931	426,607,644	29,037,884	188,706,200	26,910,938	–	693,351,597
Depreciation	15,691,088	150,376,240	20,423,581	20,274,126	28,219,627	–	234,984,662
Reclassification/transfer	–	405,000	–	–	(405,000)	–	–
Reclassification from other noncurrent assets (Note 11)	–	23,532,236	–	–	–	–	23,532,236
Transfers from TCGPI	29,920,625	374,848,832	228,809,685	–	130,124,852	–	763,703,994
Disposals and write offs	(8,692,582)	(124,569,493)	–	(265,172)	(8,310,262)	–	(141,837,509)
Balances at end of year	59,008,062	851,200,459	278,271,150	208,715,154	176,540,155	–	1,573,734,980
Accumulated Impairment Loss:							
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net Book Values	₱22,115,504	₱435,367,148	₱28,960,324	₱87,252,140	₱43,570,675	₱218,264,482	₱835,530,273

	2011						
	Buildings and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in-Progress	Total
Cost:							
Balances at beginning of year	₱29,105,621	₱437,892,351	₱29,243,547	₱374,111,739	₱30,831,653	₱45,274,918	₱946,459,829
Additions	–	152,574,730	26,746,032	–	40,315,400	138,314,738	357,950,900
Change in estimate of provision for mine rehabilitation (Note 15)	(457,810)	–	–	–	–	–	(457,810)
Reclassification/transfer	–	2,115,183	(1,538,502)	–	(576,681)	–	–
Reclassifications from (to) construction in-progress	18,629,448	26,997,551	–	46,104,040	–	(91,731,039)	–
Reclassification to deferred exploration and mine development cost (Note 9)	–	–	–	–	–	(2,371,044)	(2,371,044)
Reclassification from other noncurrent assets (Note 11)	–	32,692,569	–	–	–	–	32,692,569
Reclassification from inventory	–	–	5,854,106	–	–	–	5,854,106
Transfer from TCGPI	–	5,724,928	–	–	–	–	5,724,928
Disposals and write offs	(54,317)	(12,333,298)	–	–	–	(13,145,024)	(25,532,639)
Balances at end of year	47,222,942	645,664,014	60,305,183	420,215,779	70,570,372	76,342,549	1,320,320,839
Accumulated Depreciation and Amortization:							
Balances at beginning of year	10,264,167	280,592,819	23,387,783	169,402,377	13,172,920	–	496,820,066
Depreciation	11,824,764	123,150,377	5,821,028	19,303,823	13,770,053	–	173,870,045
Reclassification/transfer	–	202,962	(170,927)	–	(32,035)	–	–
Reclassification from other noncurrent assets (Note 11)	–	32,692,569	–	–	–	–	32,692,569
Disposal write off	–	(10,031,083)	–	–	–	–	(10,031,083)
Balances at end of year	22,088,931	426,607,644	29,037,884	188,706,200	26,910,938	–	693,351,597
Accumulated Impairment Loss:							
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net Book Values	₱25,007,974	₱215,737,626	₱31,267,299	₱72,280,149	₱43,659,434	₱76,342,549	₱464,295,031

The cost of fully depreciated property, plant and equipment that is still in use amounted to ₱1.36 billion and ₱402.74 million as at December 31, 2012 and 2011, respectively.

9. Deferred Exploration and Mine Development Costs

	2012	2011
Exploration costs:		
Balances at beginning of year	**₱258,089,262**	₱71,818,450
Additions	**218,404,190**	186,270,812
Balances at end of year	**476,493,452**	258,089,262
Development costs:		
Balances at beginning of year	**272,066,943**	90,062,001
Additions	**217,024,350**	220,832,843
Transfer from property, plant and equipment (Note 8)	**–**	2,371,044
Reclassification to mine and mining properties (Note 10)	**–**	(4,002,663)
Write off (Note 20)	**–**	(37,196,282)
Balances at end of year	**489,091,293**	272,066,943
	₱965,584,745	₱530,156,205

Deferred exploration costs consist of expenditures related to the exploration of additional veins discovered within the area. These costs include fees incurred in finalizing service contract for the development of the mines, advance payments made by the Company to local cooperatives and other direct costs related to explorations.

10. Mine and Mining Properties

	2012		
	Mine and Mining Properties	**Mine Rehabilitation Asset**	**Total**
Cost:			
Balances at beginning of year	**₱1,275,339,534**	**₱54,786,374**	**₱1,330,125,908**
Effect of change in estimate (Note 15)	**–**	**11,904,004**	**11,904,004**
Balances at end of year	**1,275,339,534**	**66,690,378**	**1,342,029,912**
Accumulated depletion:			
Balances at beginning of year	**539,375,522**	**16,296,922**	**555,672,444**
Depletion (Note 21)	**117,560,534**	**6,592,580**	**124,153,114**
Balances at end of year	**656,936,056**	**22,889,502**	**679,825,558**
Net book values	**₱618,403,478**	**₱43,800,876**	**₱662,204,354**

	2011		
	Mine and Mining Properties	Mine Rehabilitation Asset	Total
Cost:			
Balances at beginning of year	₱1,276,383,216	₱71,055,224	₱1,347,438,440
Transfer from mine development costs (Note 9)	4,002,663	–	4,002,663
Reclassification	(5,046,345)	5,046,345	–
Effect of change in estimate	–	(17,114,128)	(17,114,128)
Adjustment	–	(4,201,067)	(4,201,067)
Balances at end of year	1,275,339,534	54,786,374	1,330,125,908
Accumulated depletion:			
Balances at beginning of year	335,607,713	4,479,204	340,086,917
Depletion for the year (Note 21)	203,767,809	11,817,718	215,585,527
Balances at end of year	539,375,522	16,296,922	555,672,444
Net book values	₱735,964,012	₱38,489,452	₱774,453,464

Upon commencement of commercial operations on July 1, 2011 of the Bibak vein, the Company transferred accumulated mine development costs, including provision for reforestation costs, amounting to ₱4.00 million to mine and mining properties (see Note 9).

11. Other Noncurrent Assets

	2012	2011
Intangible and idle assets	**₱33,361,151**	₱26,769,115
Deposits	**16,401,354**	15,009,000
Mine rehabilitation fund (Note 10)	**5,150,000**	5,150,000
National transmission lines	**2,949,236**	2,949,236
	₱57,861,741	₱49,877,351

Intangible assets consist of software licenses and other licenses. Idle assets pertain to unused property such as furniture and fixture that is no longer in use. These idle properties may be transferred to property, plant and equipment once determined usable by the Company.

Movement of intangible assets for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Cost:		
Balances at beginning of year	**₱74,726,006**	₱84,966,450
Additions	**6,934,095**	22,452,125
Transfers from TCGPI	**73,657,086**	–
Reclassification to property, plant and equipment (Note 8)	**(30,741,574)**	(32,692,569)
Disposals	**(30,721,404)**	–
Balances at end of year	**93,854,209**	74,726,006
Accumulated amortization:		
Balances at beginning of year	**47,956,891**	76,572,162
Amortization (Note 21)	**27,280,648**	4,077,298
Transfers from TCGPI	**39,509,159**	–
Reclassification to property, plant and equipment (Note 8)	**(23,532,236)**	(32,692,569)
Disposals	**(30,721,404)**	–
Balances at end of year	**60,493,058**	47,956,891
Net book values	**₱33,361,151**	₱26,769,115

Deposits, which pertain to security deposits on leases of equipment, will be recovered through offsetting against final usage billings from lessors.

As at December 31, 2012 and 2011, the Company maintains contingent liability rehabilitation funds consisting of monitoring trust, rehabilitation cash, and environmental trust totaling ₱5.15 million in both years as provided in its agreements entered into with the provincial government and Mines and Geosciences Bureau (MGB). The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, pollution control, slope stabilization and integrated community development projects. These funds do not meet the features provided under Philippine Interpretation - IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*.

12. Trade and Other Payables

	2012	2011
Trade:		
Third parties	**₱413,270,762**	₱123,193,411
TCGPI (Note 13)	–	383,684,277
Accrued liabilities	**185,144,284**	107,733,963
Payable to government agencies	**12,573,115**	19,934,789
Payable to employees	**11,300,709**	13,454,191
Retentions	**8,962,403**	6,758,628
Others	**6,248,643**	–
	₱637,499,916	₱654,759,259

Trade payables and accrued liabilities and others are noninterest-bearing. Trade payables are payable on demand while accrued liabilities are generally settled in thirty (30) to sixty (60) days terms.

Included in accrued liabilities are penalties amounting to ₱33.77 million and nil as at December 31, 2012 and 2011, respectively, related to a final assessment from the Philippine Bureau of Internal Revenue (BIR) on its 2009 income tax return.

Payable to government agencies are normally remitted to various regulatory bodies within ten (10) days from the close of each taxable month.

Payable to employees pertain to accrued leave benefits that are monetized and given to employees upon separation from the Company, and unclaimed salaries and wages as of reporting date.

Retention payable pertains to withheld payment of service or product incurred pending the completion of some specified condition such as successful construction and installation of equipment. Settlement may vary depending on the remaining estimated time to complete the condition. Retention payable is noninterest-bearing.

13. Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its stockholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

In the normal course of business, transactions with related parties consist mainly of rendering of professional services, rentals, unsecured noninterest-bearing, short-term cash advances for working capital requirements of the Company, which are due and demandable.

Category	Year	Volume/Amount	Outstanding Balance	Terms	Conditions
Ultimate parent					
ASVI					
Advances to a related party	**2012** 2011	**₱34,738,559** ₱–	**₱34,738,559** ₱–	Payable on demand, noninterest-bearing	Unsecured, no impairment, not guaranteed
	2012		**₱34,738,559**		
	2011		₱–		
Advances from stockholders and related parties	**2012** 2011	**₱–** ₱–	**₱–** ₱62,349,865	Payable on demand, noninterest-bearing	Unsecured, not guaranteed
Stockholder					
MGL					
Advances from stockholders and related parties	**2012** 2011	– –	**668,090,429** 680,837,984	Payable on demand, noninterest-bearing	Unsecured, not guaranteed

(Forward)

Category	Year	Volume/Amount	Outstanding Balance	Terms	Conditions
MCGC					
Advances from stockholders and related parties	**2012**	**₱151,332,703**	**₱169,124,638**	Payable on demand, noninterest-Bearing	Unsecured, not guaranteed
	2011	₱–	₱12,701,610		
Under common control					
TCGPI					
Advances from stockholders and related parties	**2012**	–	–	Payable on demand, noninterest-bearing	Unsecured, not guaranteed
	2011	–	99,158,396		
	2012		**₱837,215,067**		
	2011		₱855,047,855		
Under common control					
TCGPI					
Trade payable (Note 12)	**2012**	**₱–**	**₱–**	Payable on demand, noninterest-bearing	Unsecured, not guaranteed
	2011	₱305,785,905	₱383,684,277		
	2012		**₱–**		
	2011		₱383,684,277		
Under common control					
TCGPI					
Rent expense	**2012**	**₱–**	**₱–**	Payable on demand, noninterest-bearing	Unsecured, not guaranteed
	2011	₱305,785,905	₱305,785,905		
	2012		**₱–**		
	2011		₱305,785,905		

a. Advances to and from ASVI, which are noninterest-bearing and has no fixed repayment date, pertain to payment by the Company on behalf of ASVI for operational expenditure incurred during the year, as well as payment of prior year liabilities of the Company to ASVI relating to working capital advances made prior to commercial operation.
b. Advances from MGL and MCGC, which are noninterest-bearing and has no fixed repayment date, pertain to advances for working capital requirements of the Company, as well as assumed related party liabilities of TCGPI to MGL and MCGC as a result of the business combination.
c. Related party transactions of the Company with TCGPI pertain to rent and trade payables as a result of the MOA, and advances for working capital requirements in previous years.

On January 31, 2008, a memorandum of agreement (MOA) was entered into by the Company and TCGPI wherein the latter will cease milling operations and lease related assets to the former for a consideration equivalent to 15% of proceeds received from the Company's sale of ore, gold and silver bullion and its by-products. Consequently, approximately 422 employees were transferred from TCGPI to the Company without any break in the length of service that these employees earned while working for TCGPI. Rent expense recognized in 2012, 2011 and 2010 pertaining to the MOA amounted to nil, ₱305.79 million and ₱244.97 million, respectively.

As at December 31, 2011, the agreement is deemed effective until cancelled by both parties. The Merger, as discussed in Note 1, resulted in the automatic cancellation of the MOA as at January 1, 2012, the effective date of the Merger, as only one party to the MOA will survive the business combination.

On July 20, 2012, MGL and MCGC each entered into a Deed of Assignment with the Company for the assignment and conversion of the Company's debt to both related parties to equity amounting to ₱320.81 million and ₱164.09 million, respectively, in exchange for the issuance of ₱72.91 million Class "B" shares and ₱37.29 million Class "A" shares, respectively, which were approved by the BOD of all parties. The documents necessary for the approval of the debt-to-equity transaction were submitted to the SEC on March 15, 2013, and have not yet been approved as at March 21, 2013.

The Company considered as key management personnel all employees holding managerial positions up to the President. There were no stock options or other long-term benefits for key management personnel in 2012, 2011 and 2010. The following are the components of compensation of the Company's key management personnel in 2012, 2011 and 2010:

	2012	2011	2010
Salaries and short-term benefits	**₱68,709,410**	₱66,517,542	₱38,837,557
Post-retirement benefits	**3,767,928**	4,109,405	2,409,528
	₱72,477,338	₱70,626,947	₱41,247,085

14. Retirement Benefits

The Company has a funded, noncontributory defined benefit retirement plan covering all qualified officers and employees.

The following tables summarize the components of retirement benefits costs recognized in the Company's statements of comprehensive income and the accrued retirement benefits recognized in the Company's statements of financial position.

Retirement Benefits Cost

	2012	2011	2010
Current service cost	**₱10,129,224**	₱9,343,755	₱8,724,439
Interest cost	**3,105,861**	2,872,832	1,430,027
Expected return on plan assets	**(693,790)**	(659,929)	–
Amortization of actuarial gain	–	–	(243,039)
Net transition obligation recognized during the year	–	128,270	128,271
	₱12,541,295	₱11,684,928	₱10,039,698

Accrued Retirement Benefits

	2012	2011
Balance at beginning of year	**₱31,313,497**	₱19,628,569
Retirement benefits cost	**12,541,295**	11,684,928
Effect of the Merger	**65,137**	–
Balance at end of year	**₱43,919,929**	₱31,313,497

Changes in the present value of the defined benefits obligation are as follows:

	2012	2011
Present value of obligation at beginning of year	**₱44,496,569**	₱35,643,079
Current service cost	**10,129,224**	9,343,755
Interest cost	**3,105,861**	2,872,832
Actuarial loss (gain) due to:		
Changes in assumption	**2,328,445**	(1,560,741)
Experience adjustments	**7,816,275**	(1,802,356)
Effect of the Merger	**190,452**	–
Present value of obligation at end of year	**₱68,066,826**	₱44,496,569

Changes in the fair value of plan assets are as follows:

	2012	2011
Fair value of plan assets at beginning of year	**₱13,813,147**	₱13,198,572
Expected return on plan assets	**693,790**	659,929
Actuarial loss (gain) due to experience adjustments	**46,518**	(45,354)
Effect of the Merger	**125,315**	–
Fair value of plan assets at end of year	**₱14,678,770**	₱13,813,147

Actual return on plan assets in 2012, 2011 and 2010 amounted to ₱0.74 million, ₱0.61 million and ₱0.76 million, respectively.

Amounts for the current and previous years are as follows:

	2012	2011	2010	2009	2008
Present value of defined benefit obligation	**₱68,066,826**	₱44,496,569	₱35,643,079	₱15,836,402	₱21,508,157
Fair value of plan assets	**14,678,770**	13,813,147	13,198,572	–	–
Unfunded status of defined benefit obligation	**53,388,056**	30,683,422	22,444,507	15,836,402	21,508,157
Actuarial gain (loss) on experience adjustments on:					
Defined benefit obligation	**(7,816,275)**	1,802,356	2,430,346	7,934,049	(16,593,223)
Plan assets	**(46,518)**	45,354	762,553	–	–

The principal assumptions used in determining retirement obligations for the Company's plan for the years ended December 31, 2012, 2011and 2010 are shown below:

	2012	2011	2010
Discount rate	**6.62%**	6.98%	8.06%
Expected return on plan assets	**5.00%**	5.00%	5.00%
Future salary increase rate	**5.00%**	5.00%	5.00%

The Company's retirement fund is being held by a trustee bank. The carrying amount and fair value of the retirement fund amounted to ₱14.14 million and ₱14.83 million, respectively, as at December 31, 2012, and ₱13.48 million and ₱14.08 million, respectively, as at December 31, 2011.

The retirement fund consists of investments in government securities, cash and short-term deposits, and unquoted equity securities which accounts for 72.42%, 19.01% and 10.61%, respectively, of the retirement fund.

The Company made no contributions to the fund in 2012 and 2011. There were no transactions made between the Company and the retirement fund in both years.

15. Provision for Mine Rehabilitation and Decommissioning

	2012	2011
Balance at beginning of year	**₱66,811,963**	₱80,296,912
Accretion (Note 20)	**3,571,775**	4,086,989
Effect of change in estimate (Notes 8 and 10)	**12,406,715**	(17,571,938)
Balance at end of year	**₱82,790,453**	₱66,811,963

The Company makes a full provision for the future cost of rehabilitation of the plant and other future costs on a discounted basis. Provision for mine rehabilitation and decommissioning represents the present value of future rehabilitation and other costs, based on the approved final mine rehabilitation and decommissioning plan (FMRDP). The FMRDP was approved by the MGB on August 9, 2010. These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

16. Capital Stock

Capital Stock

As at December 31, 2012 and 2011, authorized capital stock consists of:

	Shares	Amount
Class "A" - ₱1 par value per share	1,680,000,000	₱1,680,000,000
Class "B" - ₱1 par value per share	1,120,000,000	1,120,000,000
	2,800,000,000	₱2,800,000,000

Only Filipino citizens or entities with at least 60% Filipino equity are qualified to acquire, own, or hold Class "A" shares. Class "B" shares, on the other hand, may be acquired by Filipinos and non-Filipinos.

Movement in the subscribed, issued and outstanding capital is as follows:

	2012					
	Class A		Class B		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Issued and subscribed shares at January 1, 2012	875,653,756	₱875,653,756	515,537,971	₱515,537,971	1,391,191,727	₱1,391,191,727
Less: subscription receivable	144,004	144,004	92,068	92,068	236,072	236,072
Total issued and subscribed at January 1, 2012	875,509,752	875,509,752	515,445,903	515,445,903	1,390,955,655	1,390,955,655
Issued during the year	150,000,000	150,000,000	48,048,864	48,048,864	198,048,864	198,048,864
Issuance of capital stock to effect the Merger	45,336,463	45,336,463	30,224,308	30,224,308	75,560,771	75,560,771
Issued shares at December 31, 2012	1,070,846,215	₱1,070,846,215	593,719,075	₱593,719,075	1,664,565,290	₱1,664,565,290

	2011					
	Class A		Class B		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Issued and subscribed shares at January 1, 2011	802,316,131	₱802,316,131	515,537,971	₱515,537,971	1,317,854,102	₱1,317,854,102
Less: subscription receivable	144,004	144,004	92,068	92,068	236,072	236,072
Total issued and subscribed at January 1, 2011	802,172,127	802,172,127	515,445,903	515,445,903	1,317,618,030	1,317,618,030
Issued during the year	73,337,625	73,337,625	–	–	73,337,625	73,337,625
Issued shares at December 31, 2011	875,509,752	₱875,509,752	515,445,903	₱515,445,903	1,390,955,655	₱1,390,955,655

Details of the most recent capital stock transactions of the Company are as follows:

a. On October 13, 2010, the SEC approved the Company's application for the increase of its authorized capital stock from ₱800 million, divided into 480 million Class "A"; 320 million Class "B" shares both with par value of ₱1.00 each, to ₱2.80 billion, divided into 1.68 billion Class "A" shares; 1.12 billion Class "B" shares both with par value of ₱1.00 each. Of the increase in capital stock, the amount of ₱560.94 million consisting of 560.94 million common shares was fully subscribed and paid for on the same date as follows:

   - Conversion of Company's advances from MCGC in the amount of ₱1.26 billion, in exchange for 341.14 million Class "A" shares with a par value of ₱1.00 per share, at an issue value of ₱3.70 per share.
   - Conversion of Company's advances from MGL in the amount of ₱813.26 million, in exchange for 219.80 million Class "B" shares with a par value of ₱1.00 per share at an issue value of ₱3.70 per share.

b. On November 14, 2011, MOREI had acquired a minority stake in the Company by purchasing 73.34 million Class "A" shares equivalent to 5% of the total outstanding capital stock of the Company for United States dollars (US$) 6 million or its equivalent of ₱256.61 million. MOREI purchased. The proceeds will be used by the Company for its capital expenditures for its mine and mill to start exploration drilling program of its Maco prophyry copper-gold tenement.

c. On January 26, 2012, 75.56 million shares divided into 45.34 million Class "A" shares and 30.22 million Class "B" shares were issued to MCGC and MGL, respectively, to effect the Merger between the Company and TCGPI.

d. On July 13, 2012, the Company received subscriptions from the following:

- MOREI for the purchase of additional 120.00 million Class "A" shares for a total subscription amount of US$12.00 million or ₱528.00 million. The additional subscription increased MOREI's ownership in the Company to 11.61%.
- MGL acquired additional 48.05 million Class "B" shares for a total subscription amount of US$5.00 million or ₱208.96 million. MGL's stake in the Company after both issuances changed to 30.62%.
- Third party investors for the purchase of 30.00 million Class "A" shares for a total subscription amount of ₱132.00 million.

Movement in the APIC is as follows:

	2012	2011
Balance at beginning of year	**₱1,665,701,307**	₱1,503,380,955
APIC from stock issuances during the year	**924,915,126**	183,273,855
Transaction costs of stock issuances	**(28,954,467)**	(20,953,503)
Balance at end of year	**₱2,561,661,966**	₱1,665,701,307

17. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net loss attributable to stockholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

Estimation of earnings (loss) per share for the three years ended December 31. 2012, 2011 and 2010 are as follows:

	2012	2011	2010
Net income (loss) shown in the statements of comprehensive income	**₱56,817,880**	(₱39,786,453)	(₱120,642,737)
Weighted average number of common shares for basic earnings (loss) per share	**1,551,228,163**	1,330,077,040	896,916,135
Effect of dilution from debt-to-equity conversion	**45,918,086**	–	–
Weighted average number of common shares adjusted for the effect of dilution	**1,597,146,249**	1,330,077,040	896,916,135
Basic earnings (loss) per share	**₱0.04**	(₱0.03)	(₱0.13)
Diluted earnings (loss) per share	**₱0.04**	(₱0.03)	(₱0.13)

18. Cost of Sales

	2012	2011	2010
Mine and milling costs (Note 6)	**₱489,650,737**	₱517,427,219	₱289,060,055
Depreciation, depletion and amortization (Note 21)	**350,437,240**	352,330,784	295,429,893
Personnel costs (Note 22)	**114,436,974**	110,561,293	124,719,255
Utilities	**110,281,739**	99,223,590	94,749,784
Rent (Notes 13)	**53,939,385**	372,774,027	264,610,714
Marketing	**17,322,468**	22,623,095	14,820,473
Contracted services	**4,998,995**	8,119,357	10,222,435
Repairs and maintenance	**4,172,954**	4,718,968	10,880,722
Others	**54,270,286**	26,365,685	27,370,997
	₱1,199,510,778	₱1,514,144,018	₱1,131,864,328

19. General and Administrative Expenses

	2012	2011	2010
Personnel costs (Note 22)	**₱165,113,759**	₱129,440,942	₱109,455,357
Depreciation and amortization (Note 21)	**63,973,169**	57,581,067	133,342,564
Penalties	**33,766,428**	–	30,000,000
Contracted services	**40,360,137**	42,250,571	23,887,604
Rent	**38,439,472**	30,604,307	22,699,249
Excise tax	**36,285,010**	37,475,699	33,903,123
Materials and supplies	**35,305,845**	49,036,585	42,332,211
Taxes, licenses and permits	**34,310,395**	30,366,235	16,631,719
Insurance	**19,281,252**	7,151,799	1,509,627
Surface rights	**18,193,216**	25,594,468	31,064,602
Royalties	**18,173,216**	20,652,617	25,200,961
Professional fees	**16,458,675**	29,279,628	38,657,930
Donations and contributions	**14,304,783**	1,537,552	4,553,959
Representation and entertainment	**10,367,093**	6,780,453	4,331,976
Employee activities	**7,345,429**	5,420,475	4,073,360
Transportation and accommodation	**6,486,543**	7,039,777	4,221,573
Utilities	**3,061,062**	5,116,587	3,566,819
Repairs and maintenance	**1,350,889**	1,054,170	3,627,787
Others	**32,436,911**	22,864,519	28,160,132
	₱595,013,284	₱509,247,451	₱561,220,553

Royalties pertain to expenses incurred for payments made to Indigenous People near its mining tenements. Other expenses pertain to community development expenses, freight and handling, donations, bank charges and miscellaneous expenses.

20. Other Income (Charges)

	2012	2011	2010
Foreign exchange gains - net	**₱31,532,844**	₱3,476,353	₱65,203,465
Interest income (Note 4)	**2,422,908**	356,756	66,488
Loss on disposal of property, plant and equipment	**(6,117,866)**	–	–
Loss on write off of:			
Property, plant and equipment	**(5,446,023)**	–	(250,894)
Input VAT (Note 7)	–	(72,972,527)	–
Deferred exploration and mine development cost (Note 9)	–	(37,196,282)	–
Inventory (Note 6)	–	(96,089)	(2,121,425)
Interest and accretion expense (Note 15)	**(3,803,784)**	(4,086,989)	(1,994,965)
Gain from extinguishment of liability	–	6,058,789	–
	₱18,588,079	(₱104,459,989)	₱60,902,669

In 2011, the Company, with approval from the BOD, reversed certain liabilities incurred in 2008 resulting to a gain.

21. Depreciation, Depletion and Amortization

	2012	2011	2010
Property, plant and equipment (Note 8)	**₱262,976,647**	₱190,249,026	₱197,335,311
Mine and mining properties (Note 10)	**124,153,114**	215,585,527	187,115,394
Other noncurrent assets (Note 11)	**27,280,648**	4,077,298	44,321,752
	₱414,410,409	₱409,911,851	₱428,772,457

The amounts were distributed as follows:

	2012	2011	2010
Cost of sales (Note 18)	**₱350,437,240**	₱352,330,784	₱295,429,893
General and administrative expenses (Note 19)	**63,973,169**	57,581,067	133,342,564
	₱414,410,409	₱409,911,851	₱428,772,457

22. Personnel Costs

	2012	2011	2010
Salaries and wages	**₱174,815,763**	₱156,307,271	₱157,976,502
Other employee benefits	**92,193,675**	72,010,036	66,158,412
Retirement benefits cost (Note 14)	**12,541,295**	11,684,928	10,039,698
	₱279,550,733	₱240,002,235	₱234,174,612

The amounts were distributed as follows:

	2012	2011	2010
Cost of sales (Note 18)	**₱114,436,974**	110,561,293	124,719,255
General and administrative expenses (Note 19)	**165,113,759**	129,440,942	109,455,357
	₱279,550,733	₱240,002,235	₱234,174,612

23. Income Tax

There is no current provision for income tax for the years ended December 31, 2012 and 2011 due to the Company's ITH incentives (see Note 1).

Reconciliation between the benefit from (provision for) income tax computed at the statutory income tax rate and the provision for (benefit from) deferred income tax as shown in the statements of comprehensive income follows:

	2012	2011	2010
Benefit from (provision for) income tax computed at statutory income tax rate	**(₱12,415,674)**	₱26,783,628	₱25,665,678
Add (deduct) tax effects of:			
Operating income (loss) under ITH	**28,437,597**	53,584,080	(41,880,680)
Benefit from write off of deferred income tax liability from TCGPI	**17,206,365**	–	–
Various nondeductible expenses	**(13,129,928)**	(865,636)	(10,595,364)
Expired NOLCO	**(4,252,858)**	–	–
Changes in unrecognized deferred income tax assets	**(1,140,075)**	(189,628)	(51,223,631)
Interest income subjected to final tax	**726,872**	107,027	19,947
Write off of input VAT, deferred exploration and mine development costs, and inventory	–	(33,079,470)	–
Capitalized development cost	–	3,152,305	42,923,573
Benefit from (provision for) income tax	**₱15,432,299**	₱49,492,306	(₱35,090,477)

Details of deductible temporary differences, unused tax credit and losses as at December 31, 2012 and 2011, for which no deferred income tax assets were recognized in the Company's statement of financial position are as follows:

	2012	2011
NOLCO	**₱153,586,259**	₱167,762,451
Allowance for impairment of property, plant and equipment	**162,674,211**	162,674,211
Accrued retirement benefit	**43,919,929**	31,313,497
Provisions for:		
Mine rehabilitation and decommissioning	**31,519,777**	27,948,003
Inventory losses and obsolescence	**15,172,592**	15,172,592
Unrealized foreign exchange losses	**12,201,571**	7,240,127
Allowance for doubtful accounts	**2,329,870**	2,329,870
Past service cost contribution	**–**	3,163,206
	₱421,404,209	₱417,603,957

Total deferred income tax assets not recognized for the years ended December 31, 2012 and 2011 arising from future deductible temporary differences amounted to ₱126.42 million and ₱125.28 million, respectively.

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors including the Company's ability to generate taxable income within the allowed carryover period and determining whether realization of these deferred income tax assets will fall within the ITH period. The Company's management has considered these factors in not recognizing deferred income tax assets for these temporary difference and unused tax losses and credits.

The Company's deferred income tax liabilities as at December 31, 2012 and 2011 are as follows:

	2012	2011
Revaluation surplus on property, plant and equipment	**₱23,893,622**	₱34,506,384
Unrealized foreign exchange gain	**13,876,001**	1,489,173
	₱37,769,623	₱35,995,557

The Merger resulted in the recognition of deferred income tax liability from TCGPI in the amount of ₱17.21 million in 2012. Management believes that the temporary difference will no longer reverse because the related party advances to which the temporary difference relate to was eliminated in the combination process. The Company has reversed the deferred income tax liability in the same year that resulted in the recognition of a benefit from income tax of the same amount.

The Company has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Expiration	**2012**	2011
2012	2015	**₱–**	₱–
2011	2014	**10,507,684**	10,507,684
2010	2013	**143,078,575**	143,078,575
2009	2012	**–**	14,176,192
		₱153,586,259	₱167,762,451

The movements of NOLCO are as follows:

	2012	2011
Balances at beginning of year	**₱167,762,451**	₱622,477,247
Additions	**–**	10,507,684
Expirations	**(14,176,192)**	(465,222,480)
Balances at end of year	**₱153,586,259**	₱167,762,451

The Company did not avail of the Optional Standard Deduction in 2012 and 2011.

24. Financial Risk Management Objectives and Policies and Capital Management

Financial Risk Management Objectives and Policies
The Company's main financial instruments are cash and cash equivalents and receivables. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Company. The Company has various other financial instruments, such as trade and other payables, which arise directly from its operations, advances to a related party and advances from stockholders and related parties.

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

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity periods or due to adverse market conditions.

The Company has a concentration of credit risk on its trade receivables, included as part of receivables, as it has only one (1) customer purchasing its gold and silver bullion under a Sale-Purchase Contract. However, management believes that credit risk on trade receivables is not significant as the Company's gold and silver bullion are considered a highly traded commodity that has a readily available market.

The maximum exposure to credit risk of the Company's financial assets (cash in banks, cash equivalents, trade receivables, other receivables, and advances to a related party), without taking into account any collateral and other credit enhancements, as at December 31, 2012 and 2011 is equal to the carrying amount of these financial instruments as illustrated in Note 25.

Aging analysis of the Company's financial assets classified as loans and receivables as at December 31, 2012 and 2011 are as follows:

	December 31, 2012				
		Neither past due nor	Past due but not impaired		
	Total	impaired	1-30 Days	31-60 Days	Over 60 Days
Cash and cash equivalents					
Cash on hand and in banks	**₱12,923,378**	**₱12,923,378**	**₱–**	**₱–**	**₱–**
Cash equivalents	**40,000,000**	**40,000,000**	**–**	**–**	**–**
Receivables					
Trade receivables	**370,090,931**	**370,090,931**	**–**	**–**	**–**
Others	**570,810**	**27,814**	**23,907**	**40,960**	**478,129**
Advances to a related party	**34,738,559**	**34,738,559**	**–**	**–**	**–**
	₱458,323,678	**₱457,780,682**	**₱23,907**	**₱40,960**	**₱478,129**

	December 31, 2011				
		Neither past due nor	Past due but not impaired		
	Total	impaired	1-30 Days	31-60 Days	Over 60 Days
Cash and cash equivalents					
Cash on hand and in banks	₱53,550,286	₱53,550,286	₱–	₱–	₱–
Cash equivalents	–	–	–	–	–
Receivables					
Trade receivables	328,863,296	328,863,296	–	–	–
Others	840,048	49,292	129,797	245,245	415,714
Advances to a related party	–	–	–	–	–
	₱383,253,630	₱382,462,874	₱129,797	₱245,245	₱415,714

The credit quality of financial assets is managed by the Company using internal credit ratings and is classified into three (3): High grade, which has no history of default; Standard grade, which pertains to accounts with history of one (1) or two (2) defaults; and substandard grade, which pertains to accounts with history of at least three (3) payment defaults.

Accordingly, the Company has assessed the credit quality of the following financial assets that are neither past due nor impaired:

a. Cash on hand and in banks, and cash equivalents were assessed as high grade since these are deposited in reputable banks, which have a low probability of insolvency.
b. Trade receivables and advances to a related party were assessed as high grade since these have a high probability of collection and currently have no history of default.
c. Advances to others receivables are operational in nature and were assessed as standard grade as they have a history of default.

Liquidity Risk

Liquidity risk arises when there is shortage of funds and the Company, as a consequence, would not meet its maturing obligations. The Company manages its liquidity based on business needs, tax, capital or regulatory considerations, if applicable, in order to maintain flexibility.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and receivables. The Company considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Company's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2012 and 2011 based on contractual undiscounted payments.

2012	On demand	Less than three months	Three to 12 months	Total
Trade and other payables				
Trade	**₱413,270,762**	**₱–**	**₱–**	**₱413,270,762**
Accrued liabilities	**–**	**185,144,284**	**–**	**185,144,284**
Payable to employees	**–**	**11,300,708**	**–**	**11,300,708**
Retentions	**–**	**–**	**8,962,403**	**8,962,403**
Others	**–**	**–**	**6,248,643**	**6,248,643**
Advances from stockholders and related parties	**837,215,067**	**–**	**–**	**837,215,067**
	₱1,250,485,829	**₱196,444,992**	**₱15,211,046**	**₱1,462,141,867**

2011	On demand	Less than three months	Three to 12 months	Total
Trade and other payables				
Trade	₱506,877,688	₱–	₱–	₱506,877,688
Accrued liabilities	–	107,733,963	–	107,733,963
Payable to employees	–	13,454,191	–	13,454,191
Retentions	–	–	6,758,628	6,758,628
Others	–	–	–	–
Advances from stockholders and related parties	855,047,855	–	–	855,047,855
	₱1,361,925,543	₱121,188,154	₱6,758,628	₱1,489,872,325

The table below summarizes the maturity profile of the Company's financial assets used to manage liquidity risk of the Company as at December 31, 2012 and 2011.

2012	On demand	Less than three months	Three to 12 months	Total
Cash and cash equivalents				
Cash on hand and in banks	**₱12,923,378**	**₱–**	**₱–**	**₱12,923,378**
Cash equivalents	**–**	**40,000,000**	**–**	**40,000,000**
Receivables				
Trade receivables	**370,090,931**	**–**	**–**	**370,090,931**
Others	**–**	**570,810**	**–**	**570,810**
Advances to a related party	**34,738,559**	**–**	**–**	**34,738,559**
	₱417,752,868	**₱40,570,810**	**₱–**	**₱458,323,678**

2011	On demand	Less than three months	Three to 12 months	Total
Cash and cash equivalents				
Cash on hand and in banks	₱53,550,286	₱–	₱–	₱53,550,286
Cash equivalents	–	–	–	–
Receivables				
Trade receivables	328,863,296	–	–	328,863,296
Others	–	840,048	–	840,048
Advances to a related party	–	–	–	–
	₱382,413,582	₱840,048	₱–	₱383,253,630

Foreign Currency Risk

The Company is exposed to currency risk arising from the effect of fluctuations in foreign currency exchange rates mainly on its foreign currency-denominated financial instruments. Foreign currency exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company has transactional currency exposures arising from its purchases in US$. To minimize its foreign currency risk, the Company normally requires its purchases from suppliers to be denominated in its functional currency to eliminate or reduce the currency exposures. The Company does not enter into forward currency contracts.

The Company's foreign currency-denominated financial instruments as at December 31, 2012 and 2011 are as follows:

	2012		2011	
	US$	**Php**	US$	Php
Financial Assets				
Cash	**$128,130**	**₱5,259,737**	$116,698	₱5,116,040
Trade receivables	**9,015,613**	**370,090,931**	7,501,444	328,863,305
Advances to a related party	**846,250**	**34,738,559**	–	–
	9,989,993	**410,089,227**	7,618,142	333,979,345
Financial Liability				
Advances from stockholders and affiliates	**16,275,041**	**668,090,429**	16,734,473	733,639,296
Net financial liability	**$6,285,048**	**₱258,001,202**	$9,116,331	₱399,659,951

As at December 31, 2012 and 2011, the exchange rate of the Philippine peso to US$1.00 was ₱41.05 and ₱43.84, respectively.

The sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2012 and 2011 are as follows:

		Change in foreign exchange rates	Effect in income (loss) before tax
US$	**2012**	**+0.70**	**(₱4,399,534)**
		-0.80	**5,028,038**
	2011	+0.80	(₱7,293,065)
		-0.70	6,381,432

There is no other impact on the Company's equity other than those already affecting the statement of comprehensive income.

Capital Management

The primary objective in capital management is to maintain a strong credit rating in order to support its business, maximize stockholder value, comply with capital restrictions and requirements as imposed by regulatory bodies, including limitations on ownership over the Company's different types of shares, requisites for actual listing and trading of additional shares, if any, and required minimum debt to base equity ratio in order for the Company to continuously benefit from tax and other incentives provided by its registration with BOI. Moreover, the Company continually aims to protect the investing public through transparency and implementation of adequate measures in order to address the accumulated deficit. Capital pertains to equity, excluding reserve from revaluation of property, plant and equipment, and advances from stockholders and related parties.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2012 and 2011. As at December 31, 2012 and 2011, the Company met its capital management objectives.

The Company considers the following as its core economic capital:

	2012	2011
Capital stock	**₱1,664,565,290**	₱1,390,955,655
APIC	**2,561,661,966**	1,665,701,307
Deficit	**(1,885,888,324)**	(1,967,469,314)
	2,340,338,932	1,089,187,648
Advances from stockholders and related parties	**837,215,067**	855,047,855
	₱3,177,553,999	₱1,944,235,503

The Company has no externally imposed capital requirements.

25. Financial Assets and Liabilities

Fair Value Information and Categories of Financial Instruments

Set out below is a comparison by category and class of carrying values and fair values of all of the Company's financial instruments as at December 31, 2012 and 2011.

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables				
Cash and cash equivalents				
Cash on hand and in banks	**₱12,923,378**	₱53,550,286	**₱12,923,378**	₱53,550,286
Cash equivalents	**40,000,000**	–	**40,000,000**	–
Receivables				
Trade receivables	**370,090,931**	328,863,296	**370,090,931**	328,863,296
Others	**570,810**	840,048	**570,810**	840,048
Advances to a related party	**34,738,559**	–	**34,738,559**	–
	₱458,323,678	₱383,253,630	**₱458,323,678**	₱383,253,630
Financial Liabilities				
Loans and borrowings				
Trade and other payables				
Trade	**₱413,270,762**	₱506,877,688	**₱413,270,762**	₱506,877,688
Accrued liabilities	**185,144,284**	107,733,963	**185,144,284**	107,733,963
Payable to employees	**11,300,708**	13,454,191	**11,300,708**	13,454,191
Retentions	**8,962,403**	6,758,628	**8,962,403**	6,758,628
Others	**6,248,643**	–	**6,248,643**	–
Advances from stockholders and related parties	**837,215,067**	855,047,855	**837,215,067**	855,047,855
	₱1,462,141,867	₱1,489,872,325	**₱1,462,141,867**	₱1,489,872,325

Cash on Hand and in Banks, Cash Equivalents, Trade Receivables, Other Receivable, Advances to a Related Party, Trade Payables, Accrued Liabilities, Payable to Employees, Retention Payable, Other Payables, and Advances from Stockholders and Related Parties

The carrying amount of cash and cash equivalents approximates their fair value due to the short-term nature and maturity of these financial instruments.

26. Contingencies

The Company has two (2) MPSA applications pending approval by the MGB. These claims are subject of dispute with another mining company, namely, North Davao Mining Corporation (NDMC) and are pending resolution under the Regional Panel of Arbitrators (the Panel). The Company has filed an Adverse Claim/Protest against the other mining company with the MGB regional office.

On September 4, 1998, the Panel issued a decision dismissing the adverse claim of the Company. On July 21, 2006, the Company's legal counsel filed a motion for reconsideration and on July 28, 2006, the Panel issued an Order requiring the other mining company to file its comment/opposition to the motion filed by the Company. On March 31, 2007, the Panel conducted a clarificatory hearing between both parties. On June 29, 2007, the case was subject to appellate proceedings by the Mines Adjudication Board (MAB). On October 28, 2009, the MAB issued a decision in the case declaring NDMC preferential rights over the cluster.
On December 28, 2009, the Company filed a "Motion for reconsideration" which was acknowledged by MAB on September 14, 2010. As at December 31, 2012 and March 21, 2013, the Company and NDMC are still currently engaged in settlement negotiations.

27. Notes to Statements of Cash Flows

The Company had the following non-cash transactions investing and financing activities in 2012, 2011 and 2010 which were considered in the preparation of the statements of cash flows as follows:

	2012	2011	2010
Addition (reduction) to mine and mining properties pertaining to capitalized mine rehabilitation cost	**₱11,904,004**	(₱17,114,128)	₱59,654,966
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation cost	**502,711**	(457,810)	261,288
Debt-to-equity conversion	**–**	–	2,060,092,405

28. Supplementary Information Required by Revenue Regulations Nos. 19-2011 and 15-2010

Supplementary Information Required by Revenue Regulations (RR) No. 19-2011
On December 9, 2011, the BIR has issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011 and years thereafter. In the case of corporation using BIR form 1702, the taxpayer is now required to include, as part of its notes to the audited financial statements, which will be attached to the income tax return, schedules and information on taxable income and deductions taken.

The Company filed and claimed the following income and expenses as itemized deductions in their annual income tax return for the year:

a. Exempt sales, revenues, receipts and fees for the year ended December 31, 2012 consist of net sales of gold and silver amounting to ₱1,817,321,564 earned during the ITH period.

b. Deductible cost of sales for the year ended December 31, 2012 consist of:

Mine and milling costs	₱489,650,737
Depreciation, depletion and amortization	350,437,240
Utilities	110,281,739
Personnel costs	108,803,999
Rent	53,939,385
Marketing	17,322,468
Contracted services	4,998,995
Repairs and maintenance	4,172,954
Others	18,894,413
	₱1,158,501,930

c. Non-operating and other income for the year ended December 31, 2012 consist of realized foreign exchange gains in prior year realized in current year amounting to ₱4,963,910.

d. Itemized deductions for the year ended December 31, 2012 consist of:

Personnel costs	₱158,140,302
Depreciation and amortization	63,973,169
Contracted services	40,360,137
Rent	38,439,472
Excise tax	36,285,010
Materials and supplies	35,305,845
Taxes, licenses and permits	34,310,395
Insurance	19,281,252
Surface rights	18,193,216
Royalties	18,173,216
Professional fees	16,458,675
Donations and contributions	14,304,783
Loss on write off and disposal of property, plant and equipment	11,563,889
Representation and entertainment	10,367,093
Realized foreign exchange losses	9,759,048
Employee activities	7,345,429
Transportation and accommodation	6,486,543
Past service costs	3,163,206
Utilities	3,061,062
Interest	2,844,152
Repairs and maintenance	1,350,889
Others	22,436,913
	₱571,603,696

d. Operating income with ITH in 2012 amounted to ₱92,179,848.

Supplementary Information Required by RR 15-2010

On November 25, 2010, the BIR issued RR 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and license fees paid or accrued during the calendar year.

The Company reported and/or paid the following types of taxes in 2012:

a. Output VAT

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. In accordance with Republic Act 9337, the Company's sales are subject to zero-rated output VAT. In 2012, the Company declared zero-rated VAT sales, which arise from one hundred percent (100%) export sales of gold and silver bullion, amounting to ₱1,817,321,564, pursuant to BOI certification received by the Company as a new producer of gold, silver bullion, copper concentrates with gold, silver, zinc and lead values on a non-pioneer status.

b. Input VAT

The Company's input VAT came from prior years and current year purchases as follows:

Balance at January 1, 2012	₱53,699,432
Add current year's domestic purchases/payments for:	
Capital goods subject to amortization	1,138,137
Goods and services	8,736,648
Balance at December 31, 2012	₱63,574,217

c. Importations

The total landed cost of imports and the amount of custom duties and tariff fees paid and accrued for the year ended December 31, 2012 follows:

Landed cost of imports	₱345,313,302
Amount paid for customs duties and tariff fees	6,962,065
	₱352,275,367

d. Excise tax

Excise taxes for the year ended December 31, 2012 resulting from the sales of gold and silver amounted to ₱36,285,010, of which, ₱1,418,928 were accrued at December 31, 2012.

e. Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2012 pertaining to the issuance of additional Company shares of stocks certificates amounted to ₱1,536,779.

f. Other taxes and licenses

All other local and national taxes paid for the year ended December 31, 2012 consist of:

Municipal taxes	₱23,953,214
Real property tax	2,479,324
Mayor's permit	1,670,556
Community tax	21,000
Others	4,727,086
	₱32,851,180

The above local and national taxes are lodged under taxes, licenses and permits account in general and administrative expenses in the statement of comprehensive income.

g. Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2012 consist of:

	Paid	Accrued	Total
Expanded withholding tax	₱21,872,848	₱915,955	₱22,788,803
Withholding tax on compensation	22,628,168	4,433,832	27,062,000
Final withholding tax	5,949,778	645,743	6,595,521
	₱50,450,794	₱5,995,530	₱56,446,324

h. Tax assessments

The Company accrued deficiency tax and penalties on withholding taxes and excise taxes amounting to ₱33,766,428 in 2012.

i. Tax cases

The Company has no outstanding tax cases in any other court or bodies outside of the BIR as at December 31, 2012.

SGV & Co
Ernst & Young

SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Apex Mining Co., Inc.
Unit 1704, 17th Floor, Prestige Tower Condominium
F. Ortigas Jr. Road, Ortigas Center
Pasig City

We have examined the financial statements of Apex Mining Co., Inc. for the year ended December 31, 2012, on which we have rendered the attached report dated March 21, 2013.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has a total number of 2,535 stockholders owning one hundred (100) or more shares each.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669674, January 2, 2013, Makati City

March 21, 2013

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 17 2013
EXCISE LT REGULATORY DIVISION

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SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
Apex Mining Co., Inc.
Unit 1704, 17th Floor, Prestige Tower Condominium
F. Ortigas Jr. Road, Ortigas Center
Pasig City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Apex Mining Co., Inc. as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Form 17-A and have issued our report thereon dated March 21, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules is the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
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March 21, 2013

APEX MINING CO., INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2012

SCHEDULE I

APEX MINING CO., INC.

TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS

PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2012

List of Philippine Financial Reporting Standards (PFRSs) effective as at December 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		✓	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Underlying Assets			
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits		✓	
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		✓	
PAS 19 (Amended)	Employee Benefits		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

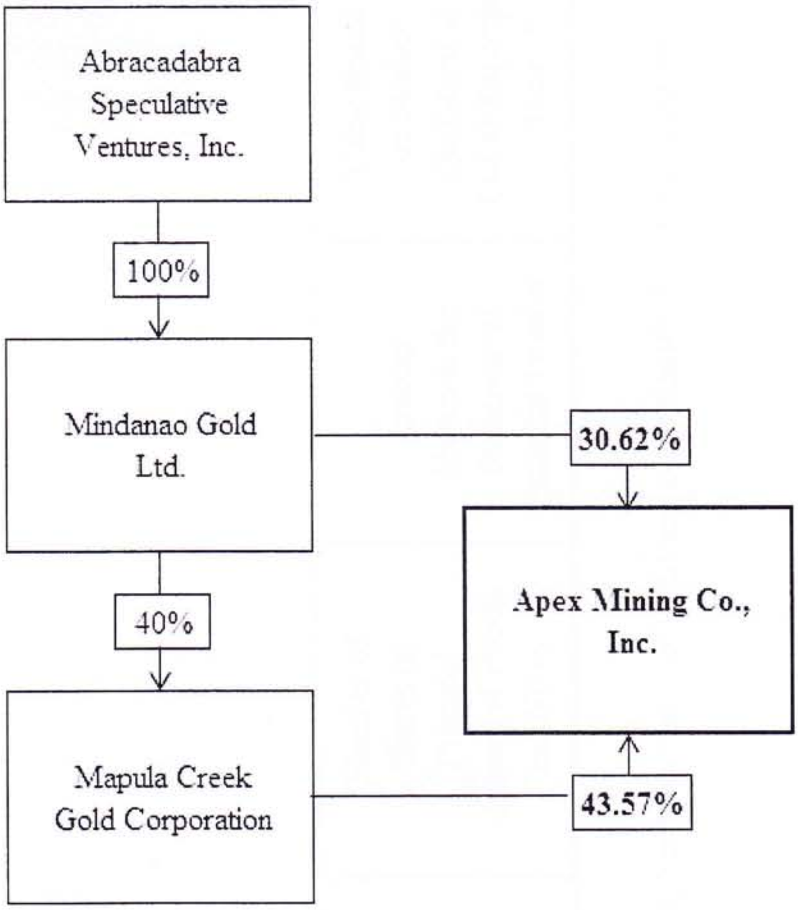
SCHEDULE II

APEX MINING CO., INC.

A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES

PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2012



SCHEDULE III
APEX MINING CO., INC.
REQUIRED SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2012

APEX MINING CO., INC.
Schedule A. Financial Assets
December 31, 2012

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued

The Company has no securities, bonds and notes of an issuing entity classified as financial assets.

APEX MINING CO., INC.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)

For the Year Ended December 31, 2012

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Non Current	Ending Balance
			Amount Collected	Amount Written-Off			

There are no receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders other than subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business, and eliminated in consolidation.

APEX MINING CO., INC.
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidated Financial Statements
For the Year Ended December 31, 2012

Name of Subsidiary	Balance at January 1, 2011	Additions	Amounts Collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated

The Company does not prepare consolidated financial statements. All of the amounts receivable from related parties are disclosed in Note 13.

APEX MINING CO., INC.

Schedule D. Intangible Assets - **Other Assets**

For the Year Ended December 31, 2012

Description	Beginning Balance	Additions At Cost	Deductions: Charged to Costs and Expenses	Deductions: Charged to Other Accounts	Other Changes- Additions (Deductions)	Ending Balance
Deferred exploration costs*	₱ 272,066,943	₱ 217,024,350	₱ -	₱ -	₱ -	₱ 489,091,293
Intangible assets**	26,769,115	6,934,095	12,804,958			20,898,252
	₱ 298,836,058	₱ 223,958,445	₱ 12,804,958	₱ -	₱ -	₱ 509,989,545

*Disclosed in Note 9 as part of Deferred exploration and mine development costs.

**Disclosed in Note 11 as part of Other noncurrent assets.

APEX MINING CO., INC.
Schedule E. Long-term Debt
December 31, 2012

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
The Company has no long-term debt.				

APEX MINING CO., INC.

Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)

December 31, 2012

Name of Related Party	Beginning Balance	Ending Balance
The Company has no long-term indebtedness to related parties.		

APEX MINING CO., INC.

Schedule G. Guarantees of Securities of Other Issuers

December 31, 2012

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee

The Company has no guarantees of securities of other issuing entities.

APEX MINING CO., INC.

Schedule H. Capital Stock

December 31, 2012

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By: Related Parties	Number of Shares Held By: Directors, Officers and Employees	Number of Shares Held By: Others
Class A	1,680,000,000	1,070,846,215	-	725,201,190	2,003	345,643,022
Class B	1,120,000,000	593,719,075	-	509,608,703	1,998	84,108,374
	2,800,000,000	1,664,565,290		1,234,809,893	4,001	429,751,396

Remarks:

As disclosed in Note 16, significant stock transactions of the Company during the year are as follows:

a. Issuance of 45.34 million Class A shares and 30.22 million Class B shares to Mapula Creek Gold Corporation and Mindanao Gold Ltd. (MGL), respectively, to effect the Merger between the Company and Teresa Crew Gold (Philippines), Inc.

b. Issuance of 48.05 million Class B shares to MGL for additional subscriptions during the year.

c. Issuance of 150.00 million shares to third-party investors for subscriptions during the year.