APEX MINING CO., INC.

May 2, 2011

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, 2010.

Very truly yours,

ROSANNA A. PARICA
Corporate Information Officer

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	**SEC Form 17-A**	0 6	3 0
Month	Day	FORM TYPE	Month	Day

Fiscal Year

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

ck ink for scanning purposes

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

1. For the calendar year ended **December 31, 2010**

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	**800,116,953**
Class B	**515,532,610**

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 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, Davao.

On October 13, 2010, the SEC approved the increase in capital stock of the Company from P800.00 million consisting of 800.00 million common shares, divided into 480.00 Class "A" shares and 320.00 million Class "B" shares, with a par value of P1.00 each to P2.80 billion consisting of 2.80 billion common shares divided into 1.68 billion Class "A" shares and 1.12 billion Class "B" shares, with a par value of P1.00 each.

Of the increase in capital stock of P2.00 billion consisting of 2.00 billion common shares divided into 1.20 billion Class "A" shares and 800.00 million Class "B" shares, the amount of P560.94 million consisting of 560.94 million common shares was fully subscribed and paid for as follows:

- Conversion of Company's advances from Mapula in the amount of P1.26 billion, in exchange for 341.14 billion Class "A" shares with a par value of P1.00 per share, at an issue value of P3.70 per shares or an aggregate issue value of P1.26 billion.

- Conversion of Company's advances from Mindanao Gold in the amount of P813.26 million, in exchange for 219.80 million Class "B" shares with a par value ofP1.00 per share at an issue value of P3.70 per share or an aggregate issue value of P813.26 million.

Share premium resulting from restructuring amounted to P1.50 billion, net of P15.40 million professional fees and other incidental costs incurred in relation to the transaction.

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 sales revenues for the year 2010 were from gold bullion shipments made to Metalor.

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, 2010 consists of 769 full-time regular employees, as follows:

Operations	545
Finance(Accounting and Treasury)	20
Administration	365
Pasig Corporate Head Office	4
Total	**934**

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.

Pending Applications for Mineral Production Sharing Agreements (MPSA)

1) APSA 000099-XI – This was reactivated in 2010 but the Mines Geosciences Bureau (MGB) has included this application in their cleansing program and an Order of Denial was issued to the Company in February 2011. Presently, the Company filed a Motion for Reconsideration/Appeal with MGB as the management saw justifiable reasons for the delays in processing.

2) APSA 000249-XI – This was also reactivated in 2010 and processing of application is currently on-going with the MGB. This has an area of 353.453 hectares in Maragusan, Compostela Valley.

3) APSA 000165-XI – This application has an area of 2,799.61 located in Barangays Manurigao, Santa Fe, San Pedro, Municipality of Caraga, Province of Davao Oriental. This was reactivated in 2010 also and processing is still on-going with the MGB.

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 can not be determined until the specific implementing guidelines are known.

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 strategy for 2010 was (i) to improve the geological knowledge of the project area to aid identification of priority targets for exploration and to increase resource predictability; (ii) to confirm and verify the extensions of the known producing ore zones in the mine and (iii) to delineate with greater confidence of the previously reported inferred resource blocks.

Apex embarked on ridge-and-soil sampling of the western portion of the tenement, where Sagaysagay veins and copper deposits such as Mapula and Kurayao are located, and on the Bonanza North area to test for the extension of the Bonanza vein. Surface geological mapping in conjunction with this sampling discovered several vein outcrops, including the New Year vein.

A total of 1230 soil samples were collected in 2010, of which 437 samples were from the Mapula-Sagaysagay area and 793 from the Bonanza North area. In Bonanza North, the Au grades obtained rangedup to 4.90 g/t Au, averaging 0.30g/t Au. Cu grades up to 0.12% Cu, averaging 0.01% Cu, were returned. For Mapula-Sagaysagay samples, Au grades ranged up to 8.68 g/t Au at an average of 0.37 g/t Au, with a peak Cu value of 0.79% Cu at an average of 0.04% Cu. Soil sampling results associated with the previously identified copper deposit included values in the range 0.2 g/t Au to 5 g/t Au.

Using one underground rig and one surface rig to verify the vein extensions in the mine area, a total of 34 drillholes were completed for 3,872m. Several probe holes were drilled on veins such as Don Calixto, Kasapa, Masarita and Sandy, while definition drilling tested the north extension of the Bonanza vein. The most significant intercept was the BNZ-10-01 intersection at 165.68 g/t Au over 2.10 m drilled width, identifying a Bonanza extension at about 490m elevation.

Underground drilling focused on testing the extensions of veins in the active mine areas particularly on the Masara, Masarita, Bibak and Bonanza veins. Two underground holes to verify the Sandy vein in Malumon Gap were also drilled. However, technical problems with the rig caused the early termination of these holes.
Mechanized trenching tested the Sandy vein and its split in Malumon. A total of 541 tonnes at 2.97 g/t Au was extracted. Trenching also returned an average grade of 4.0 g/t Au from the Kasapa vein. Bulk sampling was also conducted in the St. Francis and Don Joaquin areas.

Plans for 2011

The exploration program for 2011 will continue on two fronts. First, the drill testing of near-mine targets will be accelerated. Second, the defining of high tonnage porphyry-style targets will be intensified in the western part of the licensed area. Staff levels have been increased in both areas. An additional surface rig and two underground rigs are now engaged in near-mine drill testing bringing to five the total number of rigs operating for the Company. A goal of 1,500m per month has been set.

Drilling in mine production areas will be given the highest priority until there is high confidence in Resource models and an optimum strategy for mine development. Priority areas for immediate mine exploration are the extensions of the Bonanza vein, both to the north and at depth, and the Bibak and Masara veins. As the year advances, the Sandy vein, with a focus on its eastern extension, Maria Inez veins and the Malumon area will be tested. The drilling program will be dynamic and will be subject for review as deemed necessary. In the 2nd half of 2011, exploration in the Don Fernando-Don Joaquin area will also be considered.

Significant effort is still being given to the continued validation and verification of data and the digitizing of all data gathered. Reinterpretation of veins using digital wireframes will be undertaken as new results from drilling are gathered. Wireframing of veins and the Gems resource model is expected to be completed in the 2nd half of the year.

In the western area, being explored for porphyry style mineralization, detailed geological mapping and soil sampling will be priority activities early in 2011. Soil sampling will be completed on the remaining ridges and spurs to be tested along the Maligaya-Malumon corridor and, where appropriate, infill sampling will be undertaken. Insights gained from mapping and the soil geochemical data will define areas for trench excavation and sampling to fully define drill targets in preparation for drill testing in the final quarter of 2011.

Geological interpretation and modeling of the mine and western exploration areas are regarded as essential frameworks to all activities in 2011. Historically, geological activities have virtually been exclusively production driven. The urgent need to modernize geological targeting methodologies will be addressed in 2011. The benefits of this will be many. The known ore veins will be better defined and understood, resulting in i) improved vectoring of Resource extensions, ii) an optimum strategy for mine development, iii) greater confidence will be given to Resource estimates and iv) the chance of early discovery of new vein systems will be increased. Porphyry exploration will become ever more focused as the style and location of the intrusive bodies for priority targeting emerges.

MINE

Development

A total of 6,733 meters of development was achieved in the year 2010, fifty-seven (57%) percent or 3,863 meters were in waste development and 43% or 2,870 meters were advanced in ore drives. The achieved development meterage was higher than the 4,266 meters attained in 2009.

Maligaya

Main development consisted primarily of continuing the main declines to access the lower extensions of the Bonanza vein in Ramp #1 and the Masara, including the HW Split, veins in ramp #2 - all in the Maligaya mining area.

During the year, ore development consisted of completion of ore drives at Masara on level 545 and continued the L530 towards the east. Exploratory drives on-vein in the Bibak zone on both L530 and L560 showed a pinch and swell narrow deposit with some economical values. Probe raises on-vein were also driven to confirm the gold values along the dip of the vein. Encouraging results confirmed the decision to block mineable reserves for mining by driving a series of raises spaced strategically, to be used eventually for shrinkage stoping. Underground Diamond drilling using Kempe drills and a LM 55 RIG was initiated to drill ahead of drifting to verify and guide the ore drive development.

Priority infrastructure development completed in 2010 was the connection of the L530 drainage drive to Masarita tunnel for gravity drainage. The said drainage was able to extend towards Ramp #2 position to integrate the drainage system that contributed to reducing the costly pumping up to level 590 portal. Other infrastructure development included the excavation of dewatering sumps for pumping and the provision of raises for ventilation purpose, regrading and improvement of the L530 Masarita drainage and the furnishing of 530 Arkbro raise for ventilation and secondary access.

Sandy

In the Malumon area, main development of the decline was pursued below L815 for the development of the Main Sandy vein and the Sandy Split veins. L800 and L785 were established where secondary development is in progress. The decline to L770 and below continues advanced to eventually intercept the sandy vein at the lower levels.

Ore drifting at Sandy vein continued on L815 and reached the eastern boundary limit. The ore drives in the main Sandy vein towards the western limit were also driven on Levels 800 and 785 and showed encouraging assay results. These drives will further continue to block additional reserves for mining.

The decline to access the Maria Inez vein further south of the Sandy vein was developed from L800 of the existing Sandy main decline ramp to target the identified good grade ore shoot of Maria Inez vein at level 785. An additional development crosscut at Level 830 to access the Jessie vein, that was previously intercepted by underground drilling, was completed and started drifting the vein towards the east until it was decided to be stopped for further geologic evaluation. It was envisaged that the development of these additional vein systems would replace the reserves being mined at Bonanza and Sandy.

ORE PRODUCTION

Ore production attained in 2010 amounted to 214,650 metric tons with an average mined grade of 5.20 g/t Au compared to the 148,417 tons with a grade of 5.88 g/t produced in 2009. This translates to an average of 17,642 metric tons per month or an average of 588 tonnes per day.

Sixty-five percent (65%) of this tonnage came from the combined long hole stopes and conventional handheld stoping from both Maligaya and Sandy and the remaining thirty-five (35%) aggregated from the ore drives.

Below is the comparative table showing the distribution of the development meters advanced and ore produced for the year 2010 against the budget.

MINE PRODUCTION			
		TOTAL	
Mining	*Unit*	**Budget**	**Attained**
Total Hauled to Surface	*t*	197,690	214,650
Grade, Au	*g/t*	5.5	5.2
Rate for the Month	*t/d*	542	588
Ore Delivered to Mill	*t*	197,690	188,310
Grade, Au	*g/t*	5.5	5.4
Ore Development			
Headings	*No.*	9	8
Advance	*m*	3768	2870
Grade	*g/t*	5.6	5.0
Hauled to Surface	*t*	66,365	69,845
Waste Development			
Headings	*No.*	15	13
Advance	*m*	6119	3863
Stope Production			
Stopes	*No.*	8	8
Grade	*g/t*	5.5	5.4
Hauled to Surface	*t*	131,326	140,130

Plans for 2011

Underground ore production is planned at a steady rate of 700 tons per day ore at an average grade of 4.52 g/t Au. To satisfy the optimum mill throughput of 640 tons per day, only the ore produced from underground with 4.0 g/t Au assay will be sent direct to the mill whilst the marginal ore below 4 g/t Au will be stockpiled at the Coarse ore stockpile. This will enhance the delivered grade to the mill to 5.09 g/t Au.

Bonanzaand Sandy veins have been the focus of recent development work by Apex and will be the primary source of stoping ore. Stope production will be by longhole method and by conventional shrinkage stoping in the narrower vein systems. The ore production schedule is based on the latest resource update carried out by Apex in 2009 and represents a major increase in resource by adding a deeper extension to the Bonanza/Maligaya and Sandy veins, as well as the Maria Inez vein system.
The use of handheld equipment will be extensively utilized for underground blast hole drilling in the narrow vein ore drives while the Jumbos will be concentrated on decline development and cross cuts to minimize dilution in ore drives and fast track development of decline and sublevel access crosscuts.

Capital UG development for 2011 covers the main access declines below L515 in the Maligaya/Bonanza zone and the below L800 in the Sandy vein systems. One major capital development earmarked for 2011 is the decline and access crosscut to the Maria Inez vein at L785. This will enable blocking out of more ore resources to sustain the 700 tons per day mill feed requirement.

2010 Review – Mill Production Data

Period	Tonnes Milled	Tonnes per Day	Grade, g/t		% Recovery		Metal Produced (oz)	
			Au	Ag	Au	Ag	Au	Ag
1Q 2010	42,076	468	4.69	30.41	83.32%	61.61%	5,355	25,905
2Q 2010	46,826	515	5.27	29.13	85.75%	59.55%	6,657	25,504
3Q 2010	47,435	516	4.76	30.16	84.39%	55.83%	6,177	26,410
4Q 2010	56,249	625	4.93	32.79	84.55%	59.95%	7,470	35,188
2010	192,586	528	4.92	30.73	84.53%	59.20%	25,659	113,007
2009	151,320	415	5.09	32.69	83.52%	50.12%	20,727	79,968

Table 1. 2010 vs. 2009 Mill Production Data

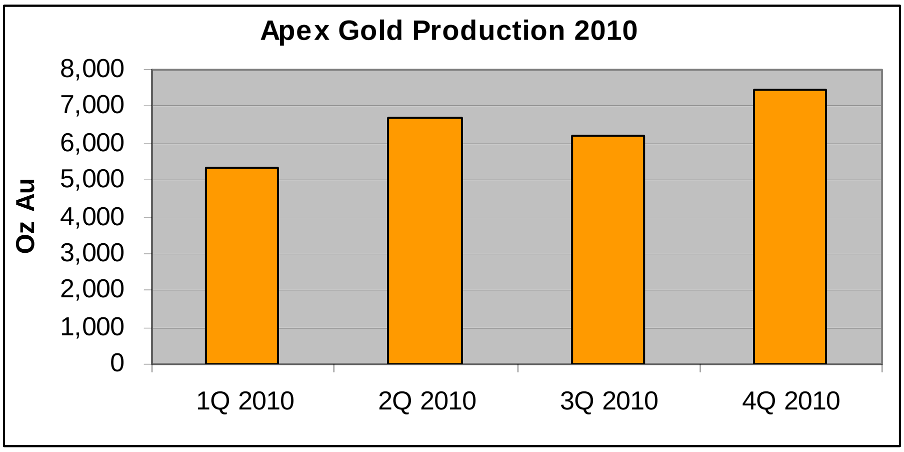


Figure 1. Gold Production 2010

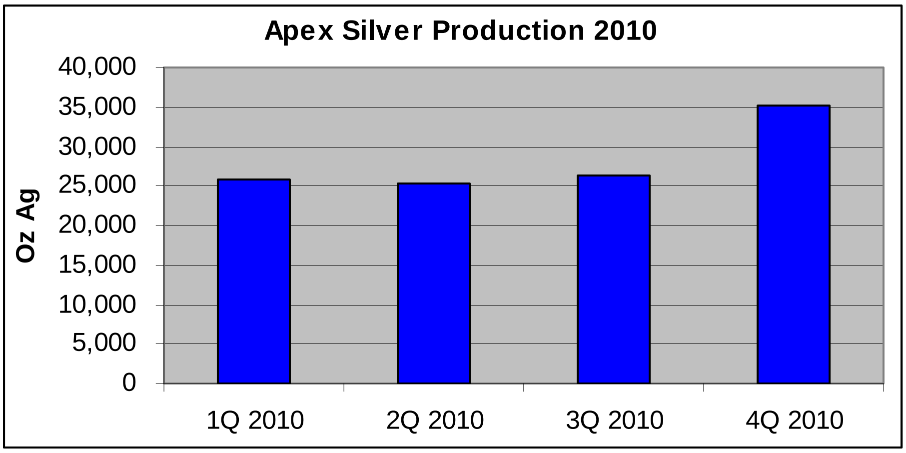


Figure 2. Silver Production 2010

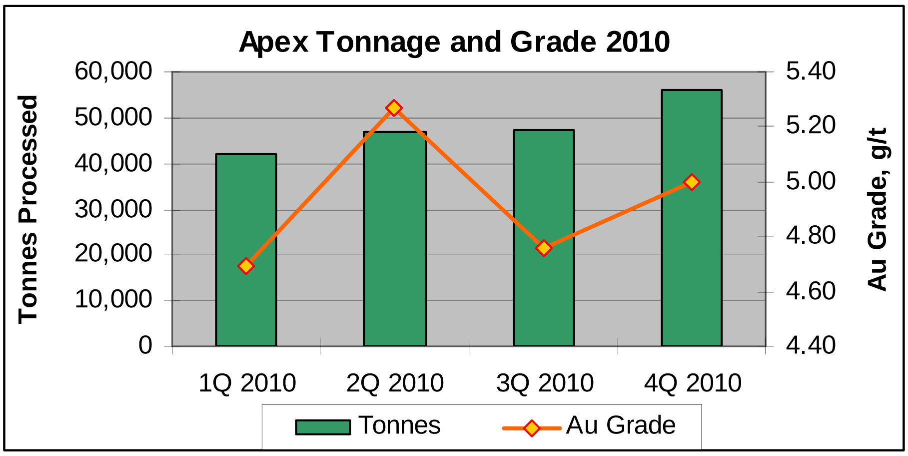


Figure 3. Tonnage and Au Grade 2010

Gold recovery and metal produced slightly decreased for 3Q 3010 in comparison to 2Q 2010 and 3Q 2009 due to lower head grades experienced during September. 4Q sawthe commissioning ofnewly converted CIL tanks with an accompanying increase in throughput. Adding to the plant expansion mode are: the oxygen generator and sparging systems which are designed to increase recovery and optimize reagent consumption. Also several upgrading projects will be simultaneously undertaken to anticipate the expected increase of milling throughput.

In 2010, the highest production was attained in the 4th quarter of 2010 at 56,249 total tonnes milled producing a total of 7,470 oz Au and 35,188 oz Ag. This was brought about by the 4 new leach tanks which had been commissioned during the latter part of September 2010. Before the completion of the new tanks, the Carbon-In-Leach (CIL) section was the bottleneck, limiting the Milling operation to an average of 500-550 tonnes per day (tpd). In the 4th quarter, average tonnage reached 625 tpd.

Several upgrading projects for a sustainable 700 tpd operation will be operational in 2011, including: oxygen generator and spargers for CIL tanks, tailings line number 4, upgrading of slime circuit at the Crushing and Grinding sections and 2 additional leach tanks.

CORPORATE SOCIAL RESPONSIBILITY

Administration

The Company continued to provide its employees improved benefits during the year. It revised and improved its existing in-house medical scheme by increasing the maximum benefit limits for inpatient cases, removing internal limits, and including all acknowledged children. The medicine allowance used to purchase outside medicines, on top of the free medicines provided by the Company likewise increased to P3,000, P4,000 and P5,000 per year for its rank & file, supervisory and managerial employees respectively. Management also approved the coverage of its employees under a group term life insurance in lieu of its existing in-house death benefits. With all these in place, Apex employees are relieved of financial burden in times of unwanted illnesses and death.

As an incentive scheme, it distributed a rice bonus to its employees, both regular and contractual, for improved production performance in May and June. Employees received as much as two cavans of rice a month, enough to feed the family for 2 months. The rice bonus was subsequently converted into cash effective July 1 to give the employees more freedom of where to use the "fruits of their labour."

As the company moved forward to achieve its Vision, more technical and professional skills were needed to supplement those of local residents, neighbouring regions and contractors.

The new cash bonus scheme, was implemented Company-wide effective July 2010. With a relatively good production, cash bonuses totaling were distributed among all employees in the months of July and August. For the month of September, however, production was low due to relatively low grade and thus, no bonus was distributed. Employees again received cash bonuses during the last 3 months of the year attaining an additional 22% of basic salary in December.

With the intention of filling a shortfall of manpower in various departments, particularly in the Mine Operations and Mine Services, Apex hired an additional 118 employees during the year From 816 employees as of end of December 2009 to 934 employees as at December. 31, 2010. Contractors' personnel likewise increased due to the various projects implemented within the quarter, all designed to improve the mine's operations, facilities and performance.

The workforce and management relationship remained harmonious throughout 2010. It was characterized by trust, openness and constant communication, with the number of employees' representatives doubling from four to eight. In October the employees elected two (2) representatives per work area from Maligaya, L-870 and the Mill and one (1) representative each from the Engineering Services and the Admin./General Support Group. The elected Employees' representatives regularly met on a monthly basis with Management representatives where they raised issues and concerns, primarily on safety and health, as well as other labor and human resource - related matters.

The 4th quarter of the year, likewise, proved to be a productive period for the Company. The good production performance for the fourth quarter accorded the employees monthly cash bonuses averaging at 16%, 19% and 22% of the employees' basic pay for October to December, respectively.

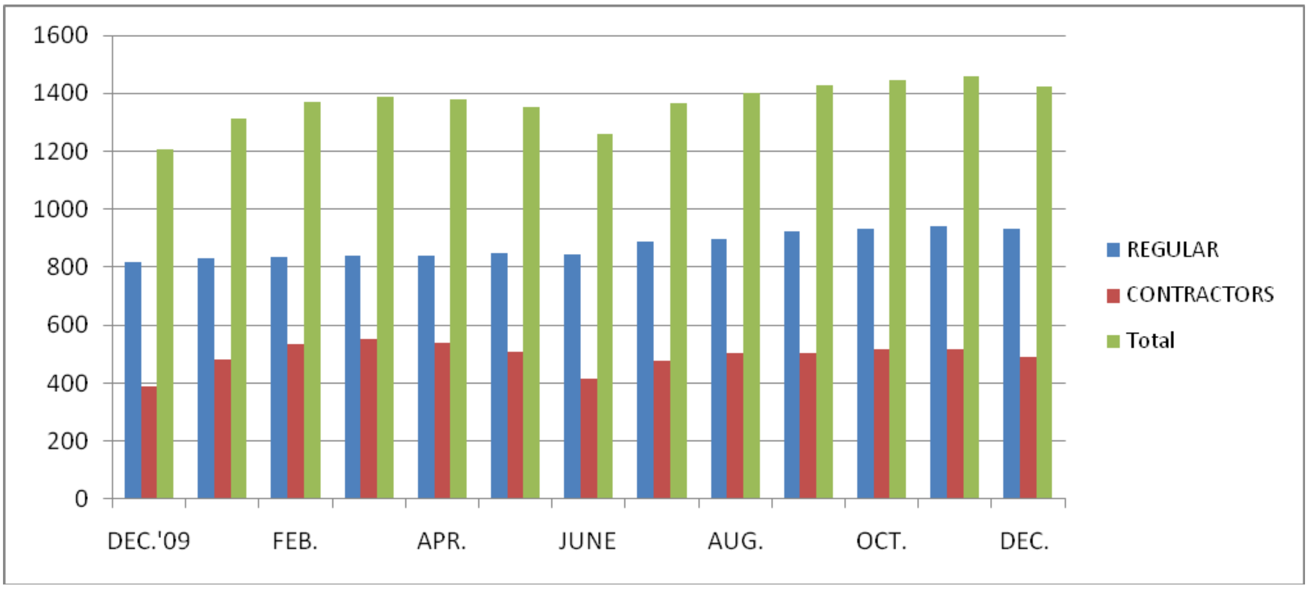
The Christmas holidays was indeed a joyful season, with the Company calendar, Vision mug, and Noche Buena packages for everyone, on top of their monthly production bonus, 2nd half of their 13th month pay and the cash converted unused sick leave credits.

Company sports festival and Christmas activities ended the year for our employees in a joyous mood.

The following figures show the growth in both the total manpower, including contractors, and the regular Company employees.

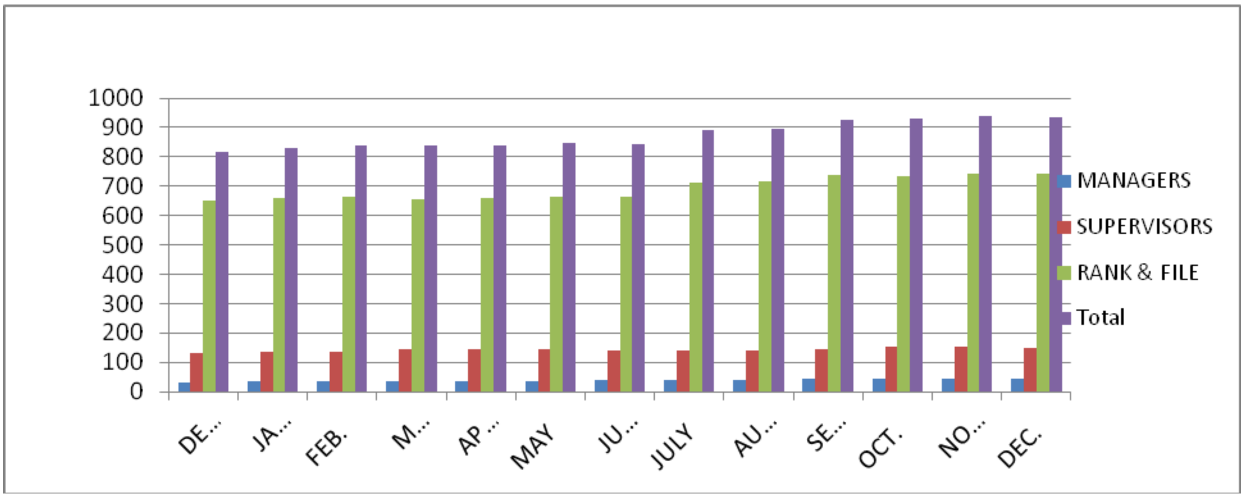
A. BY EMPLOYMENT CATEGORY

	DEC.'09	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
REGULAR	816	832	837	839	840	847	844	890	897	924	932	940	**934**
CONTRACTORS	390	481	534	551	541	506	417	477	504	502	515	517	**488**
Total	**1206**	**1313**	**1371**	**1390**	**1381**	**1353**	**1261**	**1367**	**1401**	**1426**	**1447**	**1457**	**1422**



B. BY JOB CATEGORY (regular employees)

	DEC'09	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
MANAGERS	32	36	37	37	37	37	38	40	41	43	**44**	**44**	**44**
SUPERVISORS	132	137	138	145	143	144	142	139	140	143	**152**	**152**	**148**
RANK & FILE	652	659	662	657	660	666	664	711	716	738	**736**	**744**	**742**
Total	**816**	832	837	839	840	847	844	890	897	924	**932**	**940**	**934**



Environmental Management

Apex Mining Co., Inc. fully supported the government program on reforestation. For the CY-2010 the Central Nursery of the company has produced 244,000 seedlings of various tree plantation species, fruit trees, bamboo, etc. and planted about 5.55 hectares in open and denuded areas with corresponding 3,292 seedlings planted. Protection and maintenance on 97.18 hectares tree plantation was conducted. As part of vegetative measures, wattling structures using kakawate and wild sunflower was established on soil erosion prone areas to prevent further erosion. The company has also established a clonal garden for rubber trees and has plans to distribute the seedlings to the community.

The company provided 36,908 seedlings assistance as part of the upland development program of the DENR, LGU and to the adjacent Barangays. The company maintained the rehabilitation of the two (2) Adopted Mangrove Projects at Barangay Bucana, Maco and Barangay Bongabong, Pantukan, Compostela Valley in support to the environmental protection at the coastal area. The company signed a MOA on Adop-A-River Program with the Barangay Council of Barangay Teresa, Maco, Compostela Valley Province and the Department of Environment and Natural Resources adopting Malumon and Buena Tigbao Creek.

Facilities for environmental mitigating measures such as tailing ponds and silt ponds are being closely monitored regularly as well as with spillways and canals within the mine site. During this quarter the tailings dam embankment was raised by 5 meters from 625 masl to 630 masl. Clearing of water ways is being done whenever necessary to prevent clogging of drainages in the site and to prevent siltation of water channels. Regular repair and maintenance of access roads within the mine industrial areas is also being done.

The Environmental Department of APEX conducted regular in-house environmental quality monitoring to attain the standards set by DENR such as, the air and water quality and hazardous waste. The Multi-partite Monitoring Team (MMT) conducted quarterly monitoring to ensure the company's compliance to laws and policies that promotes a safe environment within and outside of the area of operation The company installed the new fume scrubber at the smelting furnace to serve as pollution control device. Continuous Information, Education and Communication Campaign to the concerned communities to provide the people information about the company and its activities in the area with emphasis on environmental protection and enhancement program was conducted.

The Annual Environment Protection Enhancement Program budget for the year 2010 is Php 18.5 million. Actual expenditure totaled to Php 25.800 million.

Community Relations and Community Development:

Delivering the right projects for the community remained the core function of the Community Relations Department. The challenges still remain – to segregate the wish list from the needs list. The bottom line is to deliver what the community needs and not what the community members want. APEX Mining Company, Inc. has always been proud of the way the community projects were delivered as everything went through a process that involved the representatives of the company and the stakeholders. The bulk of the projects remain centered on the approved ASDMP 2010 projects categorized below.

A. Health and Sanitation Program

The Company believes that health is a primary concern of everybody. Thus, the effort of APEX to maintain the good health of the community people continued through the services provided by the Company clinic.

The Health and Sanitation Programs covered medical assistance, including the following projects:

- Medical and pre natal check up and provision of medicines
- Nutrition feeding programs
- Collection and disposal of domestic waste of host communities, three times a week
- Transportation of emergency patients from outside the workforce.

The clinic caters not only APEX employees but also the community members from the impact and neighboring barangays of the company. Aside from the medicine assistance, free medical and dental consultation is also made available. Moreover, pre-natal check-ups and operation *tuli* (circumcision) were conducted.

B. Sustainable Livelihood Programs and Activities

The best way to be of help to others is to help them become self-reliant. This Apex does by providing Sustainable Livelihood Programs such as conducting a 15 days Entrepreneurship Training for the Council of Women which included a final three days in Tagum City including the Graduation Ceremony at the Molave Hotel. The women developed business plans which were then presented to Apex for financial assistance. There was also TESDA Training for Dress-making for 9 participants, leading to NC II, at PSCB in Maco.

Livestock dispersal projects were undertaken. In Tagbaros, there was a dispersal of tilapia fingerlings and development of the council's Fish Pond Project.. There were also purchased goats for New Leyte National High School

C. Infrastructure

Water is always of paramount importance in our lives. Water systems were improved. In Tagbaros, construction of water reservoir was initiated by the barangay and funded by Apex. To ensure the safe and easy access of some of the Tagbaros constituents to the main road, a steel footbridge was constructed. A waiting shed was also constructed in Mainitto provide safe place for some Mainit constituents during rainy season..

There were also church infrastructure projects*, including provision of materials* for the construction of GKK Chapel at Cristo Rey in Malamodao.

D. Social Development Programs and Responsive Education

The host communities, acting as the main implementers of development, were always given assistance in terms of their social activities towards personal and community growth. On a daily basis, fuel consumption for Davao del Norte buses were provided by the Company for the student transportation from host communities going to the respective schools.

APEX assisted barangays, schools and religious activities through financial assistance and transportation as per community service requests from the host communities (fuel consumption only).

Scholarships were also given high importance for students to try to ensure continuing education in poor communities. he Alternative Learning System Program for the out-of-school youth was also carried-out. The salaries of the two ALS teachers were provided by the Company.. Religious activities were also assisted financially.

E. Indigenous Peoples Programs & Projects

The Indigenous Peoples are fully integrated into programs and projects. The Company recognizes the need of these groups of people for capability-building. Training for the tribal council were conducted such as Training on Native accessories making in Mainit and a Seminar for the elders and leaders in Tagbaros. The need to propagate the culture of the Mansaka was also regarded as very important; the company assisted in the purchase of native beads for accessory making and textiles for the native costumes to be utilized during festivities led by New Leyte High School students. Education, as a very necessary and important factor in IP development, was given high priority with 6 students given Company scholar*ships*.

F. Information Education Campaigns

To maintain the image of the Company, the ComRel Department constantly sought to disseminate the efforts of the Company through regular symposia about the environmental condition of the communities and areas where the Company is operating. Aside from this, lectures about responsible mining were conducted and the Company's contribution to community development was also stressed. Monthly and quarterly monitoring was also conducted by the ASDMP Team. This was to ensure that all projects undertaken were being implemented in accordance with the agreed plan.

The total Social Development Management Program (SDMP) fund for the year 2010 was Php 5.2 million pesos.

Occupational Safety and Health:

It is the mission of the company's Safety and Health Department to promote the well-being of all 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 to ensuring that all employees, contractors and visitors go home to their families safe and sound. This commitment is underpinned by the company's Annual Occupational Health and Safety Plan.

Initiatives Undertaken in 2010

The department undertook a range of initiatives in 2010 to facilitate and increase the health and wellbeing 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 own health.

Several training programs were also conducted to ensure that employees and contractors are aware of the programs being undertaken by the safety department. Some programs were an offshoot of the liaison with other government and private agencies.

Trainings	Date	No. of Participants
Fire Fighting (Maco BFP)	March 2- 3/March 7-8,	28
Fire Extinguisher Usage (Mill, Admin)	March 24, 2010	50
First Aid, BLS-CPR	Jan. 18, 2010-June 11, 2010 (20 batches)	460
Mine Rescue	Sept. 28-Oct. 7, 2010	25
Safety Orientation	Quarterly	45
Visitors/OJT	Jan. – Nov. 2010	1,382
Newly Hired/Casuals	Jan. – Nov. 2010	215
Contractors	Jan. – Nov. 2010	**3,747**

Likewise, safety officers also attended Occupational Safety and Health training programs.

Trainings	Date	No. of Participants
BOSH-Davao	July 12-15, 2010	1 (Safety Manager)
OSH-NET	July 21, 2010	2 (Safety Officers)
BOSH-Davao	August 20, 2010	2 (Safety Officers)
BOSH-Pagadian	October 25-29, 2010	1 (Safety Manager)
OSH	November 22-26, 2010	3 (Safety Officer, Civil Engineers)

During the year, drills were also conducted both for surface and underground. These drills are earthquake, fire and evacuation drills using stench gas warning.

Month	Implemented Programs/Activities
January	Blood Lead Level Testing, HBs Antigen Testing, Physical Examination of all members of Emergency Response Team (ERT) trainees.

February 2010	Anti Hepa B injection to all GSD/Kitchen/Mess hall personnel.
March 2010	Diabetes Screening, Blood Typing, De-worming, Operation Timbang and Blood Pressure Monitoring to all employees.
April 2010	Drug Awareness Campaign; Hypertension A Silent Killer", Hands On Training in BP Taking; Watch Your Weight, Disease Cannot Wait" Weight Reduction Program.
May 2010	Medical staff joined the DOLE Labor Day Celebration at Barangay Kinuban.
June 2010	Free Bone Scanning, Operation Tuli to the 4 impact barangays, Free Diabetes Screening.
July 2010	Health information campaign to 4 impact barangays.
August 2010	Anti Hepatitis B Screening Test to all ERT, First Aiders, Fire Fighting Trainees, Free Diabetes Screening / Monitoring.
September 2010	Conducted Annual Physical, Dental, Audiometry and Ultrasound to Apex employees.
October 2010	Water sampling at DOH Davao City for Bacteriological Examination of Water
November 2010	Apex Blood Donation Program, Anti-Cervical Cancer Vaccination. Hepatitis B Vaccination
December 2010	Education and Health Information Drive among underground and mill employees

APEX Mining Company actively participated in the Philippines Mine Safety and Environment Association Annual Conference and Competitions. A total of 40 delegates were sent to compete in the following events - First Aid, Mucking, Machine Drilling and Firefighting. The company teams attained first place in First Aid competition, second in Fire Fighting and second and third places in hand mucking. Emergency Response Team members also prepared a presentation on Mine Rescue. The company received a citation in the Best Mining Forest category and for the Safest Mineral Processing Plant.

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 2009 of about P6.12 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 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.

2. 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.

3. 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.

4. 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.

5. 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 real property in Davao where the warehouse office is situated.

It likewise owns mining facilities and administrative support facilities in its Maco mine site.

The Company leases milling plant from one of its affiliates, Teresa Crew Gold Corporation ("Teresa") and in consideration thereof pays 15% of its net proceeds from sale of metals. On January 31, 2008, Teresa has decided to cease from its milling operations and lease related assets to the Company still for a consideration equivalent to 15% percent proceeds received for shipments made. As of December 31, 2010, the agreement is deemed effective until cancelled by both parties.

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

<u>Market Information</u>

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**
2009 Jan – Mar	3.01	2.85	3.00	2.87
Apr – Jun	3.05	3.00	3.02	2.98
Jul – Sep	3.28	2.80	2.98	2.92
Oct – Dec	2.98	2.90	3.00	2.93
2010 Jan - Mar	2.75	2.66	3.00	2.87
Apr - Jun	3.10	3.00	3.04	3.02
Jul- Sep	3.50	3.45	3.50	3.43
Oct - Dec	4.24	4.20	4.27	4.17
2011 Jan - Mar	3.50	3.50	3.40	3.40

<u>Holders</u>

As of 31 December 2010, the Company has 2,861 shareholders with Seven Hundred Fifty-Four Million Seven Hundred Thirteen Thousand Seven Hundred Three (754,713,703) common shares divided into Four Hundred

Fifty-Eight Million Nine Hundred Eighty-One Thousand Eight Hundred Eighteen (458,981,818) Class A shares and Two Hundred Ninety-Five Million Seven Hundred Thirty-One Thousand Eight Hundred Eighty-Five

As of 31 December 2010, the top twenty (20) stockholders of Apex are as follows:

Name of Stockholder	Total Number of Shares	Percentage of Ownership
Mapula Creek Gold Corporation	338,729,592	44.88 %
Mindanao Gold Ltd.	211,534,806	28.03%
PCD Nominee Corp.	178,298,847	23.62%
PCD Nominee Corporation (Non-Filipino)	1,224,815	0.16%
Rexlon Industrial Corporation	1,006,525	0.13%
Cualoping Sec. Corporation	629,094	0.08%
Lucio W. Yan &/or Clara Yan	485,525	0.06%
Jalandoni, Jayme, Adams & Co., Inc.	484,892	0.06%
Northwest Insurance and Surety Co., Inc.	400,000	0.05%
Ignacio Ortigas	311,665	0.04%
Ansaldo, Godinez & Co., Inc.	304,448	0.04%
Prudential Sec., Inc.	295,385	0.04%
F. Yap Sec., Inc.	281,509	0.04%
JRT Sec. Corp.	233,749	0.03%
David Go Securities	230,494	0.03%
Fernando Gonzales	202,488	0.03%
First Integrated Capital Sec. Inc. (201204)	200,000	0.03%
Golden Tower Sec. and Holdings, Inc.	200,000	0.03%
Lippo Sec., Inc. A/C 112011076	200,000	0.03%
Solar Sec., Inc.	200,000	0.03%

Dividends

The Company did not declare any cash dividends on each class of its common equity for 2009, 2010 and the interim period of January to March 2011.

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, 2010, 2009 and 2008

Information on the Company's results of operations and financial condition presented in the 2010 Audited Financial Statements and accompanying. Financial Statements are incorporated hereto by reference.

The Company's operating revenue amounted to P1.547 billion in 2010 and P1.018 billion in 2009. The company's operating revenue amounting to P802 million in 2008 was offset against Mine Exploration and Development Costs on that year.

Higher realized gold prices and higher volume sold increased the operating revenues.

Realized gold price per ounce averaged $1,390 in 2010 and $1,030 in 2009. Total gold shipped amounted to 22,851 oz and 19,732 oz in 2010 and 2009, respectively.

Total costs and expenses incurred in 2010 and 2009 amounted to P1.695 billion and P1.702 billion, respectively, which included non-cash expenses amounting to P428.8 million and P355.1 million pertains to depreciation, depletion and amortization.

Rentals primarily pertain to the lease of milling facilities from Teresa, which is settled through 15% revenue share from Apex's sale of metals.

Total costs and expenses during the commercial operating years of 2010 and 2009 amounted to P1.267 billion and P970 million, respectively and P253 million during the pre-operating commercial year of 2008.

Other income (expense) included foreign exchange gains amounting to P65.2 million principally arising from the assumption of TCG liability and conversion of company's advances from Mapula and Mindanao Gold into shares of stocks and translation of the foreign currency-denominated advances from Mindanao Gold Limited at P728 million at P43.84:$1 as of December 31, 2010, from P727 million at P46.20:$1 as of December 31, 2009 and nil as of December 31, 2008.

In October 2009, Mindanao Gold Ltd, an entity incorporated and registered in Malaysia acquired from Crew Gold Corporation its equity share in the Company. In line with this agreement, outstanding intercompany advances to Apex from Crew Gold Corporation amounting to P727 million were transferred to Mindanao Gold Ltd.

The Company has written off its liabilities of P83 million to PJS Investment Corporation arising from the settlement agreement entered into with the Company after the lapse of the two-year prescription period provided for by the Share and Purchase Agreement as previously agreed by Crew Gold Corporation and PJS Investment Corporation. The write-off is presented as other income net of other charges.

Net losses before tax amounted to P85.5 million in 2010 from 599.5 million in 2009 and 351.6 million in 2008.

Provision for deferred income tax is P35 million and P1 million in 2010 and 2009, respectively. Benefits from income tax amounted to P8 million in 2008.

Net loss after tax amounted to P120.6 million and P600.8 million in 2010 and 2009, respectively, from P343.7 million in 2008. As explained above, the losses in 2009 were caused primarily by the non-cash expenses related to the recognition of depletion, write-off of input taxes and provision for impairment of assets in 2009.

Cash as at the end of 2010 amounted to P17.8 million, compared to P16.8 million in 2009 and P27.3 million in 2008.

Accounts Receivable from metal sales in 2010 amounted to P81 million compared to P147 million in 2009 which were collected early in the following year. In 2008, the sales of metals were conducted by its affiliate Teresa Crew Gold Corporation (Teresa) as an agent of the Company and accordingly, receivables were recognized in Teresa's books. Other receivable arising from advances to suppliers amounted to P148 million compared to P26 million in 2009.

Inventories were higher at P343.4 million compared to P194.5 million in 2009. Inventories amounted to P164.6 million in 2008.

Other current assets were higher at P134.4 million compared to P75.5 million in 2009. The increase in Prepayments and Other Current Assets in 2010 was mainly due to the increase on input tax

Deferred exploration and development costs additions consist of expenditures related to the exploration of the Sagaysagay vein in the amount of P90 million. It declined substantially by P1,262 million in 2009 due to the transfer of accumulated development costs including provision for reforestation costs directly related to Maco Mines into Mine and Mining Properties, in view of the company's declaration of commercial operations. This reclassification amounted to P1,276 million, with a corresponding depletion costs of P153 million.

Property, plant and equipment (PPE) as of December 31 decreased to P418.4 million in 2010 from P440.6 million in 2009 and P619.7 million in 2008. The decrease in 2010 was mainly due to net effect of disposal, depreciation and write-off of some assets totaling to P207.0 million, offset by additions of P184.7 million.

Current liabilities as of December 31 amounted to P1.177.1 billion in 2010, compared to P2.983.1 billion in 2009 and P 2.811.4 billion in 2008.

The increase in Accounts Payable and Accrued Liabilities to P292 million from P128 million and P104 million in 2009 and 2008, respectively, were mainly from increased purchases of goods and services. No significant amount of the company's Trade payable have been unpaid within their acceptable terms.

Advances from shareholders and affiliates decreased to P885 million in 2010 compared to P2.9 billion in 2009 and P2.6 billion in 2008 due to assumption of Teresa advances and company's conversion of liabilities into shares of stocks by its majority shareholders and affiliated entities during the year.

As discussed above, outstanding advances payable to Crew Gold Corporation amounting to P727 million were transferred to Mindanao Gold Ltd, while liabilities of P83 million to PJS Investment Corporation were written off.

As of December 31, 2010, Non-current Liabilities amounted to P185.4 million, compared to P95.7 million in 2009 and P41.9 million in 2008.

Deferred Income Tax Liabilities increased to P85.5 million in 2010 compared to P50.4 million in 2009 and P23.3 million in 2008. The increase in 2010 is mainly due to the higher unrealized foreign exchange gains of advances made by major shareholders.

Under PAS no. 19, Accounting for Employees Benefits, the Company provided for the year Accrued Retirement Cost amounting to P19.6 million compared to P22.3 million in 2009 and P11.9 million in 2008.

Provision for Mine Rehabilitation Costs increased to P80.3 million in 2010 from P23.0 million in 2009 and P6.6 million in 2008 due to the increase in estimated nominal cash flows for the rehabilitation of the Maco Mines.

The decrease in Current Liabilities as discussed above significantly contributed to the decrease in Total Liabilities to P1.4 billion in 2010 from P3.1 billion in 2009 and P2.9 billion in 2008.

Deficit at year-end amounted to P1.9 billion in 2010 compared to P1.8 billion in 2009 and P1.2 billion in 2008 in view of the net losses for the year which were primarily caused by increase in purchase of raw materials, rent and recognition of depletion costs and provision for impairment as discussed above.

Revaluation Surplus decreased to P92.0 in 2010 from P103.3 million in 2009 compared to P54.4 million in 2008 and P56.2 million in 2007. The decrease in 2010 resulted from the depreciation of revalued amount of fixed assets.

Net cash provided (used) in operating activities amounted P172 million in 2010, P(7.2) million in 2009 and P(212.2) million in 2008.

Cash used in investing activities, principally the addition to PPE and deferred exploration costs, amounted to P330 million in 2010 compared to P69.3 million and P258.1 million in 2009 and 2008, respectively.

Net cash provided by financing activities amounted to P160.8 million in 2010 due to the effect of debt-to-equity conversion of shareholders' advances. . In 2009 and 2008, cash provided by financing activities amounted P68.4 million and P415.3 million, respectively.

Stockholders' Equity

Stockholders' Equity amounted to P973.8 million compared to capital deficiency (negative stockholders' equity) of P965.6 million in 2009. The turnaround was brought about by the conversion into equity of advances from shareholders and affiliates totaling to P2.06 billion.

Key Performance Indicators

The key performance indicators discussed 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.

Tonnes Milled and Ore Grade

Tonnage, ore grade and metal recovery determine 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 192,586 tonnes with a mill heads of 4.94 gpt Au and 30.73 gpt silver, with average calculated metal recovery of 84.53% and 59.20%, respectively for gold and silver. This is 27% higher compared to the 2009 throughput of 151,320 tonnes. Likewise, gold ounces produced increased from 20,727 oz in 2009 to 25,659 oz in 2010. The minimal production in 2009 was attributed to the flash flood incident that occurred on January 15, 2009. Mining and milling operations were intermittent since then and came to normalize only on March 9, 2009.

Gold ounces and silver ounces shipped for the year 2010 were 22,852 and 104,780, respectively.

Tonnes Mined and Tonnes per Day

The Maco mine production attained 214,650 tons with a grade of 5.2 Au, g/t compared to the 148,417 tons with a grade of 5.88 g/t of gold ores produced in 2009. Ore produced were sourced from the stopes and on vein development drives.

Development for 2010 achieved an aggregate total of 6,733 meters, 2,870 meters and 3,863 meters were on vein drifting and waste development drives respectively. The achieved development meter was higher compared to 4,266 meters attained in 2009.

The lower production and development attained in 2009 was primarily attributed to the dewatering and rehabilitation of the Maligaya and Sandy mine resulting from the flash flood that occurred last January 2009.

The average tonnes mined per day for 2010 is 588.

Total Production Cost Per Tonne and Operating Cost Per Ounce

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

At the same cost level, higher production volume results to lower cost per tonne. 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.

In 2010, the total production cost (excluding marketing charges, rentals, excise taxes, royalties depreciation and amortization and other non-cash expenses) per tonne of ore milled was P4,594 from the total production cost of P884.8 million over ore milled of 192,586 tonnes.

Total cash operating cost for the year amounts to P935.7 million (including marketing charges ,excise taxes and royalties) while cost per ounce to produced gold before silver revenue credits was P39,061 ($891/oz) in 2010.

After silver revenue credit, the corresponding cost per ounce was P34,590 ($789/oz) in 2010.

FREE CASH FLOW (FCF)

Despite the capital deficiency, the company earned a positive FCF of P216 million during the year.

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.

As of December 31, 2010, the peso to dollar exchange rate was at P43.84 compared to P46.20 as of December 31, 2009.

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 2010 and 2009, 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 P1.7 million for 2010 and P6.5 million for 2009.

Tax Fees

A tax review was performed by external auditors as special engagement resulting in the availment of the Abatement Program of the Bureau of Internal Revenue in which the total taxes voluntarily paid were P11.07 million for 2009 and P9.8 million for the year 2008.

All Other Fees

There are no other services rendered by the external auditors other than the usual audit services asmentioned 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 December 2010, 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	Colin D. Patterson	56	Australian
Director/Interim President	Peregrino S. Resabal	55	Filipino
Director	Rory Taylor	37	South African
Director	Deogracias G. Contreras, Jr.	64	Filipino
Director	Armando Castanos	60	Filipino
Independent Director	Baiverth Diabo	39	Filipino
Independent Director	Rodolfo Cruz	61	Filipino
Officers:			
VP-Operations/Resident Mgr	Valeriano Bongalos	61	Filipino
VP-Administration	Emelita Fabro	49	Filipino
VP-Finance/Treasurer	Rodolfo G. Bravo	43	Filipino
VP-Services	Arceo D. Rubio	49	Filipino
Corporate Secretary	Rosanna A. Parica	45	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:

COLIN D. PATTERSON

He became a Director of the Company last December 18, 2009. He is currently the Chairman of the Board of the Company. He has some forty years' experience in the mining industry, having worked extensively as Operations Manager, General Manager CEO, Managing Director and Chairman for some of the world's largest and successful mining operations in South Africa, Vietnam, United States and Australasia. He owned and managed a consulting firm involved in numerous projects for clients worldwide including South Africa, Australia, Vietnam, Fiji, Malaysia, China, Japan and Philippines. He is currently the President and CEO of Mindanao Gold Ltd.

PEREGRINO S. RESABAL

Mr. Resabal was elected as Director of the Company last December 18, 2009. He is currently the President of the Company. He is also a registered APEC Engineer and has over 27 years of professional practice in the mining industry including a stint with the Roan Consolidated Mines in Zambia, Africa. Currently, he is the President of Peti Trading, Inc., the V.P. Operations-Director of Kadabra Mining Corporation and the V.P. Operations-Director of Paramina Earth Technologies, Inc. a company he manages and is engaged in mining and civil construction contracting, including gold, copper and zinc mining operations contracts in Papua New Guinea, Vietnam, Tanzania and India.

DEOGRACIAS G. CONTRERAS, JR.

He was elected as a Director in 2006. He was also appointed as EVP and General Counsel in June 2007 and became President and CEO of the Company in January 2008. Before joining the Company, he was previously Vice President for Legal and HR at Philex Mining Co. He was previously also the Executive Vice President of the Chamber of Mines of the Philippines.

RORY TAYLOR

He elected as Director of the Company last June 24, 2009 Stockholders' Meeting. He is the Vice-President for Finance of Crew Gold Corporation. He has vast experience in auditing gold and platinum mining companies in both Africa and Canada.

BAIVERTH DIABO

He was appointed as Independent Director of the Company since October 2006. He is also Asst. to the

President and CEO of Eastern Shipping Lines, Business Controller of King Plantation Co., Inc. , Business Controller of Eastern Aqua Ventures, Inc., Managing Director of Caliber Logistics Corporation, Head Business Development of Allah Copper Phorphyry, Inc., Asst. to the President of Saranggani Cocotech Corp., Asst. to the President of Eastship Container Terminal, Inc.

RODOLFO CRUZ

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.

ARMANDO CASTANOS

He was elected as director of the Company since 2008. He is currently the President of Eltech Resources Corp. and Financial Consultant for various companies.

DAVID B. PUYAT

He is a Director of the Company since September 2007 and Corporate Secretary since January 2006. Previously, he became a Director of the Company from December 2000 to October 2006. Also, he is a Director of Zero One Holdings, Inc., Director of Southern Horizon Mining Corporation, Corporate Secretary of ABP Holdings, Inc.; Corporate Secretary, Director and Sr. Vice President of The Manila Banking Corporation.
Atty. Puyat died of cardiac arrest on March 27, 2010.

<u>Significant Employees</u>

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.

<u>Family Relationships</u>

There are no family relationships among the officers of Apex.

<u>Involvement in Certain Legal Proceedings</u>

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				
	2011 (Estimated	2010	2009	2008
	Salary/Fee/Bonus	Salary/Fee/Bonus	Salary/Fee/Bonus	Salary/Fee/Bonus
Directors	700,000	260,000	260,000	420,000
Officers: Peregrino Resabal President Valeriano Bongalos VP-Operations Emelita Fabro VP-Administration Rodolfo Bravo VP- Finance/Treasurer Arceo Rubio VP-Services				
Rosanna Parica Corporate Secretary				
Total Officers	4,477,096	10,557,781	12,494,425	13,400,014
All other officers & directors as a group unnamed	7,883,262	17,999,701	12,754,245	13,820,014

<u>Compensation of Members of the Board of Directors</u>

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.

<u>Employment Contracts and Termination of Employment and Change-In-Control Arrangements</u>

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.

<u>Warrants and Options Outstanding: Repricing</u>

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

<u>Security Ownership of Certain Record and Beneficial Owners</u>

As of 31 December 2010, 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	338,729,592	44.88
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	211,534,806	28.03
A & B	PCD NOMINEE CORPORATION GF MSE Bldg., Ayala Avenue, Makati City PHILIPPINES	PCD Participants See note 3 below	Filipino	178,298,847	23.62

[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. Peri Resabal 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. Colin D. Patterson 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 March 31, 2010, King's Power Securities owns on record 7,670,906 Class A shares and 5,662,000 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.

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 December 2010 are, as follows:

Title of Class	Name of beneficial owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
B	COLIN D. PATTERSON	100	Australian	0.00%
A	DEOGRACIAS CONTRERAS JR.	11,000	Filipino	0.00%
A	RODOLFO CRUZ	1,000	Filipino	0.00%
A	BAIVERTH DIABO	1	Filipino	0.00%
B	PEREGRINO S. RESABAL	200	Filipino	0.00%
A	DAVID B. PUYAT	1	Filipino	0.00%
B	RORY TAYLOR	1	South African	0.00%
A	ARMANDO CASTANOS	1	Filipino	0.00%
	All officers and directors as a group	19,.345		.00%

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 16 of the Audited Financial Statements for the year ended December 31, 2010.

One equipment supplier and once services contractor of the Company, namely Peti Trading, Inc. (Peti) and Paramina Earth Technologies. Inc., (Paramina) have had related transactions with the Company since 1991 and 1996 respectively. Mr. Peregrino S. Resabal, the current Apex President, is also the President of Peti and VP for Operations of Paramina. Transactions with these entities pertain to the supply of mine and mill equipment and consumables; lease of mining equipment, particularly hydraulic long haul drill rigs and shotcrete machines including the supply of cement additives. Both companies having participated in mine and mill equipment and consumables supply tenders and competitive services biddings long before Mr. Resabal was appointed as Apex President follows all company policies on bidding procedures to the latter. As of December 31, 2010, the Company has outstanding balances with Peti and Paramina amounting to P1,598,958.00 and P1,035,032.39 respectively. All transactions made between Peti, Paramina and Apex were done on an arm's length basis and on commercial terms. Other than the foregoing, there is no transaction or proposed transaction undertaken or to be undertaken by the Corporation in which any director or executive officer was involved or had a direct or indirect material interest.

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 2010, there were no concrete 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, 2009
Schedule E. Other Assets
Schedule G. Indebtedness to Related Parties
Schedule I. Capital Stock

(B) Reports on SEC Form 17-C

Date	Items Reported
January 29	Certificate of Corporate Governance Manual Certification

February 5	Appointment of Colin Patterson as Chief Operations Officer and Arne Isberg as Senior Vice President
February 16	Notification of Mr. Peregrino Resabal in compliance with SRC Rule 23 (1) (A)
March 30	Announcement of the demise of Atty. David B. Puyat
May 19	Resignation of Director/VP-Resident Manager Fernando Agustin effective May 10, 2010

New appointed officers: Emelita Fabro – VP Admin
Valeriano Bongalos – VP Operations/Resident Manager
Rodolfo Bravo – VP Finance/Chief Finance Officer
Rosanna Parica – Corporate Secretary

New Board Committees:

Nomination Committee Members: Deogracias Contreras, Jr.
Peregrino Resabal
Rodolfo Cruz (Independent)

Compensation and Remuneration Members: Colin Patterson (Chairman)
Deogracias Contreras, Jr.
Baiverth Diabo (Independent)

Audit Committee Member: Baiverth Diabo (Chairman)
Rory Taylor (Vice Chairman)
David Puyat (+)

June 4	Certifications of Messrs. Rodolfo Cruz and Baiverth Diabo as Independent Directors
July 9	Annual Stockholders' Meeting; Organizational Meeting, Updates on Operations
July 28	Debt to Equity conversion of related parties payables; amendment of Articles of Inc.
September 10	Special Stockholders' Meeting
October 15	SEC approval for the increase in authorized capital stock of 2,000,000,000,000 common shares

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 02 May 2011.

By:

PEREGRINO S. RESABAL
Principal Executive Officer

VALERIANO B. BONGALOS
Principal Operating Officer

ROSANNA A. PARICA
Corporate Secretary

Note: The Company has no Comptroller
Comptroller

RODOLFO G. BRAVO
Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this _____ day of MAY 02 2011, affiant(s) exhibiting to me their respective SSS Numbers, as follows:

ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Until December 31, 2012
Roll No. 16533 March 13, 1961
IBP No. 801359 01-03-11-Q.C.
PTR No. 4559221 01-03-11-Q.C.
MCLE EXEMPTED

Notary Public

Doc. No.: 309
Page No.: 63
Book No.: 17
Series of 2011.

PEREGRINO S. RESABAL	03-6585922-6
VALERIANO B. BONGALOS, JR.	03-3100412-8
RODOLFO G. BRAVO	33-0698104-0
ROSANNA A. PARICA	03-9540346-4

COVER SHEET

FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY STAMPED "RECEIVED."

40621

SEC Registration Number

APEX MINING CO., INC.

(Company's Full Name)

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

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

ROSANNA A. PARICA

(Contact Person)

(082) 235-0797

(Company Telephone Number)

12	30
Month	Day

(Fiscal Year)

AAFS

(Form Type)

06	24
Month	Day

(Annual Meeting)

–

(Secondary License Type, If Applicable)

–

Dept. Requiring this Doc.

–

Amended Articles Number/Section

Total Amount of Borrowings

₱–	₱–
Domestic	Foreign

2,579

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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APEX MINING CO., INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Apex Mining Co., Inc. is responsible for all information and representations contained in the financial statements for the years ended December 31, 2010, 2009 and 2008. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Sycip, Gorres, Velayo & Company, the independent auditors and appointed by the stockholders, has examined the financial statements of the company in accordance with generally accepted auditing standards and ~~has~~ expressed its opinion on the fairness of presentation upon completion of such examination, in its report to stockholders.

Colin D. Patterson
Chairman of the Board

Peregrino Resabal
President

Rodolfo G. Bravo
VP - Finance

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REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) **S.S.**

SUBSCRIBED AND SWORN to before me this _____ day of APR 15 2011, affiant(s) exhibiting to me their respective Passport/SSS Numbers, as follows:

NAMES	**Passport/CTC/SSS No.**
COLIN D. PATTERSON	E3069926 issued on 7/15/08 Until 7/15/2018
PEREGRINO S. RESABAL	CTC No. 05982338 1/31/11 Makati
RODOLFO G. BRAVO	SSS#33-6031520-9

Tomas F. Dulay Jr.
ATTY. TOMAS F. DULAY, JR.
NOTARY PUBLIC
Notary Public
Until December 31, 2012
Roll No. 16583 / March 13, 1961
IBP No. 801359 / 01-03-11-Q.C.
PTR No. 4559221 / 01-03-11-Q.C.
MCLE EXEMPTED

Doc. No.: 7010
Page No.: 78
Book No.: 79
Series of 2011.

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 of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The financial statements of the Company as of and for the years ended December 31, 2009 and 2008, which are presented for comparative purposes, were audited by other auditors whose report thereon dated April 8, 2010, expressed an unqualified opinion on those statements.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 27 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 is also not required by Securities Regulation Code Rule 68. 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 material respects, in relation to the basic financial statements taken as whole.

SYCIP GORRES VELAYO & CO.

Aldrin M. Cerrado
Aldrin M. Cerrado
Partner
CPA Certificate No. 86735
SEC Accreditation No. 0113-AR-2
Tax Identification No. 129-433-783
BIR Accreditation No. 08-001998-45-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 2641511, January 3, 2011, Makati City

February 21, 2011

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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
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Apex Mining Co., Inc.
Unit 1704, 17th Floor, Prestige Tower
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 balance sheet as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 audit. We conducted our audit 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 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.

APEX MINING CO., INC.

BALANCE SHEET
DECEMBER 31, 2010
(With Comparative Figures for 2009)

	2010	2009
ASSETS		
Current Assets		
Cash (Note 4)	**₱17,859,662**	₱16,836,351
Receivables (Note 5)	**232,769,295**	177,053,157
Inventories (Note 6)	**343,397,510**	194,539,059
Other current assets (Note 7)	**134,458,267**	75,573,198
Total Current Assets	**728,484,734**	464,001,765
Noncurrent Assets		
Mine and mining properties (Note 9)	**1,007,351,523**	1,139,067,336
Property, plant and equipment (Note 10)	**418,365,809**	440,581,064
Deferred exploration and development costs (Note 8)	**161,880,451**	18,801,876
Other noncurrent assets	**20,273,259**	50,766,418
Total Noncurrent Assets	**1,607,871,042**	1,649,216,694
	₱2,336,355,776	₱2,113,218,459
LIABILITIES AND EQUITY (CAPITAL DEFICIENCY)		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**₱292,109,620**	₱128,093,885
Advances from shareholders and affiliate (Note 17)	**885,001,795**	2,855,039,806
Total Current Liabilities	**1,177,111,415**	2,983,133,691
Noncurrent Liabilities		
Deferred income tax liabilities (Note 13)	**85,487,863**	50,397,386
Accrued retirement benefits (Note 14)	**19,628,569**	22,267,317
Provision for mine rehabilitation cost (Note 12)	**80,296,912**	23,038,716
Total Noncurrent Liabilities	**185,413,344**	95,703,419
Equity (Capital Deficiency)		
Share capital (Note 15)	**1,317,618,030**	756,682,170
Share premium	**1,503,380,955**	4,224,410
Revaluation surplus on property, plant and equipment (Note 10)	**91,980,180**	103,287,388
Deficit	**(1,939,148,148)**	(1,829,812,619)
Total Equity (Capital Deficiency)	**973,831,017**	(965,618,651)
	₱2,336,355,776	₱2,113,218,459

See accompanying Notes to Financial Statements.

APEX MINING CO., INC.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Comparative Figures for 2009 and 2008)

	2010	2009	2008
REVENUE			
Gold	**₱1,441,831,547**	₱952,798,130	₱–
Silver	**104,798,405**	65,452,277	–
	1,546,629,952	1,018,250,407	–
COSTS AND EXPENSES			
Depreciation, depletion and amortization (Notes 10 and 18)	**428,772,457**	355,052,883	7,007,115
Materials and supplies (Note 6)	**331,392,266**	322,277,417	31,273,803
Rent	**287,309,963**	169,401,050	5,423,422
Salaries, allowances and employee benefits	**234,174,612**	197,859,648	79,024,684
Loss on write-off of input VAT (Note 7)	–	214,098,706	–
Impairment loss on property, plant and equipment (Note 10)	–	162,674,211	–
Other operating expenses (Note 19)	**413,807,902**	280,640,687	137,182,251
	1,695,457,200	1,702,004,602	259,911,275
LOSS FROM OPERATIONS	**148,827,248**	683,754,195	259,911,275
OTHER INCOME (CHARGES)			
Foreign exchange gain (loss) - net	**65,203,465**	15,368,756	(91,951,082)
Interest and other income (expenses) - net (Note 20)	**(1,928,477)**	68,853,778	283,792
	63,274,988	84,222,534	(91,667,290)
LOSS BEFORE INCOME TAX	**85,552,260**	599,531,661	351,578,565
PROVISION FOR (BENEFIT FROM DEFERRED) INCOME TAX (Note 13)	**35,090,477**	1,255,465	(7,907,466)
NET LOSS	**120,642,737**	600,787,126	343,671,099
OTHER COMPREHENSIVE INCOME (LOSS)			
Appraisal increase (Note 10)	–	86,034,455	–
Income tax relating to components of other comprehensive income (loss) (Note 13)	–	(25,810,337)	18,433
Reversal of revaluation surplus due to disposal of property, plant and equipment	–	–	(61,445)
	–	60,224,118	(43,012)
TOTAL COMPREHENSIVE LOSS	**₱120,642,737**	₱540,563,008	₱343,714,111
Loss Per Share - Basic and Diluted (Note 16)	**₱0.13**	₱0.79	₱0.45

See accompanying Notes to Financial Statements.

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APEX MINING CO., INC.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
(With Comparative Figures for 2009 and 2008)

	Share Capital (Note 15)	Share Premium	Revaluation Surplus (Note 10)	Deficit	Total
Balances at January 1, 2010	**₱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)**
Transfer of portion of revaluation surplus realized through depreciation and depletion, net of tax	–	–	**(11,307,208)**	**11,307,208**	–
Debt-to-equity conversion (Note 1)	**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**
Balances at January 1, 2009	₱756,682,170	₱4,224,410	₱54,440,362	(₱1,240,402,585)	(₱425,055,643)
Net loss for the year	–	–	–	(600,787,126)	(600,787,126)
Other comprehensive income			60,224,118	–	60,224,118
Total comprehensive loss for the year	–	–	60,224,118	(600,787,126)	(540,563,008)
Transfer of portion of revaluation surplus realized through depreciation and depletion, net of tax	–	–	(11,377,092)	11,377,092	–
Balances at December 31, 2009	₱756,682,170	₱4,224,410	₱103,287,388	(₱1,829,812,619)	(₱965,618,651)
Balances at January 1, 2008	₱756,682,170	₱4,224,410	₱56,232,348	(₱898,480,460)	(₱81,341,532)
Net loss for the year	–	–	–	(343,671,099)	(343,671,099)
Other comprehensive income			(43,012)	–	(43,012)
Total comprehensive loss for the year	–	–	(43,012)	(343,671,099)	(343,714,111)
Transfer of portion of revaluation surplus realized through depreciation and depletion, net of tax	–	–	(1,748,974)	1,748,974	–
Balances at December 31, 2008	₱756,682,170	₱4,224,410	₱54,440,362	(₱1,240,402,585)	(₱425,055,643)

See accompanying Notes to Financial Statements.

APEX MINING CO., INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2010
(With Comparative Figures for 2009 and 2008)

	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱85,552,260)**	(₱599,531,661)	(₱351,578,565)
Adjustments for:			
Depreciation, depletion and amortization (Notes 18 and 21)	**428,772,457**	355,052,883	7,007,115
Unrealized foreign exchange loss (gain) - net	**(65,203,465)**	(15,781,449)	85,271,130
Provision for tax penalty (Note 27)	**30,000,000**	–	–
Retirement benefits expense (Note 14)	**10,039,698**	10,335,446	7,962,254
Loss on write-off of:			
Inventories (Note 6)	**2,121,425**	–	–
Fixed assets (Note 10)	**250,894**	–	–
Input VAT (Note 7)	–	214,098,706	–
Property, plant and equipment (Note 10)	–	3,753,553	14,892,559
Interest expense (Note 20)	**1,994,965**	–	666,180
Interest income (Note 20)	**(66,488)**	(120,342)	(59,137)
Loss from assignment (Note 19)	–	10,864,963	–
Impairment loss on:			
Property, plant equipment (Note 10)	–	162,674,211	–
Inventories (Note 6)	–	3,350,394	–
Assets held for sale (Note 10)	–	–	27,553,672
Gain from extinguishment of liability (Note 20)	–	(83,162,204)	–
Gain on sale of property, plant and equipment (Note 20)	–	–	(213,750)
Operating income (loss) before working capital changes	**322,357,226**	61,534,500	(208,498,542)
Decrease (increase) in:			
Receivables (Note 5)	**(63,658,784)**	(8,799,858)	31,965,171
Inventories (Note 6)	**(148,794,956)**	(11,439,659)	59,046,989
Other current assets (Note 7)	**(58,885,069)**	(73,120,291)	(66,473,823)
Increase (decrease) in accounts payable and accrued liabilities (Note 11)	**120,919,772**	24,557,442	(28,319,523)
Cash generated from (used in) operations	**171,938,189**	(7,267,866)	(212,279,728)
Interest received	**66,488**	60,295	59,137
Net cash provided by (used in) operating activities	**172,004,677**	(7,207,571)	(212,220,591)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 10)	**(184,695,782)**	(55,732,019)	(170,546,001)
Proceeds from sale of property, plant and equipment (Note 10)	**7,504,795**	–	500,000
Increase in deferred exploration and development costs (Note 8)	**(143,078,575)**	(13,584,800)	(83,793,431)
Increase in other noncurrent assets	**(9,676,803)**	(38,998)	(4,237,377)
Net cash used in investing activities	**(329,946,365)**	(69,355,817)	(258,076,809)
CASH FLOWS FROM FINANCING ACTIVITY			
Increase in advances from shareholders and affiliate (Note 17)	**160,800,732**	68,403,272	415,332,723
EFFECT OF EXCHANGE RATE CHANGES IN CASH	**(1,835,733)**	(2,307,649)	137,832
NET INCREASE (DECREASE) IN CASH	**1,023,311**	(10,467,765)	(54,826,845)
CASH AT BEGINNING OF YEAR	**16,836,351**	27,304,116	82,130,961
CASH AT END OF YEAR (Note 4)	**₱17,859,662**	₱16,836,351	₱27,304,116

See accompanying Notes to Financial Statements.

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APEX MINING CO., INC.
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

Company Background and Operations

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 ₱50.00 million and having 200 or more shareholders, each of which holds at least 100 shares of its equity securities. As of December 31, 2010 and 2009, the Company has 2,579 and 2,883 shareholders, respectively, 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 549.97 million shares (including 459.54 million of the unlisted shares) for United States dollar \$6.60 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 ₱83.20 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, for \$7.00 million. In line with the agreement, outstanding advances to Crew Gold amounting to \$15.74 million (₱727.07 million) as of June 30, 2009 were transferred to Mindanao Gold (see Note 17). As of December 31, 2010 and 2009, the Company's majority shareholder is Mindanao Gold, whose ultimate parent company is Abracadabra Speculative Ventures Inc., an entity incorporated and doing business in Malaysia.

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 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. As of December 31, 2010 and 2009, total exploration and development costs incurred in relation to the service contract included as part of deferred exploration and development cost in the balance sheet amounted to ₱161.88 million and ₱18.80 million, respectively (see Note 8).

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 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 of December 31, 2010, the Company is compliant with the provisions specified in its registration.

The Company's registered business address is 10th TMBC Building, Ayala Avenue, Makati City and principal office at Unit 1704, 17/F Prestige Tower Condominium F. Ortigas Jr. Road, Ortigas, Pasig City. The Company currently operates the Maco Mines in Maco, Compostela Valley, Davao. The Company has 937 and 806 employees as of December 31, 2010 and 2009, respectively.

Debt-to-equity conversion
On October 13, 2010, the SEC approved the increase in capital stock of the Company from ₱800.00 million consisting of 800.00 million common shares, divided into 480.00 million Class "A" shares and 320.00 million Class "B" shares, with a par value of ₱1.00 each to ₱2.80 billion consisting of 2.80 billion common shares divided into 1.68 billion Class "A" shares and 1.12 billion Class "B" shares, with a par value of ₱1.00 each.

Of the increase in capital stock of ₱2.00 billion consisting of 2.00 billion common shares divided into 1.20 billion Class "A" shares and 800.00 million Class "B" shares, the amount of ₱560.94 million consisting of 560.94 million common shares was fully subscribed and paid for as follows:

- Conversion of Company's advances from Mapula in the amount of ₱1.26 billion, in exchange for 341.14 billion Class "A" shares with a par value of ₱1.00 per share, at an issue value of ₱3.70 per share or an aggregate issue value of ₱1.26 billion.

- Conversion of Company's advances from Mindanao Gold 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 or an aggregate issue value of ₱813.26 million.

Share premium resulting from restructuring amounted to ₱1.50 billion, net of ₱15.40 million professional fees and other incidental costs incurred in relation to the transaction.

Status of Operations
In 2010 and 2009, the Company has incurred net losses amounting to ₱120.64 million and ₱600.79 million, respectively. Deficit as of December 31, 2010 increased by 5.07% from ₱1,829.81 million in 2009. In addition, total current liabilities exceeded total current assets by ₱448.63 million and ₱2,519.13 million as of December 31, 2010 and 2009, respectively. Notwithstanding, the Company believes that profits to be generated from its commercial operations based on its latest and proven and probable reserves statements as prepared by in-house geologist in 2009 and certified by a competent person under the guidelines of the Philippine Mineral Reporting Code (PMRC) dated April 15, 2010 indicates that the Company will continue as a going concern, reverse the deficit position and recover its capital investments. Moreover, significant capital projects

current production assets. These, however, are still subject to factors including changes in market prices of gold and silver, fluctuations of exchange rate between the Philippine Peso and US Dollar and continuing ability to source new resources and correspondingly convert them into reserves.

On April 5, 2010, the Company received a letter of support from Mindanao Gold particularly an undertaking to provide the necessary financial and technical support, if deemed necessary, to carry on the Company's business at least until December 31, 2010 and thereafter when necessary.

Approval of the Financial Statements
The financial statements have been approved and authorized for issue by the Company's Board of Directors (BOD) on February 21, 2011.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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). PFRS also includes Philippine Accounting Standards (PAS) and Philippine Interpretations as issued by the Financial Reporting Standards Council and adopted by the Philippine SEC.

Changes in Accounting Policies and Disclosures
The Company's accounting policies are consistent with those of the previous financial year except for the adoption of the new and amended standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) starting January 1, 2010 are as follows:

- PFRS 2, *Share-based Payment* (Amendment) - *Group Cash-settled Share-based Payment Transactions*;
- PFRS 3 (Revised), *Business Combinations*, and PAS 27 (Amended), *Consolidated and Separate Financial Statements*;
- PAS 39, *Financial Instruments - Recognition and Measurement - Eligible Hedged Items*;
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners* effective July 1, 2009;
- Improvements to PFRSs (May 2008); and
- Improvements to PFRSs (April 2009).

The principal effects of these changes are as follows:

- PFRS 2, *Share-based Payment* (Amendment) - *Group Cash-settled Share-based Payment Transactions*

  The International Accounting Standards Board (IASB) issued an amendment to PFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The adoption did not have an impact on the financial position or performance of the Company.

- PFRS 3 (Revised), *Business Combinations*, and PAS 27(Amended), *Consolidated and Separate Financial Statements*

  PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after January 1, 2010. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

- PAS 39, *Financial Instruments - Recognition and Measurement* (Amendment) - *Eligible Hedged Items*

  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*

  This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position nor performance of the Company.

Improvements to PFRS. In May 2008 and April 2009, the IASB issued omnibus of amendments to certain standards, primarily with a view of removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

Issued in May 2008

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*

Issued in April 2009

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- PFRS 8, *Operating Segments*
- PAS 7, *Statement of Cash Flows*
- PAS 36, *Impairment of Assets*

Other amendments resulting from the 2009 Improvements to PFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Company.

- PFRS 2, *Share-based Payment*
- PAS 1, *Presentation of Financial Statements*
- PAS 17, *Leases*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

New Accounting Standards, Interpretations, and Amendments
<u>to Existing Standards Effective Subsequent to December 31, 2010</u>
The Company will adopt the revised standards, amendments and interpretations enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these revised standards, interpretations and amendments to PFRS to have a significant impact on the financial statements.

Effective in 2011

- PAS 24, *Related Party Disclosures (Amended)* (effective for annual periods beginning on or after January 1, 2011)

  The amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- PAS 32, *Financial Instruments: Presentation (Amendment) - Classifications of Rights Issues* (effective for annual periods beginning on or after February 1, 2010)

  This provides the amended definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

- PFRS 7, *Financial Instruments: Disclosures (Amendments) - Disclosures - Transfers of Financial Assets* (effective for annual periods beginning on or after July 1, 2011)

  The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securizations), including understanding of possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)* (effective for annual periods beginning on or after January 1, 2011, with retrospective application)

  Philippine Interpretation IFRIC 14, which is itself an interpretation of PAS 19, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements.

- Philippine Interpretation IFRIC19, *Extinguishing Financial Liabilities with Equity Instruments* (effective for annual periods beginning on or after July 1, 2010)

  The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in statement of comprehensive income. The adoption of this interpretation will have no effect on the financial statements.

Effective in 2012

- PAS 12, *Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1, 2012)

  This provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- Philippine Interpretation IFRIC15, *Agreements for the Construction of Real Estate* (effective for annual periods beginning on or after January 1, 2012)

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

Effective in 2013

- PFRS 9, *Financial Instruments: Classification and Measurement* (effective for annual periods beginning on or after January 1, 2013)

  PFRS 9, as issued in 2010, reflects the first phase of the work on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting and derecognition will be addressed. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Improvements to PFRS 2010

Improvements to IFRS is an omnibus of amendments to PFRS. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments and interpretation listed below are not expected to have a significant impact on the Company's financial statements.

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretations IFRIC 13, *Customer Loyalty Programmes*

Financial Assets

Initial Recognition. Financial assets are classified as financial assets at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs.

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

The Company's financial assets include loans and receivables. The Company has no financial assets at FVPL, HTM Investment and AFS investments.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned or incurred is recorded as "Interest income" in the profit or loss.

The Company's cash in banks, receivables and security deposits are classified as loans and receivables (see Note 23).

Financial Liabilities

Initial Recognition. Financial liabilities are classified as financial liabilities at FVPL, or other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of the financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and in the case of other financial liabilities, inclusive of directly attributable transaction costs.

Other Financial Liabilities. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the amortization process.

The Company's other financial liabilities include accounts payable and accrued liabilities (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), and advances from shareholders and affiliate.

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

Fair Value of Financial Instruments
The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how these are measured are provided in Note 23.

Amortized Cost of Financial Instruments
Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of effective interest rate.

Impairment of Financial Assets
The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is

a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Costs. For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them 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 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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: (1) the rights to receive cash flows from the asset have expired; or (2) the Company has transferred its rights to receive cash flows from the asset but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; or (3) the Company has transferred its rights to receive cash flows from the asset and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 or have entered into a "pass-through" arrangement, and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset.

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

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 is recognized in the profit or loss.

Inventories

Inventories, which consist of gold and silver bullion and in circuit, ore stockpile, parts and supplies used in the Company's operations, are stated at the lower of cost and net realizable value. Costs of parts and supplies on hand are determined at moving average. Gold and silver bullion and in circuit and ore stockpiles are valued based on allocated actual processing cost incurred. Cost of parts and supplies comprises the invoice amount, freight, duties and taxes, and other costs incurred in bringing the inventories to their present location and condition; whereas cost of gold and silver bullion and in circuit and ore stockpile refers to accumulated expenditures incurred prior to and during actual processing.

Net realizable value for gold and silver bullion and in circuit and ore stockpile is the selling price in the ordinary course of business less the estimated costs of completion and increment costs necessary to make the sale. In the case of parts and supplies, net realizable value is the value of the inventories when sold at the condition at the balance sheet date or its estimated replacement cost.

Prepayments

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 arising from purchases of goods and services, are carried at cost and included as part of prepayment in the balance sheets. 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 asset's carrying amount and estimated recoverable value. Impairment loss is recognized in the profit or loss and the carrying amount of the asset is reduced through the use of an allowance.

Mine and mining properties

Upon start of commercial operations, deferred development costs are capitalized as part of mine and mining properties and presented as a separate line item in the balance sheets. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves.

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.

Deferred exploration and development costs

Exploration costs. Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mining properties. Exploration costs are stated at cost and are accumulated in respect of each identifiable area of interest. Such costs are only carried forward to the extent that they are expected to be recovered through the successful development of the area of interest (or alternatively by its sale), or where activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable resources, and active work is continuing.

Accumulated costs in relation to an abandoned area are written off and included in profit or loss in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

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., vehicles). 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.

Deferred exploration costs are recognized and reclassified to deferred development costs when the technical feasibility and commercial viability of extracting the resources are demonstrable. Deferred exploration costs are assessed for impairment before reclassification.

Development costs. Deferred development costs pertain to capitalized expenditures incurred to prove technical feasibility and commercial viability of any resources found and develop ore bodies. Development costs 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. These costs are capitalized until assets are already available for use or when the Company has already achieved commercial levels of production.

The carrying value of deferred exploration and development cost represents total expenditures incurred to date net of revenue from saleable material recognized during the pre-commercial production period. 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.

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. Mine development costs incurred to maintain current production are included in operations.

Property Plant and Equipment

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

Initial cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. 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. 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 may transfer from revaluation surplus reserve to retained earnings the difference 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. 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.

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	10 to 20
Power equipment	10
Roads and bridges and land improvements	10
Mining and milling equipment	5
Exploration equipment and others	5

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

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.

Other Intangible Assets

Acquired computer software 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 five (5) years. These are included as part of "Other assets" in the balance sheets.

Impairment of Nonfinancial Assets

The carrying values of inventories, mine and mining properties, deferred exploration and development cost and property plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment loss, if any, is recognized in the profit or loss.

An assessment is made at each balance sheet 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. Such increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. 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.

Equity

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

Deficit represents the accumulated losses as of balance sheet date.

Dividend Distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

Earnings (Loss) Per Share

Basic. Basic earnings/(loss) per share is calculated by dividing the net income/(loss) attributable to ordinary shareholders 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. The Company has no potential dilutive common shares.

Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition policies are adopted by the Company:

Sale of Gold and Silver. Income from the sale of gold and silver is recognized upon delivery based on initial assay results and spot market rate of metals as published on the London gold/silver AM or PM fixing net. Revenue is subsequently adjusted to reflect any difference between determined volume of buyer and existing spot market rate at settlement date, which does not exceed 30 days from the time of delivery based on covering agreement with buyer. Proceeds from the sale of gold and silver during development phase are deducted from deferred exploration and development costs and are charged to operations upon start of commercial production

Interest and Other Income. Interest income is recognized on a time-proportion basis using the effective interest method. Other income is recognized when earned.

Costs and expenses
Costs and expenses, including other expenses, are charged to operations when incurred. Interest expense is recognized on a time-proportion basis using the effective interest method. Expenses incurred for exploration of prospective mining areas are capitalized as part of deferred exploration and development costs.

Leases
The determination whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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 profit or loss on a straight-line basis over the lease terms.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

The Company recognizes the estimated costs of mine rehabilitation, which includes among others, decommissioning, restoration and reforestation of the areas disturbed during development stage and commercial operations, maintenance and monitoring and employee and other social costs, including residual care, if necessary, over a ten (10) year period. The provision is discounted where material and the unwinding of the discount is recognized as accretion and included as part of interest expense. At the time of establishing the provision, the corresponding asset is capitalized as where it gives rise to a future benefit and depreciated/depleted over future production from the mine to which it relates. Costs attributed to actual decommissioning/dismantling and restoration/reforestation are capitalized as part of property, plant and equipment and mine and mining properties, respectively.

Retirement Benefit Costs

The Company maintains a funded non-contributory defined benefit retirement plan. A defined benefit retirement plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on certain factors such as age, years of credited service, and compensation.

The retirement liability is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. In cases when the amount determined results in a surplus (being an excess of the fair value of the plan assets over the present value of the defined benefit obligation), the Company measures the resulting asset at the lower of (a) such amount determined, and (b) the total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available to the Company in the form of refunds or reductions in future contributions to the plan. The defined benefit obligation is calculated at least once every two years by independent actuaries using the projected unit credit method. 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 which approximate the terms of the related retirement liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognized immediately in profit or loss, unless the changes to the retirement plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

Income Taxes

Current Tax. Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and laws used to compute the amount are those that are enacted or substantively enacted as at the balance sheet date.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences 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 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 tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has became probable that the future taxable income will allow the deferred tax asset to be recovered.

Deferred 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 balance sheet date.

Value-Added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The amount receivable from or payable to the taxation authority is presented under "Prepayments and other current assets" or "Accounts payable and accrued liabilities" account in the balance sheet.

Foreign Currency Transactions and Translation
Transactions in foreign currencies are initially recorded in the functional currency exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency closing exchange rate prevailing at the balance sheet date. All differences are taken to the profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Related Party Relationships and Transactions
Related party relationship exists 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 enterprise, or between and/or among the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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 unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed 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 financial position at the balance sheet 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. Management's Use of Judgments, Estimates and Assumptions

In the preparation of financial statements, management has made judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and related disclosures at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

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.

Operating Lease-Company as a Lessee. The Company has various lease agreements in respect of certain equipment and properties as a lessee. The Company evaluates whether significant risks and rewards of ownership of the leased properties are transferred or retained by the lessor based on PAS 17 which requires making judgments and estimates of transfer of risk and rewards of ownership of the leased properties. Total rent expense arising from operating leases amounted to ₱287.31 million, ₱169.40 million and ₱5.40 million for the years ended December 31, 2010, 2009 and 2008, respectively. The Company has no lease agreements that qualify as a finance lease.

Functional Currency. The Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Company operates. The Philippine peso is the currency that mainly influences the cost of providing the services of the Company.

Deferred Income Tax Assets. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the deductible temporary differences and unused tax losses can be applied. The Company assesses the recoverability of outstanding balances of deferred income tax assets up to the extent that is more likely than not it will be realized. 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 income tax holiday period (see Note 13).

Impairment of Nonfinancial Assets Including Deferred Exploration and Development Costs, Property, Plant and Equipment, and Mine and Mining Properties. The Company evaluates whether deferred exploration and development costs, property and equipment, and mine and mining properties 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.

In 2009, based on fair values indicated in the appraisal report dated January 25, 2010, the Company recorded impairment loss on property, plant and equipment amounting to ₱162.67 million as presented in the statement of comprehensive income. The Company did not recognize any provision against deferred exploration and deferred costs and mine and mining properties since calculated value in use based on April 15, 2010 competent person's report still exceed carrying amounts as of December 31, 2010 (see Notes 8, 9 and 10).

Estimates and Assumptions

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

Estimating Allowance for Doubtful Accounts. If the Company assessed that there is objective evidence that an impairment loss has been incurred in the trade and other receivables, 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 Company has only one customer as of December 31, 2010 and 2009. The allowance for doubtful accounts shown in Note 5 represents the amounts estimated to be uncollectible from advances to officers and employees. The carrying values of receivables amounted to ₱232.77 million and ₱177.05 million as of December 31, 2010 and 2009, respectively (see Note 5).

Realizability of Inventories. The Company reviews the realizability of its inventories based on expected market demands, future technological developments, and changes in selling price. As of balance sheet date, based on the Company's assessments, the cost of inventories is lower than its net realizable value. As of December 31, 2010 and 2009, the carrying amount of inventories amounted to ₱343.40 million and ₱194.54 million, respectively (see Note 6).

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 of December 31, 2010 and 2009 to materially vary in the succeeding year as the most recent revaluation adjustment was only recognized the previous year based on appraisal report dated January 25, 2010 covering all property, plant and equipment of the Company.

Remaining property, plant and equipment as of December 31, 2010 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal (see Note 10).

Estimation of Depletion Rate. Depletion rates used to amortize mine and mining properties 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.

Estimation of Provision for Mine Rehabilitation. The Company determined that it has a constructive obligation for mine rehabilitation particularly decommissioning or dismantling its assets at the end of the project and to conduct restoration through reforestation of disturbed area and projected area to be disturbed. The Company recognized a provision relating to estimated costs which is based on several factors including extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. The Company assess its mine rehabilitation provision annually.

These costs are capitalized in the balance sheets as part of property, plant and equipment and mine and mining properties and the corresponding liability presented under non-current. The provision at balance sheet date represents management's best estimate of the present value of the future rehabilitation costs required (see Note 12). Such cost estimates are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Management has determined any sensitivity to be impracticable in consideration of the varying timing of planned rehabilitation activities during the mine life; consequently, actual payout is expected to be made on intermittent periods.

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 of December 31, 2010 and 2009, 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. Consequently, management no longer performs analysis on projected changes in interest rates. The Company considers that it is impracticable to discuss with sufficient reliability the possible effects of sensitivities surrounding the actuarial assumptions at the balance sheet date. 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 balance sheet date may differ significantly from the amount reported.

Accrued retirement benefits amounted to ₱19.63 million and ₱22.27 million as of December 31, 2010 and 2009, respectively. Unrecognized net actuarial gains (losses) amounted to (₱2.90 million) and ₱6.90 million as of December 31, 2010 and 2009, respectively.

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 23.

4. Cash

	2010	2009
Cash in banks	**₱17,019,081**	₱12,680,510
Cash on hand	**840,581**	4,155,841
	₱17,859,662	₱16,836,351

Cash in banks earned average interest rate of 0.26% and 0.45% for the year ended December 31, 2010 and 2009, respectively.

Cash deposit arrangements in 2010 and 2009 have been transacted with duly licensed Universal bank, which belongs to the top ten local banks in terms of capital base.

5. Receivables

	2010	2009
Trade receivables	**₱81,054,515**	₱147,110,607
Advances to suppliers and contractors	**148,579,702**	26,102,781
Others	**301,221**	214,115
	229,935,438	173,427,503
Advances to officers and employees	**5,163,727**	5,955,524
Less allowance for impairment losses	**2,329,870**	2,329,870
	2,833,857	3,625,654
	₱232,769,295	₱177,053,157

Trade receivables are non-interest bearing and are generally on 30 to 45 days' terms.

Nontrade receivables are non-interest bearing and are short-term in nature.

Movements in the allowance for impairment losses are as follows:

	2010	2009
Balance at beginning of year	**₱2,329,870**	₱3,924,036
Write-off	–	(1,594,166)
Balance at end of year	**₱2,329,870**	₱2,329,870

6. Inventories

	2010	2009
Parts and supplies	**₱277,072,577**	₱192,054,928
Gold and silver in bullion	**50,066,157**	–
Gold and silver in circuit	**13,995,239**	–
Ore stockpile	**2,263,537**	2,484,131
	₱343,397,510	₱194,539,059

Cost of inventories for the years ended December 31 charged to:

	2010	2009	2008
Mine and milling costs	**₱289,060,055**	₱300,041,997	₱–
General and administrative expenses	**42,332,211**	22,235,420	31,273,803
	331,392,266	322,277,417	31,273,803
Deferred exploration and development costs (see Note 8)	**60,516,003**	1,393,762	688,381,309
	₱391,908,269	₱323,671,179	₱719,655,112

During 2010, the Company recognized losses on expired chemicals with equivalent cost of ₱2.12 million.

In 2009, Teresa transferred all of its inventories mainly consisting of materials and supplies on hand used in refurbishing its processing plant amounting to ₱21.85 million, which were made available for use by the Company in line with its cessation of milling operations in 2008 (see Note 17).

In 2009, the Company recognized losses on certain parts and supplies with equivalent cost of ₱3.35 million as a result of reported landslides and floods in Compostela Valley. These assets were determined to be no longer serviceable for mine operations (see Note 20).

7. Other Current Assets

	2010	2009
Input tax	**₱121,024,865**	₱72,972,528
Prepaid expenses	**11,775,924**	1,183,149
Others	**1,657,478**	1,417,521
	₱134,458,267	₱75,573,198

In 2009, the Company has written off input taxes amounting to ₱214.10 million, net of balance already provided for with an allowance in previous periods amounting to ₱3.84 million. The amount represents identified portion of input taxes that have prescribed and can no longer be applied for tax credit or refund.

8. Deferred Exploration and Development Costs

	2010	2009
Development costs:		
Beginning balance	**₱–**	₱1,276,383,216
Additions during the year	**90,062,001**	–
Reclassification to mine and mining properties	–	(1,276,383,216)
	90,062,001	–
Exploration costs (see Note 1):		
Beginning balance	**18,801,876**	4,625,684
Additions during the year	**53,016,574**	19,058,026
Revenue during exploration and commissioning periods	–	(4,881,834)
	71,818,450	18,801,876
	₱161,880,451	₱18,801,876

Deferred exploration costs consist of expenditures related to the exploration of the Sagaysagay vein which started in 2008. These costs include fees incurred in finalizing service contract for the development of the mines and advance payments made by the Company to local cooperatives. These are considered as intangible assets.

The Company has incurred costs of reforestation which is required to undertake in areas disturbed due to its ongoing rehabilitation and mine development activities. These costs of reforestation amounting to ₱6.49 million and ₱5.05 million in 2010 and 2009, respectively, were reclassified as part of mine and mining properties. As of December 31, 2010, the Company maintains contingent liability rehabilitation funds consisting of monitoring trust, rehabilitation cash, and environmental trust amounting to at least ₱5.00 million 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, which do not meet the features provided under Philippine Interpretation - IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*, are included as part of "Other assets" in the balance sheets.

9. Mine and Mining Properties

		2010	
	Deferred Development Cost	Provision for Mine Rehabilitation Cost	Total
Balance at beginning of year	**₱1,125,852,320**	**₱13,215,016**	**₱1,139,067,336**
Additions	–	**55,399,581**	**55,399,581**
Depletion for the year (see Note 18)	**(185,076,817)**	**(2,038,577)**	**(187,115,394)**
Balance at end of year	**₱940,775,503**	**₱66,576,020**	**₱1,007,351,523**

		2009	
	Deferred Development Cost	Provision for Mine Rehabilitation Cost	Total
Balance at beginning of year	₱1,276,383,216	₱15,655,643	₱1,292,038,859
Depletion for the year (see Note 18)	(150,530,896)	(2,440,627)	(152,971,523)
Balance at end of year	₱1,125,852,320	₱13,215,016	₱1,139,067,336

Upon commencement of commercial operations in January 1, 2009, the Company transferred accumulated deferred development cost including provision for reforestation costs directly related to the Maco Mines to Mine and Mining Properties amounting to ₱1.28 billion (see Note 8).

10. Property, Plant and Equipment

2010	Buildings and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in Progress	Total
Revalued Amount							
Balance at beginning of year	₱134,435,089	₱1,132,496,582	₱87,035,758	₱431,095,465	₱193,069,169	₱7,696,606	₱1,985,828,669
Additions	390,001	92,120,896	690,001	–	15,493,277	76,001,607	184,695,782
PPE portion of mine rehabilitation Cost	261,288	–	–	–	–	–	261,288
Reclassification/transfer	33,386,430	173,399,066	–	4,090,065	(172,452,266)	(38,423,295)	–
Reclassification to other accounts	(16,733)	(52,362)	–	–	(2,493,645)	–	(2,562,740)
Disposal	–	(18,061,648)	–	–	(3,096,306)	–	(21,157,954)
Adjustments/write-off	(28,982,456)	–	–	–	–	–	(28,982,456)
Balance at end 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
Accumulated Depreciation and Amortization							
Balance at beginning of year	105,657,392	874,380,490	73,443,756	151,786,490	177,305,266	–	1,382,573,394
Depreciation for the year (see Note 18)	6,946,204	108,314,499	6,394,362	67,543,472	8,136,774	–	197,335,311
Reclassification/transfer	–	173,339,309	–	–	(173,339,309)	–	–
Reclassification to other accounts	–	–	–	–	(377,821)	–	(377,821)
Disposal	–	(12,248,516)	–	–	(1,404,643)	–	(13,653,159)
Adjustments/write-off	(28,835,156)	–	–	–	–	–	(28,835,156)
Balance at end of year	83,768,440	1,143,785,782	79,838,118	219,329,962	10,320,267	–	1,537,042,569
Accumulated impairment loss	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net Book Values	₱55,579,142	₱232,798,008	₱7,887,641	₱56,626,138	₱20,199,962	₱45,274,918	₱418,365,809

2009	Building and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in Progress	Total
Revalued Amount							
Balance at beginning of year	₱119,788,041	₱987,108,624	₱84,911,052	₱383,960,170	₱178,402,113	₱12,043,035	₱1,766,213,035
Additions	159,987	11,117,782	1,664,301	340,999	13,141,030	29,307,920	55,732,019
PPE portion of mine rehabilitation cost	848,559	–	–	–	–	–	848,559
Revaluation	13,198,602	126,593,376	–	16,391,339	2,670,915	–	158,854,232
Reclassification	668,923	8,537,902	988,175	30,469,360	(16,734)	(32,713,245)	7,934,381
Adjustments/write-off	(229,023)	(861,102)	(527,770)	(66,403)	(1,128,155)	(941,104)	(3,753,557)
Balance at end of year	134,435,089	1,132,496,582	87,035,758	431,095,465	193,069,169	7,696,606	1,985,828,669
Accumulated Depreciation and Amortization							
Balance at beginning of year	97,453,264	721,471,322	68,351,562	86,664,619	172,618,938	–	1,146,559,705
Depreciation for the year (see Note 18)	4,054,807	86,218,466	5,092,194	63,788,396	4,040,049	–	163,193,912
Revaluation	4,149,321	66,690,702	–	1,333,475	646,279	–	72,819,777
Balance at end of year	105,657,392	874,380,490	73,443,756	151,786,490	177,305,266	–	1,382,573,394
Impairment loss	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net Book Values	₱28,651,660	₱254,797,348	₱13,592,002	₱120,079,545	₱15,763,903	₱7,696,606	₱440,581,064

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. 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 of balance sheet date.

Total revaluation surplus is not available for distribution to shareholders until fully realized.

In March 2008, several mining equipments were destroyed by fire. These assets had remaining net book value of ₱14.89 million which were written-off and recognized as losses under "Other operating expenses" in the statement of comprehensive income (see Note 19).

In December 2008, the Company reclassified various machineries and equipment such as drills and loader trucks with net book value of ₱111.40 million as assets held for sale, which have been determined, will no longer be used in current operations. Correspondingly, the Company recognized impairment loss of ₱27.55 million in order to bring down its carrying amount to estimated fair value net of costs to sell. The impairment loss is shown as part of "Other operating expenses" in the statement of comprehensive income (see Note 19).

In 2009, the Company reclassified the total remaining assets held for sale as of December 31, 2009 amounting to ₱37.64 million and ₱7.93 million to "Other noncurrent assets" and "Property, plant and equipment", respectively. Total depreciation adjustment amounting to ₱37.64 million is shown as part of "Depreciation, depletion and amortization" in the statement of comprehensive income.

As of December 31, 2010 and 2009, the net carrying amount of property, plant and equipment includes estimated cost for decommissioning and dismantling amounting to ₱0.94 million and ₱0.76 million, respectively. This is based on original cost and accumulated depreciation of ₱1.11 million and ₱0.17 million in 2010 and original cost and accumulated depreciation of ₱0.84 million and ₱0.08 million in 2009. The said estimate is sourced from initial assessment made by in-house specialists including forester and mine engineers as included in the draft Final Mine Rehabilitation/ Decommissioning Plan (FMRDP). As of February 21, 2011, the Company's FMRDP is still pending approval by MGB.

11. Accounts Payable and Accrued Liabilities

	2010	2009
Trade	**₱143,429,096**	₱73,182,407
Accrued outside services and professional fees	**81,966,434**	5,787,040
Payable to government agencies	**37,500,578**	42,448,554
Other accrued liabilities	**17,326,946**	2,428,523
Payable to employees	**9,242,105**	1,134,706
Retentions	**2,636,561**	2,030,305
Others	**7,900**	1,082,350
	₱292,109,620	₱128,093,885

Accounts payable and accrued expenses are non-interest bearing and are generally paid within the next financial year.

12. Provision for Mine Rehabilitation Cost

	2010	2009
Beginning balance	**₱23,038,716**	₱6,594,561
Additions	**55,263,231**	16,444,155
Unwinding of discount	**1,994,965**	–
	₱80,296,912	₱23,038,716

The Company recognized additional provision of ₱57.26 million and ₱16.44 million in 2010 and 2009, respectively, based on estimated cost for reforestation, dismantling and decommissioning of property and equipment as included in the FMRDP, as well as in the Environmental Protection and Enhancement Program (EPEP) after management has determined that certain activities included in the EPEP refer to mine rehabilitation.

The actual mine rehabilitation cost could vary from the above estimate because of new regulatory requirements that may be implemented during the mine life, changes in technology, changes in cost of labor, materials and equipment and/or actual time required to complete all decommissioning activities.

13. Income Tax

Details of deductible temporary differences, unused tax credit and losses as of December 31, for which no deferred income tax assets were recognized in the Company's balance sheets, are as follows:

	2010	2009	2008
NOLCO	**₱186,743,174**	₱290,723,106	₱297,747,648
Impairment of property, plant and equipment	**48,802,264**	48,802,264	–
Unrealized foreign exchange losses, net	**18,900,140**	1,396,927	25,527,299
Accrued retirement benefit	**5,888,571**	6,680,195	3,579,561
Provision for mine rehabilitation cost - net	**2,557,612**	1,204,095	–
Past service cost contribution	**1,067,582**	–	–
Provision for doubtful accounts	**698,961**	–	–
Loss from assignment	–	3,259,489	–
Impairment of assets held for sale	–	8,272,102	8,272,102
Impairment of advances to officers and employees	–	–	1,177,211
MCIT	–	–	665,065

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 income tax holiday 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 of December 31 are as follows:

	2010	2009	2008
Unrealized foreign exchange gain	**₱46,067,784**	₱6,131,361	₱–
Revaluation surplus on property, plant and equipment	**39,420,079**	44,266,025	23,331,584
	₱85,487,863	₱50,397,386	₱23,331,584

Total deferred income tax liability reversed from other comprehensive income for the year ended December 31, 2010 amounted to ₱4.85 million for the aggregate of depreciation directly transferred from revaluation surplus to retained earnings and unamortized portion of revaluation surplus for assets disposed during the year. In 2009, total deferred income tax liability charged to other comprehensive income amounted to ₱25.81 million for the appraisal increase of property, plant and equipment.

The details of NOLCO as of December 31, which can be carried over as a deductible expense from taxable income for three consecutive years following the taxable year of incurrence, are as follows:

Year of Incurrence	Year of Expiration	**2010**	2009	2008
2006	2009	**₱–**	₱37,591,330	₱37,591,330
2007	2010	**489,678,349**	489,678,349	489,678,349
2008	2011	**465,222,480**	465,222,480	465,222,480
2009	2012	**14,176,192**	14,176,192	–
2010	2013	**143,078,575**	–	–
		1,112,155,596	1,006,668,351	992,492,159
Less expired portion		**(489,678,349)**	(37,591,330)	–
		622,477,247	969,077,021	992,492,159
Tax rate		**30%**	30%	35%
Tax effect		**₱186,743,174**	₱290,723,106	₱347,372,256

Where higher than normal income tax, the Company is required to pay MCIT equal to 2% of gross income as defined in the Tax Reform Act of 1997. The excess MCIT (difference between MCIT and normal income tax) can be claimed as tax credit against normal income tax within the three immediately succeeding taxable years.

MCIT incurred in 2006 amounting to ₱0.06 million already expired in 2009.

The reconciliation of the benefit from income tax calculated at the statutory rate to the actual benefit from income tax in the statements of comprehensive income follows:

	2010	2009	2008
Benefit from income tax computed at statutory income tax rate of 30%	**(₱25,665,678)**	(₱179,859,498)	(₱123,052,498)
Additions (reductions) on income taxes resulting from tax effects of:			
Unrecognized NOLCO and deductible temporary differences	**51,223,631**	60,677,386	168,765,905
Capitalized development cost	**(42,923,573)**	(4,252,858)	(85,004,230)
BOI registered activities	**41,880,680**	64,367,704	–
Various non-deductible expenses	**10,595,364**	65,216,716	2,832,979

(Forward)

	2010	2009	2008
Interest income subjected to final tax	**(₱19,947)**	(₱18,089)	(₱20,697)
Reversal of deferred tax liability on revaluation surplus	–	(4,875,896)	(749,560)
Change in tax rate	–	–	29,320,635
Provision for (benefit from) income tax	**₱35,090,477**	₱1,255,465	(₱7,907,466)

14. **Retirement Benefits**

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

The estimated liabilities for retirement benefits recognized in the balance sheets at December 31 are determined as follows:

	2010	2009	2008	2007
Present value of funded obligations	**₱35,643,079**	₱15,836,402	₱21,508,157	₱12,298,521
Fair value of plan assets	**(13,198,572)**	–	–	–
Unrecognized net transition obligation	**(128,270)**	(256,541)	(384,812)	(513,083)
Unrecognized actuarial gains (losses)	**(2,687,668)**	6,687,456	(9,191,474)	(6,147,224)
	₱19,628,569	₱22,267,317	₱11,931,871	₱5,638,214

The retirement plan is funded as of December 31, 2010.

Details of movement in the accrued retirement benefit are recognized in the balance sheets are as follows:

	2010	2009
January 1	**₱22,267,317**	₱11,931,871
Expense recognized for the year	**10,039,698**	10,335,446
Contributions paid	**(12,678,446)**	–
December 31	**₱19,628,569**	₱22,267,317

Changes in the present value of funded obligations are as follows:

	2010	2009	2008	2007
January 1	**₱15,836,402**	₱21,508,157	₱12,298,521	₱967,154
Current service cost	**8,724,439**	7,501,707	6,590,919	5,115,282
Interest cost	**1,430,027**	2,370,199	1,019,547	68,861
Actuarial loss (gain)	**9,894,638**	(15,543,661)	3,267,767	6,147,224
Benefits paid	**(242,427)**	–	(1,668,597)	–
December 31	**₱35,643,079**	₱15,836,402	₱21,508,157	₱12,298,521

The amounts of retirement expense recognized in the statements of total comprehensive income as part of salaries, wages and employee benefits for the years ended December 31 are as follows:

	2010	2009	2008	2007
Current service cost	**₱8,724,439**	₱7,501,707	₱6,590,919	₱5,115,282
Interest cost	**1,430,027**	2,370,199	1,019,547	68,861
Actuarial loss (gain)	**(243,039)**	335,269	223,517	–
Net transition obligation recognized during the year	**128,271**	128,271	128,271	–
Retirement expense	**₱10,039,698**	₱10,335,446	₱7,962,254	₱5,184,143

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate	**8.06%**	9.03%
Future salary increases	**5.00%**	5.00%

The discount rate assumption is based on PDEX (PDST-R2) rates as of the valuation date considering the average years of remaining working life of the employees.

Assumptions regarding future mortality experience are set based on the 1960 Basic Group Mortality Table. Experience adjustments gain on benefit obligation amounted to ₱2.43 million, ₱7.93 million and ₱16.59 million for the year ended December 31, 2010, 2009 and 2008, respectively.

15. **Share Capital**

At December 31, 2010, the Company's authorized share capital is ₱2.00 billion divided into 2.00 billion shares at ₱1 par value each consisting of 1.20 billion Class "A" and 0.80 billion Class "B" common shares (see Note 1). The movement of subscribed, issued and outstanding share capital in 2010 are as follows:

	2010					
	Class A		**Class B**		**Total**	
	Shares	**Amount**	**Shares**	**Amount**	**Shares**	**Amount**
Issued shares at January 1, 2010	**458,981,818**	**₱458,981,818**	**295,731,885**	**₱295,731,885**	**754,713,703**	**₱754,713,703**
Subscribed shares	**2,199,178**	**2,199,178**	**5,361**	**5,361**	**2,204,539**	**2,204,539**
Total issued and subscribed	**461,180,996**	**461,180,996**	**295,737,246**	**295,737,246**	**756,918,242**	**756,918,242**
Less: subscription receivable	–	–	–	–	**236,072**	**236,072**
Total issued and subscribed at January 1, 2010	**461,180,996**	**461,180,996**	**295,737,246**	**295,737,246**	**756,682,170**	**756,682,170**
Issued during the year	**341,135,135**	**341,135,135**	**219,800,725**	**219,800,725**	**560,935,860**	**560,935,860**
Issued shares at December 31, 2010	**802,316,131**	**₱802,316,131**	**515,537,971**	**₱515,537,971**	**1,317,618,030**	**₱1,317,618,030**

	2009					
	Class A		Class B		Total	
	Shares	Amount	Shares	Amount	Shares	Amount
Issued shares at January 1, 2009	458,981,818	₱458,981,818	295,731,885	₱295,731,885	754,713,703	₱754,713,703
Subscribed shares	2,199,178	2,199,178	5,361	5,361	2,204,539	2,204,539
Total issued and subscribed	461,180,996	461,180,996	295,737,246	295,737,246	756,918,242	756,918,242
Less: subscription receivable	–	–	–	–	236,072	236,072
Issued shares at December 31, 2009	461,180,996	₱461,180,996	295,737,246	₱295,737,246	756,682,170	₱756,682,170

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.

In October 2009, Crew Gold entered into a Sale and Purchase Agreement with Mindanao Gold, which granted the latter exclusive, irrevocable, and assignable option to purchase the former's equity shares or 211,534,806 Class B shares of the Company that in the aggregate approximately represent 28.03% of total issued shares of the Company, at a purchase price of ₱50.10 million subject to the approval of the PSE. The option was exercised by Mindanao Gold on December 18, 2009 and was subsequently approved by the PSE on January 24, 2010. The agreement did not have any impact on the Company's financial statements.

16. Basic/Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss attributable to shareholders 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 loss per share for the years ended December 31 are as follows:

	2010	2009	2008
Net loss shown in the statements of total comprehensive income	**₱120,642,737**	₱600,787,126	₱343,671,099
Weighted average common shares - basic and diluted			
At beginning of year	**756,682,170**	756,682,170	756,682,170
Issuances during the year	**140,233,965**	–	–
At end of the year	**896,916,135**	756,682,170	756,682,170
Basic/diluted loss per share	**₱0.13**	₱0.79	₱0.45

The basic and diluted loss per share are the same for the years presented as there are no potential dilutive common shares.

17. Related Party Transactions

In the normal course of business, the Company transacted with companies which are considered related parties under PAS 24, *Related Party Disclosures*. A summary of the more significant transactions with related parties for the years ended December 31 follow:

	2010	2009	2008
Transfers from (to) Mapula:			
Debt-to-equity conversion	**(₱1,262,199,999)**	₱–	₱–
Assumption of liability	**(854,183,620)**	–	–
Funds	**340,356,920**	–	(3,993,793)
Administrative expense	**(881,919)**	(1,483,639)	–
Materials and mining cost	**–**	–	(10,629,893)
Transfers from (to) Teresa:			
Administrative expense	**219,840,191**	(2,051,065)	3,594,141
Funds	**(47,858,187)**	68,766,122	672,511,345

(Forward)

	2010	2009	2008
Investment	**₱12,678,446**	₱–	₱–
Property and equipment (see Note 10)	**340,000**	–	23,610,958
Rent	–	153,469,836	121,175,785
Inventories (see Note 6)	–	21,847,326	–
Employee advances	–	80,841	9,058,131
Transfers from (to) Crew Gold:			
Funds	**(39,712,185)**	–	309,723,915
Materials and mining cost	–	(2,575,028)	79,522,209
Administrative expense	–	–	100,851,726
Property and equipment (see Note 10)	–	–	(452,626)
Payables	–	–	3,875,878
Transfers from (to) Mindanao Gold:			
Debt-to-equity conversion	**(813,262,684)**	–	–
Assumption of liability	**(391,584,901)**	–	–
Payables	**728,279,680**	727,070,929	–

In January 2008, a memorandum of agreement was entered into by the Company and Teresa wherein the latter will cease milling operations and lease related assets to the former for a consideration equivalent to 15% of proceeds received for shipments made. Consequently, approximately 422 employees were transferred from Teresa to the Company without any break in the length of service that these employees earned while working for Teresa. The agreement is deemed effective until cancelled by both parties.

Prior to commercial operations, shareholders and affiliates provide continuous advances to finance the Company's rehabilitation and refurbishing of the mine project and other pre-commercial activities. These advances are non-interest bearing and considered payable on demand.

Pursuant to the SPA, Mindanao Gold has agreed to assume the entire outstanding advances from Crew Gold amounting to \$15.74 million (₱727.07 million) under the same terms and conditions. By virtue of the assignment, Mindanao Gold obtains Crew Gold's rights, interests, benefits and obligations with respect to these advances.

The Company recognized corresponding loss amounting to ₱10.86 million for the difference between actual amount outstanding per record and balance assigned to Mindanao Gold, which is included as part of "Other operating expense" in the statements of comprehensive income (See Note 20).

Year-end outstanding liabilities arising from these transactions presented under advances from shareholders and affiliates as of December 31 are as follows:

	Relationship	2010	2009
Mindanao Gold	Shareholder	**₱728,279,681**	₱727,070,929
Mapula	Shareholder	**19,169,589**	941,894,588
Teresa	Entity under common control	**137,552,525**	1,186,074,289
		₱885,001,795	₱2,855,039,806

Terms and Conditions of Transactions with Related Parties

Purchases and expenses 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, 2010 and 2009, 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 party and the market in which the related operates.

The following are the components of compensation of the Company's key management personnel:

	2010	2009	2008
Salaries and short-term benefits	**₱38,837,557**	₱16,609,617	₱7,445,570
Post-retirement benefits	**2,409,528**	1,286,553	379,096
	₱41,247,085	₱17,896,170	₱7,824,666

There were no stock options or other long-term benefits for key management personnel in 2010, 2009 and 2008.

18. Depreciation, Depletion and Amortization

	2010	2009	2008
Property, plant and equipment (see Note 10)	**₱197,335,311**	₱163,193,912	₱7,007,115
Mine and mining properties (see Note 9)	**187,115,394**	152,971,523	–
Other noncurrent assets	**44,321,752**	38,887,448	–
	₱428,772,457	₱355,052,883	₱7,007,115

19. Other Operating Expenses

	2010	2009	2008
Utilities	**₱98,316,603**	₱85,573,892	₱9,455,258
Professional fees	**49,555,106**	50,880,502	32,255,753
Other taxes and licenses	**47,129,394**	27,392,482	6,781,527
Excise tax	**33,903,123**	20,855,456	15,845,038
Contracted services	**32,513,589**	–	–
Surface rights	**31,064,602**	–	–
Royalties	**25,200,961**	–	–
Marketing	**14,931,658**	12,131,862	–
Repairs and maintenance	**14,508,509**	35,147,543	915,917
Representation and entertainment	**8,211,967**	8,221,629	7,237,060
Freight and handling	**7,790,431**	11,897,571	10,849,163
Transportation and accommodation	**6,942,124**	8,127,867	4,348,655
Seminars, trainings, conferences	**6,886,785**	–	–
Employees' activities	**5,018,104**	–	–

(Forward)

	2010	2009	2008
Donations	**₱4,581,659**	₱3,475,137	₱2,242,243
Telephone and communication	**3,405,030**	–	–
Staff house	**2,224,385**	2,296,816	993,014
Directors fee	**958,889**	222,222	320,198
Dues and subscriptions	**501,012**	216,329	318,677
Loss on write-off of:			
Inventories	**2,121,425**	–	–
Fixed assets	**250,894**	–	–
Property, plant and equipment (see Note 10)	–	3,753,553	14,892,559
Impairment loss on assets held for sale (see Note 10)	–	–	27,553,672
Others	**17,791,652**	10,447,826	3,173,517
	₱413,807,902	₱280,640,687	₱137,182,251

20. Interest and Other Income (Expense)

	2010	2009	2008
Interest expense (see Note 12)	**(₱1,994,965)**	₱–	(₱666,180)
Interest income	**66,488**	120,342	59,137
Gain from extinguishment of liability (see Note 1)		83,162,204	–
Impairment of inventories (see Note 6)	–	(3,350,394)	–
Loss from assignment (see Note 12)	–	(10,864,963)	–
Gain on sale of property, plant and equipment	–	–	213,750
Other income (expense)	–	(213,411)	677,085
	(₱1,928,477)	₱68,853,778	₱283,792

In December 2009, the BOD authorized the write-off of remaining liabilities to PJS Investment Corporation (see Note 1) arising from settlement agreement entered into with the Company after the lapse of the two-year prescription period provided in the SPA wherein any outstanding claims incurred prior to the effective date of the SPA will be paid out of the said liability balance. As of the date of the settlement agreement, there were no claims filed against the Company.

21. Operating Segments

The chief operating decision maker and management looks at the Company as one business segment operating in one geographical area and monitor the operating results and performance of the Company based on the net income for the year and earnings before interest, taxes and depreciation and amortization or EBITDA. Net loss for the year is measured consistent with the net loss in the financial statements.

EBITDA is measured as net income excluding depreciation, depletion and amortization, foreign exchange gain (loss), asset impairment on noncurrent assets, interest (income) charges and provision for current and deferred income tax.

	2010	2009
Net loss after tax	**(₱120,642,737)**	(₱600,787,126)
Add (deduct) reconciling items:		
Depreciation, depletion and amortization	**428,772,457**	355,052,883
Foreign exchange gain - net	**(65,203,465)**	(15,368,756)
Provision for deferred income tax	**35,090,477**	1,255,465
Interest (income) charges	**1,928,477**	(68,853,778)
Loss on write-off of input VAT	**–**	214,098,706
Impairment loss on property, plant and equipment	**–**	162,674,211
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**₱279,945,209**	₱48,071,605

22. Financial Risk Management Objectives and Policies

Capital Risk Management Policy

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern in order to continuously provide funding for daily operations and 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. Base equity ratio represents amount contributed or advanced to the Company. Moreover, the Company continually aims to protect the investing public through transparency and implementation of adequate measures in order to address reported deficiency. Capital pertains to equity excluding reserve from revaluation of property, plant and equipment and advances from shareholders.

As of December 31, 2010 and 2009, the Company is deemed compliant with the required base equity ratio in the absence of any outstanding debts obtained from third parties such as banks and other financial institutions. Accordingly, the Company is not subject to capital requirements or restrictions arising from debt covenants.

General Risk Management Policy

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk and fair value interest risk), credit risk, and liquidity risk. The Company has no formal risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance; however, the Company complies with written policies as authorized by the BOD and aligned with risk management program as carried out by Mindanao Gold, who is responsible for the review of risk exposures and implementing risk reduction strategies for its entities. Accordingly, the Company's risk management program will cover specific areas such as foreign exchange and interest rate risks in line with management's strategies of addressing fluctuations of foreign exchange rates and identifying alternative sources of funding that will yield minimum charges to the Company.

Market risk

Price Risk. The Company is not exposed to significant price risk due to the absence of material equity investments classified as either AFS investments or at FVPL wherein changes to fair value are directly recognized through equity and operations, respectively. The associated commodity price risk on future cash flows arising from probable change in market spot rates of gold and silver upon delivery (or at initial recognition of revenue) and final settlement dates is determined to be low as the time difference between the two dates does not extend more than 30 days; average monthly fluctuation of market spot rates of gold and silver have been observed to not exceed 5% in 2010; and average monthly trade receivable has been determined to be nominal. Moreover, the Company has no other financial assets or liabilities whose realization or settlement is based on future spot price.

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 assets and liabilities. 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. Management has initially assessed impact of fluctuations in the exchange rate to future profits to be minimal as payment of advances will be sourced from results of commercial operations mainly through sales proceeds, which are denominated in the same foreign currency. The following table shows the Company's foreign currency-denominated monetary financial assets and liabilities and their Philippine peso equivalents as at December 31, 2010 and 2009:

	2010		2009	
	U.S. Dollar	**Php**(1)	U.S. Dollar	Php(2)
Financial Assets				
Cash	**$62,094**	**₱2,722,201**	$23,616	₱1,091,059
Trade receivables	**4,731,043**	**207,408,925**	3,559,431	164,445,712
	$4,793,137	**₱210,131,126**	$3,583,047	₱165,536,771
Financial Liabilities				
Trade and other payables	**($1,149,905)**	**(₱50,411,835)**	($202,121)	(₱9,337,990)
Advances from shareholders and affiliate	**(19,907,744)**	**(872,755,497)**	(15,737,466)	(727,070,929)
	(21,057,649)	**(923,167,332)**	(15,939,587)	(736,408,919)
Net exposure	**($16,264,512)**	**(₱713,036,206)**	($12,356,540)	(₱570,872,148)

(1)The exchange rate used was ₱43.84 to US$1.00.
(2)The exchange rate used was ₱46.20 to US$1.00.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all other variables held constant, of the Company's income before income tax. There is no other impact on the Company's equity other than those already affecting net income.

2010		2009	
Increase (decrease) in exchange rate of ₱ to $	**Effect on loss before income tax**	Increase (decrease) in exchange rate of ₱ to $	Effect on loss before income tax
5.82%	**₱41,498,707**	2.20%	₱12,559,187
(5.82%)	**(41,498,707)**	(2.20%)	(12,559,187)

Credit risk
Credit risk arises from cash for its deposits in banks as well as credit exposure to debtor on outstanding receivables. For banks, the Company only enters into deposit arrangements with either universal or commercial banks, which are considered the first and second top tier banks, respectively, in terms of capitalization as categorized by the Philippine Banking System.

The Company has significant concentration of credit risk as deliveries of gold and silver bullion are only made to one foreign customer. However, this is brought down to an acceptable level since average days collection does not extend longer than 15 days. In addition, selection of appropriate buyers is performed by Mindanao Gold based on thorough evaluation on the credit standing including liquidity and history of defaults, if any. Safeguards are implemented to ascertain that no additional deliveries are made pending resolution of any disagreement resulting from previous deliveries.

Credit risk on advances to officers and supplier extends only to balances that are expected to be collected in cash, which as of December 31, 2010 and 2009 have been fully provided with an allowance.

On security deposits, management believes that the Company will be able to fully recover these at the end of their respective lease terms.

The table below provides information regarding the credit quality by class of the Company's financial assets according to the credit ratings of counterparties:

	December 31, 2010				
		Neither Past Due nor Impaired		Past Due but	
	Total	A Grade(1)	B Grade(2)	not Impaired(3)	Impaired
Loans and receivables:					
Cash in bank	₱17,019,080	₱17,019,080	₱–	₱–	₱–
Receivables:					
Trade	81,054,515	81,054,515	–	–	–
Advances to suppliers and contractors	148,579,702	–	75,422,492	73,157,210	–
Advances to officers and employees	5,163,727	–	522,507	2,311,350	2,329,870
Others	301,221	–	17,675	283,546	–
Security deposits*	11,878,971	11,878,971	–	–	–
	₱263,997,216	₱109,952,566	₱75,962,674	₱75,752,106	₱2,329,870

**Included under "Other assets" account in the balance sheets.*

		December 31, 2009			
		Neither Past Due nor Impaired		Past Due but	
	Total	A Grade(1)	B Grade(2)	not Impaired(3)	Impaired
Loans and receivables:					
Cash in banks	₱12,680,510	₱12,680,510	₱–	₱–	₱–
Receivables:					
Trade	147,110,607	147,110,607	–	–	–
Advances to suppliers and contractors	26,102,781	–	13,250,375	12,852,406	–
Advances to officers and employees	5,955,524	–	860,434	2,765,220	2,329,870
Others	214,115	–	30,935	183,180	–
Security deposits*	11,878,971	11,878,971	–	–	–
	₱203,942,508	₱171,670,088	₱14,141,744	₱15,800,806	₱2,329,870

**Included under "Other assets" account in the balance sheet.*

(1) *Included in this category are low risk and good paying customers with no history of default. Also included are cash in bank accounts deposited in top tier banks;*

(2) *Included in this account are medium risk and average paying customers with no overdue accounts as of report date. Also included are receivables/advances from officers and employees which are not provided with allowance.*

(3) *Gross receivables from counterparties, before any offsetting arrangements.*

As of December 31, 2010 and 2009, the aging analyses of the past due but not impaired class of financial assets are as follows:

			December 31, 2010		
		Neither past due nor	**Past Due but not Impaired**		
	Total	**Impaired**	**31–60 Days**	**61–90 Days**	**Over 90 Days**
Receivables:					
Trade receivables	**₱81,054,515**	**₱81,054,515**	**₱–**	**₱–**	**₱–**
Advances to suppliers and contractors	**148,579,702**	**75,422,492**	**18,429,469**	**30,899,868**	**23,827,873**
Advances to officers and employees	**2,833,857**	**522,507**	**910,996**	**458,107**	**942,247**
Others	**301,221**	**17,675**	**46,542**	**87,939**	**149,065**
	₱232,769,295	**₱157,017,189**	**₱19,387,007**	**₱31,445,914**	**₱24,919,185**

			December 31, 2009		
		Neither past due nor	Past Due but not Impaired		
	Total	impaired	31–60 Days	61–90 Days	Over 90 Days
Receivables:					
Trade receivables	₱147,110,607	₱147,110,607	₱–	₱–	₱–
Advances to suppliers and contractors	26,102,781	13,250,375	3,237,726	5,428,551	4,186,129
Advances to officers and employees	3,625,654	860,434	1,050,686	528,353	1,186,181
Others	214,115	30,935	37,775	18,996	126,409
	₱177,053,157	₱161,252,351	₱4,326,187	₱5,975,900	₱5,498,719

Liquidity risk

The Company's major shareholders have standing commitment to provide financial assistance through advances, if deemed necessary, in order to support daily working capital requirements, as well as planned future exploration and development activities. In addition, the Company may generate funding from equity contributions through additional public offering and share options as permitted by its registration and by-laws upon approval and authorization of the BOD through a majority vote and of the shareholders owning or representing at least two-thirds (2/3) of the outstanding share capital. Management believes that the relative short turnover of receivable arising from deliveries of gold and silver bullion provides sufficient cash flows for working capital requirements particularly ability to settle current liabilities as they fall due. In 2010 and 2009, there were no incremental advances obtained from related parties, either shareholders or entities under common control, and no borrowing facilities availed from third party banks and financial institutions.

The tables below summarize the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	December 31, 2010			
	On Demand	**Less than 3 Months**	**3 to 12 Months**	**Total**
Loans and receivables:				
Cash in bank	**₱17,019,080**	**₱–**	**₱–**	**₱17,019,080**
Receivables:				
Trade	–	**81,054,515**	–	**81,054,515**
Advances to suppliers and contractors	**73,157,210**	–	**75,422,492**	**148,579,702**
Advances to officers and employees	**2,311,350**	–	**522,507**	**2,833,857**
Others	**283,546**	–	**17,675**	**301,221**
Security deposits	–	–	**11,878,971**	**11,878,971**
	₱92,771,186	**₱81,054,515**	**₱87,841,645**	**₱261,667,346**
Other financial liabilities:				
Accounts payable and accrued expenses*:				
Trade	**₱143,429,096**	**₱–**	**₱–**	**₱143,429,096**
Accrued outside services and professional fees	–	**81,966,434**	–	**81,966,434**
Other accrued liabilities	–	**47,326,946**	–	**47,326,946**
Retentions	–	**318,597**	**2,317,964**	**2,636,561**
Payable to employees	–	–	**9,242,105**	**9,242,105**
Others	–	**7,900**	–	**7,900**
Advances from shareholder and affiliates	**885,001,795**	–	–	**885,001,795**
	₱1,028,430,891	**₱129,619,877**	**₱11,560,069**	**₱1,169,610,837**

* *Excluding payable to government agencies.*

	December 31, 2009			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Loans and receivables:				
Cash in bank	₱12,680,510	₱–	₱–	₱12,680,510
Receivables:				
Trade	–	147,110,607	–	147,110,607
Advances to suppliers and contractors	12,852,406	–	13,250,375	26,102,781
Advances to officers and employees	2,765,220	–	860,434	3,625,654
Others	183,180	–	30,935	214,115
Security deposits	–	–	11,878,971	11,878,971
	₱28,481,316	₱147,110,607	₱26,020,715	₱201,612,638

	December 31, 2009			
	On Demand	Less than 3 Months	3 to 12 Months	Total
Other financial liabilities:				
Accounts payable and accrued expenses*:				
Trade	₱73,182,407	₱–	₱–	₱73,182,407
Accrued outside services and professional fees	–	5,787,040	–	5,787,040
Other accrued liabilities	–	2,428,523	–	2,428,523
Retentions	–	2,030,305	–	2,030,305
Payable to employees	–	1,134,706	–	1,134,706
Others	–	1,082,350	–	1,082,350
Advances from shareholder and affiliates	2,855,039,086	–	–	2,855,039,086
	₱2,928,221,493	₱12,462,924	₱–	₱2,940,684,417

* *Excluding payable to government agencies.*

23. **Financial Assets and Liabilities**

Fair Values

The following is a comparison by category of carrying values and fair values of all of the Company's financial instruments that are carried in the balance sheets as of December 31:

	2010		2009	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Loans and receivables:				
Cash in banks	**₱17,019,081**	**₱17,019,081**	₱12,680,510	₱12,680,510
Receivables	**232,769,295**	**232,769,295**	177,053,157	177,053,157
Security deposits*	**11,878,971**	**6,436,864**	11,878,971	5,284,491
	₱261,667,347	**₱256,225,240**	₱201,612,638	₱195,018,158
Other financial liabilities:				
Accounts payable and accrued expenses**	**₱284,609,042**	**₱284,609,042**	₱110,311,018	₱110,311,018
Advances from shareholder and affiliates	**885,001,795**	**885,001,795**	2,855,039,806	2,855,039,806
	₱1,169,610,837	**₱1,169,610,837**	₱2,965,350,824	₱2,965,350,824

* *Included under "Other assets" account*

** *Excludes statutory payables and excise tax payable totaling ₱7,500,578 and ₱42,448,554 as of December 31, 2010 and 2009, respectively.*

Cash in banks, Receivables, Accounts Payable and Accrued Expenses, and Advances from shareholder and affiliates. Due to the short-term nature of transactions, the fair values approximate the carrying values as at balance sheet date.

Security Deposits. The fair value is based on the discounted value of expected future cash flows using the applicable interest rate for similar types of instruments. Discount rates used range from 1.30% to 8.20% and from 4.27% to 8.11% in 2010 and 2009, respectively.

24. Lease Commitments

On January 1, 2007, the Company entered into a memorandum of understanding with Teresa whereas the Company outsourced its milling operations and marketing of gold to Teresa. In consideration, the Company agrees to pay Teresa 15% of the proceeds which are realized from the sale of dore or gold bars and its by-products. On January 31, 2008, Teresa has decided to cease from its milling operations and lease related assets to the Company still for a consideration equivalent to 15% of proceeds received for shipments made. As of December 31, 2010, the agreement is deemed effective until cancelled by both parties.

25. Contingencies

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, will not have a material adverse effect on the financial position and performance of the Company.

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 February 21, 2011, the case is still subject of appellate proceedings and for resolution of the Panel.

26. Notes to Statement of Cash Flows

The Company had non-cash transactions in 2010 which were considered in the preparation of the statement of cash flows and these are as follows:

	2010	2009
Investing activities:		
Debt-to-equity conversion	**₱2,060,092,405**	₱–
Transfer of portion of revaluation surplus to retained earnings	**11,307,208**	–
Reclassification from property, plant, and equipment to inventory	**2,184,920**	–
Addition to property, plant and equipment pertaining to capitalized mine rehabilitation cost	**261,288**	848,559

27. Supplementary Information Required by Revenue Regulations (RR) No. 15-2010

On December 28, 2010, RR No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the Bureau of Internal Revenue (BIR) and is not a required part of the basic financial statements.

a. Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2010 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Zero-rated		
Sale of gold and silver	₱1,546,629,952	₱–

Zero-rated sales are 100% export sales based on BIR Revenue Memorandum Order 9-2000 entitled "Tax Treatment of Goods, Properties, and Services made by VAT-registered Suppliers to BOI-registered Manufacturers-Exporters with 100% Export Sales."

b. Input VAT

Movements in input VAT for the year ended December 31, 2010 follow:

Beginning balance	₱72,972,528
Add: Current year's domestic purchases/payments for:	
Capital goods subject to amortization	2,764,656
Services lodged under cost of goods sold	45,287,680
Total input VAT	₱121,024,864

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, 2010 follow:

Landed cost of imports	₱15,315,639
Amount paid for customs duties and tariff fees	3,340,445
Total	₱18,656,084

d. Excise tax

Excise taxes for the year ended December 31, 2010 resulting from the sales of gold and silver amounted to ₱33,903,123 of which, ₱3,892,585 were accrued at December 31, 2010.

e. Documentary stamp tax

Documentary stamp taxes paid for the year ended December 31, 2010 pertaining to the issuance of additional Company shares of stocks certificates amounted to ₱2,804,680.

f. All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2010 consist of:

	Total
Municipal taxes	₱145,841
Real property tax	1,710,731
Mayor's permit	11,267,436
Community tax	10,500
Others	654,441
	₱13,788,949

The above local and national taxes are lodged under "Taxes and licenses" account in operating expenses.

g. Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2010 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	₱11,634,794	₱1,742,186	₱13,376,980
Expanded withholding tax	11,456,698	1,500,232	12,956,930
Final withholding tax	2,568,950	274,034	2,842,984
	₱25,660,442	₱3,516,452	₱29,176,894

h. Tax assessments

The Company received a Final Assessment Notice (FAN) dated July 13, 2010 for the taxable year ended December 31, 2007, with total tax assessed of ₱122.00 million. The Company, in its reply dated July 28, 2010, contested the assessment and presented its position on several of the individual tax assessments in the FAN based on the review it conducted in its own records.

As of December 31, 2010, the BIR has yet to issue a final resolution on the assessment. However, the Company accrued only ₱30 million which is based on the management's own computation.

The taxable year 2009 is currently under investigation by the BIR. The Company believes that this investigation, would not adversely affect the Company's financial position or result of operations.

i. Tax cases

The Company has no outstanding tax cases in any other court or bodies outside of the BIR as of December 31, 2010.