Apex Mining Co., Inc.

Financial Statements
December 31, 2013 and 2012

and

Independent Auditors' Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

APEX MINING CO., INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Apex Mining Co., Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with the accounting principles generally accepted in the Philippines. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Sycip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2013 and 2012, respectively, have examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such examination.

Walter W. Brown
Chairman and President

Ramon Y. Sy
Chief Financial Officer

April 11, 2014

424
87
xxy1

ATTY. CESAR G. VIOLA
NOTARY PUBLIC
UNTIL DEC. 31, 2014
PTR NO. 2532586, /01-02-2014
IBP NO. 905607, 11-09-12
ROLL NO. 15654
MCLE COMPLIANCE NO. III
0004741-03-05-12

BUREAU OF INTERNAL REVENUE
APR 30 2014
EXCISE LT REGULATORY DIVISION

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY INCOME TAX RETURN

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

We have audited the financial statements of Apex Mining Co., Inc. for the year ended December 31, 2013, on which we have rendered the attached report dated April 11, 2014.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225164, January 2, 2014, Makati City

April 11, 2014

BUREAU OF INTERNAL REVENUE
APR 3 0 2014
EXCISE LT REGULATORY DIVISION

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Apex Mining Co., Inc., which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

SGV
Building a better working world

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Apex Mining Co., Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Apex Mining Co., Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all materials respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225164, January 2, 2014, Makati City

April 11, 2014

BUREAU OF INTERNAL REVENUE
APR 30 2014
EXCISE LT REGULATORY DIVISION

APEX MINING CO., INC.
STATEMENTS OF FINANCIAL POSITION

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱33,677,065**	₱52,923,378	₱53,550,286
Trade and other receivables (Note 5)	**313,464,697**	617,685,238	407,376,223
Inventories (Note 6)	**413,682,013**	598,511,429	350,054,504
Advances to a related party (Note 14)	**486,992**	34,738,559	–
Prepayments and other current assets (Note 7)	**117,308,256**	105,960,896	68,846,332
Total Current Assets	**878,619,023**	1,409,819,500	879,827,345
Noncurrent Assets			
Property, plant and equipment (Note 8)	**1,903,652,578**	915,175,677	579,316,307
Deferred exploration and mine development costs (Note 9)	**1,442,338,623**	965,584,745	530,156,205
Mine and mining properties (Note 10)	**521,451,487**	662,204,354	774,453,464
Intangible assets (Note 11)	**11,177,044**	20,898,252	26,769,115
Other noncurrent assets (Note 12)	**101,238,793**	61,603,175	23,108,236
Total Noncurrent Assets	**3,979,858,525**	2,625,466,203	1,933,803,327
TOTAL ASSETS	**₱4,858,477,548**	₱4,035,285,703	₱2,813,630,672
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Note 13)	**₱1,075,883,309**	₱637,499,916	₱654,759,259
Advances from stockholders and related parties (Note 14)	**483,830,181**	837,215,067	855,047,855
Loans payable (Note 17)	**870,211,544**	–	–
Total Current Liabilities	**2,429,925,034**	1,474,714,983	1,509,807,114
Noncurrent Liabilities			
Accrued retirement benefits (Note 15)	**83,730,583**	53,388,056	30,683,422
Provision for mine rehabilitation and decommissioning (Note 16)	**47,806,902**	82,790,453	66,811,963
Deferred income tax liabilities (Note 26)	**4,016,232**	37,769,623	35,995,557
Loans payable - net of current portion (Note 17)	**7,191,183**	–	–
Total Noncurrent Liabilities	**142,744,900**	173,948,132	133,490,942
Total Liabilities	**2,572,669,934**	1,648,663,115	1,643,298,056
Equity			
Capital stock (Notes 1 and 18)	**1,868,639,664**	1,664,565,290	1,390,955,655
Additional paid-in capital (Note 18)	**3,098,234,838**	2,561,661,966	1,665,701,307
Revaluation surplus on property, plant and equipment (Note 8)	**13,387,441**	55,751,783	80,514,893
Re-measurement gain (loss) on retirement plan (Note 2)	**(24,178,104)**	(10,146,744)	226,199
Deficit	**(2,670,276,225)**	(1,885,209,707)	(1,967,065,438)
Total Equity	**2,285,807,614**	2,386,622,588	1,170,332,616
TOTAL LIABILITIES AND EQUITY	**₱4,858,477,548**	₱4,035,285,703	₱2,813,630,672

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 30 2014
EXCISE LT REGULATORY DIVISION

APEX MINING CO., INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
REVENUE			
Gold	**₱1,592,459,475**	₱1,657,461,829	₱1,814,725,479
Silver	**143,381,279**	159,859,735	223,847,220
	1,735,840,754	1,817,321,564	2,038,572,699
COST OF SALES (Note 20)	**1,705,337,902**	1,198,376,028	1,512,990,966
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	**547,446,965**	593,618,217	507,831,267
FINANCE COSTS (Note 25)	**75,594,352**	2,369,339	1,809,027
OTHER INCOME (CHARGES) - Net (Note 22)	**(266,027,097)**	18,820,088	(104,459,989)
INCOME (LOSS) BEFORE INCOME TAX	**(858,565,562)**	41,778,068	(88,518,550)
BENEFIT FROM INCOME TAX (Note 26)	**31,134,702**	15,314,553	49,264,243
NET INCOME (LOSS)	**(827,430,860)**	57,092,621	(39,254,307)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Re-measurement gain (loss) on retirement plan (Note 2)	**(14,031,360)**	(10,372,943)	2,913,867
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱841,462,220)**	₱46,719,678	(₱36,340,440)
Basic Earnings (Loss) Per Share (Note 19)	**(₱0.47)**	₱0.04	(₱0.03)
Diluted Earnings (Loss) Per Share (Note 19)	**(₱0.47)**	₱0.04	(₱0.03)

See accompanying Notes to Financial Statements.

APEX MINING CO., INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Revaluation Surplus (Note 8)	Re-measurement Loss on Retirement Benefits Liability (Note 2)	Deficit	Total
Balances at December 31, 2010, as previously reported	₱1,317,618,030	₱1,503,380,955	₱91,980,180	₱–	(₱1,939,148,148)	₱973,831,017
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	(2,687,668)	(128,270)	(2,815,938)
Balance at December 31, 2010, as restated	1,317,618,030	1,503,380,955	91,980,180	(2,687,668)	(1,939,276,418)	971,015,079
Net loss	–	–	–	–	(39,254,307)	(39,254,307)
Other comprehensive income:	–	–	–	2,913,867	–	2,913,867
Total comprehensive income (loss)	–	–	–	2,913,867	(39,254,307)	(36,340,440)
Issuance of shares	73,337,625	183,273,855	–	–	–	256,611,480
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(11,465,287)	–	11,465,287	–
Transaction costs of stock issuance	–	(20,953,503)	–	–	–	(20,953,503)
Balances at December 31, 2011, as restated	₱1,390,955,655	₱1,665,701,307	₱80,514,893	₱226,199	(₱1,967,065,438)	₱1,170,332,616

(Forward)

BUREAU OF INTERNAL REVENUE
APR 30 2014
EXCISE LT REGULATORY DIVISION

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Revaluation Surplus (Note 8)	Re-measurement Loss on Retirement Benefits Liability (Note 2)	Deficit	Total
Balances at December 31, 2011, as previously reported	₱1,390,955,655	₱1,665,701,307	₱80,514,893	₱–	(₱1,967,469,314)	₱1,169,702,541
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	226,199	403,876	630,075
Balance at December 31, 2011, as restated	1,390,955,655	1,665,701,307	80,514,893	226,199	(1,967,065,438)	1,170,332,616
Net income	–	–	–	–	57,092,621	57,092,621
Other comprehensive income:	–	–	–	(10,372,943)	–	(10,372,943)
Total comprehensive income (loss)	–	–	–	(10,372,943)	57,092,621	46,719,678
Issuance of shares	273,609,635	924,915,126	–	–	–	1,198,524,761
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(24,763,110)	–	24,763,110	–
Transaction costs of stock issuance	–	(28,954,467)	–	–	–	(28,954,467)
Balances at December 31, 2012, as restated	₱1,664,565,290	₱2,561,661,966	₱55,751,783	(₱10,146,744)	(₱1,885,209,707)	₱2,386,622,588

(Forward)

	Capital Stock (Note 18)	Additional Paid-in Capital (Note 18)	Revaluation Surplus (Note 8)	Re-measurement Loss on Retirement Benefits Liability (Note 2)	Deficit	Total
Balances at December 31, 2012, as previously reported	₱1,664,565,290	₱2,561,661,966	₱55,751,783	₱–	(₱1,885,888,324)	₱2,396,090,715
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	(10,146,744)	678,617	(9,468,127)
Balances at December 31, 2012, as restated	1,664,565,290	2,561,661,966	55,751,783	(10,146,744)	(1,885,209,707)	2,386,622,588
Net loss	–	–	–	–	(827,430,860)	(827,430,860)
Other comprehensive income:	–	–	–	(14,031,360)	–	(14,031,360)
Total comprehensive loss	–	–	–	(14,031,360)	(827,430,860)	(841,462,220)
Issuance of shares	204,074,374	542,720,617	–	–	–	746,794,991
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(42,364,342)	–	42,364,342	–
Transaction costs of stock issuance	–	(6,147,745)	–	–	–	(6,147,745)
Balances at December 31, 2013	₱1,868,639,664	₱3,098,234,838	₱13,387,441	(₱24,178,104)	(₱2,670,276,225)	₱2,285,807,614

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012 (As Restated, Note 2)	2011 (As Restated, Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱858,565,562)**	₱41,778,068	(₱88,518,550)
Adjustments for:			
Depreciation, depletion and amortization (Note 23)	**498,991,726**	414,410,409	409,911,851
Unrealized foreign exchange loss (gain)	**142,887,599**	(42,105,385)	(70,924,273)
Movement in accrued retirement benefits	**16,311,167**	12,148,808	11,152,782
Loss (gain) on disposal of property, plant and equipment (Note 22)	**(3,536,488)**	6,117,866	–
Loss on write off of:			
Inventories (Note 6)	**92,417,740**	–	–
Input value-added tax (VAT; Note 7)	**5,427,414**	–	72,972,527
Property, plant and equipment (Note 8)	–	5,446,023	–
Deferred exploration and mine development cost (Notes 9 and 22)	–	–	37,196,282
Interest and accretion expense (Notes 10,16 and 17)	**72,948,671**	3,803,784	4,086,989
Interest income (Notes 4 and 22)	**(160,227)**	(2,422,908)	(356,756)
Impairment loss on intangible assets (Note 11)	**37,817,999**	–	–
Gain from extinguishment of liability (Note 22)	–	–	(6,058,789)
Operating income (loss) before working capital changes	**4,540,039**	439,176,665	369,462,063
Decrease (increase) in:			
Receivables	**304,220,541**	(210,309,015)	(166,478,649)
Inventories	**92,411,676**	(248,456,925)	(173,685,708)
Prepayments and other current assets	**(16,774,774)**	(36,709,331)	64,912,145
Increase (decrease) in trade and other payables	**396,731,001**	365,351,281	(14,792,064)
Cash generated from operations	**781,128,483**	309,052,675	79,417,687
Interest received	**160,227**	2,422,908	356,756
Interest paid	**(30,407,671)**	(232,010)	–
Net cash flows from operating activities	**750,881,039**	311,243,573	79,774,443
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 8)	**(1,180,903,060)**	(572,428,022)	(357,950,900)
Increase in:			
Deferred exploration and mine development costs (Note 9)	**(621,015,928)**	(435,428,540)	(245,929,047)
Intangible assets (Note 11)	**(38,438,970)**	–	–
Other noncurrent assets (Note 12)	**(52,098,517)**	(12,630,118)	(33,681,390)
Proceeds from sale of property, plant and equipment	**69,055,652**	41,806,162	–
Net cash flows used in investing activities	**(1,823,400,823)**	(978,680,518)	(637,561,337)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from subscriptions to capital stock (Note 18)	**255,752,255**	840,009,533	235,657,977
Increase (decrease) in advances from stockholders and related parties	**(97,258,538)**	(166,103,243)	365,438,191
Proceeds of loan payable	**983,806,722**	–	–
Payment of loans payable	**(106,403,995)**	–	–
Cash from merger with Teresa Crew Gold (Philippines), Inc. (TCGPI)	–	134,360	–
Net cash flows from financing activities	**1,035,896,444**	674,040,650	601,096,168
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(36,623,340)**	6,603,705	43,309,274
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**17,377,027**	(7,230,613)	(7,618,650)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**52,923,378**	53,550,286	17,859,662
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱33,677,065**	₱52,923,378	₱53,550,286

See accompanying Notes to Financial Statements.

1. Corporate Information and Status of Operations

Corporate Information

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

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

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

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

SEC order rendered effective or permitted to sell	Event	Authorized capital stock balance	Issued shares	Issue/ offer price
August 4, 1988	Stock dividend declaration	₱150 million	*–	₱0.01
August 31, 1988	Increase in authorized capital stock	300 million	–	–
April 26, 1989	Pre-emptive rights offering	300 million	9.39 billion	0.01
June 28, 2000	Increase in authorized capital stock	800 million	–	–
October 18, 2000	Debt-to-equity conversion transaction	800 million	459.54 million	1.00
September 10, 2010	Increase in authorized capital stock	2.8 billion	–	–
October 13, 2010	Debt-to-equity conversion transaction	2.8 billion	560.94 million	1.00
November 14, 2011	Issuance of additional shares	2.8 billion	73.34 million	3.50
January 26, 2012	Issuance of additional shares	2.8 billion	75.56 million	3.70
July 13, 2012	Issuance of additional shares	2.8 billion	198.05 million	4.40
July 16, 2012	Debt-to-equity conversion transaction	2.8 billion	72.91 million	4.40
July 20, 2012	Debt-to-equity conversion transaction	2.8 billion	37.29 million	4.40
August 27, 2013	Issuance of additional shares	2.8 billion	93.87 million	2.79
September 20, 2013	Declassification of shares	2.8 billion	–	–

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

As at December 31, 2013 and 2012, the Company has 2,801 and 2,535 stockholders, respectively, each holding at least 100 shares.

The Company’s ownership structure as at December 31, 2013 and 2012 is as follows (in percentage):

	Country of Incorporation	**2013**	2012
Mapula Creek Gold Corporation (MCGC)	Philippines	**40.81%**	43.57%
Mindanao Gold Ltd. (MGL)	Malaysia	**31.95%**	30.62%
Monte Oro Resources & Energy, Inc. (MOREI)	Philippines	**6.09%**	11.61%
Public ownership	–	**21.25%**	14.20%
		100.00%	100.00%

As at December 31, 2013 and 2012, MGL owns 40% of MCGC, while Abracadabra Speculative Ventures, Inc. (ASVI), the ultimate parent company organized and incorporated in Malaysia and prepares its financial statements in compliance with International Financial Reporting Standards (IFRS), owns 100% of MGL.

The Company's registered business address and principal office is Unit 1704, 17th Floor Prestige Tower Condominium F. Ortigas Jr. Road, Ortigas Center, Pasig City. The Company has 1,116 and 1,023 employees as at December 31, 2013 and 2012, respectively.

Merger with TCGPI

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

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

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

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

	Company	TCGPI	Eliminating Entries	Combined
ASSETS				
Current Assets				
Cash	₱53,550,286	₱134,360	₱–	₱53,684,646
Receivables	407,376,223	383,684,277	(383,684,277)	407,376,223
Inventories	350,054,504	–	–	350,054,504
Due from related parties	–	99,158,396	(99,158,396)	–
Prepayments and other current assets	68,846,332	25,044,919	–	93,891,251
Total Current Assets	879,827,345	508,021,952	(482,842,673)	905,006,624
Noncurrent Assets				
Property, plant and equipment	579,316,307	3,325,156	63,294,818	645,936,281
Investment properties	–	63,294,818	(63,294,818)	–
Deferred exploration and mine development costs	530,156,205	–	–	530,156,205
Mine and mining properties	774,453,464	–	–	774,453,464
Other noncurrent assets	49,877,351	35,290,281	–	85,167,632
Total Noncurrent Assets	1,933,803,327	101,910,255	–	2,035,713,582
TOTAL ASSETS	₱2,813,630,672	₱609,932,207	(₱482,842,673)	₱2,940,720,206

(Forward)

	Company	TCGPI	Eliminating Entries	Combined
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	₱654,759,259	₱1,138,790	(₱383,684,277)	₱272,213,772
Advances from stockholders and related parties	855,047,855	262,026,291	(99,158,396)	1,017,915,750
Total Current Liabilities	1,509,807,114	263,165,081	(482,842,673)	1,290,129,522
Noncurrent Liabilities				
Accrued retirement benefits	31,313,497	–	–	31,313,497
Provision for mine rehabilitation cost	66,811,963	–	–	66,811,963
Deferred income tax liabilities	35,995,557	17,206,365	–	53,201,922
Total Noncurrent Liabilities	134,121,017	17,206,365	–	151,327,382
Equity				
Capital stock	1,390,955,655	10,620,000	64,940,771	1,466,516,426
Additional paid-in capital	1,665,701,307	1,494,823,448	(1,240,823,458)	1,919,701,297
Revaluation surplus on property, plant and equipment	80,514,893	–	–	80,514,893
Deficit	(1,967,469,314)	(1,175,882,687)	1,175,882,687	(1,967,469,314)
Total Equity	1,169,702,541	329,560,761	–	1,499,263,302
TOTAL LIABILITIES AND EQUITY	₱2,813,630,672	₱609,932,207	(₱482,842,673)	₱2,940,720,206

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

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

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

On July 11, 2008, the Company was registered with the Board of Investments (BOI) as a new producer of gold, silver bullion, copper concentrates with gold, silver, zinc and lead values on a non-pioneer status under the 1987 Omnibus Investment Code. Under this registration, the Company is entitled to certain fiscal and non-fiscal incentives including four year income tax holiday (ITH) from start of commercial operations or registration with the BOI, whichever comes first, which can be further extended for another three 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 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. On July 12, 2012, the Company's ITH expired.

Apex 3000
In February 2012, the Company announced the approval of the management plan to significantly expand the production capacity of the Maco Mines and, at the same time, convert the current processing facility to a new expanded facility that will result to a threefold increase in milling capacity by 2013. Dubbed as Apex 3000, the project will expand the Company's current processing capacity of 850 tons per day (TPD) to 3,000 TPD by the end of 2013.

In a special meeting held on December 16, 2013, the Company's Board of Directors (BOD; the Board) decided to temporarily shelve the Apex 3000 expansion program. The new program of expansion approved by the Board will instead increase the capacity of the Maco Mines from 850 TPD to 1,500 TPD. The Board considers such expansion as the more realistic target at this time considering the ore disposition at the underground mines in Maco, Compostela Valley.

Tailings Spill
A tailings spill occurred at the Maco Mines of the Company on January 15, 2014. The leak spilled tailings from the mine's diversion pipe in Lumanggang Creek. In light of the said event and the evaluation on the safety of the Maco Mines, operations of the Company were temporarily suspended on January 17, 2014. On February 12, 2014, the order lifting the temporary suspension was issued by the MGB. The same was received by the Company the next day.

Insurgents' Attack
On April 10, 2014, armed guerrillas belonging to the communist New People's Army attacked three working installations and burned certain mining equipment and service vehicles of the Company. There were no reported casualties from the incident. Estimated costs of the damage caused by the attack is yet to be determined to date as the Company is still coordinating with local government units, the Philippine National Police, the Armed Forces of the Philippines to address this matter.

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

On March 7, 2013, the Mines and Geosciences Bureau (MGB) has recommended with the Department of Environment and Natural Resources (DENR) the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, MGB has started accepting mining applications for EPs and FTAA pursuant to DENR Administrative Order (DAO) No. 2013-11.

Approval of the Financial Statements
The accompanying financial statements, as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, were authorized for issuance by the Company's BOD on April 11, 2014.

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

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

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

Changes in Accounting Policies and Disclosures
The Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include Philippine Accounting Standards (PAS) 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements*.

Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Company.

The nature and the impact of each new standard and amendment are described below:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information.

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

e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Company's financial position or performance. As the Company is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

- PFRS 10, *Consolidated Financial Statements*
The Company adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 11, *Joint Arrangements*
PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adaptation of this standard did not have an impact on the Company since it is not a venturer in any joint venture arrangement.

- PFRS 12, *Disclosure of Interests in Other Entities*
PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). This standard is not relevant to the Company since it has no interests in other entities.

- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 28.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)

  On January 1, 2013, the Company adopted the Revised PAS 19, *Employee Benefits*.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised PAS 19, the Company changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on the expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Company's financial position and financial performance.

  The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	As at December 31, 2013		
	Using previous PAS 19	Increase (decrease)	Per PAS 19 Revised
Statements of financial position:			
Accrued retirement benefits	₱55,170,177	₱28,560,406	₱83,730,583
Re-measurement loss on retirement plan	–	(24,178,104)	(24,178,104)
Deficit	2,675,108,527	(4,382,302)	2,670,276,225

	As at December 31, 2012		
	As previously reported	Increase (decrease)	As restated
Statements of financial position:			
Accrued retirement benefits	₱43,919,929	₱9,468,127	₱53,388,056
Re-measurement loss on retirement plan	–	(10,146,744)	(10,146,744)
Deficit	1,885,888,324	678,617	1,885,209,707

	As at January 1, 2012		
	As previously reported	Increase (decrease)	As restated
Statements of financial position:			
Accrued retirement benefits	₱31,313,497	(₱630,075)	₱30,683,422
Re-measurement gain on retirement plan	–	226,199	226,199
Deficit	1,967,469,314	403,876	(1,967,065,438)

	For the years ended December 31		
	2013	2012	2011
Statements of comprehensive income:			
Increase (decrease) in:			
Net retirement benefits costs	₱16,311,167	₱392,487	(₱760,209)
Provision for income tax	(4,893,350)	(117,746)	228,063
Net income	11,417,817	274,741	(532,146)
Re-measurements of retirement benefits liability	14,031,360	10,372,943	(2,913,867)
Other comprehensive loss	(14,031,360)	(10,372,943)	2,913,867

The transition adjustments were split between OCI and retained earnings on the transition date. The Revised PAS 19 has been applied retrospectively from January 1, 2011, in accordance with its transitional provisions. Consequently, the Company has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at January 1, 2011 as adjustment to opening balances.

Upon adoption of the Revised PAS 19, the presentation of the statement of comprehensive income was updated to reflect these changes. Net interest is now shown under finance charges line item (previously under personnel costs under cost of sales and general and administrative expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit liability (net defined benefit asset).

The adoption did not have a material effect on the consolidated statement of cash flows. The effect on the earnings per share and disclosures on segment information for the years ended December 31, 2013, 2012 and 2011 is not material.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment does not have an impact on the Company.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have an impact on the Company.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Company.

- PFRS 1, First-time Adoption of International Financial Reporting Standards – *Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Company.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Company adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

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

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

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

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

Standards and Interpretations Issued but not yet Effective

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment has no impact on the Company.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. This amendment has no impact on the Company.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. These amendments would be considered for future novations of the Company, if any.

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

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment has no significant impact on the Company.

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

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

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

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective for annual periods beginning on or after July 1, 2014. The Company will consider the amendment in future financial statements.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no significant impact on the Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the parent company financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no impact on the Company's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment is not relevant to the Company.

Summary of Significant Accounting and Financial Reporting Policies

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

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

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

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

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

The Company's financial assets are in the nature of loans and receivables, while its financial liabilities are in the nature of loans and borrowings. The Company has no financial assets and financial liabilities classified as FVPL, HTM and AFS investments as at December 31, 2013 and 2012.

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

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

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

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

The Company's cash and cash equivalents, trade and other receivables, and advances to a related party are classified as loans and receivables (see Notes 4, 5 and 14).

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

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

The Company's loans and borrowings include trade and other payables (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), and advances from stockholders and related parties and loans payable (see Notes 13, 14 and 17).

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

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

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, past due status and term.

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

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

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

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the statement of comprehensive income.

<u>Determination of Fair Values of Financial Instruments</u>
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

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

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

a. Restate the financial information in the financial statements of the receiving entity, the surviving entity in the business combination, for periods prior to the combination under common control, to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements, regardless of the actual date of the combination, with due consideration to the period that the entities commenced being under common control.

b. No restatement of financial information in the financial statements of the receiving entity for periods prior to the combination under common control.

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

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

Inventories

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

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

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

Prepayments and Other Current Assets

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred Exploration and Mine Development Costs

Deferred Exploration Costs

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

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

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

Mine Development Costs

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

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

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

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

Mine and Mining Properties

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

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

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

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

Intangible Assets

Intangible assets, which consist of acquired computer software licenses and other licenses, are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives of three years.

Impairment of Nonfinancial Assets

Nonfinancial Receivables and Other Current Assets

At each end of the reporting period, these assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of assets are estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of comprehensive income.

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

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

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

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

Mine and Mining Properties
The Company provides allowance for impairment losses on mine and mining properties when they can no longer be realized. A valuation allowance is provided for unrecoverable costs of mine and mining properties based on the Company's assessment of the future prospects of a project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful mine operation of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Retirement Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of comprehensive income.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. Re-measurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the statement of comprehensive income.

Provision for Mine Rehabilitation and Decommissioning

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

Foreign Currency Translation

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

Equity

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

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

Deficit represents the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. Dividends are recognized as a liability and deducted from equity when they are approved by the BOD of the Company. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Earnings (Loss) Per Share

Basic

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

Diluted

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized: The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements has pricing latitude and is also exposed to inventory and credit risks.

Sale of Gold and Silver

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

Interest Income

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

Costs and expenses

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

Cost of Sales

Cost of sales is incurred in the normal course of business and is recognized when incurred. It comprise mainly of mining and milling costs, contracted services, depreciation, depletion and amortization, personnel costs, power and utilities, rentals, marketing and others, which are provided in the period when the goods are delivered.

General and Administrative Expenses

Expenses consist of costs associated in the general administration of day-to-day operation of the Company. These are generally recognized when the expense arises.

Borrowing Costs

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing cost. When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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

Operating Leases

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

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

Deferred income tax assets are measured at the tax rate that is expected to apply to the period when the asset is realized based on tax rate and tax laws that has been enacted or substantively enacted as at the reporting date.

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

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

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

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

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

Assessment of Recoverability of Capitalized Deferred Exploration and Mine Development Costs
The application of the Company's accounting policy for exploration and mine development costs requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and mine development expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Deferred exploration and mine development costs amounted to ₱1,442.33 million and ₱965.58 million as at December 31, 2013 and 2012, respectively (see Note 9).

Assessing Production Start Date
The Company assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Company considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property, plant and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

The Company did not perform any assessment of production start date during the year.

Classification of Financial Instruments
The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

The allowance for doubtful accounts as at December 31, 2013 and 2012 represents the amounts estimated to be uncollectible from advances to officers and employees carried under receivables amounting to ₱2.33 million in both years (see Note 5). No provision for impairment losses were made in 2013 and 2012 on trade and other receivables and advances to a related party as management believes that these will be recovered within the terms established with the debtors.

As at December 31, 2013 and 2012, the carrying values of receivables amounted to ₱313.46 million and ₱617.69 million, respectively (see Note 5), while the carrying values of advances to a related party amounted to ₱0.49 million and ₱34.74 million, respectively (see Note 14).

Estimation of Allowance for Inventory Losses and Obsolescence
The Company maintains allowance for inventory losses and obsolescence at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.
As at December 31, 2013 and 2012, the carrying amounts of inventories amounted to ₱413.68 million and ₱598.51 million, respectively, net of allowance for inventory losses and obsolescence of ₱15.17 million for both years (see Note 6).

Assessment of the Realizability of Nonfinancial Other Current Assets.
A review to determine the realizability of the asset is made by the Company on a continuing basis year on year. The assessment as to the realizability of the nonfinancial other current assets is based on how the Company can utilize these assets.

The carrying value of input VAT amounted to ₱47.41 million and ₱63.57 million as at December 31, 2013 and 2012, respectively, and is included under "Prepayments and other current assets" account in the statement of financial position (see Note 7).

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment
The Company estimates the fair value, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair value and estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. Management does not expect carrying amounts of property, plant and equipment as at December 31, 2013 and 2012 to materially vary in the succeeding year as the most recent revaluation adjustment was only recognized in 2009 based on appraisal report dated January 25, 2010 covering all of the Company's property, plant and equipment.

There were no changes in the estimated fair values, useful lives and residual values of property, plant and equipment in 2013 and 2012. Remaining property, plant and equipment as at December 31, 2013 and 2012 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal (see Note 8).

Property, plant and equipment at revalued amount as at December 31, 2013 and 2012 amounted to ₱1,903.65 million and ₱915.18 million, respectively, while property, plant and equipment at cost as at December 31, 2013 and 2012 amounted to ₱1,890.26 million and ₱835.53 million, respectively. The useful lives are disclosed in Note 2 to the financial statements.

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

Depletion rates used to amortize mine and mining properties in 2013, 2012 and 2011 were 17%, 16% and 21%, respectively. Mine and mining properties, net of accumulated depletion, amounted to ₱521.45 million and ₱662.20 million as at December 31, 2013 and 2012, respectively (see Note 10).

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

As at December 31, 2013 and 2012, the provision for mine rehabilitation and decommissioning amounted to ₱47.81 million and ₱82.79 million, respectively (see Note 16).

Estimation of Recoverable Reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are mineable reserves based on the current market condition. The estimated recoverable reserves are used in the calculation of depreciation, amortization, and testing of impairment, the assessment of life of the mine, stripping ratios and for forecasting the timing of the payment of mine rehabilitation costs. As at December 31, 2013 and 2012, the mine is expected to last until 2030.

Estimation of Retirement Benefits
The costs of defined benefit retirement as well as the present value of the accrued retirement benefits are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, retirement benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

Retirement benefits costs amounted to ₱16.31 million, ₱12.27 million and ₱11.15 million in 2013, 2012 and 2011, respectively. Accrued retirement benefits amounted to ₱83.73 million and ₱53.39 million as at December 31, 2013 and 2012, respectively (see Note 15).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability.

Further details about the assumptions used are provided in Note 15.

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

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

Aggregate net book values of property, intangible assets, plant and equipment, deferred exploration and mine development costs, mine and mining properties and other noncurrent assets amounted to ₱3,979.86 million and ₱2,625.47 million as at December 31, 2013 and 2012, respectively (see Notes 8, 9, 10, 11 and 12).

These are subjected to impairment testing when impairment indicators are present. The Company did not write-off deferred exploration and mine development costs in 2013 and 2012. Write off on intangible assets was recognized in 2013 amounting to P37.82 million (see Note 11).

Assessment of Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income taxes assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses, which are expected to be realized or expire within the ITH period (see Note 26).

Estimation of Legal Contingencies
The Company evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have material impact on the Company's financial statements. No provision for probable losses arising from these cases was recognized in the financial statements as at December 31, 2013 and 2012 (see Note 29).

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 28.

4. Cash and Cash Equivalents

	2013	2012
Cash on hand	**₱1,815,254**	₱2,550,322
Cash in banks	**31,861,811**	10,373,056
Cash equivalents	**–**	40,000,000
	₱33,677,065	₱52,923,378

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

Cash equivalents pertain to short-term cash investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest on the respective short-term cash investment interest rates.

Interest income arising from cash in banks and cash equivalents, net of final tax, amounted to ₱0.16 million, ₱2.42 million and ₱0.36 million in 2013, 2012 and 2011, respectively (see Note 22).

The Company has United States (US) dollar-denominated cash and cash equivalents amounting to US$0.14 million and US$0.13 million as at December 31, 2013 and 2012.

5. Trade and Other Receivables

	2013	2012
Trade	**₱66,353,805**	₱370,090,931
Advances to suppliers and contractors	**216,955,199**	242,388,503
Others	**554,082**	570,810
	283,863,086	613,050,244
Advances to officers and employees	**31,931,481**	6,964,864
Less allowance for doubtful accounts	**2,329,870**	2,329,870
	29,601,611	4,634,994
	₱313,464,697	₱617,685,238

Trade receivables are non-interest bearing and are generally on 30 to 45 days' terms. These are related to the gold delivery agreements entered into by the Company with Metalor Technologies S.A.

Advances to suppliers and contractors comprise mainly of advance payments made by the Company relating to the services, materials and supplies needed in the operations. These are non-interest bearing and will be realized through offsetting against future billings from suppliers and contractors.

Advances to officers and employees pertain to business cash advances that are subject to liquidation and are normally liquidated within 10 to 30 days.

Foreign currency denominated receivables amounted to US$1.67 million and US$9.02 million as at December 31, 2013 and 2012, respectively.

The Company's receivables consist mainly of individually significant accounts and were, therefore, subject to the specific impairment approach. Based on management's assessment of the collectibility of the accounts, the Company recognized allowance for impairment losses on advances to officers and employees that are considered as individually impaired amounting to ₱2.32 million as at December 31, 2013 and 2012. There were no provision for impairment losses recognized in 2013 and 2012.

6. Inventories

	2013	2012
At NRV:		
Materials and supplies	**₱356,838,724**	₱561,025,665
Allowance for inventory losses and obsolescence	**(15,172,592)**	(15,172,592)
	341,666,132	545,853,073
At cost:		
Gold and silver in bullion	**16,094,729**	39,880,313
Metal in circuit	**14,037,647**	12,778,043
Ore stockpile	**41,883,505**	–
	72,015,881	52,658,356
	₱413,682,013	₱598,511,429

Cost of inventories recognized as part of cost of sales amounted to ₱529.67 million, ₱489.65 million and ₱517.43 million in 2013, 2012 and 2011, respectively (see Note 20). There were no provision for inventory losses and obsolescence in 2013 and 2012. The Company directly wrote off inventories amounting to ₱92.42 million, nil and ₱0.10 million in 2013, 2012 and 2011, respectively (see Note 22).

Cost of materials and supplies recognized as part of general and administrative expense in 2013, 2012 and 2011 amounted to ₱37.04 million, ₱35.05 million and ₱49.04 million, respectively (see Note 21).

7. Prepayments and Other Current Assets

	2013	2012
Input VAT	**₱47,414,415**	₱63,574,217
Deferred input VAT - current	**17,135,439**	6,444,456
Tax credit certificate (TCC)	**18,867,861**	–
Creditable withholding taxes (CWT)	**24,933,054**	24,933,054
Prepayments	**6,983,141**	9,356,823
Others	**1,974,346**	1,652,346
	₱117,308,256	₱105,960,896

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. By virtue of Revenue Memorandum Order 9-2000 dated March 29, 2000, all sales of goods, property and services made by a VAT-registered person to the parent company, being a one hundred percent (100%) exporter, are automatically zero-rated for VAT purposes effective August 8, 2001.

Deferred input VAT pertains to input VAT on purchases of capital goods. The current portion pertains to the input VAT which will be amortized within 12 months from the end of the reporting period.

CWT pertain to amounts withheld by the customers which can be applied against income tax payable provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. This includes CWT in the books of TCGPI prior to the Merger in January 2012 from amounts withheld by the Company in leasing out TCGPI's property. The Company directly wrote off input VAT amounting to ₱5.43 million, nil and ₱72.97 million in 2013, 2012 and 2011, respectively (see Note 22).

In 2013, the Department of Finance approved the Company's claim for tax credits totaling ₱42.69 million arising from excess input tax for the period January to December 2010 pursuant to provisions of section 112 (A) of the NIRC of 1997. The Company applied a portion of the TCC amounting to ₱15.90 million against its excise and income tax liabilities during the year.

8. Property, Plant and Equipment

	2013						
	Buildings and Improvements	**Mining and Milling Equipment**	**Power Equipment**	**Roads and Bridges and Land Improvements**	**Exploration Equipment, and Others**	**Construction in-Progress**	**Total**
At revalued amounts:							
Balances at beginning of year	**₱191,617,601**	**₱2,224,512,647**	**₱365,713,686**	**₱516,270,515**	**₱219,799,406**	**₱218,264,483**	**₱3,736,178,338**
Additions	**3,666,302**	**684,374,040**	**8,029,707**	**–**	**51,507,848**	**572,831,131**	**1,320,409,028**
Change in estimate of provision for mine rehabilitation (Note 16)	**6,934,378**	**–**	**–**	**–**	**–**	**–**	**6,934,378**
Reclassification/transfer	**–**	**4,873,697**	**1,997,590**	**–**	**4,362,237**	**(7,238,264)**	**3,995,260**
Reclassifications to (from) construction in progress	**13,497,224**	**4,461,537**	**–**	**51,744,712**	**–**	**(69,703,473)**	**–**
Disposals and write offs	**(50,591,360)**	**(54,033,995)**	**–**	**–**	**(11,333,480)**	**–**	**(115,958,835)**
Balances at end of year	**165,124,145**	**2,864,187,926**	**375,740,983**	**568,015,227**	**264,336,011**	**714,153,877**	**4,951,558,169**
Accumulated depreciation and amortization:							
Balances at beginning of year	**135,413,393**	**1,754,538,658**	**334,804,089**	**259,253,942**	**174,318,368**	**–**	**2,658,328,450**
Depreciation (Note 23)	**39,968,335**	**165,527,370**	**12,656,665**	**33,695,704**	**25,494,526**	**–**	**277,342,600**
Disposal and write offs	**(42,414,464)**	**(3,654,666)**	**–**	**–**	**(4,370,540)**	**–**	**(50,439,670)**
Balances at end of year	**132,967,264**	**1,916,411,362**	**347,460,754**	**292,949,646**	**194,942,354**	**–**	**2,885,231,380**
Allowance for impairment:							
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**162,674,211**
Net book values	**₱32,030,844**	**₱944,457,820**	**₱28,280,229**	**₱115,836,151**	**₱69,393,657**	**₱714,153,877**	**₱1,903,652,578**

	2012						
	Buildings and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in Progress	Total
At revalued amounts:							
Balances at beginning of year	₱157,590,940	₱1,587,674,197	₱118,787,395	₱481,289,570	₱70,258,948	₱76,342,550	₱2,491,943,600
Additions	–	306,361,796	7,854,652	1,082,986	21,487,477	235,641,111	572,428,022
Change in estimate of provision for mine rehabilitation (Note 16)	502,711	–	–	–	–	–	502,711
Reclassification/transfer	–	(4,889,732)	5,294,732	–	(405,000)	–	–
Reclassifications to (from) construction in-progress	13,690,896	8,634,059	–	71,394,223	–	(93,719,178)	–
Reclassification from other noncurrent assets (Note 12)	–	30,741,574	–	–	–	–	30,741,574
Transfers from TCGPI	31,209,173	427,944,133	233,776,907	–	137,393,755	–	830,323,968
Disposals and write offs	(11,376,119)	(131,953,380)	–	(37,496,264)	(8,935,774)	–	(189,761,537)
Balances at end of year	191,617,601	2,224,512,647	365,713,686	516,270,515	219,799,406	218,264,483	3,736,178,338
Accumulated depreciation and amortization:							
Balances at beginning of year	97,052,632	1,303,395,488	85,570,823	239,244,988	24,689,151	–	1,749,953,082
Depreciation (Note 23)	17,132,718	176,926,595	20,423,581	20,274,126	28,219,627	–	262,976,647
Reclassification/transfer	–	405,000	–	–	(405,000)	–	–
Reclassification from other noncurrent assets (Note 12)	–	23,532,236	–	–	–	–	23,532,236
Transfers from TCGPI	29,920,625	374,848,832	228,809,685	–	130,124,852	–	763,703,994
Disposal and write offs	(8,692,582)	(124,569,493)	–	(265,172)	(8,310,262)	–	(141,837,509)
Balances at end of year	135,413,393	1,754,538,658	334,804,089	259,253,942	174,318,368	–	2,658,328,450
Allowance for impairment:							
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net book values	₱56,078,171	₱466,655,245	₱30,909,597	₱97,787,143	₱45,481,038	₱218,264,483	₱915,175,677

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

Accordingly, as of the date of the revaluation, 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, plant and equipment, which represents difference between indicated fair values in the same appraisal report and carrying amounts as at reporting date.

Construction in-progress consists mainly of expenditures for APEX 3000 and other construction projects. Construction in-progress includes cost of various projects at different stages of completion as at December 31, 2013 and 2012, respectively.

Movement in revaluation surplus in equity is as follows:

	2013	2012
Balances at beginning of year	**₱55,751,783**	₱80,514,893
Realized portion through depreciation, net of tax	**(42,364,342)**	24,763,110
Balance at end of year	**₱13,387,441**	₱55,751,783

Total revaluation surplus is not available for distribution to stockholders until this is realized through depreciation.

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

	2013						
	Buildings and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in-Progress	Total
Cost:							
Balances at beginning of year	₱81,249,603	₱1,289,886,351	₱307,231,474	₱455,196,724	₱220,110,830	₱218,264,482	₱2,571,939,464
Additions	3,666,302	684,374,040	8,029,707	–	51,507,848	572,831,131	1,320,409,028
Change in estimate of provision for mine rehabilitation (Note 16)	6,934,378	–	–	–	–		6,934,378
Reclassification/transfer	–	4,873,696	1,997,590	–	4,362,237	(7,238,264)	3,995,259
Reclassifications to (from) construction in-progress	13,497,224	4,461,537	–	51,744,712	–	(69,703,473)	–
Disposals and write offs	(50,591,360)	(54,033,994)	–	–	(11,333,480)	–	(115,958,834)
Balances at end of year	54,756,147	1,929,561,630	317,258,771	506,941,436	264,647,435	714,153,876	3,787,319,295
Accumulated Depreciation and Amortization:							
Balances at beginning of year	59,008,062	851,200,459	278,271,150	208,715,154	176,540,155	–	1,573,734,980
Depreciation	10,968,335	135,269,406	11,656,666	28,695,704	24,494,526	–	211,084,637
Disposals and write offs	(42,414,464)	(3,654,666)	–	–	(4,370,540)	–	(50,439,670)
Balances at end of year	27,561,933	982,815,199	289,927,816	237,410,858	196,664,141	–	1,734,379,947
Allowance for impairment:							
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net Book Values	₱27,068,177	₱943,427,687	₱27,330,955	₱110,301,148	₱67,983,294	₱703,249,577	₱1,890,265,137

	2012						
	Buildings and Improvements	Mining and Milling Equipment	Power Equipment	Roads and Bridges and Land Improvements	Exploration Equipment, and Others	Construction in-Progress	Total
Cost:							
Balances at beginning of year	₱47,222,942	₱645,664,014	₱60,305,183	₱420,215,779	₱70,570,372	₱76,342,549	₱1,320,320,839
Additions	–	306,361,796	7,854,652	1,082,986	21,487,477	235,641,111	572,428,022
Change in estimate of provision for mine rehabilitation (Note 16)	502,711	–	–	–	–	–	502,711
Reclassification/transfer	–	(4,889,732)	5,294,732	–	(405,000)	–	–
Reclassifications from (to) construction in-progress	13,690,896	8,634,059	–	71,394,223	–	(93,719,178)	–
Reclassification from other noncurrent assets (Note 12)	–	30,741,574	–	–	–	–	30,741,574
Transfer from TCGPI	31,209,173	427,944,133	233,776,907	–	137,393,756	–	830,323,969
Disposals and write offs	(11,376,119)	(124,569,493)	–	(37,496,264)	(8,935,775)	–	(182,377,651)
Balances at end of year	81,249,603	1,289,886,351	307,231,474	455,196,724	220,110,830	218,264,482	2,571,939,464
Accumulated Depreciation and Amortization:							
Balances at beginning of year	22,088,931	426,607,644	29,037,884	188,706,200	26,910,938	–	693,351,597
Depreciation	15,691,088	150,376,240	20,423,581	20,274,126	28,219,627	–	234,984,662
Reclassification/transfer	–	405,000	–	–	(405,000)	–	–
Reclassification from other noncurrent assets (Note 12)	–	23,532,236	–	–	–	–	23,532,236
Transfers from TCGPI	29,920,625	374,848,832	228,809,685	–	130,124,852	–	763,703,994
Disposals and write offs	(8,692,582)	(124,569,493)	–	(265,172)	(8,310,262)	–	(141,837,509)
Balances at end of year	59,008,062	851,200,459	278,271,150	208,715,154	176,540,155	–	1,573,734,980
Allowance for impairment:							
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	162,674,211
Net Book Values	₱22,115,504	₱435,367,148	₱28,960,324	₱87,252,140	₱43,570,675	₱218,264,482	₱835,530,273

The cost of fully depreciated property, plant and equipment that are still in use amounted to ₱1.43 billion and ₱1.32 billion as at December 31, 2013 and 2012, respectively.

As at December 31, 2013, certain items of property, plant and equipment under the mining and milling equipment category totaling ₱580.23 million are used as collateral to the various financing agreements entered into by the Company (see Note 17).

In 2013, the Company capitalized depreciation, depletion and amortization costs amounting to ₱17.60 million as part of inventories and ₱8.19 million as part of deferred exploration and mine development costs.

9. Deferred Exploration and Mine Development Costs

	2013	2012
Exploration costs:		
Balances at beginning of year	**₱476,493,452**	₱258,089,262
Additions	**118,668,410**	218,404,190
Balances at end of year	**595,161,862**	476,493,452
Development costs:		
Balances at beginning of year	**489,091,293**	272,066,943
Additions	**486,896,802**	217,024,350
Reclassification to mine and mining properties (Note 10)	**(128,811,334)**	–
Balances at end of year	**847,176,761**	489,091,293
	₱1,442,338,623	₱965,584,745

Deferred exploration costs consist of expenditures related to the exploration of additional veins discovered within the area. Additions to exploration costs include fees incurred on service contracts for the exploration of the mines, drilling activities, payments made by the Company to local cooperatives and other direct costs related to exploration activities. There were no reclassifications to development costs during the year.

Deferred development costs include expenditures incurred for the development of the additional veins discovered. Reclassifications to mine and mining properties in 2013, amounting to ₱128.81 million, pertain to costs related to areas on which commercial mining activities have already commenced.

10. Mine and Mining Properties

	2013		
	Mine and Mining Properties	Mine Rehabilitation Asset	Total
Cost:			
Balances at beginning of year	**₱1,275,339,534**	**₱66,690,378**	**₱1,342,029,912**
Effect of change in estimate (Note 16)	**–**	**(42,806,537)**	**(42,806,537)**
Reclassification from deferred exploration and mine development costs (Note 9)	**128,811,334**	**–**	**128,811,334**
Balances at end of year	**1,404,150,868**	**23,883,841**	**1,428,034,709**
Accumulated depletion:			
Balances at beginning of year	**656,936,056**	**22,889,502**	**679,825,558**
Depletion (Note 23)	**226,638,012**	**119,652**	**226,757,664**
Balances at end of year	**883,574,068**	**23,009,154**	**906,583,222**
Net book values	**₱520,576,800**	**₱874,687**	**₱521,451,487**

	2012		
	Mine and Mining Properties	Mine Rehabilitation Asset	Total
Cost:			
Balances at beginning of year	₱1,275,339,534	₱54,786,374	₱1,330,125,908
Effect of change in estimate (Note 16)	–	11,904,004	11,904,004
Balances at end of year	1,275,339,534	66,690,378	1,342,029,912
Accumulated depletion:			
Balances at beginning of year	539,375,522	16,296,922	555,672,444
Depletion (Note 23)	117,560,534	6,592,580	124,153,114
Balances at end of year	656,936,056	22,889,502	679,825,558
Net book values	₱618,403,478	₱43,800,876	₱662,204,354

11. Intangible Assets

Intangible assets consist of mining software, accounting software and other licenses.

Movement of intangible assets for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Cost:		
Balances at beginning of year	**₱39,063,023**	₱32,128,928
Additions	**38,438,970**	6,934,095
Write off during the year (Note 23)	**(37,817,999)**	–
Balances at end of year	**39,683,994**	39,063,023
Accumulated amortization:		
Balances at beginning of year	**18,164,771**	5,359,813
Amortization (Note 23)	**10,342,179**	12,804,958
	28,506,950	18,164,771
Net book values	**₱11,177,044**	₱20,898,252

In 2013, the Company capitalized the cost of mining software purchased from Logimine S.A.S worth ₱38.44 million to be used in the underground mining operations. The installation of the software was discontinued during the year due to the various issues that were encountered. The write-off related to the portion of the software cost which can no longer be utilized amounting to ₱37.82 million was recognized in the 2013 statement of comprehensive income (see Note 22).

12. **Other Noncurrent Assets**

	2013	2012
Deferred input VAT – noncurrent	**₱68,788,202**	₱24,639,686
Deposits	**24,351,355**	16,401,354
Mine rehabilitation fund	**5,150,000**	5,150,000
National transmission lines	**2,949,236**	2,949,236
Idle assets	–	12,462,899
	₱101,238,793	₱61,603,175

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

As at December 31, 2013 and 2012, the Company maintains contingent liability rehabilitation funds consisting of monitoring trust, rehabilitation cash and environmental trust totaling ₱5.15 million as provided in its agreements entered into with the provincial government and the Mines and Geosciences Bureau (MGB). The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, pollution control, slope stabilization and integrated community development projects. These funds do not meet the features provided under Philippine Interpretation - IFRIC 5, *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*

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

Movement of idle assets for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Cost:		
Balances at beginning of year	**₱54,791,187**	₱42,597,078
Transfers from TCGPI	–	73,657,086
Reclassification to property, plant and equipment (Note 8)	–	(30,741,574)
Disposals	–	(30,721,403)
Balances at end of year	**54,791,187**	54,791,187
Accumulated amortization:		
Balances at beginning of year	**42,328,288**	42,597,078
Depreciation (Note 23)	**12,462,899**	14,475,690
Transfers from TCGPI	–	39,509,159
Reclassification to property, plant and equipment (Note 8)	–	(23,532,236)
Write down of intangible assets	–	
Disposals	–	(30,721,403)
Balances at end of year	**54,791,187**	42,328,288
Net book values	**₱–**	₱12,462,899

The cost of fully depreciated idle assets amounted to ₱54.79 million and ₱14.66 million as at December 31, 2013 and 2012, respectively.

13. **Trade and Other Payables**

	2013	2012
Trade	**₱763,604,463**	₱413,270,762
Royalties	**110,314,691**	93,985,348
Accrued expenses	**102,098,858**	87,432,850
Accrued interest payables (Note 17)	**41,652,392**	–
Payables to government agencies	**21,478,182**	12,573,116
Retention payables	**17,114,451**	8,962,403
Payable to employees	**15,894,180**	11,300,708
Others	**3,726,092**	9,974,729
	₱1,075,883,309	₱637,499,916

Trade payables, accrued liabilities and others are non-interest bearing. Trade payables are payable on demand while accrued liabilities are generally settled in 30 to 60 days terms.

Accrued expenses are non-interest bearing and are normally settled on a 30 to 90 days term. Included in accrued expenses are penalties amounting to ₱33.77 million as at December 31, 2013 and 2012, respectively, related to a final assessment from the Philippine Bureau of Internal Revenue (BIR) on the Company's 2009 income tax return. Other items under accrued expenses include billings for hired services, project suppliers, professional fees, utilities and other expenses related to the operations.

Royalties payable pertain to payments based on the memorandum of agreement with the indigenous people of barangay Masara, Maco, Compostela Valley computed based on a fixed percentage applied on the gross sales of the Company.

Accrued interest payables, pertain the finance charges in relation to the interest bearing loans and the expenditures incurred in relation to APEX 3000.

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

Retention payables pertain to withheld payment for obtained services or product purchases incurred pending the completion of some specified conditions such as successful construction and installation. Settlement may vary depending on the remaining estimated time to complete the conditions. Retention payables are non-interest bearing.

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

In 2013, the Company availed a revolving credit loan with HSBC to finance its importation requirements. Total interest expense recognized amounted to ₱8.04 million while the unpaid portion amounted to ₱5.6 million as at December 31, 2013 (see Note 25). The Company was compliant with the terms and conditions of the revolving credit loan as at December 31, 2013.

14. Related Party Disclosures

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

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

Category	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Receivables:					
Affiliates					
MCGC	**2013**	**₱4,603,334**	**₱486,992**	Payable on demand,	Unsecured,
	2012	–	–	non-interest bearing	no impairment, not guaranteed
ASVI	**2013**	**–**	**–**	Payable on demand,	Unsecured,
	2012	34,738,559	34,738,559	non-interest bearing	no impairment, not guaranteed
2013			**₱486,992**		
2012			₱34,738,559		

Category	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Payables:					
Affiliates and Stockholders:					
MGL	**2013**	**₱–**	**₱339,758,236**	Payable on demand,	Unsecured,
	2012	–	668,090,429	non-interest bearing	not guaranteed
MOREI	**2013**	**88,790,000**	**88,790,000**	Payable on maturity,	Unsecured,
	2012	–	–	Interest bearing	not guaranteed
ASVI	**2013**	**62,277,073**	**55,281,945**	Payable on demand,	Unsecured,
	2012	–	–	non-interest bearing	not guaranteed
MCGC	**2013**	–	**–**	Payable on demand,	Unsecured,
	2012	151,332,703	169,124,638	non-interest bearing	not guaranteed
2013			**₱483,830,181**		
2012			₱837,215,067		

a. Advances from MGL and MCGC, which are non-interest bearing and has no fixed repayment date, pertain to advances for working capital requirements of the Company, as well as assumed related party liabilities of TCGPI to MGL and MCGC resulting from the business combination.
b. Advances from MOREI pertain to a loan obtained by the Company to fund working capital requirements which was issued through a convertible promissory note. The loan bears 7% interest per annum and is payable five months after December 31, 2013.
c. Advances to and from ASVI, which are noninterest-bearing and has no fixed repayment date, pertain to payment by the Company on behalf of ASVI for operational expenditures incurred during the year, as well as payment of prior year liabilities of the Company to ASVI relating to working capital advances made prior to commercial operation.

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

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

On July 20, 2012, MGL and MCGC each entered into separate Deeds of Assignment with the Company for the assignment and conversion of the Company's debt to both related parties to equity amounting to ₱320.81 million and ₱164.09 million, respectively, in exchange for the issuance of 72.91 million Class "B" shares and 37.29 million Class "A" shares, respectively, which were approved by the BOD of all parties. The documents necessary for the approval of the debt-to-equity transaction were submitted to the SEC on March 15, 2013. The said transaction was effected during 2013 (See Note 18).

<u>Trustee bank</u>
The Company's retirement fund is being held by a trustee bank. The carrying amount and fair value of the retirement fund amounted to ₱14.68 million and ₱15.20 million, respectively, as at December 31, 2013 and ₱14.14 million and ₱14.83 million, respectively, as at December 31, 2012.

The retirement fund consists of investments in government securities, cash and short-term deposits, and unquoted equity securities which accounts for 68.33%, 16.33% and 15.34%, respectively, of the retirement fund.

The Company made no contributions to the fund in 2013 and 2012. There were no transactions made between the Company and the retirement fund in both years.

<u>Compensation of Key Management Personnel</u>
The Company considered as key management personnel all employees holding managerial positions up to the President. There were no stock options or other long-term benefits for key management personnel in 2013, 2012 and 2011. The following are the components of the compensation of the Company's key management personnel in 2013, 2012 and 2011:

	2013	2012	2011
Salaries and short-term benefits	**₱70,098,557**	₱68,709,410	₱66,517,542
Post-retirement benefits	**3,510,796**	3,767,928	4,109,405
	₱73,609,353	₱72,477,338	₱70,626,947

15. **Retirement Benefits**

The Company has a multi-employer retirement plan, a funded, noncontributory defined benefit retirement plan. It accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan.

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

The details of retirement benefits costs follow:

	2013	2012 (As restated, Note 2)	2011 (As restated Note 2)
Current service cost	**₱12,776,878**	₱10,129,224	₱9,343,755
Interest cost - net	**3,534,289**	2,137,330	1,809,027
	₱16,311,167	₱12,266,554	₱11,152,782

Retirement benefits costs for 2012 and 2011 are restated under Revised PAS 19 and do not correspond to the figures in 2012 and 2011 financial statements.

Changes in defined benefit liability and fair value of plan assets in 2013, 2012 and 2011 are as follows:

2013	**Defined Benefit Liability**	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**
At January 1	**₱68,066,826**	**₱14,678,770**	**₱53,388,056**
Net interest	**4,506,024**	**971,735**	**3,534,289**
Current service cost	**12,776,878**	**–**	**12,776,878**
Remeasurement of actuarial loss (gains)	**13,578,832**	**(452,528)**	**14,031,360**
At December 31	**₱98,928,560**	**15,197,977**	**₱83,730,583**

2012 (As restated)	Defined Benefit Liability	Fair Value of Plan Asset	Net Defined Benefit Liability
At January 1	₱44,496,569	₱ 13,813,147	₱30,683,422
Net interest	3,105,861	968,531	2,137,330
Current service cost	10,129,224	–	10,129,224
Effect of merger	190,452	125,315	65,137
Remeasurement of actuarial loss (gains)	10,144,720	(228,223)	10,372,943
At December 31	₱68,066,826	14,678,770	₱53,388,056

2011 (As restated)	Defined Benefit Liability	Fair Value of Plan Assets	Net Defined Benefit Liability
At January 1	₱35,643,079	₱13,198,572	₱22,444,507
Net interest	2,872,832	1,063,805	1,809,027
Current service cost	9,343,755	–	9,343,755
Re-measurement of actuarial loss (gains)	(3,363,097)	(449,230)	(2,913,867)
At December 31	₱44,496,569	₱13,813,147	₱30,683,422

The major categories of the Company's plan assets as a percentage of the fair value of total plan assets as at December 31, 2013 are as follows:

	2013	2012	2011
Cash and cash equivalents	**68.33%**	72.42%	76.45%
Debt instruments - government bonds	**16.33%**	19.01%	20.86%
Others	**15.34%**	10.61%	2.69%
	100.00%	100.00%	100.00%

The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits liability for the defined retirement plan are shown below:

	2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Discount rate	**5.28%**	6.62%	6.98%
Expected rate of salary increase	**5.00%**	5.0%	5.0%
Average remaining working life	**21.3 years**	21.2 years	21.6 years

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2013
Discount rates	8.6%	₱8,540,829
	(10.6%)	(10,527,730)

	Increase (decrease)	2013
Salary increase rate	7.6%	₱7,510,939
	(9.90%)	(9,839,454)

The latest available actuarial valuation report of the Company was obtained in January 2014. The Company does not expect to contribute to the defined retirement benefits plan in 2014. There were no transactions made between the Company and the retirement fund in 2013 and 2012

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

Less than one year	₱2,712,909
More than one year to five years	17,030,991
More than five years to 10 years	63,459,019
	₱83,202,919

16. Provision for Mine Rehabilitation and Decommissioning

	2013	2012
Balance at beginning of year	**₱82,790,453**	₱66,811,963
Accretion (Note 22)	**888,608**	3,571,775
Effect of change in estimate (Notes 8 and 10)	**(35,872,159)**	12,406,715
Balance at end of year	**₱47,806,902**	₱82,790,453

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

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

17. Loans Payable

Loans payable as at December 31, 2013 consist of:

Long-term debt	
Term Loan - HSBC/BDO-net	**₱331,585,004**
Sandvik Mining and Construction (Sandvik)	**294,294,907**
Atlas Copco Rock drills (Atlas)	**238,624,237**
Planters Bank (Planters)	**12,898,579**
	877,402,727
Less current portion	**870,211,544**
Noncurrent portion	**₱7,191,183**

The maturities of loans payable follow:

Due in:	
2014	**₱870,211,544**
2015 and thereafter	**7,191,183**
	₱877,402,727

Term Loan Facility Agreement
On August 2, 2013, the Company entered into a term loan facility agreement with BDO Unibank, Inc. and Hongkong and Shanghai Banking Corporation for up to US$12 million. The loan was obtained to finance the Company's construction of a new processing plant in Maco, Compostella Valley. Drawdowns made from the said facility, which totaled US$7.5 million as at December 31, 2013, are payable in two years at an interest rate of 7.5% per annum. Interest payments are due on a quarterly basis starting December 27, 2013 while quarterly principal amortizations will start on September 29, 2014.

The Company recognized ₱1.62 million as the discount on the loan based on the EIR of 7.95%. Total interest expense recognized related to the said loan amounted to ₱6.50 million and the unpaid portion amounted to ₱6.22 million as at December 31, 2013.

As at December 31, 2013, the outstanding balance of the loan is presented as part of current liabilities due to the technical default by the Company resulting from the deferral of the APEX 3000 which served as collateral of the loan.

Equipment Financing
In 2013, the Company entered into various financing agreements to fund purchase of machinery and equipment related to the APEX 3000 and ongoing operations of the Company.

Atlas Copco
In June 2013, the Company entered into various Purchase Agreements with Atlas Copco for the acquisition of machinery and equipment related to the APEX 3000. The Company also signed various Supplier Credit Arrangements with Atlas Copco Customer Finance AB which makes available to the Company credit lines to be used in financing the Purchase Agreements. The said credit agreements are payable in three years and bear interest rate of 8.00% per annum. Further to the arrangements, an irrevocable and unconditional payment guarantee amounting to US$1.50 million on the settlement of the said credit lines was issued by ASVI, in favor of Atlas, should the Company fail to make the necessary principal amortizations.

As a result of the Company's failure to pay the quarterly amortizations for 2013, the outstanding liabilities on these credit agreements became due and demandable; thus, were presented as current liabilities. There is no waiver for enforcement issued by the bank in relation to loan.

Interest expense recognized on these financing agreements in 2013 totaled to ₱18.03 million. As at December 31, 2013, certain items of property, plant and equipment under the mining and milling category totaling ₱262.43 million are used as collateral to the credit agreements.

Sandvik
In June 2013, the Company entered into several Sale and Purchase Agreements with Sandvik covering purchases of equipment to be used in the expansion program. Settlement of the said purchases on behalf of the Company was covered by financing agreements entered into with Sandvik Mining and Construction Trade and Export Finance (Sandvik Credit). The said agreements due to Sandvik Credit are payable in three years and bear interest rate of 10.00% per annum. Further to the arrangements, an irrevocable and unconditional payment guarantee amounting to US$1.50 million on the settlement of the said credit lines was issued by ASVI, in favor of Sandvik, should the Company fail to make the necessary principal amortizations.

As a result of the Company's failure to pay the quarterly amortizations for 2013, the outstanding liabilities on these financing agreements became due and demandable; thus, were presented as current liabilities.

Interest expense recognized on these financing agreements in 2013 totaled to ₱32.00 million.

As at December 31, 2013, certain items of property, plant and equipment under the mining and milling equipment category totaling ₱303.60 million are used as collateral to the financing agreements.

Plantersbank
The Company obtained various promissory notes from Plantersbank which were used to finance the purchase of transportation equipment to be used in the mine operations. The said promissory notes are payable in three years and bear interest rate of 5.73% per annum. In addition, these are secured by chattel mortgages on the purchased transportation equipment totaling ₱14.20 million.

Interest expense recognized on these promissory notes in 2013 amounted to ₱5.13 million.

The Company was compliant with the terms and provisions of the above stated loan as at December 31, 2013.

18. Capital Stock

<u>Capital Stock</u>
The Company has authorized capital stock of. ₱2.8 billion, divided into single class common shares with a par value of ₱1.00 per share as at December 31, 2013.

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

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

Only Filipino nationals 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.

Movements in the subscribed, issued and outstanding capital are as follows:

	2013 Common Shares	
	Shares	**Amount**
Issued and subscribed shares at January 1, 2013	**1,664,565,290**	**₱1,664,801,362**
Less subscriptions receivable	**–**	**236,072**
Total issued and subscribed at January 1, 2013	**1,664,565,290**	**1,664,565,290**
Issued during the year	**204,074,374**	**204,074,374**
Issued shares at December 31, 2013	**1,868,639,664**	**₱1,868,639,664**

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

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

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

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

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

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

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

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

- MOREI for the purchase of additional 120.00 million Class “A” shares for a total subscription amount of US$12.00 million or ₱528.00 million.
- MGL acquired additional 48.05 million Class “B” shares for a total subscription amount of US$5.00 million or ₱208.96 million.
- Third party investors for the purchase of 30.00 million Class “A” shares for a total subscription amount of ₱132.00 million.

e. On July 16, 2012, MGL assigned its receivables from the Company amounting to US$7.58 million or ₱320.81 million in exchange for 72.91 million Class “B” shares.

f. On July 20, 2012, the Company and MCGC entered into a Deed of Assignment of Receivables in Exchange for Shares, where receivables of MCGC from the Company amounting to ₱164.09 million were offset as full payment for MCGC’s subscription to 37.29 million Class “A” shares.

g. The BOD and stockholders of the Company approved on May 29, 2013 and July 12, 2013, respectively, the declassification of Class “A” and Class “B” shares to a single class of shares. The amendment in Article VII of the Company’s Articles of Incorporation detailing with the declassification was approved by the SEC on September 20, 2013. The Company adopted the stock symbol “APX”, that was effected on the Exchange’s trading system on, October 24, 2013.

Movement in the APIC is as follows:

	2013	2012
Balance at beginning of year	**₱2,561,661,966**	₱1,665,701,307
APIC from stock issuances during the year	**542,720,617**	924,915,126
Transaction costs of stock issuances	**(6,147,745)**	(28,954,467)
Balance at end of year	**₱3,098,234,838**	₱2,561,661,966

i. On August 27, 2013, the Company received subscriptions from:

- MOREI for the purchase of additional 31.29 million Class “A” shares for a total consideration of ₱87.30 million.
- MGL for the purchase of 62.58 million Class “B” shares for a total consideration of ₱174.60 million.

19. **Basic/Diluted Earnings (Loss) Per Share**

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

Estimation of earnings (loss) per share for the three years ended December 31. 2013, 2012 and 2011 are as follows:

	2013	2012 (As restated)	2011 (As restated)
Net income (loss) shown in the statements of comprehensive income	**(₱870,430,860)**	₱57,092,621	(₱39,254,307)
Weighted average number of common shares for basic earnings (loss) per share	**1,756,172,369**	1,551,228,163	1,330,077,040
Dilutive shares arising from debt-to-equity conversion	**–**	45,918,086	–
Weighted average number of common shares adjusted for diluted earnings (loss) per share	**1,756,172,369**	1,597,146,249	1,330,077,040
Basic earnings (loss) per share	**(₱0.47)**	₱0.04	(₱0.03)
Diluted earnings (loss) per share	**(₱0.47)**	₱0.04	(₱0.03)

20. **Cost of Sales**

	2013	2012 (As Restated)	2011 (As Restated)
Mine and milling costs	**₱760,323,087**	₱489,650,737	₱517,427,219
Depreciation, depletion and amortization (Note 23)	**488,649,547**	350,437,240	352,330,784
Personnel costs (Note 24)	**135,728,733**	113,302,224	109,408,241
Utilities	**114,391,919**	110,281,739	99,223,590
Rent	**75,501,134**	53,939,385	372,774,027
Contracted services	**59,557,733**	4,998,995	8,119,357
Marketing	**17,370,177**	17,322,468	22,623,095
Repairs and maintenance	**639,603**	4,172,954	4,718,968
Others	**53,175,969**	54,270,286	26,365,685
	₱1,705,337,902	₱1,198,376,028	₱1,512,990,966

21. General and Administrative Expenses

	2013	2012 (As Restated)	2011 (As Restated)
Personnel costs (Note 24)	**₱170,252,093**	₱163,718,692	₱128,024,758
Contracted services	**47,431,656**	42,483,854	43,164,337
Rent (Note 28)	**41,272,020**	38,439,472	30,604,307
Materials and supplies	**37,041,444**	35,305,845	49,036,585
Taxes, licenses and permits	**36,806,396**	34,310,395	30,366,235
Excise tax	**34,706,514**	36,285,010	37,475,699
Professional fees	**21,347,411**	16,458,675	29,279,628
Royalties	**17,569,685**	18,173,216	20,652,617
Surface rights	**17,334,908**	18,173,216	25,594,468
Overhead costs	**17,557,758**	2,783,602	28,364
Insurance	**17,052,011**	19,281,252	7,151,799
Representation and entertainment	**13,159,231**	10,367,093	6,780,453
Community development expenses	**12,823,883**	11,389,539	9,583,296
Donations and contributions	**11,058,762**	14,304,783	1,537,552
Depreciation and amortization (Note 23)	**10,342,179**	63,973,169	57,581,067
Employee activities	**5,402,165**	7,345,429	5,420,475
Data and communications	**4,972,151**	4,555,964	4,831,511
Transportation and accommodation	**4,918,792**	6,486,543	7,039,777
Utilities	**2,922,544**	3,061,062	5,116,587
Repairs and maintenance	**690,452**	1,350,889	1,054,170
Others	**22,784,910**	45,370,517	7,507,582
	₱547,446,965	₱593,618,217	₱507,831,267

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

22. Other Income (Charges)

	2013	2012	2011
Foreign exchange gain (loss) - net	**(₱126,099,075)**	₱31,532,844	₱3,476,353
Loss on write - off of:			
Inventory (Note 6)	**(92,417,740)**	–	(96,089)
Input VAT (Note 7)	**(5,427,414)**	–	(72,972,527)
Property, plant and equipment	**–**	(5,446,023)	–
Deferred exploration and mine development cost	**–**	–	(37,196,282)
Intangible assets (Note 11)	**(37,817,999)**		
Loss on disposal of property, plant and equipment	**(3,536,488)**	(6,117,866)	–
Accretion expense (Note 16)	**(888,608)**	(3,571,775)	(4,086,989)
Interest income (Note 4)	**160,227**	2,422,908	356,756
Gain from extinguishment of liability	**–**	–	6,058,789
	(₱266,027,097)	₱18,820,088	(₱104,459,989)

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

23. Depreciation, Depletion and Amortization

	2013	2012	2011
Property, plant and equipment (Note 8)	**₱264,879,701**	₱262,976,647	₱190,249,026
Mine and mining properties (Note 10)	**211,306,947**	124,153,114	215,585,527
Intangible assets (Note 11)	**10,342,179**	12,804,958	4,077,298
Other noncurrent assets (Note 12)	**12,462,899**	14,475,690	
	₱498,991,726	₱414,410,409	₱409,911,851

The amounts were distributed as follows:

	2013	2012	2011
Cost of sales (Note 20)	**₱488,649,547**	₱350,437,240	₱352,330,784
General and administrative expenses (Note 21)	**10,342,179**	63,973,169	57,581,067
	₱498,991,726	₱414,410,409	₱409,911,851

24. Personnel Costs

	2013	2012 (As restated)	2011 (As restated)
Salaries and wages	**₱189,628,851**	₱174,815,763	₱156,307,271
Other employee benefits	**103,575,097**	92,075,929	71,781,973
Retirement benefits cost (Note 15)	**12,776,878**	10,129,224	9,343,755
	₱305,980,826	₱277,020,916	₱237,432,999

The amounts were distributed as follows:

	2013	2012 (As restated)	2011 (As restated)
Cost of sales (Note 20)	**₱135,728,733**	₱113,302,224	₱109,408,241
General and administrative expenses (Note 21)	**170,252,093**	163,718,692	128,024,758
	₱305,980,826	₱277,020,916	₱237,432,999

25. Finance Cost

	2013	2012
Interest on loans payable (Note 17)	**₱70,026,288**	₱–
Net interest cost on retirement benefits (Note 15)	**3,534,289**	2,137,330
Interest – others	**2,033,775**	232,009
	₱75,594,352	₱2,369,339

Interest expense from other entities pertain to the charges made by banks and the availing of the price fixation agreement with Metalor Technologies S.A. subjected to the leasing rates for the number of days of the early pricing.

26. Income Tax

The Company's benefit from income tax in 2013, 2012 and 2011 is presented below. Provision for current income tax in 2013 pertains to the minimum corporate income tax (MCIT).

	2013	2012	2011
Current	**₱2,618,689**	₱–	₱–
Deferred	**(33,753,391)**	(15,314,553)	(49,264,243)
	(31,134,702)	(15,314,553)	(49,264,243)

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

	2013	2012	2011
Benefit from (provision for) income tax computed at statutory income tax rate	**₱257,569,669**	(₱12,533,420)	₱26,555,565
Add (deduct) tax effects of:			
Operating income under ITH	**–**	28,437,597	53,584,080
Benefit from write off of deferred income tax liability from TCGPI	**–**	17,206,365	–
Various nondeductible expenses	**(34,454,393)**	(23,742,689)	(5,779,330)
Expired NOLCO	**(12,877,072)**	(4,252,858)	–
Changes in unrecognized deferred income tax assets	**(205,736,874)**	(1,140,075)	(189,628)
Interest income subjected to final tax	**48,068**	726,872	107,027
Write off of input VAT, deferred exploration and mine development costs, and inventory	**–**	–	(33,079,470)
Capitalized development cost	**–**	–	3,152,305
Realization of revaluation surplus	**12,709,303**	10,612,761	4,913,694
Reversal of unrealized foreign exchange gain	**13,876,001**		
Benefit from income tax	**₱31,134,702**	₱15,314,553	₱49,264,243

Details of deductible temporary differences, unused tax credit and losses as at December 31, 2013 and 2012, for which no deferred income tax assets were recognized in the Company's statement of financial position are as follows:

	2013	2012
NOLCO	**₱531,307,010**	₱153,586,259
Unrealized foreign exchange losses	**130,049,879**	12,201,571
Allowance for impairment losses on:		
Property, plant and equipment	**162,674,211**	162,674,211
Inventory losses and obsolescence	**15,172,593**	15,172,592
Receivables	**2,329,870**	2,329,870
Accrued retirement benefit	**83,730,583**	53,388,056
Provisions for mine rehabilitation and decommissioning	**47,806,902**	31,519,777
	₱973,071,048	₱430,872,336

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

The Company's deferred income tax liabilities as at December 31, 2013 and 2012 are as follows:

	2013	2012
Revaluation surplus on property, plant and equipment	**₱4,016,232**	₱23,893,622
Unrealized foreign exchange gain	–	13,876,001
	₱4,016,232	₱37,769,623

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

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

Year Incurred	Expiration	2013	2012
2013	2016	**₱520,799,326**	₱–
2011	2014	**10,507,684**	10,507,684
2010	2013	**–**	143,078,575
		₱531,307,010	₱153,586,259

The movements of NOLCO are as follows:

	2013	2012
Balances at beginning of year	**₱153,586,259**	₱167,762,451
Additions	**520,799,326**	–
Expirations	**(143,078,575)**	(14,176,192)
Balances at end of year	**₱531,307,010**	₱153,586,259

The Company did not avail of the Optional Standard Deduction in 2013 and 2012.

27. Financial Risk Management Objectives and Policies and Capital Management

Financial Risk Management Objectives and Policies

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

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

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

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

The maximum exposure to credit risk of the Company's financial assets (cash in banks, cash equivalents, trade receivables, other receivables, and advances to a related party), without taking into account any collateral and other credit enhancements, as at December 31, 2013 and 2012.

Aging analysis of the Company's financial assets classified as loans and receivables as at December 31, 2013 and 2012 are as follows:

	December 31, 2013				
		Neither past due	**Past due but not impaired**		
	Total	**nor impaired**	**1-30 Days**	**31-60 Days**	**Over 60 Days**
Cash and cash equivalents					
Cash in banks	**₱31,861,811**	**₱31,861,811**	**₱–**	**₱–**	**₱–**
Receivables					
Trade receivables	**66,353,805**	**66,353,805**	**–**	**–**	**–**
Others	**554,082**	**554,082**	**201,322**	**51,878**	**300,882**
Advances to a related party	**486,992**	**486,992**	**–**	**–**	**–**
	₱99,256,690	**₱99,256,690**	**₱201,322**	**₱51,878**	**₱300,882**

	December 31, 2012				
		Neither past due	Past due but not impaired		
	Total	nor impaired	1-30 Days	31-60 Days	Over 60 Days
Cash and cash equivalents					
Cash in banks	₱10,373,056	₱10,373,056	₱–	₱–	₱–
Cash equivalents	40,000,000	40,000,000	–	–	–
Receivables					
Trade receivables	370,090,931	370,090,931	–	–	–
Others	570,810	27,814	23,907	40,960	478,129
Advances to a related party	34,738,559	34,738,559	–	–	–
	₱455,773,356	₱455,230,360	₱23,907	₱40,960	₱478,129

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

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

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

Liquidity Risk

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

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

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments and financial assets used to manage liquidity risk as at December 31, 2013 and 2012.

2013	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	**₱110,951,996**	**₱190,277,210**	**₱462,375,257**	**₱–**	**₱763,604,463**
Accrued expenses	**–**	**102,098,858**	**–**	**–**	**102,098,858**
Payable to employees	**–**	**–**	**15,894,180**	**–**	**15,894,180**
Retentions	**–**	**–**	**17,114,451**	**–**	**17,114,451**
Advances from stockholders and related parties	**483,830,181**	**–**	**–**	**–**	**483,830,181**
Loans Payable	**–**	**–**	**870,211,544**	**7,191,183**	**877,402,727**
	₱594,782,177	**₱292,376,068**	**₱1,365,595,432**	**₱7,191,183**	**₱2,259,944,860**

2013	On demand	Less than three months	Three to 12 months	Total
Cash and cash equivalents				
Cash in banks	**₱31,861,811**	**₱–**	**₱–**	**₱31,861,811**
Cash equivalents	**–**	**–**	**–**	**–**
Receivables				
Trade receivables	**66,353,805**	**–**	**–**	**66,353,805**
Others	**–**	**554,082**	**–**	**554,082**
Advances to a related party	**486,992**	**–**	**–**	**486,992**
	₱98,702,608	**₱554,082**	**₱–**	**₱99,256,690**

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

2012	On demand	Less than three months	Three to 12 months	Total
Cash and cash equivalents				
Cash in banks	₱10,373,056	₱–	₱–	₱10,373,056
Cash equivalents	–	40,000,000	–	40,000,000
Receivables				
Trade receivables	370,090,931	–	–	370,090,931
Others	–	570,810	–	570,810
Advances to a related party	34,738,559	–	–	34,738,559
	₱415,202,546	₱40,570,810	₱–	₱455,773,356

Foreign Currency Risk

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

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

The Company's foreign currency-denominated financial instruments as at December 31, 2013 and 2012 are as follows:

	2013		2012	
	US$	**Php**	US$	Php
Financial Assets				
Cash	**$136,804**	**₱6,073,414**	$128,130	₱5,259,737
Trade receivables	**5,647,867**	**250,737,040**	9,015,613	370,090,931
Advances to a related party	**–**	**–**	846,250	34,738,559
	$5,784,671	**256,810,454**	9,989,993	410,089,227
Financial Liability				
Trade payables	**15,851,948**	**703,747,231**	–	–
Advances from stockholders and affiliates	**8,896,546**	**395,006,642**	16,275,041	668,090,429
Loans payable	**19,473,007**	**870,290,148**	–	–
	44,221,501	**1,969,044,021**	16,275,041	668,090,429
Net asset (liability)	**($38,436,830)**	**(₱1,712,233,567)**	$6,285,048	₱258,001,202

As at December 31, 2013 and 2012, the exchange rate of the Philippine peso to US$1.00 was ₱44.395 and ₱41.05, respectively.

The sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's income (loss) before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2013 and 2012 are as follows:

		Change in foreign exchange rates	Effect in income (loss) before tax
US$	**2013**	**0.83**	**(₱33,578,744)**
		-0.33	**13,178,363**
	2012	+0.22	3,548,006
		-0.50	(8,273,759)

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

Commodity Price Risk
The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces.

The Company's policy is to maintain the risk to an acceptable level. Movement in metal price is monitored regularly to determine the impact on its statements of financial position.

Since the amount of gold and silver inventory subject to commodity price risk is immaterial relative to the financial statements, management opted not to disclose commodity price risk sensitivity analysis for 2013 and 2012.

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payments to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

The Company considers the following as its core economic capital:

	2013	2012 (As Restated)
Capital stock	**₱1,868,639,664**	₱1,664,565,290
APIC	**3,098,234,838**	2,561,661,966
Deficit	**(2,670,276,225)**	(1,885,209,707)
	2,296,598,277	2,341,017,549
Advances from stockholders and related parties	**483,830,181**	837,215,067
	₱2,780,428,458	₱3,178,232,616

The Company has no externally imposed capital requirements.

28. Financial Instruments

Fair Value Information and Categories of Financial Instruments

Set out below is a comparison of the carrying value and fair value of the Company's noncurrent loans payable as at December 31, 2013 and 2012.

	Carrying Values		Fair Values	
	2013	2012	**2013**	2012
Other Financial Liability				
Loans payable - noncurrent	**₱7,199,381**	₱–	**₱6,091,166**	₱–

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

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

29. Significant Agreements and Contingencies

Contingencies

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

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

On December 28, 2009, the Company filed a "Motion for reconsideration" which was acknowledged by MAB on September 14, 2010. As at December 31, 2013 and December 31, 2012, the Company and NDMC are still currently engaged in settlement negotiations.

Operating Leases
The Company entered into several lease agreements covering various machinery and equipment used in the mining operations. Total rent expense recognized on these lease agreements amounted to ₱116.77 million, ₱92.38 million and ₱403,38 million in 2013, 2012 and 2011, respectively.

Agreements
On June 16, 2004, the Company together with the Indigenous Cultural Communities (ICC) of Maco , Compostela Valley and the National Commission on Indigenous Peoples (NCIP) entered into an agreement pursuant to Republic Act (R.A.) 8371 and its implementing rules. The agreement calls for the compliance of the Company with regard to providing scholarships, health and welfare programs, payment of surface rights and royalties to the ICCs. The payment of surface rights is at 1% percent of the gross production of the Company derived from mining activities within the area of claims. The royalty is based on 1% of the gross income wherein 30% is to be deposited in the account of the ICCs for the funding of the agreed programs.

30. Operating Segments

The Company has only one operating segment which is the mining business. There is no geographical segment since its business is located in the Philippines.

31. Supplemental Disclosure to Consolidated Statements of Cash Flows

The Company had the following non-cash transactions investing and financing activities in 2013, 2012 and 2011 which were considered in the preparation of the statements of cash flows as follows:

	2013	2012	2011
Debt-to-equity conversion	**₱503,490,971**	–	₱–
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation cost	**6,934,378**	502,711	(457,810)
Addition (reduction) to mine and mining properties pertaining to capitalized mine rehabilitation cost	**–**	11,904,004	(17,114,128)

32. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

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

The Company reported and/or paid the following types of taxes in 2013:

a. Output VAT
The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. In accordance with R.A. 9337, the Company's sales are subject to zero-rated output VAT. In 2013, the Company declared zero-rated VAT sales, which arise from one hundred percent (100%) export sales of gold and silver bullion, amounting to ₱1,735,840,754, pursuant to BOI certification received by the Company as a new producer of gold, silver bullion, copper concentrates with gold, silver, zinc and lead values on a non-pioneer status.

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

Balance at January 1, 2013	₱63,574,217
Add current year's domestic purchases/payments for:	
Capital goods subject to amortization	17,066,434
Goods and services	14,893,514
Less 2010 TCC claimed	42,692,337
Write-off disapproved Input VAT claim – CY2010	5,427,413
Balance at December 31, 2013	47,414,415

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, 2013 follows:

Landed cost of imports	₱714,187,374
Amount paid for customs duties and tariff fees	16,423,623
	₱697,763,751

d. Excise tax
Excise taxes for the year ended December 31, 2013 resulting from the sales of gold and silver amounted to ₱34,706,514. There were no accruals of excise tax payable as at December 31, 2013.

e. Documentary stamp tax
Documentary stamp taxes paid for the year ended December 31, 2013 pertaining to the issuance of additional Company shares of stocks certificates amounted to ₱1,830,288.

f. Other taxes and licenses
All other local and national taxes paid for the year ended December 31, 2013 consist of:

Municipal taxes	₱19,024,251
Registration fees	3,761,455
Customs Duties	3,162,833
Real property tax	2,169,297
Documentary Stamp Tax	1,830,288
Mayor's permit	1,614,891
Occupation Tax	140,625
Community tax	21,000
Others	5,081,756
	₱36,806,396

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

g. Withholding taxes
Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2013 consist of:

	Paid	Accrued	Total
Expanded withholding tax	₱18,071,120	₱2,352,428	₱20,423,548
Withholding tax on compensation	26,215,653	6,839,795	33,055,448
Final withholding tax	5,413,078	622,170	6,035,248
Withholding tax on Interest Income	5,690	–	5,690
	₱49,705,541	₱9,814,393	₱59,519,934

h. Other
There were no deficiency tax assessments, tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at December 31, 2013.

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Apex Mining Co., Inc. as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 and have issued our report thereon dated April 11, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with Securities and Regulations Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until March 20, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225164, January 2, 2014, Makati City

April 11, 2014

SCHEDULE F

APEX MINING CO., INC.
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2013

Name of Related Party	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2013

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

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		(₱1,927,993,709)*
Add: Net income actually earned/realized during the period		
Net loss during the period closed to Retained Earnings	(₱827,430,860)	
Less: Non-actual/unrealized income net of tax	–	
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	(827,430,860)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	42,364,342	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	42,364,342	
Net loss actually incurred during the period	(785,066,518)	
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	(678,617)	
Treasury shares	–	
Subtotal	(₱678,617)	(785,745,135)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		₱–†

**Refer to the next page for the related computation.*
†Amount is zero since the reconciliation results to a deficit

*Computed as follows:

Retained earnings as of December 31, 2012, as reflected in audited financial statements	(₱1,885,888,324)
Unrealized foreign exchange gain – net	(42,105,385)
Total	(₱1,927,993,709)

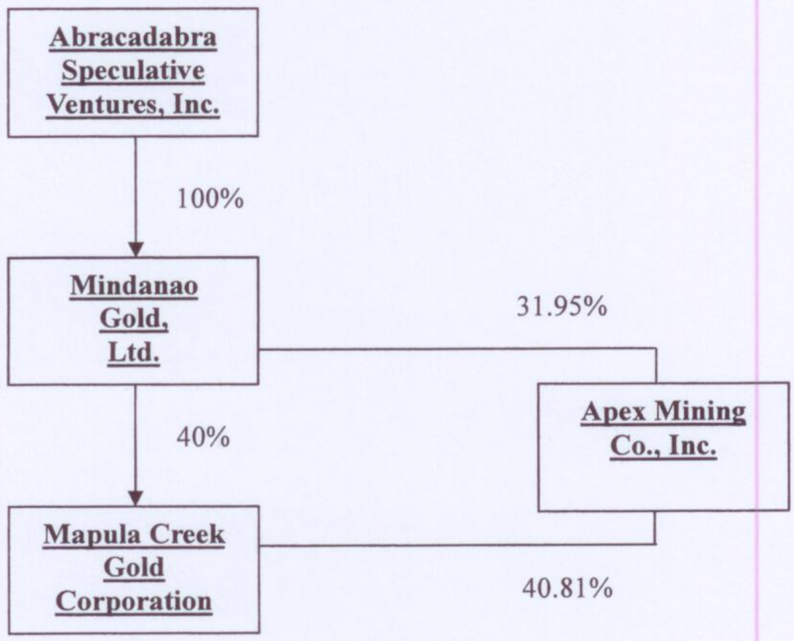
SCHEDULE II

APEX MINING CO., INC.

FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

	2013	2012 (As restated)
Profitability Ratios:		
Return on assets	**(17.03%)**	1.41%
Return on equity	**(36.20%)**	2.39%
Gross profit margin	**1.76%**	34.06%
Net profit margin	**(47.67%)**	3.14%
Liquidity and Solvency Ratios:		
Current ratio	**0.36:1**	0.96:1
Quick ratio	**0.14:3**	0.46:1
Financial Leverage Ratios:		
Asset to equity ratio	**2.12:1**	1.69:1
Debt to equity ratio	**1.12:1**	0.69:1

SCHEDULE III
APEX MINING CO., INC.
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2013



SCHEDULE IV
APEX MINING CO., INC.
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2013

I. List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as at December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
SIC-32	Intangible Assets - Web Site Costs			✓

SCHEDULE A

APEX MINING CO., INC.
FINANCIAL ASSETS
DECEMBER 31, 2013

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued

NOT APPLICABLE

SCHEDULE B

APEX MINING CO., INC.
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2013

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written off	Current	Not Current	Balance at end period

NOT APPLICABLE

SCHEDULE C

APEX MINING CO., INC.
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2013

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written off	Current	Not Current	Balance at end period

NOT APPLICABLE

SCHEDULE D

APEX MINING CO., INC.
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2013

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Mine Development Costs	₱489,091,293	₱486,896,802	₱–	(₱128,811,334)	₱–	₱847,176,761
Intangible Assets	20,898,252	38,438,970	(10,342,179)		(37,817,999)	11,177,044

SCHEDULE E

APEX MINING CO., INC.
LONG-TERM DEBT
DECEMBER 31, 2013

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
Hong Kong Shanghai Banking Corporation. – *Local bank loans*	–	₱331,585,004	₱–
Atlas Copco Rock Drills - *Local bank loans*	–	238,624,237	–
Sandvik Mining and Construction - *Local bank loans*	–	294,294,907	–
Planters Bank - *Local bank loans*	–	5,707,396	7,191,183

APEX MINING CO., INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2013

SCHEDULE G

APEX MINING CO., INC.
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2013

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SCHEDULE H

APEX MINING CO., INC.
CAPITAL STOCK
DECEMBER 31, 2013

The Company's authorized share capital is ₱2.8 billion divided into 2.8 billion shares at ₱1.0 par value each. As at December 31, 2013, total shares issued and outstanding is 1,868,639,664 held by 2,801 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common Stock	2,800,000,000	1,868,639,664	–	1,584,173,478	5,000	284,461,186

APEX MINING CO., INC.
ANNUAL AUDITED FINANCIAL REPORT
TABLE OF CONTENTS
DECEMBER 31, 2013

(Forward)